

CIMB FTSE ASEAN 40 MALAYSIA

UNAUDITED QUARTERLY REPORT

FOR THE FINANCIAL PERIOD FROM 1 JULY 2017 TO 30 SEPTEMBER 2017

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INVESTORS' LETTER

Dear Valued Investors,

Thank you for your continued support and for the confidence that you have placed in us. We are pleased to share that CIMB-Principal Asset Management Berhad ("CIMB-Principal") Malaysia concluded the first half of 2017 with RM48 billion in Asset Under Management ("AUM") and CIMB-Principal's Group AUM has increased by 14% to RM63 billion, for 1-year period ending 30 June 2017. Our AUM for Private Retirement Schemes ("PRS") business has increased by 25% year-on-year ("y-o-y") to RM388 million as at 30 June 2017.

We continue to achieve prestigious recognitions from The Edge | Thomson Reuters Lipper Fund Awards:

The Edge| Thomson Reuters Lipper Malaysia Fund Awards 2017

- Best Equity Global, 3 years & 5 years : CIMB-Principal Global Titans Fund
- Best Equity Asia Pacific Ex-Japan, 5 years : CIMB-Principal Asian Equity Fund
- Best Equity Asia Pacific Ex-Japan - Malaysia Islamic, 5 years : CIMB Islamic Asia Pacific Equity Fund

Thomson Reuters Lipper Fund Award Global Islamic 2017

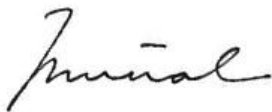
- Best Equity Asia Pacific Ex-Japan (Islamic), Best Fund over 5 years : CIMB Islamic Asia Pacific Equity Fund

These awards reflect our consistent fund performance, in tandem with our commitment to provide the best customer experience to you.

CIMB-Principal was also awarded **Fund House of the Year in Malaysia** by AsianInvestor for the Asset Management Awards 2017, its second consecutive win and The Employees' Provident Fund ("EPF") External Portfolio Managers Awards 2017 for the **Best Global Bond Portfolio Manager**. These industry recognitions reflect our success in scaling up our investment capabilities while building a solid track record and earning the trust of our clients over time.

Thank you.

Yours faithfully,
for **CIMB-Principal Asset Management Berhad**



Munirah Khairuddin
Chief Executive Officer/Executive Director

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 Financial Times Stock Exchange ("FTSE")/Association of Southeast Asian Nations ("ASEAN") 40 Index (the "Underlying Index"), regardless of its performance.

Has the Fund achieved its objective?

For the financial period under review, the Fund has met its objective to closely correspond to the performance of its Underlying Fund and Underlying Benchmark Index.

What are the Fund investment policy and principal investment strategy?

The Fund is a feeder Exchange-Traded Fund ("ETF") listed on the main market of Bursa Malaysia Securities Bhd which aims to invest at least 95% of its Net Asset Value ("NAV") in 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 three (3) to five (5) years

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

High

When was the Fund launched?

9 July 2010*

* Listing date

What was the size of the Fund as at 30 September 2017?

RM5.08 million (2.70 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 2017 to 30 September 2017?

There was no distribution made for the financial period from 1 July 2017 to 30 September 2017.

PERFORMANCE DATA

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

	30.09.2017	30.09.2016	30.09.2015
	%	%	%
Collective investment scheme	90.52	99.87	97.26
Cash and other net assets	9.48	0.13	2.74
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	30.09.2017	30.09.2016	30.09.2015
Total asset value (RM Million)	7.14	2.38	2.24
NAV (RM Million)	5.08	2.34	2.20
Units in circulation (Million)	2.70	1.35	1.35
NAV per Unit (RM)	1.8812	1.7307	1.6276
	01.07.2017	01.07.2016	01.07.2015
	to	to	to
	30.09.2017	30.09.2016	30.09.2015
Highest NAV per Unit (RM)	1.9032	1.7459	1.7518
Lowest NAV per Unit (RM)	1.8662	1.6269	1.6109
Market Price per Unit (RM)	2.1900	1.7500	1.6600
Highest Market Price per Unit (RM)	2.2100	1.7500	1.7550
Lowest Market Price per Unit (RM)	1.7900	1.6050	1.6300
Total return (%) ^	0.43	5.36	(6.49)
- Capital growth (%)	0.43	5.36	(6.49)
- Income distribution (%)	-	-	-
Management Expense Ratio ("MER") (%) *	0.51	0.50	0.48
Portfolio Turnover Ratio ("PTR") (times) #	0.39	-	-

^ based on NAV per unit

* The Fund's MER increased from 0.50% to 0.51% due to increase in other expenses during the financial period.

The Fund's PTR stood at 0.39 times as there were some rebalancing activities due to unit creations.

	30.09.2017	30.09.2016	30.09.2015	30.09.2014	30.09.2013
	%	%	%	%	%
Annual total return	12.94	10.57	(3.36)	7.36	5.92

(Listing date : 9 July 2010)

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 have been extracted from Lipper.

MARKET REVIEW (1 JULY 2017 TO 30 SEPTEMBER 2017)

In the third quarter of 2017, the FTSE ASEAN 40 Index (the “Index”) rose by 0.87% in Malaysian Ringgit terms (“MYR”), against a supportive backdrop of steady global growth and modest inflation. Thailand and the Philippines outperformed, while the underperformance was led by Indonesia, Malaysia and Singapore. Thailand led the ASEAN markets on the hope that consumption would recover in the second half of 2017.

The Index rallied by 1.71% in MYR terms for the first month of third quarter of 2017. Outperformers were Singapore (+4.66%), Philippines (+2.30%) and Thailand (+2.26%), whilst Indonesia (-0.67%) and Malaysia (-0.64%) underperformed. Consumption has recovered. However, there was a disconnect between high-end and low-end consumption. The former continued to surprise on the upside as shown by the hospitality sector in Thailand, high-end retailers in Indonesia, and the strong pent-up demand for Singapore properties. Hospitality names and selected high-end retailers benefited from rising tourism activities in the ASEAN region.

In August 2017, the Index fell by 0.57% in MYR terms as markets entered a seasonally lull period. In addition, the ongoing spat between North Korea and the US further dampened sentiment. However, there were some bright spots such as healthcare providers in Thailand, property developers in Singapore and petrochemical companies in Malaysia and Thailand. Healthcare providers in Thailand started to see some recovery driven by locals, as well as medical tourism. Resilient demand and the abrupt shutdown of plants in the US caused by Typhoon Harvey supported the petrochemical spread, which helped to propel the Thailand market to outperform the region in August 2017.

In September 2017, the Index reversed into a loss by 0.26% in MYR terms, due to the weaker US Dollar (“USD”) against the MYR during the month of September 2017. In USD terms, the Index had actually risen by 0.87% during the same period. The Philippines stock market was the stand outperformer within the region for the month of September 2017. The Philippines market was excited by the Senate’s passing of the hearing on tax reform which increased the income for lower-end consumers. Market expected it to be passed by the fourth quarter of 2017.

FUND PERFORMANCE

	3 months	6 months	1 year	3 years	5 years	Since
	to	to	to	to	to	inception
	30.09.2017	30.09.2017	30.09.2017	30.09.2017	30.09.2017	30.09.2017
	%	%	%	%	%	%
Income	-	3.98	3.98	12.11	17.73	21.80
Capital ^	0.43	(1.04)	8.61	7.80	16.74	35.66
Total Return ^	0.43	2.83	12.94	20.68	37.22	64.98
Average Total Return ^	N/A	N/A	12.94	6.46	6.53	7.17
Underlying Fund ^^	1.21	0.36	11.51	14.83	23.67	45.56
Benchmark						
(Underlying Index)	0.87	3.23	14.62	21.59	33.08	58.13
Changes in Market						
Price per Unit	14.96	14.66	25.14	25.50	36.02	50.52

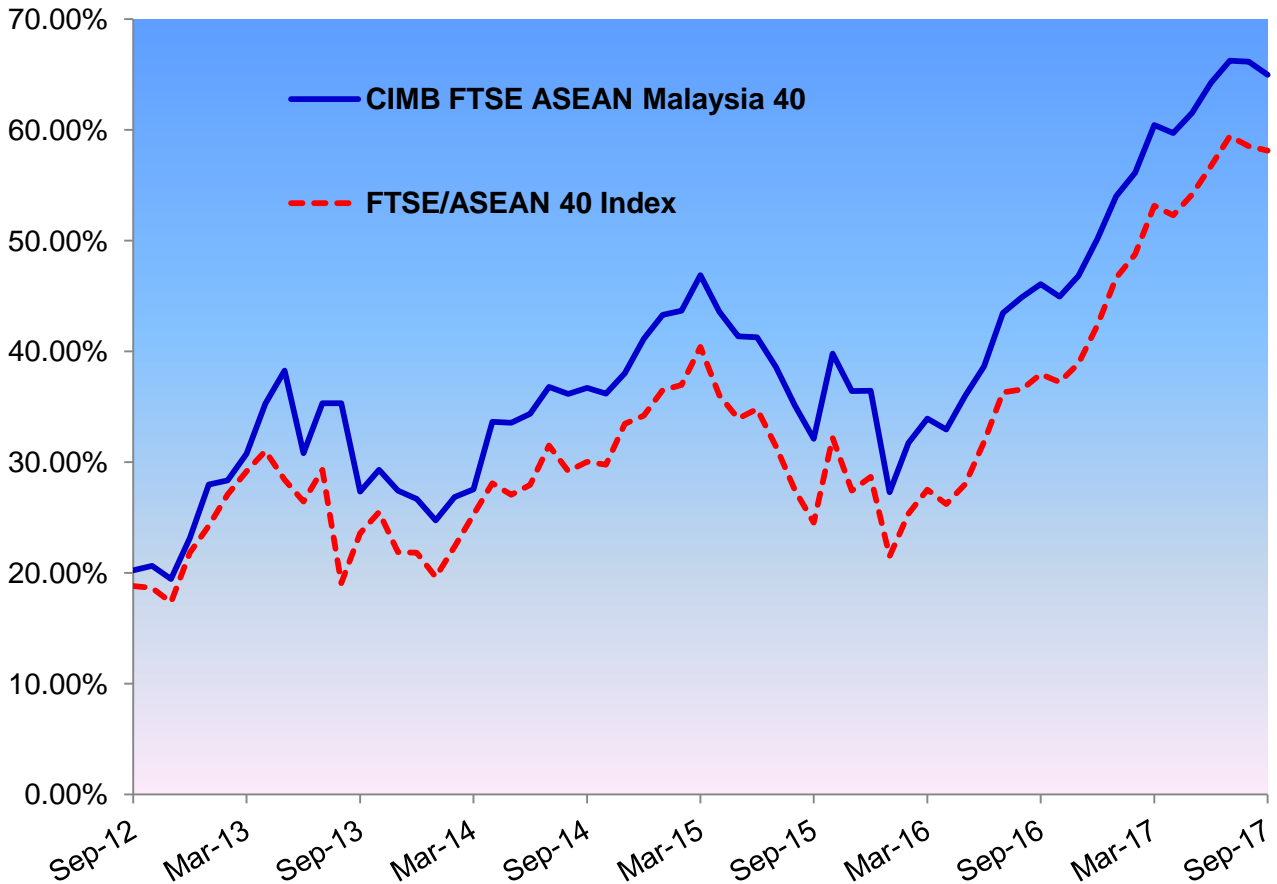
^ Based on NAV per Unit

^^ Based on Last Published Market Price

For the financial period under review, the Fund's total return was 0.43%, while the Singapore Fund's total return was 1.21%. Meanwhile, the Underlying Index total return was 0.87%.

The last available published market price of the Fund quoted on Bursa Malaysia was RM2.19. This represents a positive change of 14.96% for the same reporting period.

FUND PERFORMANCE (CONTINUED)



Changes in NAV

	30.09.2017	30.09.2016	Changes
			%
NAV (RM Million)	5.08	2.34	117.09
NAV per Unit (RM)	1.8812	1.7307	8.70

For the 1-year period, total NAV gained by 117.09%, while the NAV per unit gained by 8.70%. The gains in the total NAV and NAV per unit were due to creation and investment performance of the combined ASEAN markets over the 1-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 for the financial period have been extracted from Lipper.

PORTFOLIO STRUCTURE**Asset allocation**

(% of NAV)	30.09.2017	30.09.2016
Collective investment scheme	90.52	99.87
Cash and other net assets	9.48	0.13
TOTAL	100.00	100.00

The Fund remained fully invested in the Singapore Fund for the financial period under review. A minimal level of liquid assets was maintained primarily for liquidity purposes. The cash exposure rose to 9.48% due to creation.

MARKET OUTLOOK*

We remain constructive on ASEAN markets over the longer term given its strong demographics, foreign direct investments momentum and its “defensiveness” versus other global markets. The other major factor is the growing local market liquidity that will continue to support both equity and bond markets in this region.

In the near term, the key external risk to monitor is USD strength, due to the US Federal Reserve (the “Fed”) balance sheet normalisation, rising market expectation of another Fed rate hike in December 2017 and the renewed hope for the US tax reform.

*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 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 2017 are as follows:

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
Less than 100	13	0.00	0.00
100 to 1,000	28	0.02	0.74
1,001 to 10,000	46	0.18	6.67
10,001 to 100,000	15	0.38	14.07
100,001 to less than 5% of approved fund size	-	-	-
5% and above the approved fund size	3	2.12	78.52
Total	105	2.70	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 2017 TO 30 SEPTEMBER 2017**

	Note	01.07.2017 to 30.09.2017 RM	01.07.2016 to 30.09.2016 RM
INVESTMENT INCOME			
Net gain on financial assets at fair value through profit or loss	7	25,828	129,540
Net foreign exchange (loss)/gain		(6,646)	845
		<u>19,182</u>	<u>130,385</u>
EXPENSES			
Trustee's fee	5	3,025	3,025
Audit fee		6,381	6,755
Tax agent's fee		1,008	1,159
Other expenses		2,964	491
		<u>13,378</u>	<u>11,430</u>
PROFIT BEFORE TAXATION		5,804	118,955
Taxation	6	-	-
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u>5,804</u>	<u>118,955</u>
Profit after taxation is made up as follows:			
Realised amount		(20,024)	(10,585)
Unrealised amount		25,828	129,540
		<u>5,804</u>	<u>118,955</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 2017**

		30.09.2017	30.06.2017
	Note	RM	Audited RM
ASSETS			
Cash and cash equivalents	8	2,540,916	109,516
Financial assets at fair value through profit or loss	7	4,597,847	2,553,072
TOTAL ASSETS		<u>7,138,763</u>	<u>2,662,588</u>
LIABILITIES			
Amount due to Target Fund Manager		2,018,947	-
Amount due to Trustee		1,020	1,020
Distribution payable		-	99,765
Other payables and accruals	9	39,349	33,450
TOTAL LIABILITIES		<u>2,059,316</u>	<u>134,235</u>
NET ASSET VALUE OF THE FUND		<u>5,079,447</u>	<u>2,528,353</u>
EQUITY			
Unit holders' capital		3,857,355	1,312,065
Retained earnings		1,222,092	1,216,288
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>5,079,447</u>	<u>2,528,353</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	<u>2,700,000</u>	<u>1,350,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.8812</u>	<u>1.8728</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 2017 TO 30 SEPTEMBER 2017**

	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 July 2017	1,312,065	1,216,288	2,528,353
Creation of units	2,545,290	-	2,545,290
Total comprehensive income for the financial period	-	5,804	5,804
Balance as at 30 September 2017	<u>3,857,355</u>	<u>1,222,092</u>	<u>5,079,447</u>
Balance as at 1 July 2016	1,312,065	905,478	2,217,543
Total comprehensive income for the financial period	-	118,955	118,955
Balance as at 30 September 2016	<u>1,312,065</u>	<u>1,024,433</u>	<u>2,336,498</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 2017 TO 30 SEPTEMBER 2017**

	01.07.2017 to 30.09.2017 RM	01.07.2016 to 30.09.2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Trustee's fee paid	(3,025)	(3,022)
Payments for other fees and expenses	(4,454)	(491)
Net realised foreign exchange (loss)/gain	(6,646)	845
Net cash used in operating activities	<u>(14,125)</u>	<u>(2,668)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash proceeds from units created	2,545,290	-
Distribution paid	(99,765)	-
Net cash generated from operating activities	<u>2,445,525</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	2,431,400	(2,668)
Cash and cash equivalents at the beginning of the financial period	109,516	47,542
Cash and cash equivalents at the end of the financial period	10 <u>2,540,916</u>	<u>44,874</u>
<u>Cash and cash equivalents comprised of:</u>		
Bank balances	<u>2,540,916</u>	<u>44,874</u>
Cash and cash equivalents at the end of the financial period	10 <u>2,540,916</u>	<u>44,874</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 2017 TO 30 SEPTEMBER 2017****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 Berhad (the “Trustee”).

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 are subjected to the Securities Commission Malaysia (“SC”) Guidelines on 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 period.

It also requires the Manager to exercise their judgment in the process of applying the Fund’s accounting policies. Although these estimates and assumptions are based on the Manager’s best knowledge of current events and actions, actual results may differ.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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).

Standards, amendments to published standards and interpretations to existing standards that are effective:

The Fund has applied the following amendments for the first time for the financial year beginning 1 July 2017:

- Amendments to MFRS 107 “Statement of Cash Flows – Disclosure Initiative” (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.

The adoption of this amendment did not have any impact on the current financial period or any prior financial period and is not likely to affect future financial periods.

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) Financial year beginning on/after 1 July 2018

- MFRS 15 “Revenue from Contracts with Customers” (effective from 1 January 2018) replaces MFRS 118 “Revenue” and MFRS 111 “Construction Contracts” and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) Financial year beginning on/after 1 July 2018 (continued)

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
 - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
 - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
 - There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
 - As with any new standard, there are also increased disclosures.
- MFRS 9 “Financial Instruments” (effective from 1 January 2018) will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through Other Comprehensive Income (“OCI”). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. 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 OCI rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment—that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Fund will apply these standards when effective. These standards are 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 Target Fund Manager, amount due to Trustee, distribution payable, and 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.

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.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Impairment for assets carried at amortised costs

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 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 financial 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.

(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.

Due to mixed factors in determining the functional currency of the Fund, the Manager has used its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have determined the functional currency to be in MYR primarily due to the following factors:

- i) Units of the Funds are denominated in MYR.
- ii) Significant portion of the Fund's expenses are denominated in MYR.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income.

(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 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 criteria to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's NAV;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial period if unit holder exercises the right to put the unit back to the Fund.

Units are created and cancelled 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 judgment 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.

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

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The investment objective of the Fund is to provide investment results that, before expenses, closely correspond to the performance of the FTSE/ASEAN 40 Index, regardless of its performance.

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

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

(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.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(a) Market risk (continued)****(ii) Currency risk**

Currency risk is associated with investments that are quoted and/or priced in foreign currency denomination. 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. For the amount due from manager, the settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Guidelines on 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 balances, which are capable of being converted into cash within 7 business days. 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.

(d) Capital Risk Management

The capital of the fund is represented by equity consisting of unit holders' capital of RM3,857,355 (30.09.2016: RM1,312,065) and retained earnings of RM1,222,092 (30.09.2016: RM1,024,433). The amount of capital 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 to 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.

(e) Fair value estimation

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

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(e) Fair value estimation (continued)****(i) Fair value hierarchy**

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

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

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

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.

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.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
30.09.2017				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	<u>4,597,847</u>	<u>-</u>	<u>-</u>	<u>4,597,847</u>
 30.06.2017				
Audited				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	<u>2,553,072</u>	<u>-</u>	<u>-</u>	<u>2,553,072</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 RM12,000 per annum, excluding foreign sub-custodian fees and charges.

For the financial period ended 30 September 2017, the Trustee's fee is recognised at a rate of 0.08% per annum (30.09.2016: 0.08% per annum).

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

6. TAXATION

	01.07.2017 to 30.09.2017	01.07.2016 to 30.09.2016
	RM	RM
Tax charged for the financial period:		
- Current taxation	-	-

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

	01.07.2017 to 30.09.2017	01.07.2016 to 30.09.2016
	RM	RM
Profit before taxation	5,804	118,955
Taxation at Malaysian statutory rate of 24% (30.09.2016: 24%)	1,393	28,549
Tax effects of:		
Investment income not subject to tax	(4,603)	(31,292)
Expenses not deductible for tax purposes	1,670	1,284
Restriction on tax deductible expenses for ETFs	1,540	1,459
Taxation	-	-

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.09.2017	30.06.2017
	RM	Audited RM
Designated at fair value through profit or loss at inception:		
- Collective investment scheme	<u>4,597,847</u>	<u>2,553,072</u>
	01.07.2017 to 30.09.2017	01.07.2016 to 30.09.2016
	RM	RM
Net gain on financial assets at fair value through profit or loss:		
- Unrealised fair value gain	<u>25,828</u>	<u>129,540</u>

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
30.09.2017 COLLECTIVE INVESTMENT SCHEME				
SINGAPORE				
CIMB FTSE ASEAN 40	<u>114,300</u>	<u>3,972,692</u>	<u>4,597,847</u>	<u>90.52</u>
TOTAL COLLECTIVE INVESTMENT SCHEME	<u>114,300</u>	<u>3,972,692</u>	<u>4,597,847</u>	<u>90.52</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>625,155</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>4,597,847</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 %
30.06.2017				
Audited				
COLLECTIVE INVESTMENT SCHEME				
SINGAPORE				
CIMB FTSE ASEAN 40	<u>64,300</u>	<u>1,953,745</u>	<u>2,553,072</u>	<u>100.96</u>
TOTAL COLLECTIVE INVESTMENT SCHEME	<u>64,300</u>	<u>1,953,745</u>	<u>2,553,072</u>	<u>100.96</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>599,327</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>2,553,702</u>		

8. CASH AND CASH EQUIVALENTS

	30.09.2017 RM	30.06.2017 Audited RM
Bank balances	<u>2,540,916</u>	<u>109,516</u>

9. OTHER PAYABLES AND ACCRUALS

	30.09.2017 RM	30.06.2017 Audited RM
Provision for audit fee	33,681	27,300
Provision for tax agent's fee	5,608	4,600
Other accruals	<u>60</u>	<u>1,550</u>
	<u>39,349</u>	<u>33,450</u>

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	01.07.2017 to 30.09.2017	01.07.2016 to 30.06.2017 Audited
	No of units	No of units
At the beginning of the financial period/year	1,350,000	1,350,000
Add: Creation of units from applications	1,350,000	-
At the end of the financial period/year	<u>2,700,000</u>	<u>1,350,000</u>

11. MANAGEMENT EXPENSE RATIO ("MER")

	01.07.2017 to 30.09.2017 %	01.07.2016 to 30.09.2016 %
MER	<u>0.51</u>	<u>0.50</u>

MER is derived from the following calculation:

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

A = Trustee's fee

B = Audit fee

C = Tax agent's fee

D = Other expenses

E = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial period calculated on a daily basis is RM2,600,763 (30.09.2016: RM2,292,701).

12. PORTFOLIO TURNOVER RATIO ("PTR")

	01.07.2017 to 30.09.2017	01.07.2016 to 30.09.2016
PTR (times)	<u>0.39</u>	<u>-</u>

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 = RM2,018,947 (30.09.2016: Nil)

total disposal for the financial period = Nil (30.09.2016: Nil)

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

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

<u>Related parties</u>	<u>Relationship</u>
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

Units held by the Manager and parties related to the Manager

There were no units held by the Manager, Directors and parties related to the Manager as at the end of each financial period/year.

Significant related party transactions

There were no other significant related party transactions during each of the financial period.

Significant related party balances

	30.09.2017	30.06.2017
	RM	Audited RM
Investment in collective investment scheme:		
- CIMB FTSE ASEAN 40	<u>4,597,847</u>	<u>2,553,072</u>

14. 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 investment objective of the Fund is to provide investment results that, before expenses, closely correspond to the performance of the FTSE/ASEAN 40 Index, regardless of its performance. 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 gains on the appreciation in the value of investments, which is derived from an ETF listed on the SGX-ST, Singapore.

The Fund has a diversified unit holder population. However, as at 30 September 2017, there was no unit holder who held more than 10% of the Fund's NAV. As at 30 June 2017, there was 1 unit holder who held more than 10% of the Fund's NAV. The unit holder's holding were 12.49%.

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

15. 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.

	30.09.2017	30.06.2017
	RM	Audited RM
Total accumulated retained earnings of the Fund:		
- Realised	596,937	555,367
- Unrealised	625,155	660,921
	<u>1,222,092</u>	<u>1,216,288</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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