

CIMB FTSE ASEAN 40 MALAYSIA

UNAUDITED FINANCIAL STATEMENTS

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2018

CONTENTS	PAGE(S)
INVESTORS' LETTER	1
MANAGER'S REPORT	2 - 7
Fund Objective and Policy	
Performance Data	
Market Review	
Fund Performance	
Portfolio Structure	
Market Outlook	
Investment Strategy	
Unit Holdings Statistics	
Soft Commissions and Rebates	
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME	8
UNAUDITED STATEMENT OF FINANCIAL POSITION	9
UNAUDITED STATEMENT OF CHANGES IN EQUITY	10
UNAUDITED STATEMENT OF CASH FLOWS	11
NOTES TO THE FINANCIAL STATEMENTS	12 - 29
DIRECTORY	30

INVESTORS' LETTER

Dear Valued Investor,

Thank you for your continued support and for the confidence that you have placed in us. CIMB-Principal Asset Management Berhad ("CIMB-Principal") Malaysia has achieved RM60.58 billion in Asset under Management ("AUM") as of December 2018.

We continue to achieve prestigious recognitions from **The Edge | Thomson Reuters Lipper Fund Awards 2018 for the following funds:**

- 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 funds below:

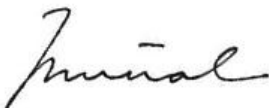
- CIMB-Principal Global Titans Fund
- CIMB-Principal Asia Pacific Dynamic Income Fund
- CIMB Islamic Asia Pacific Equity Fund
- CIMB-Principal Greater China Equity Fund
- CIMB-Principal PRS Plus Conservative
- CIMB-Principal PRS Plus Growth

Our latest win is for **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 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 31 December 2018?

RM4.90 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 six months financial period ended 31 December 2018?

There was no distribution made for the six months financial period ended 31 December 2018.

PERFORMANCE DATA

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

	31.12.2018	31.12.2017	31.12.2016
	%	%	%
Collective investment scheme	99.84	99.06	100.00
Cash and other net assets	0.16	0.94	-
	<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:

	31.12.2018	31.12.2017	31.12.2016
Total asset value (RM Million)	4.95	5.35	2.45
NAV (RM Million)	4.90	5.33	2.40
Units in circulation (Million)	2.70	2.70	1.35
NAV per Unit (RM)	1.8147	1.9739	1.7791
	01.07.2018	01.07.2017	01.07.2016
	to 31.12.2018	to 31.12.2017	to 31.12.2016
Highest NAV per Unit (RM)	1.8911	1.9740	1.7806
Lowest NAV per Unit (RM)	1.7259	1.8662	1.6269
Market Price per Unit (RM)	1.8250	1.9600	1.7800
Highest Market Price per Unit (RM)	1.9000	2.2100	1.7800
Lowest Market Price per Unit (RM)	1.7350	1.7900	1.6050
Total return (%) ^	4.01	5.38	8.31
- Capital growth (%)	4.01	5.38	8.31
- Income distribution (%)	-	-	-
Management Expense Ratio ("MER") (%)*	0.47	0.78	0.99
Portfolio Turnover Ratio ("PTR") (times) #	Nil	0.04	Nil

^ based on NAV per unit

* The Fund's MER decreased from 0.78% to 0.47% due to increase in average NAV for financial period.

The Fund's PTR decreased from 0.04% to Nil as there is no transaction for financial period under review.

	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
	%	%	%	%	%
Annual total return	(4.84)	15.28	10.04	(3.30)	11.40

(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 31 DECEMBER 2018)

ASEAN rebounded moving to the second half of 2018 with valuation becoming less attractive. Amidst turmoil in Turkey, ASEAN declined along with other emerging markets. Compared to North Asian countries, ASEAN countries are more insulated and less exposed to the trade tensions between US and China. The increasing oil prices added pressure to Philippines' rising inflationary environment and Indonesia's current account deficit position in the third quarter. With the ASEAN central banks hiking rates to support the currencies, Philippines and Indonesia saw a total hike of 175 basis points year-to-date, respectively. Rising interest rates and currencies depreciation are adding cost pressures to companies operating in countries with weak current account balances in addition to potential global trades slowdown caused by the ongoing trade tensions between US and the rest of the world. Therefore, earnings continued to be revised down. However, Asian Development Bank reported that ASEAN could potentially benefit from possible re-direction of supply chains.

In the final quarter of 2018, inflation expectations are expected to ease on the back of weakening USD and weaker crude oil prices. In addition, the dovish remarks by US Federal Reserve (the "FED") Chairman Jerome Powell further eased the pressure on emerging markets currencies. Indonesian Rupiah ("IDR") and Philippines Peso ("PHP") were the best performing currencies, appreciating 3.36% and 3.14% in the last quarter, respectively. 2018 ended with a truce on the US-China dispute, agreed at the G20 summit in Buenos Aires in December 2018. Results season concluded with mixed signals. Indonesia and Philippines shown better than expected earnings for the third quarter through cost cutting. Meanwhile, Singapore and Thailand corporate reported in-line to slightly below expectation earnings. Lastly, Malaysia corporate continued to report weaker than expected earnings.

FUND PERFORMANCE

	6 months to 31.12.2018 %	1 year to 31.12.2018 %	3 years to 31.12.2018 %	5 years to 31.12.2018 %	Since inception to 31.12.2018 %
Income	-	3.52	12.02	19.45	26.09
Capital ^	4.01	(8.07)	15.88	12.74	30.49
Total Return ^	4.01	(4.84)	20.71	30.04	64.74
Average Total Return ^	N/A	(4.84)	6.48	5.39	6.25
Underlying Fund ^^	4.68	(7.71)	14.00	20.84	42.41
Benchmark (Underlying Index)	3.09	(6.55)	20.36	27.11	54.87
Changes in Market Price per Unit	4.89	(6.89)	9.28	8.63	25.43

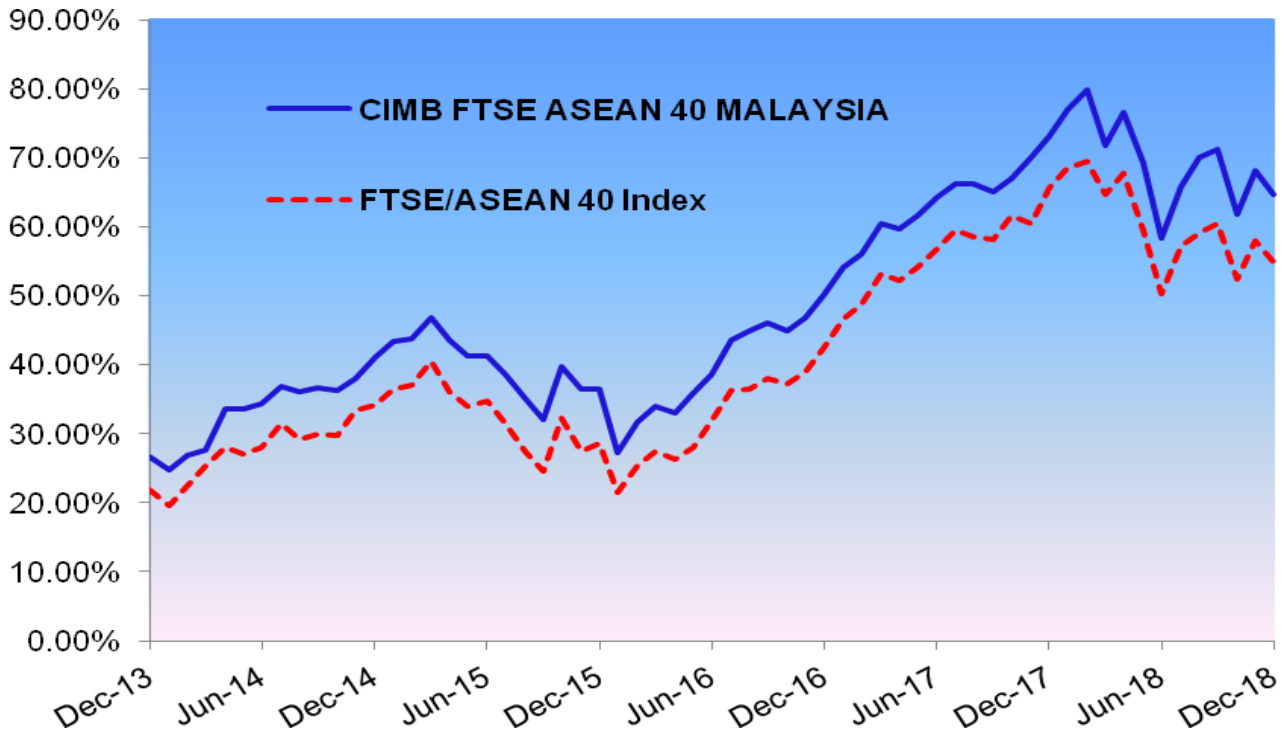
^ Based on NAV per Unit

^^ Based on Last Published Market Price

For the financial period under review, the Fund's total return posted a positive return of 4.01%, while the Underlying Fund total return recorded a positive return of 4.68%. Meanwhile, the Underlying Index rose by 3.09% in the same reporting period.

The last available published market price of the Fund quoted on Bursa Malaysia was RM1.825. This represents a positive change of 4.89% for the same reporting period.

FUND PERFORMANCE (CONTINUED)



Changes in NAV

	31.12.2018	30.06.2018 Audited	Changes %
NAV (RM Million)	4.90	4.71	4.03
NAV/Unit (RM)	1.8147	1.7447	4.01

For the financial period under review, total NAV increased by 4.03 and NAV per unit increased by 4.01%. The increased in the total NAV and NAV per unit were due to redemptions and investment performance of ASEAN markets over the financial period under review.

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)	31.12.2018	30.06.2018 Audited
Collective investment scheme	99.84	99.36
Cash and other net assets	0.16	0.64
TOTAL	100.00	100.00

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

MARKET OUTLOOK*

Moving to 2019, ASEAN markets are still impacted by the softer investment demand from key export markets and supply chain disruptions from the US.-China trade tensions. However, downside impact will be limited. The trade tension and Intellectual Property policies against China will continue to be a catalyst for production relocation from China to ASEAN. Chinese stimulus policy could help ASEAN's manufactured exports such as Singapore and Malaysia if it's targeted at investment demand. With inflation broadly contained and balance of payment pressures easing, the monetary tightening cycle may come to an end. In addition, fiscal expansion ahead of the elections will provide support to domestic demand.

*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 31 December 2018 are as follows:

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
Less than 100	21	0.00	0.00
100 to 1,000	55	0.03	1.11
1,001 to 10,000	69	0.29	10.74
10,001 to 100,000	25	0.64	23.70
100,001 to less than 5% of approved fund size	-	-	-
5% and above the approved fund size	3	1.74	64.45
Total	173	2.70	100.00

SOFT COMMISSIONS AND REBATES

CIMB-Principal Asset Management Berhad (the “Manager”) and the Trustee 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 the Manager has 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 SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2018**

	Note	01.07.2018 to 31.12.2018 RM	01.07.2017 to 31.12.2017 RM
INVESTMENT INCOME			
Net gain on financial assets at fair value through profit or loss	7	211,285	297,946
Net foreign exchange gain/(loss)		944	(11,647)
		<u>212,229</u>	<u>286,299</u>
EXPENSES			
Trustee's fee	5	6,050	6,050
Audit fee		13,762	13,762
Tax agent's fee		2,319	2,016
Other expenses		887	8,542
		<u>23,018</u>	<u>30,370</u>
PROFIT BEFORE TAXATION		189,211	255,929
Taxation	6	-	-
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u>189,211</u>	<u>255,929</u>
Profit after taxation is made up as follows:			
Realised amount		(22,074)	(42,017)
Unrealised amount		211,285	297,946
		<u>189,211</u>	<u>255,929</u>

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

		31.12.2018	30.06.2018
	Note	RM	Audited RM
ASSETS			
Cash and cash equivalents	8	55,338	61,988
Financial assets at fair value through profit or loss	7	4,891,911	4,680,626
TOTAL ASSETS		<u>4,947,249</u>	<u>4,742,614</u>
LIABILITIES			
Amount due to Trustee		1,054	1,020
Other payables and accruals	9	46,247	30,858
TOTAL LIABILITIES		<u>47,301</u>	<u>31,878</u>
NET ASSET VALUE OF THE FUND		<u>4,899,948</u>	<u>4,710,736</u>
EQUITY			
Unit holders' capital		3,857,355	3,857,355
Retained earnings		1,042,593	853,381
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>4,899,948</u>	<u>4,710,736</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	<u>2,700,000</u>	<u>2,700,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.8147</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 SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2018**

	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 July 2018	3,857,355	853,382	4,710,737
Movement in unit holders' contributions:			
Total comprehensive income for the financial period	-	189,211	189,211
Balance as at 31 December 2018	<u>3,857,355</u>	<u>1,042,593</u>	<u>4,899,948</u>
Balance as at 1 July 2017	1,312,065	1,216,288	2,528,353
Movement in unit holders' contributions:			
- Creation of units from applications	2,545,290	-	2,545,290
Total comprehensive income for the financial period	-	255,929	255,929
Balance as at 31 December 2017	<u>3,857,355</u>	<u>1,472,217</u>	<u>5,329,572</u>

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

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2018**

	01.07.2018 to 31.12.2018 RM	01.10.2017 to 31.12.2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Purchase of quoted securities	-	(2,428,314)
Trustee's fee paid	(6,016)	(6,016)
Payments for other fees and expenses	(1,579)	(37,308)
Net realised foreign exchange gain/(loss)	945	(11,647)
Net cash used in operating activities	<u>(6,650)</u>	<u>(2,483,285)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	-	2,545,290
Distribution paid	-	(99,765)
Net cash generated from financing activities	<u>-</u>	<u>2,445,525</u>
Net decrease in cash and cash equivalents	(6,650)	(37,760)
Cash and cash equivalents at the beginning of the financial period	61,988	109,516
Cash and cash equivalents at the end of the financial period	<u>55,338</u>	<u>71,756</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2018****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.

The Fund aims to provide investment results that, before expenses, closely correspond to the performance of the Underlying Index, regardless of its performance.

All investments will be subjected to the Securities Commission Malaysia (“SC”) Guidelines on ETFs, SC requirements, Main Market Listing Requirements of Bursa Malaysia Securities Berhad, 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 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 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(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 2018:

- A MFRS 9 'Financial Instruments' became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in MFRS 139.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest ("SPPI"). A debt instrument is measured at fair value through other comprehensive income ("OCI") if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through OCI. IFRS 9 also introduces a new expected credit loss ("ECL") impairment model.

MFRS 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments as outlined in Note 2(b).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The Fund has applied the following amendments for the first time for the financial year beginning 1 July 2018: (continued)

The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2018 that have a material effect on the financial statements of the Fund.

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 January 2019

- Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, OCI or equity) depends on where the past transactions that generated distributable profits were recognised.

Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

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

(b) **Financial assets and financial liabilities**

Classification

Up to 31 December 2017, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities

Classification (continued)

From 1 January 2018, the Fund classify its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through OCI.

The Fund classifies cash and cash equivalents at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies amount due to Trustee, and other payables and accruals as other financial liabilities as financial liabilities subsequently measured at amortised cost.

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 up to 31 December 2017 and MFRS 9 from 1 January 2018, 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).

Financial assets at amortised cost (2017: 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

Until 31 December 2017, 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.

From 1 January 2018 onwards, the Fund measures credit risk and ECL using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

Definition of default and credit-impaired financial assets

Any contractual payment which is more than 90 days past due is considered credit impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial year.

(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.

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.

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

(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.

(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.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(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 is 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 RM1,042,593 (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).

(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.

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

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
31.12.2018				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	<u>4,891,911</u>	<u>-</u>	<u>-</u>	<u>4,891,911</u>
30.06.2018				
Audited				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	<u>4,680,626</u>	<u>-</u>	<u>-</u>	<u>4,680,626</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 31 December 2018, the Trustee's fee is recognised at a rate of 0.08% per annum (31.12.2017: 0.08% per annum).

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

6. TAXATION

	01.07.2018 to 31.12.2018	01.07.2017 to 31.12.2017
	RM	RM
Tax charged for the financial period:		
- Current taxation	<u>-</u>	<u>-</u>

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:

	01.07.2018 to 31.12.2018	01.07.2017 to 31.12.2017
	RM	RM
Profit before taxation	<u>189,211</u>	<u>255,929</u>
Taxation at Malaysian statutory rate of 24% (31.12.2017: 24%)	45,411	61,423
Tax effects of:		
Investment income not subject to tax	(50,935)	(68,711)
Expenses not deductible for tax purposes	3,303	3,555
Restriction on tax deductible expenses for ETFs	<u>2,221</u>	<u>3,733</u>
Taxation	<u>-</u>	<u>-</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2018	30.06.2018
	RM	Audited RM
Designated at fair value through profit or loss at inception:		
- Collective investment scheme	<u>4,891,911</u>	<u>4,680,626</u>
	01.07.2018 to 31.12.2018	01.07.2017 to 31.12.2017
	RM	RM
Net gain on financial assets at fair value through profit or loss:		
- Unrealised fair value gain	<u>211,285</u>	<u>297,946</u>

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
31.12.2018 COLLECTIVE INVESTMENT SCHEME				
SINGAPORE				
CIMB FTSE ASEAN 40	<u>124,300</u>	<u>4,382,059</u>	<u>4,891,911</u>	<u>99.84</u>
TOTAL COLLECTIVE INVESTMENT SCHEME	<u>124,300</u>		<u>4,891,911</u>	<u>99.84</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>509,852</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			<u>4,891,911</u>	

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

30.06.2018

Audited

COLLECTIVE INVESTMENT
SCHEME

SINGAPORE

CIMB FTSE ASEAN 40	<u>124,300</u>	<u>4,832,059</u>	<u>4,680,626</u>	<u>99.36</u>
--------------------	----------------	------------------	------------------	--------------

TOTAL COLLECTIVE
INVESTMENT SCHEME

	<u>124,300</u>	<u>4,832,059</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>4,680,626</u>
--	------------------

8. CASH AND CASH EQUIVALENTS

31.12.2018

30.06.2018

RM

Audited

RM

Bank balances

	<u>55,338</u>
--	---------------

	<u>61,988</u>
--	---------------

9. OTHER PAYABLES AND ACCRUALS

31.12.2018

30.06.2018

RM

Audited

RM

Provision for audit fee

	41,062
--	--------

	27,300
--	--------

Provision for tax agent's fee

	5,163
--	-------

	3,533
--	-------

Other accruals

	22
--	----

	25
--	----

	<u>46,247</u>
--	---------------

	<u>30,858</u>
--	---------------

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	01.07.2018 to 31.12.2018	01.07.2017 to 30.06.2018 Audited
	No of units	No of units
At the beginning of the financial year	2,700,000	1,350,000
Add: Creation of units from application	-	1,350,000
At the end of the financial period/year	<u>2,700,000</u>	<u>2,700,000</u>

11. MANAGEMENT EXPENSE RATIO ("MER")

	01.07.2018 to 31.12.2018 %	01.07.2017 to 31.12.2017 %
MER	<u>0.47</u>	<u>0.78</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 RM4,916,226 (31.12.2017: RM3,899,184).

12. PORTFOLIO TURNOVER RATIO ("PTR")

	01.07.2018 to 31.12.2018	01.07.2017 to 31.12.2017
PTR (times)	<u>Nil</u>	<u>0.31</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 = Nil (31.12.2017: RM2,428,314)

total disposal for the financial period = Nil (31.12.2017: RM 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
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 Bhd	Ultimate holding company of shareholder of the Manager
CIMB Group Sdn Bhd	Shareholder of the Manager
Subsidiaries and associates of CIMB Group Holdings Bhd, other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of the shareholder of the Manager
CIMB Bank Bhd	Fellow related party to 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.

Significant related party transactions

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

Significant related party balances

	31.12.2018	30.06.2018
	RM	Audited RM
Investment in collective investment scheme:		
- CIMB FTSE ASEAN 40	<u>4,891,911</u>	<u>4,680,626</u>

15. TRANSACTIONS WITH BROKERS/DEALERS

There were no transactions with brokers/dealers for the six months financial period ended 31 December 2018.

Details of transactions with brokers/dealers for the financial year ended 30 December 2017 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
CIMB Securities (Singapore) Pte Ltd #	<u>2,428,314</u>	<u>100.00</u>	<u>391</u>	<u>100.00</u>

Included in the transactions are trades conducted with CIMB Securities (Singapore) Pte Ltd, a fellow related party to the Manager amounting to RM Nil (30.12.2017: RM2,428,314). The Manager is of the opinion that all transactions with the related company have been entered into in the normal course of business at agreed terms between the related parties.

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 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.

16. MFRS 9 FINANCIAL INSTRUMENTS

As disclosed in Note 2(a), the Fund have adopted MFRS 9, which resulted in changes in accounting policies as disclosed in Note 2(b) and adjustments to the financial position. The main changes are as follows.

The measurement category and the carrying amount of financial assets and financial liabilities in accordance with MFRS 139 and MFRS 9 at 1 July 2018 are compared as follows:

	Measurement category		Carrying amount			
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139)	Reclassi- fications	Remeas- urements	New (MFRS 9)
			RM	RM	RM	RM
Assets						
Cash and cash equivalents	Loans and receivables	Amortised cost	61,988	-	-	61,988
Financial assets at fair value through profit or loss	FVTPL	FVTPL	4,680,626	-	-	4,680,626
Liabilities						
Amount due to Trustee	Amortised cost	Amortised cost	1,054	-	-	1,054
Other payables and accruals	Amortised cost	Amortised cost	30,858	-	-	30,858

DIRECTORY

Head office of the Manager

CIMB-Principal Asset Management Berhad (Company No.: 304078-K)
8th Floor, Bangunan CIMB,
Jalan Semantan,
Damansara Heights,
50490 Kuala Lumpur, MALAYSIA.
Tel: (03) 2084 8888

Website

www.cimb-principal.com.my

E-mail address

service@cimb-principal.com.my

General investment enquiries

(03) 7718 3100

Trustee for the CIMB FTSE ASEAN 40 MALAYSIA

Deutsche Trustees Malaysia Berhad (Co. No. 763590-H)
Level 20, Menara IMC,
8, Jalan Sultan Ismail,
50250 Kuala Lumpur, MALAYSIA.
Tel: (03) 2053 7522

Participating Dealers

CIMB Bank Berhad
Level 13, Menara CIMB,
Jalan Stesen Sentral 2,
Kuala Lumpur Sentral,
50470 Kuala Lumpur, MALAYSIA.

RHB Investment Bank Berhad,
Level 10, Tower One, RHB Centre,
Jalan Tun Razak,
50400 Kuala Lumpur, MALAYSIA.