

CIMB FTSE ASEAN 40 MALAYSIA

UNAUDITED QUARTERLY REPORT

FOR THE QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

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INVESTORS' LETTER

Dear Valued Investor,

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 has achieved RM52.60 billion in Asset under Management ("AUM") as at June 2018.

We continue to achieve prestigious recognitions from **The Edge | Thomson Reuters Lipper Fund Awards 2018** as follows:

- Best Fund Over 5 Years, Equity Global - Malaysia : CIMB-Principal Global Titans Fund
- Best Fund Over 5 Years, Equity Asia Pacific ex Japan - Malaysia : CIMB-Principal Asian Equity Fund
- Best Fund Over 5 Years, Equity Asia Pacific ex Japan - Malaysia : CIMB Islamic Asia Pacific Equity Fund
- Best Fund Over 5 Years, Equity Malaysia Diversified - Malaysia : CIMB-Principal Equity Growth & Income Fund
- Best Fund Over 5 Years, Mixed Asset MYR Bal - Malaysia : CIMB-Principal Income Plus Balanced Fund
- Best Fund Over 3 Years, Equity Global - Malaysia : CIMB-Principal Global Titans Fund

In addition, we received recognition from Fundsupermart.com for 'Fund House of the Year' award and Recommended Unit Trust 2018/2019 awards for the following funds:

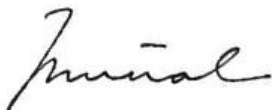
- CIMB-Principal Global Titans Fund
- CIMB-Principal Asia Pacific Dynamic Income Fund
- CIMB Islamic Asia Pacific Equity Fund
- CIMB-Principal Greater China Equity Fund
- CIMB-Principal PRS Plus Conservative
- CIMB-Principal PRS Plus Growth

We are delighted to share our latest win at The Asset Triple A Private Banking, Wealth Management, Investment and Exchange-Traded Fund ("ETF") Awards 2018, where we have been recognized as the 'Best Wealth Manager' in Malaysia.

These prestigious awards are a celebration of the trust that you have placed in us and testament to our capability in bringing potential value to your financial goals and needs. We look forward to serving you for many years to come.

Thank you.

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



Munirah Khairuddin
Chief Executive Officer

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 Benchmark Index.

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 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 2018?

RM5.09 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 2018 to 30 September 2018?

There was no distribution made for the financial period from 1 July 2018 to 30 September 2018.

PERFORMANCE DATA

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

	30.09.2018	30.09.2017	30.09.2016
	%	%	%
Collective investment scheme	99.62	90.52	99.87
Cash and other net assets	0.38	9.48	0.12
	<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:

	30.09.2018	30.09.2017	30.09.2016
Total asset value (RM Million)	5.13	7.14	2.38
NAV (RM Million)	5.09	5.08	2.34
Units in circulation (Million)	2.70	2.70	1.35
NAV per unit (RM)	1.8860	1.8813	1.7321
Highest NAV per unit (RM)	1.8861	1.9032	1.7459
Lowest NAV per unit (RM)	1.7259	1.8662	1.6269
Market Price per unit (RM)	1.9000	2.1900	1.7500
Highest market price per unit (RM)	1.9000	2.2100	1.7500
Lowest market price per unit (RM)	1.7350	1.7900	1.6050
Total return (%) ^	8.10	0.43	5.36
- Capital growth (%)	8.10	0.43	5.36
- Income distribution (%)	-	-	-
Management Expense Ratio ("MER") (%) *	0.24	0.51	0.49
Portfolio Turnover Ratio ("PTR") (times) #	-	0.39	-

^ based on NAV per unit

* The Fund's MER decreased from 0.51% to 0.24% due to an increase in average NAV of the Fund during the financial period under review.

The Fund's PTR decreased from 0.26 times to nil due to no trading activity during the period.

	30.09.2018	30.09.2017	30.09.2016	30.09.2015	30.09.2014
	%	%	%	%	%
Annual total return	3.78	12.94	10.57	(3.36)	7.36

(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 2018 TO 30 SEPTEMBER 2018)

For the financial period under review, Association of Southeast Asian Nations (“ASEAN”) markets along with global markets commenced with a rally on the on the back of the news that the Chinese policymakers started to cut Reserve Requirement Ratio (“RRR”), which is a sign of monetary easing to buffer the slowdown. However, global markets continue to face multiple headwinds such as political crisis in Italy and its’ threat to Euro zone, the ongoing trade spats between US and China, tightening US Dollar (“USD”) liquidity, the US Federal Reserve (the “Fed”) continues to hike interest rate, weakening Chinese Yuan Renminbi (“CNY”) and slowing China economy.

For the financial period under review, FTSE ASEAN 40 Index registered gains of +6.82% outperforming MSCI Asia Pacific ex Japan Index that registered gains of +0.14% Malaysian Ringgit (“MYR”) terms. ASEAN markets were mainly led by Thailand (+15.55%) followed by Malaysia (+6.01%), Philippines (+2.67), Singapore (+1.99%) and Indonesia (+1.27%).

Thailand was one of the better performing markets due to its strong current account surplus which led to a stable currency and announcement of General Election (“GE”) to be held between February 2019 and May 2019 period further boosted the performance. On top of that, crude oil price continued to appreciate due the potential sanction on Iran and energy sector is one of the key drivers in Thailand equity market.

Market challenges in Malaysia post GE14 on 9 May 2018 heightened the uncertainties on top of the external factors mentioned above. However, market started to stabilise and recouped some of the losses as the new Government policymakers started to engage with investment community whereby they would like to maintain stability.

Indonesia and Philippines markets’ underperformance were largely due to their twin deficits status. Hence, Central Bankers in these two countries were trying to be ahead of the Fed in terms of hiking interest rates. Depreciation of Indonesian Rupiah (“IDR”) and Philippines Peso (“PHP”) on top of rising interest rates are expected to increase cost pressure to corporate in these two countries, hence, the sell-off in the equity markets

Singapore underperformed in ASEAN region largely due to escalating trade tensions between US and China because the country economy is the most exposed to global trades in the region, followed by Vietnam. Secondly, Singapore and Vietnam were the best performing markets prior to the sell-off, hence, the profit taking took place.

FUND PERFORMANCE

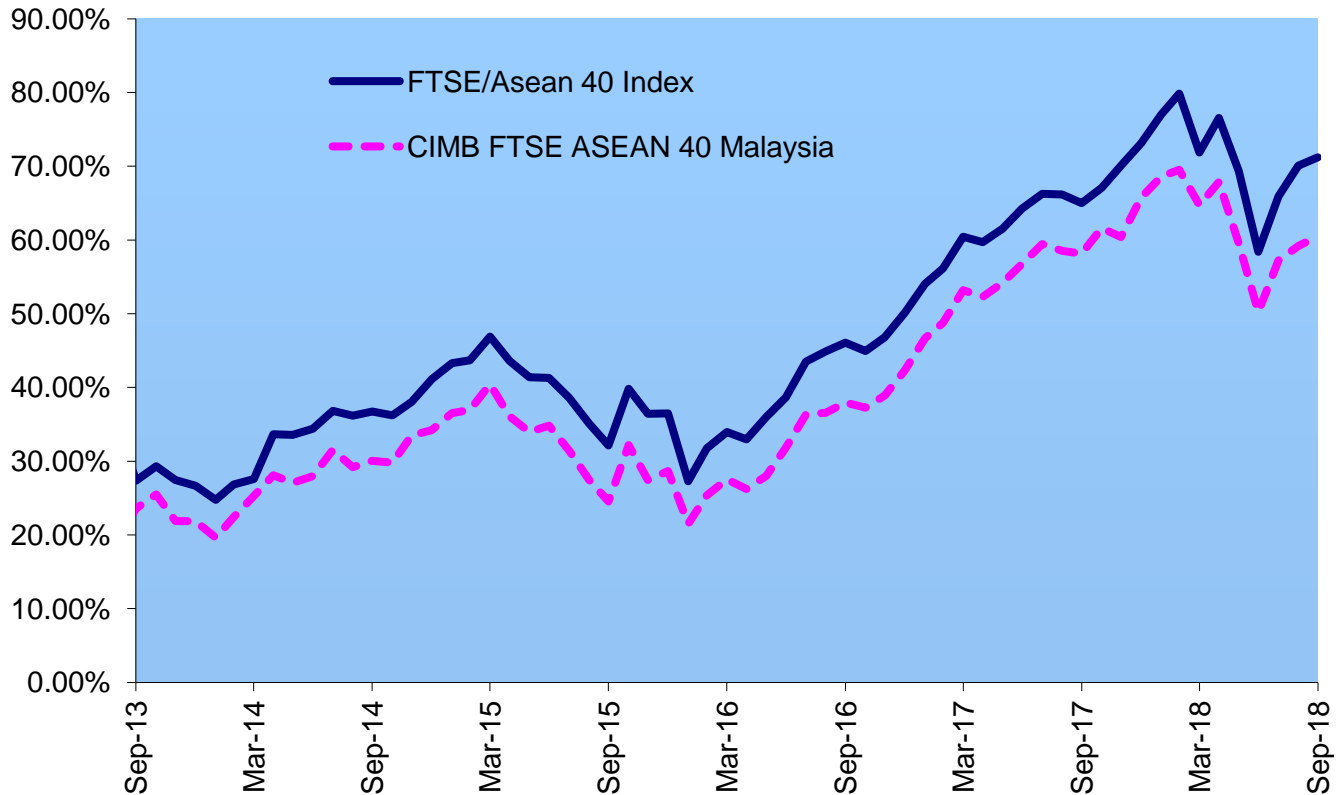
	3 months to 30.09.2018 %	6 months to 30.09.2018 %	1 year to 30.09.2018 %	3 years to 30.09.2018 %	5 years to 30.09.2018 %	Since inception to 30.09.2018 %
Income	-	3.52	3.52	12.02	19.45	26.09
Capital ^	8.10	(3.75)	0.26	15.88	12.74	30.49
Total Return ^	8.10	(0.38)	3.78	29.59	34.45	71.21
Average Total Return ^	N/A	N/A	3.78	9.02	6.10	6.75
Underlying Fund ^^	8.59	(3.60)	1.51	23.68	21.73	47.82
Benchmark (Underlying Index)	6.82	(2.59)	1.48	28.85	29.83	60.47
Changes in Market Price per Unit	9.20	(3.26)	(10.12)	28.29	(106.40)	60.61

^ Based on NAV per Unit

^^ Based on Last Published Market Price

For the financial period under review, the Fund's total return posted a positive return of 8.10%, while the Underlying Fund total return recorded a positive return of 8.59%. Meanwhile, the Underlying Index rose by 6.82% in the same reporting period.

The last available published market price of the Fund quoted on Bursa Malaysia was RM1.90. This represents a positive change of 9.20% for the same reporting period.



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

	30.09.2018	30.09.2017	Changes %
NAV (RM Million)	5.09	5.08	0.20
NAV per unit (RM)	1.8860	1.8812	0.26

For the 1-year period, total NAV gained by 0.20%, while the NAV per unit gained by 0.26%. The gains in the total NAV and NAV per unit were due to creation and investment performance of 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)	30.09.2018	30.09.2017
Collective investment scheme	99.62	90.52
Cash and other net assets	0.38	9.48
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*

Declining crude oil price gave a breathing room to twin deficits countries such as Philippines and Indonesia. A total of 175 basis points (“bps”) rate hikes in Indonesia and Philippines are adding credibility to the Central Bankers. In addition, USD is another key factor that drives the performance of Emerging Markets (“EM”) including ASEAN and it is expected to be on a strengthening mode as long as the Fed continues to be hawkish.

Elections in 2019 are still the factor in play for ASEAN until first half of 2019 as can be seen that policies announced so far are still very populist and little attentions are being put into economy growth. Hence, Indonesia and Thailand markets will be range-bound until the elections are over.

Corporates are starting to feel the impact of the rising USD and interest rates. Corporates and consumers are in the midst in adjusting to the rising prices. Consumer companies showing lower margins and smaller banks are losing market share and seeing rising cost as compared to big banks.

Meanwhile, in terms of fund flows, foreign investors remained a seller in October 2018 though the selling in Indonesia and Philippines have tapered off. Lastly, valuations for ASEAN are slightly below historical average and foreign outflows seem to be tapering off. The performance of ASEAN market going forward will depend on how both US and China will resolve on their ongoing trade spat.

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 2018 are as follows:

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
Less than 100	7	0.00	0.00
100 to 1,000	67	0.03	1.11
1,001 to 10,000	61	0.26	9.63
10,001 to 100,000	20	0.52	19.26
100,001 and above	3	1.89	70.00
Total	158	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 2018 TO 30 SEPTEMBER 2018**

	Note	01.07.2018 to 30.09.2018 RM	01.07.2017 to 30.09.2017 RM
INVESTMENT INCOME			
Net gain on financial assets at fair value through profit or loss		393,315	25,828
Net foreign exchange loss	9	-	(6,646)
		<u>393,315</u>	<u>19,182</u>
EXPENSES			
Trustee's fee	5	3,025	3,025
Audit fee		6,881	6,381
Tax agent's fee		1,159	1,008
Other expenses	6	603	2,964
		<u>11,668</u>	<u>13,378</u>
PROFIT BEFORE TAXATION		381,647	5,804
Taxation	7	-	-
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>381,647</u>	<u>5,804</u>
Profit after taxation is made up as follows:			
Realised amount		(10,716)	(20,024)
Unrealised amount		392,363	25,828
		<u>381,647</u>	<u>5,804</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 2018**

	Note	30.09.2018 RM	30.06.2018 Audited RM
ASSETS			
Cash and cash equivalents	9	58,623	61,988
Financial assets at fair value through profit or loss	8	5,072,988	4,680,626
TOTAL ASSETS		<u>5,131,611</u>	<u>4,742,614</u>
LIABILITIES			
Amount due to Trustee		1,021	1,020
Other payables and accruals	10	38,207	30,858
TOTAL LIABILITIES		<u>39,228</u>	<u>31,878</u>
NET ASSET VALUE OF THE FUND		<u>5,092,383</u>	<u>4,710,736</u>
EQUITY			
Unit holders' capital		3,857,355	3,857,355
Retained earnings		1,235,028	853,381
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>5,092,383</u>	<u>4,710,736</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	11	<u>2,700,000</u>	<u>2,700,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.8860</u>	<u>1.7447</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 2018 TO 30 SEPTEMBER 2018**

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 July 2018		3,857,355	853,381	4,710,736
Total comprehensive income for the financial period		-	381,647	381,647
Balance as at 30 September 2018		<u>3,857,355</u>	<u>1,235,028</u>	<u>5,092,383</u>
Balance as at 1 July 2017		1,312,065	1,216,288	2,528,353
Total comprehensive income for the financial period		-	5,804	5,804
Creation of units		<u>2,545,290</u>	-	<u>2,545,290</u>
Balance as at 30 September 2017		<u>3,857,355</u>	<u>1,222,092</u>	<u>5,079,447</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 2018 TO 30 SEPTEMBER 2018**

	Note	01.07.2018 to 30.09.2018 RM	01.07.2017 to 30.09.2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Trustee's fee paid		(3,024)	(3,025)
Payments for other fees and expenses		(1,294)	(4,455)
Net realised foreign exchange gain/(loss)		953	(6,645)
Net cash used in operating activities		<u>(3,365)</u>	<u>(14,125)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from creation of units		-	2,545,290
Distribution paid		-	(99,765)
Net cash generated from financing activities		<u>-</u>	<u>2,445,525</u>
Net (decrease)/ increase in cash and cash equivalents		(3,365)	2,431,400
Cash and cash equivalents at the beginning of the financial period		<u>61,988</u>	<u>109,516</u>
Cash and cash equivalents at the end of the financial period	9	<u><u>58,623</u></u>	<u><u>2,540,916</u></u>
<u>Cash and cash equivalents comprised of:</u>			
Bank balances		<u>58,623</u>	<u>2,540,916</u>
Cash and cash equivalents at the end of the financial period	9	<u><u>58,623</u></u>	<u><u>2,540,916</u></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 2018 TO 30 SEPTEMBER 2018****1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES**

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 net asset value (“NAV”) in the Singapore Fund. The Singapore Fund is an Exchange-Traded Fund (“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 Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

The Manager, a company incorporated in Malaysia, is jointly owned by CIMB Group Sdn Bhd and Principal International (Asia) Limited. 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 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)

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(l).

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 period beginning 1 July 2018:

- MFRS 9 “Financial Instruments” (effective from 1 January 2018) will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.

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

(b) Financial assets and financial liabilities

Classification

The Fund designates its investments in foreign quoted securities 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, 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. Transaction costs are expensed in the statement of comprehensive income.

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

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.

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

Foreign quoted securities are valued at the last traded market price quoted on the respective foreign stock exchanges at the close of the business day of the respective foreign stock exchanges.

If a valuation based on the market price does not represent the fair value of the quoted securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the quoted securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the quoted securities are valued as determined in good faith by the Manager, based on the methods or bases approved by the Trustee after appropriate technical consultation.

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

Impairment for assets carried at amortised costs

For assets carried at amortised cost, the Fund assesses at the end of the reporting year 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets and financial liabilities (continued)**Impairment for assets carried at amortised costs (continued)

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 year, 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 currencyFunctional 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 Malaysian Ringgit ("MYR") primarily due to the following factors:

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Income recognition

Dividend income is recognised on the ex-dividend date when the right to receive payment is established.

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 collective investment scheme, 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 year.

Tax on dividend income from collective investment scheme is based on the tax regime of the respective countries that the Fund invests in.

(g) Distribution

A distribution to the Fund's unit holders is accounted for as a deduction from realised reserve. A proposed distribution is recognised as a liability in the financial year in which it is approved by the Trustee.

(h) 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 year if unit holder exercises the right to put the unit back to the Fund.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(i) Transactions costs**

Transaction costs are costs incurred to acquire or dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

(j) 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.

(k) Realised and unrealised portions of profit or loss after tax

The analysis of realised and unrealised profit or loss after tax as presented on the statement of comprehensive income is prepared in accordance with SC Guidelines on ETFs.

(l) 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. FINANCIAL INSTRUMENTS AND 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 Underlying 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

This 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 the 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

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.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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.

All financial assets of the Fund as at the end of each financial year are neither past due nor impaired.

(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. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital of RM3,857,355 (30.06.2018: RM3,857,355) and retained earnings of RM1,235,028 (30.06.2018: RM853,381). 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).

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 year 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.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

(i) Fair value hierarchy

The table below 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.

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
30.09.2018				
Financial assets at fair value through profit or loss:				
- Quoted securities	<u>5,072,988</u>	<u>-</u>	<u>-</u>	<u>5,072,988</u>
30.06.2018				
Audited				
Financial assets at fair value through profit or loss:				
- Quoted securities	<u>4,680,626</u>	<u>-</u>	<u>-</u>	<u>4,680,626</u>

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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 effective from 1 June 2012 based on the agreement between the Trustee and The Manager, excluding foreign sub-custodian fees and charges.

For the financial period ended 30 September 2018, the Trustee's fee is recognised at a rate of 0.08% per annum (30.09.2017: 0.08% per annum).

There is no further liability to the Trustee in respect of Trustee's fees other than the amounts recognised above.

6. OTHER EXPENSES

	01.07.2018 to 30.09.2018	01.07.2017 to 30.09.2017
	RM	RM
Listing fee	276	-
Custodian fee	327	-
	<u>603</u>	<u>-</u>

7. TAXATION

	01.07.2018 to 30.09.2018 RM	01.07.2017 to 30.09.2017 RM
Tax charged for the financial period:		
- Current taxation	<u>-</u>	<u>-</u>

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

	01.07.2018 to 30.09.2018 RM	01.07.2017 to 30.09.2017 RM
Profit before taxation	<u>381,647</u>	<u>5,804</u>
Taxation at Malaysian statutory rate of 24% (2017: 24%)	91,595	1,393
Tax effects of:		
Investment income not subject to tax	(94,395)	(4,603)
Expenses not deductible for tax purposes	1,314	1,670
Restriction on tax deductible expenses for ETFs	<u>1,486</u>	<u>1,540</u>
Taxation	<u>-</u>	<u>-</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.09.2018 RM	30.06.2018 Audited RM
Designated at fair value through profit or loss at inception:		
- Collective investment scheme	<u>5,072,988</u>	<u>4,680,626</u>
	01.07.2018 to 30.09.2018 RM	01.07.2017 to 30.09.2017 RM
Net gain on financial assets at fair value through profit or loss:		
- Unrealised fair value gain	<u>393,315</u>	<u>25,828</u>
	<u>393,315</u>	<u>25,828</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
30.09.2018				
COLLECTIVE INVESTMENT SCHEME				
SINGAPORE				
CIMB FTSE ASEAN 40	<u>124,300</u>	<u>4,382,059</u>	<u>5,072,988</u>	<u>99.62</u>
TOTAL COLLECTIVE INVESTMENT SCHEME	<u>124,300</u>	<u>4,382,059</u>	<u>5,072,988</u>	<u>99.62</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>690,929</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u><u>5,072,988</u></u>		
30.06.2018				
Audited COLLECTIVE INVESTMENT SCHEME				
SINGAPORE				
CIMB FTSE ASEAN 40	<u>124,300</u>	<u>4,382,059</u>	<u>4,680,626</u>	<u>99.36</u>
TOTAL COLLECTIVE INVESTMENT SCHEME	<u>124,300</u>	<u>4,382,059</u>	<u>4,680,626</u>	<u>99.36</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>298,567</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u><u>4,680,626</u></u>		

9. CASH AND CASH EQUIVALENTS

	30.09.2018	30.06.2018
	RM	Audited RM
Bank balances	<u>58,623</u>	<u>61,988</u>

10. OTHER PAYABLES AND ACCRUALS

	30.09.2018	30.06.2018
	RM	Audited RM
Provision for audit fee	34,181	27,300
Provision for tax agent's fee	4,003	3,533
Other accruals	<u>23</u>	<u>25</u>
	<u>38,207</u>	<u>30,858</u>

11. NUMBER OF UNITS IN CIRCULATION

	01.07.2018 to 30.09.2018	01.07.2017 to 30.06.2017
	No of units	Audited No of units
At the beginning of the financial period	2,700,000	1,350,000
Add: Creation of units from application	<u>-</u>	<u>1,350,000</u>
At the end of the financial period	<u>2,700,000</u>	<u>2,700,000</u>

12. MANAGEMENT EXPENSE RATIO ("MER")

	01.07.2018 to 30.09.2018	01.07.2017 to 30.09.2017
	%	%
MER	<u>0.24</u>	<u>0.51</u>

MER is derived from the following calculation:

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

A = Trustee's fees

B = Audit fee

C = Tax agent's fee

D = 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 RM4,926,675 (30.09.2017: RM2,600,763).

13. PORTFOLIO TURNOVER RATIO (“PTR”)

	01.07.2018 to 30.09.2018	01.07.2017 to 30.09.2017
PTR (times)	<u>-</u>	<u>0.39</u>

PTR is derived based on 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 = RM Nil (30.09.2017: RM2,018,947)
 total disposal for the financial period = RM Nil (30.09.2017: Nil)

14. 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
Principal Financial Group, Inc.	Ultimate holding company of shareholder of the Manager
Principal International (Asia) Ltd	Shareholder of the Manager
Subsidiaries and associates of Principal Financial Group Inc., other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager
CIMB Group Holdings Berhad	Ultimate holding company of shareholder of the Manager
CIMB Group Sdn Bhd	Shareholder of the Manager
Subsidiaries and associates of CIMB Group Holdings Berhad, other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager
CIMB-Principal Asset Management (S) Pte Ltd	Investment Adviser of the Underlying Fund

14. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER, AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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.

Significant related party transactions

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

Significant related party balances

	01.07.2018 to 30.09.2018	01.07.2017 to 30.06.2017
	RM	Audited RM
Investment in collective investment scheme:		
- CIMB FTSE ASEAN 40	<u>5,072,988</u>	<u>4,680,626</u>

15. TRANSACTIONS WITH BROKERS/DEALERS

There were no transactions with brokers/dealers for the financial period from 1 July 2018 to 30 September 2018 (30.09.2017: Nil).

16. 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 dividend income earned from investments and gains on the appreciation in the value of investments, which is derived from an ETF listed on the SGX-ST, Singapore.

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

DIRECTORY

TRUST DIRECTORY

Manager

Registered Address

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