

CIMB FTSE ASEAN 40 MALAYSIA

Annual Report

For The Financial Year Ended 30 June 2019

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ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

CONTENTS	PAGE(S)
INVESTORS' LETTER	1
MANAGER'S REPORT	2 - 20
Fund Objective and Policy	
Performance Data	
Market Review	
Fund Performance	
Portfolio Structure	
Market Outlook	
Investment Strategy	
Unit Holdings Statistics	
Soft Commissions and Rebates	
Additional Information	
STATEMENT BY MANAGER	21
TRUSTEE'S REPORT	22
INDEPENDENT AUDITORS' REPORT	23 - 27
STATEMENT OF COMPREHENSIVE INCOME	28
STATEMENT OF FINANCIAL POSITION	29
STATEMENT OF CHANGES IN EQUITY	30
STATEMENT OF CASH FLOWS	31
NOTES TO THE FINANCIAL STATEMENTS	32 - 52
DIRECTORY	53 - 55
Trust Directory	
Corporate Directory	

INVESTORS' LETTER

Dear Valued Investor,

As we have announced in April this year, we are now officially known as Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) ("Principal Malaysia"). With Principal Financial Group ("Principal") taking on the role of primary shareholder, Principal Malaysia is able to bring additional global perspectives and asset management capabilities into the region. With the combination of scale, investment expertise, and deep regional relationships, we are optimistic of solidifying our position as an Association of Southeast Asian Nations ("ASEAN") market leader in the asset management and retirement industry of the region.

As of June 2019, our Assets under Management ("AUM") in Malaysia stands at RM56.1 billion. For the second quarter of fiscal 2019, our dividend distribution was RM126.51 million for 25 of our Funds. Today, we have a total of 83 Funds including both conventional, Islamic Unit Trust Funds, and Exchange-traded Funds ("ETFs"), and 10 Private Retirement Scheme ("PRS") Funds.

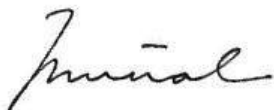
Thanks to the trust you've placed in us, we have been recognized Asia Asset Management 2019 Awards for the Fund Launch of the Year Award in Best of the Best Awards Malaysia category, and the Best Asset Management House in ASEAN in Best of the Best ASEAN category.

Going forward, you will be receiving e-newsletter from us as part of our commitment in helping you along your financial journey. On a monthly basis, we will share information that will help you better understand your investments and keep you updated on the industry. We have also revamped our website to keep it fresh and aligned with our new brand. Please visit www.principal.com.my should you decide to have a peek at our new website.

Once again, thank you for your continuous support and allowing us to help you achieve your financial goals and live your best life.

Thank you.

Yours faithfully,
for **Principal Asset Management Berhad**
(*formerly known as 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 year 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 June 2019?

RM5.19 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 year ended 30 June 2019?

The Fund distributed a total net income of RM0.18 million to all unit holders for the financial year ended 30 June 2019. As a result, the NAV per unit dropped from RM1.9746 to RM1.9061 on 25 June 2019.

PERFORMANCE DATA

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

	30.06.2019	30.06.2018	30.06.2017
	%	%	%
Collective investment scheme	100.00	99.36	100.00
Cash and other net assets	0.00	0.64	0.00
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	30.06.2019	30.06.2018	30.06.2017
Total asset value (RM Million)	5.41	4.74	2.66
NAV (RM Million)	5.19	4.71	2.53
Units in circulation (Million)	2.70	2.70	1.35
NAV per unit (RM)	1.9220	1.7447	1.8728
Highest NAV per unit (RM)	1.9767	2.1057	1.9395
Lowest NAV per unit (RM)	1.7259	1.7274	1.6269
Market Price per unit (RM)	1.9400	1.7400	1.9050
Highest market price per unit (RM)	1.9500	2.1330	1.9060
Lowest market price per unit (RM)	1.7350	1.7400	1.6050
Total return (%) ^	14.11	(3.58)	18.48
- Capital growth (%)	10.40	(6.86)	13.94
- Income distribution (%)	3.59	3.52	3.98
Management Expense Ratio ("MER") (%) *	0.99	1.18	2.03
Portfolio Turnover Ratio ("PTR") (times) #	-	0.26	-

^ based on NAV per unit

* The Fund's MER decreased from 1.18% to 0.99% due to an increase in average NAV of the Fund during the financial year under review.

The Fund's PTR decreased from 0.26 times to nil times as there is no investment trading by the Fund during the financial year under review.

Date of distribution	25.06.2019	12.06.2018	20.06.2017
Gross/Net distribution per unit (sen)	6.85	6.80	7.39

	30.06.2019	30.06.2018	30.06.2017	30.06.2016	30.06.2015
	%	%	%	%	%
Annual total return	14.11	(3.58)	18.48	(1.87)	5.14

(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 year have been extracted from Lipper.

MARKET REVIEW (1 JULY 2018 TO 30 JUNE 2019)

In the first half of 2019, ASEAN economic growth is pressured by the rapid slowdown in global trade growth and manufacturing sectors. The escalation of the US-China trade tension continued to put downward pressure to global economic growth. With global inflation remaining subdued, central banks signaled a less hawkish stance. This is a huge relief to emerging markets including ASEAN.

In the first quarter of 2019, the easing of external financial conditions in Philippines and Indonesia, particularly easing pressures on inflation via currency depreciation, reduces pressures on the Central Banks to tighten policy. There is uptick in earnings expectation for Philippines due to improving inflation expectation and stable Philippines Peso. In the first four months of 2019, Thailand exports contracted by 3.4% year-on-year (“y-o-y”). Among the key exports, electronics were hit the hardest, following by autos and food products. The growth of tourist arrivals in Thailand slowed to 2.1% y-o-y due to contraction in Chinese tourists’ arrivals. In Singapore, both manufacturing and services sectors have seen negative impulses from the weakening external demand. ASEAN ex Singapore equity markets saw net inflows of USD0.7 billion for the first quarter of 2019 led by Indonesia.

Moving to the second quarter of 2019, ASEAN along with global equities rallied, pricing in aggressive the US Federal Reserve (the “Fed”) easing this year. US and China reached an agreement to restart US-China trade talks. However, global economic data continued to soften. ASEAN Central Banks adopted an easing monetary policy, with Malaysia and Philippines being the first to cut rates. Philippines Central Bank eased with 25 basis points (“bps”) interest rate cut and Reserve Requirement Ratio (“RRR”) cuts of 200 bps. Bank Negara Malaysia (“BNM”) cut policy rate by 25 bps to 3% in May 2019. Low inflation and a sustained current account surplus will permit further easing. Indonesia’s sovereign rating was upgraded by Standard & Poor’s (“S&P”) Global Ratings to BBB from BBB- for its strong economic growth prospects and prudent fiscal policy, brightened by the re-election of President Joko Widodo. However, ASEAN earnings were generally weak, and outlooks are turning from hopeful to cautious due to the global trade tension. ASEAN ex Singapore equity markets saw net inflows of USD4.7 billion for the second quarter of 2019, with most of the inflows coming in April 2019.

FUND PERFORMANCE

	1 year	3 years	5 years	Since
	to 30.06.2019	to 30.06.2019	to 30.06.2019	inception to
	%	%	%	30.06.2019
	%	%	%	%
Income	3.59	11.64	20.36	30.77
Capital [^]	10.40	17.16	12.29	33.26
Total Return [^]	14.11	30.36	34.49	80.74
Average Total Return [^]	14.11	9.24	6.11	6.81
Underlying Fund ^{^^}	11.53	24.07	22.74	57.18
Benchmark (Underlying Index)	12.27	27.94	31.82	68.66
Changes in Market Price per Unit	11.49	18.29	13.45	33.33

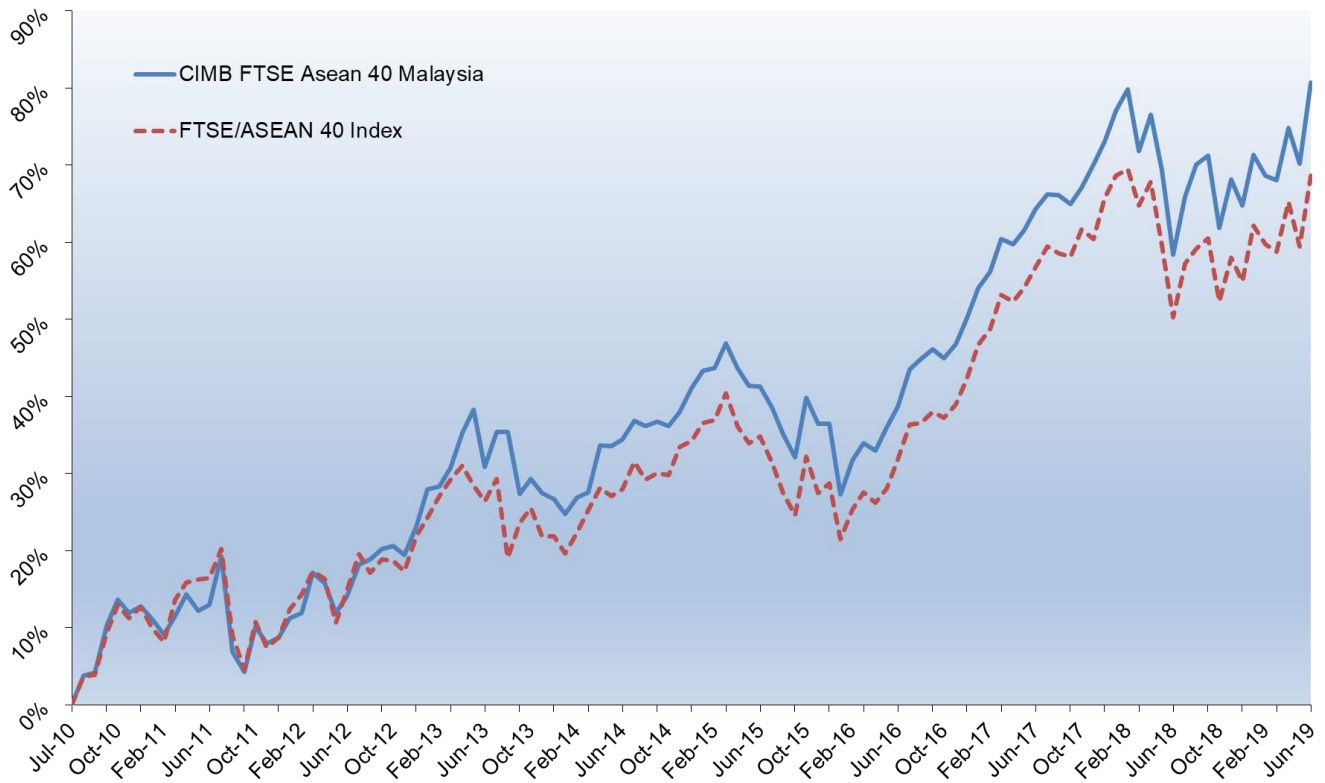
[^] Based on NAV per Unit

^{^^} Based on Last Published Market Price

For the financial year under review, the Fund posted a positive return of 14.11%, while the Underlying Fund recorded a positive return of 11.53%. Meanwhile, the benchmark rose by 12.27% in the same financial reporting year.

The last available published market price of the Fund quoted on Bursa Malaysia was RM1.94. This represents a change of 11.49% for the same financial reporting year.

FUND PERFORMANCE (CONTINUED)



Changes in NAV

	30.06.2019	30.06.2018	Changes %
NAV (RM Million)	5.19	4.71	10.19
NAV per unit (RM)	1.9220	1.7447	10.16

For the 1-year period, total NAV increased by 10.19%, while the NAV per unit increased by 10.16%. The increases in the total NAV and NAV per unit were due to the 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 year have been extracted from Lipper.

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	30.06.2019	30.06.2018
Collective investment scheme	100.00	99.36
Cash and other net assets	0.00	0.64
TOTAL	100.00	100.00

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

MARKET OUTLOOK*

The weakness in global trade has broad implications in ASEAN economies. ASEAN export growth is a disproportionate driver of Gross Domestic Product (“GDP”) growth. Weaker world trade growth thus maps across to a weaker outlook for ASEAN growth. The dovish shift in global monetary policy continues to deepen. Monetary policy alone will not be sufficient to support investment. Post elections in the last two years, countries like Malaysia, Indonesia, Thailand and Philippines could embark on reform and investment which would potentially benefit the domestically-driven sectors. The advantage ASEAN has is that expectations are low, positioning is bearish, policy support optionality to domestic demand and it is the biggest beneficiary of supply chain shift out from China. ASEAN markets offer a set of diversified opportunities.

* 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 Principal Malaysia or based on data obtained from sources believed to be reliable by Principal Malaysia. Whilst every care has been taken in preparing this, Principal Malaysia makes no guarantee, representation or warranty and is under no circumstances liable for any loss or damage caused by reliance on, any opinion, advice or statement made in this market outlook.

INVESTMENT STRATEGY

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

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 30 June 2019 are as follows:

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
Less than 100	6	0.00	0.00
100 to 1,000	72	0.03	1.11
1,001 to 10,000	71	0.29	10.74
10,001 to 100,000	23	0.55	20.37
100,001 to less than 5% of approved fund size	-	-	-
5% and above the approved fund size	3	1.83	67.78
Total	175	2.70	100.00

SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (*formerly known as 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 year under review, the Manager and the Trustee did not receive any rebates from the brokers or the 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.

ADDITIONAL INFORMATION

Key Personnel of the Manager

There are eight (8) members sitting on the Board of Directors of Principal Malaysia including three (3) Independent Directors. The Board of Directors oversees the management and operations of Principal Malaysia and meets at least once every quarter.

Details of the Directors of the management company are set out as below:

Name:	A.Huzaim Bin Dato' Abdul Hamid*
Age:	54
Nationality:	Malaysian
Designation:	Independent Non-Executive Director of Principal Asset Management Berhad (<i>formerly known as CIMB-Principal Asset Management Berhad</i>).
Qualifications:	Master of Science, Financial Economics, School of Oriental and African Studies (SOAS), University of London, United Kingdom, 2010; Advanced Diploma in Russian Language from the Russian Center of Science and Culture, Kuala Lumpur, and the Pushkin State Institute of Russian Language, Moscow, Russia 2009; Bachelor of Science, Economics, Louisiana State University, Baton Rouge Louisiana, United States of America, 1988.
Experience:	<p>Huzaim has spent 27 years in various aspects of finance, economics, and public policy advisory. 12 of those years was spent as a fund manager, where he was, among others, a Chief Investment Officer with Alliance Capital Asset Management and as a member of the Pacific Region Team and a Global Commodities Specialist with Hong Kong's Jardine Fleming Investment Management which is now part of JP Morgan, Chase and Co. He was an independent Investment Committee member for 6 years for Principal Asset Management as well as being the same for Principal Islamic Asset Management Sdn Bhd and CIMB Wealth Advisors Berhad for several years. He also served as an independent Investment Committee member for CIMB Aviva Assurance and CIMB Aviva Takaful for two years.</p> <p>Huzaim is the Chairman & CEO of Ingenium Advisors, a financial economics advisory established in 2013. He was, prior to that, the Head of Strategic Operations at Malaysia's Employees Provident Fund, where he was deeply engaged in the reform of the Malaysian pension and social security system, which resulted in the private pension system, minimum wages, and minimum retirement age acts.</p> <p>Huzaim also spent several years serving as a Senior Fellow at the then renowned Institute of Strategic and International Studies (ISIS) Malaysia, reporting directly to its late Chairman, Tan Sri Noordin Sopiee. He was most active in economic, finance, and geostrategic issues. He was engaged heavily in OIC and East Asian matters, and was appointed the Deputy Secretary General for the Malaysian chapter of the Network of East Asian Think-tanks (NEAT). Huzaim speaks, thinks and writes in 5 languages.</p>
Date appointed to Board:	2 May 2013
Details of Membership of any Board Committee:	Investment Committee Member
Directorship of other public companies:	None
Family relationship with any Director:	None

ADDITIONAL INFORMATION (CONTINUED)

Key Personnel of the Manager (continued)

Name:	A.Huzaima Bin Dato' Abdul Hamid* (continued)
Conflict of interest with the Fund:	None
List of convictions for offences within the past 10 years other than traffic offences:	None
Number of board meetings attended in the financial year (1 July 2018 to 30 June 2019):	5 of 7
Name:	Hisham bin Zainal Mokhtar*
Age:	57
Nationality:	Malaysian
Designation:	Independent Non-Executive Director and Member of Audit Committee of Principal Asset Management Berhad (<i>formerly known as CIMB-Principal Asset Management Berhad</i>) and Principal Islamic Asset Management Sdn Bhd (<i>formerly known as CIMB-Principal Islamic Asset Management Sdn Bhd</i>).
Qualifications:	Master in Business Administration, Massachusetts Institute of Technology, under the Sloan Fellow Program at the MIT Sloan School of Management; Master of Science (MS) Mathematics, Illinois State University; Bachelor of Science (BS) Mathematics, Illinois State University; Chartered Financial Analyst Charterholder.
Experience:	Hisham began his career in the insurance industry at Universal Life and General Insurance in 1987. He joined William M Mercer Sdn Bhd in 1988 before becoming an investment analyst with Crosby Research (M) Sdn Bhd in 1991. He joined Barings Research (Malaysia) Sdn Bhd in 1994 and UBS Research (Malaysia) Sdn Bhd in 1996. He became a financial consultant at Sithe Pacific LLC in 1998, a regional independent power producer, and later ventured out to setup a boutique investment advisory firm, KE Malaysia Capital Partners Sdn Bhd. He served Tricubes Berhad as an Executive Director and Vice President of Corporate and Financing Planning from April 2001 to April 2005. He then joined Khazanah Nasional Berhad in May 2005 and later served as a Director in the Investment Division from April 2009 to June 2014. He was Chief Operating Officer with Astro Overseas Limited from July 2014 until June 2018 and after that a Director in the Group Managing Director's Office at Malaysian Industrial Development Finance Berhad from July 2018 until March 2019.
Date appointed to Board:	11 February 2015
Details of Membership of any Board Committee:	Audit Committee Member
Directorship of other public companies:	1) Telekom Malaysia Berhad 2) VADS Berhad 3) Media Prima Berhad 4) Sistem Televisyen Malaysia Berhad

ADDITIONAL INFORMATION (CONTINUED)**Key Personnel of the Manager (continued)**

Name:	Hisham bin Zainal Mokhtar* (continued)
Family relationship with any Director:	None
Conflict of interest with the Fund:	None
List of convictions for offences within the past 10 years other than traffic offences:	None
Number of board meetings attended in the financial year (1 July 2018 to 30 June 2019):	5 of 7
Name:	Juan Ignacio Eyzaguirre Baraona
Age:	62
Nationality:	Chilean
Designation:	Chief Executive Officer, ASEAN Region
Qualifications:	Civil Engineering Degree from the Universidad de Chile Degree in Philosophy from the Universidad de Los Andes.
Experience:	Juan has 30 years of experience in various senior positions in asset management, banking, insurance and fund management. He is currently the Chief Executive Officer, ASEAN for Principal Asset Management Berhad. In 2008, Juan founded Vistage Chile, a business coaching and management development consultancy headquartered in San Diego, California. Prior to this, Juan served as an executive of Principal Latin America where he drove regional business growth and strategy and led teams in Argentina, Chile and within Principal's joint venture in Brazil.
Date appointed to Board:	13 May 2019
Details of Membership of any Board Committee:	None
Directorship of other public companies:	None
Family relationship with any Director:	None
Conflict of interest with the Fund:	None
List of convictions for offences within the past 10 years other than traffic offences:	None
Number of board meetings attended in the financial year (1 July 2018 to 30 June 2019):	1 of 7

ADDITIONAL INFORMATION (CONTINUED)

Key Personnel of the Manager (continued)

Name:	Munirah binti Khairuddin
Age:	44
Nationality:	Malaysian
Designation:	Chief Executive Officer/Executive Director
Qualifications:	Bachelor of Arts (Honours) in Accounting & Financial Analysis, University of Newcastle Upon Tyne, UK; Chartered Financial Analyst Charterholder and Capital Markets Services Representative's License holder for fund management.
Experience:	<p>Munirah joined Principal Asset Management Berhad (<i>formerly known as CIMB-Principal Asset Management Berhad</i>) in November 2006 and was later appointed as Deputy CEO in November 2008. Then, Munirah was responsible for the development of institutional, corporate and international business opportunities and institutional sales. She previously worked as a G7 Economist and strategist for a Fortune 500 multinational oil and gas company. Prior to that, she was a fixed income portfolio manager for emerging markets at Rothschild Asset Management in London.</p> <p>Munirah was appointed as CEO/Executive Director on 15 May 2013. She has been instrumental in helping the company to grow its Assets Under Management ("AUM"), deepening its retail leadership with new focus in private retirement space, and maintaining consistent risk management and investment performance. Munirah also played an integral part in strategic business development initiatives of CWA, an agency force of more than 8,000 unit trust consultants nationwide. Munirah also oversees both the retail and corporate businesses for Singapore.</p> <p>She was also named as the CEO of the Year, Malaysia in the Asia Asset Management's 2015 Best of the Best Awards for the second year in a row. Munirah was also selected as one of the recipients for the "Top 25 Women of Asset Management" award by AsianInvestor in 2014.</p>
Date appointed to Board:	31 January 2012
Details of Membership of any Board Committee:	None
Directorship of other public companies:	CIMB Wealth Advisors Berhad
Family relationship with any Director:	None
Conflict of interest with the Fund:	None
List of convictions for offences within the past 10 years other than traffic offences:	None
Number of board meetings attended in the financial year (1 July 2018 to 30 June 2019):	7 of 7

ADDITIONAL INFORMATION (CONTINUED)

Key Personnel of the Manager (continued)

Name:	Paul Wong Chee Kin
Age:	50
Nationality:	Malaysian
Designation:	Group Chief Operations Officer, CIMB Group
Qualifications:	Bachelor of Business (Major in Banking & Finance), Monash University
Experience:	Paul Wong was appointed as Group Chief Operations Officer on 1 October 2018 with key focus in strategizing and overseeing the Operations function of CIMB Group. He previously held the position as Head of Consumer Business Strategic Support since May 2016 with key focus in driving sales and operational productivity, improving customer experience and strengthening compliance at branches. Other previous appointments include Head of Regional Projects in driving sales and operational efficiency in Group Consumer Banking, and Head of ASEAN Business Solutions to oversee cross-border acquisition for retail products from July 2013 to April 2016. Paul was also Head of Sales Management under Consumer Sales & Distribution from 2007 to 2013 where he led the team drive and manage initiatives on marketing, compliance and employee engagement to optimize productivity from sales channels. During the period, Paul was also appointed as the designated Head of Retail Banking for Bank of Commerce (“BOC”) in Philippines to lead the re-engineering of overall retail banking strategies as CIMB was exploring the acquisition of BOC. Prior to joining CIMB Bank, Paul served in various capacities in several financial institution including Alliance Bank, Prudential Assurance, OCBC, UOB, and DBS in Malaysia and Singapore.
Date appointed to Board:	8 September 2016
Details of Membership of any Board Committee:	None
Directorship of other public companies:	None
Family relationship with any Director:	None
Conflict of interest with the Fund:	None
List of convictions for offences within the past 10 years other than traffic offences:	None
Number of board meetings attended in the financial year (1 July 2018 to 30 June 2019):	7 of 7

ADDITIONAL INFORMATION (CONTINUED)

Key Personnel of the Manager (continued)

Name:	Pedro Esteban Borda
Age:	58
Nationality:	Argentinean
Designation:	Senior Vice President & Chief Operating Officer, Principal International
Qualifications:	Bachelor Degree in Business Administration and a Master Degree in Finance, both from Universidad Argentina de la Empresa ("U.A.D.E"), Buenos Aires, Argentina.
Experience:	Pedro was previously the President, Principal South Asia & India of Principal International (South Asia) Sdn Bhd ("PISA") based in Malaysia. He is also a Non-Independent Non-Executive Director of Principal Asset Management Berhad (<i>formerly known as CIMB-Principal Asset Management Berhad</i>) since 20 June 2013. Prior joining Principal International, he was Chief Executive Officer, ASEAN Region of Principal Asset Management Berhad. In addition, he was the Country Head - Mexico from 2004 to February 2013, Vice President of Principal Financial Group and previously a member of the Board of Directors of Principal Financial Group, Chile.
Date appointed to Board:	20 June 2013
Details of Membership of any Board Committee:	Audit Committee Member
Directorship of other public companies:	None
Family relationship with any Director:	None
Conflict of interest with the Fund:	None
List of convictions for offences within the past 10 years other than traffic offences:	None
Number of board meetings attended in the financial year (1 July 2018 to 30 June 2019):	5 of 7
Name:	Wong Joon Hian*
Age:	70
Nationality:	Malaysian
Designation:	Independent Non-Executive Director and Chairman of Audit Committee of Principal Asset Management Berhad (<i>formerly known as CIMB-Principal Asset Management Berhad</i>) and Principal Islamic Asset Management Sdn Bhd (<i>formerly known as CIMB-Principal Islamic Asset Management Sdn Bhd</i>).
Qualifications:	Member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants and a life member of the Institute of Chartered Accountants in England and Wales.

ADDITIONAL INFORMATION (CONTINUED)

Key Personnel of the Manager (continued)

Name:	Wong Joon Hian* (continued)
Experience:	Wong has been an independent non-executive director of Principal Asset Management Berhad since 22 August 2007. He has accumulated over 30 years of working experience in the areas of audit, accountancy, financial services and corporate management. He commenced his career when he joined Price Waterhouse & Co. in England after qualifying as a Chartered Accountant in 1973. He returned to Malaysia in 1975 to work for Price Waterhouse (now known as PricewaterhouseCoopers PLT), Malaysia until 1985. He then served as the Technical Manager of The Malaysian Association of Certified Public Accountants from 1986 until he was appointed as the General Manager-Operations of Supreme Finance (Malaysia) Berhad in December 1987. After Mayban Finance Berhad had completed the acquisition of Supreme Finance (Malaysia) Berhad in 1991, he joined BDO Binder as an Audit Principal until 1994 when he joined for Advance Synergy Berhad. He was appointed the managing director of United Merchant Group Berhad (now known as Advance Synergy Capital Sdn Bhd) in 1995. During the period from 1995 till 2007 he was a director of Ban Hin Lee Bank Berhad, Southern Investment Bank Berhad and United Merchant Finance Berhad. Currently, he is a director in several companies under the Advance Synergy Berhad Group and CIMB Group Holdings Berhad Group. He is also an independent non-executive director of Principal Islamic Asset Management Sdn Bhd (formerly known as CIMB-Principal Islamic Asset Management Sdn Bhd).
Date appointed to Board:	22 August 2007
Details of Membership of any Board Committee:	Chairman of Audit Committee
Directorship of other public companies:	1) SFB Auto Berhad 2) SIBB Berhad
Family relationship with any Director:	None
Conflict of interest with the Fund:	None
List of convictions for offences within the past 10 years other than traffic offences:	None
Number of board meetings attended in the financial year (1 July 2018 to 30 June 2019):	7 of 7
Name:	Effendy Shahul Hamid
Age:	47
Nationality:	Malaysian
Designation:	Chief Executive Officer, Group Ventures & Partnerships
Qualifications:	Honours in Electronic Engineering with Optoelectronics, University College London; Alumni of CIMB-INSEAD Leadership Programme.

ADDITIONAL INFORMATION (CONTINUED)**Key Personnel of the Manager (continued)**

Name:	Effendy Shahul Hamid (continued)
Experience:	<p>Effendy is responsible for the development of the Group's new and disruptive revenue and value creation streams through a focus on creating and cultivating platform partnerships at scale, venturing through selective strategic investments in platform based businesses, steering CIMB's approach and practices in terms of financial technology trends, and managing the Group's operations in Vietnam and the Philippines. Also responsible for pursuing virtual banking strategies for the Group.</p> <p>He is also responsible for the Group's asset management and investments business across both public and private markets, including the Group's regional asset management business, its private equity fund management business and the Group's equity investments portfolio in companies such as Principal Asset Management and Touch n Go.</p> <p>Most recently, Effendy was CEO of Group Commercial Banking, managing the Group's regional banking businesses for the small and medium enterprise and mid-sized corporate segment, with a key lean on creating differentiated propositions and executing long term growth strategies. Prior to that, he was Group Chief Marketing and Communications Officer, managing the Group's entire marketing and communications initiatives and lead franchise-wide efforts to ensure a consistent and differentiated CIMB brand for all of the Group's businesses across the region. Before that, he served as a Director in the Group's Investment Banking Division, primarily focusing on corporate advisory and origination. Prior to joining the Group, career stints in several international companies in a corporate development capacity, mostly involved in private equity, merger and acquisition activities across Asia Pacific and general business expansion initiatives.</p>
Date appointed to Board:	17 August 2015
Details of Membership of any Board Committee:	None
Directorship of other public companies:	1) CIG Berhad
Family relationship with any Director:	None
Conflict of interest with the Fund:	None
List of convictions for offences within the past 10 years other than traffic offences:	None
Number of board meetings attended in the financial year (1 July 2018 to 30 June 2019):	3 of 7

* Independent Director

ADDITIONAL INFORMATION (CONTINUED)

The Investment Committee

As required by the ETF Guidelines, the Manager is required to establish an Investment Committee for the Fund whose role is to ensure that the investment management of the Fund is consistent with:

- (a) the Fund’s investment objective;
- (b) the Deed;
- (c) the Prospectus;
- (d) the ETF Guidelines and other applicable laws;
- (e) internal investment restrictions and policies; and
- (f) acceptable and efficacious investment management practices within the industry.

The powers and duties of the Investment Committee include formulating and monitoring the implementation by the Manager of appropriate investment management strategies for the Fund and the measurement and evaluation of the performance of the Manager. The Investment Committee generally meets once a month.

Accordingly, the Manager has appointed an Investment Committee for the Fund, comprising of five (5) members including three (3) independent members.

The following table sets out information on the members of the Investment Committee:

Name:	Mohamad Safri bin Shahul Hamid										
Age:	47										
Nationality:	Malaysian										
Designation:	Deputy Chief Executive Officer/Senior Managing Director of CIMB Islamic Bank Berhad										
Qualifications:	Master of Business Administration (Globalisation) from Maastricht School Of Management, The Netherlands; Bachelor of Accounting (Honours) from International Islamic University Malaysia; Chartered Accountant (CA) with the Malaysian Institute of Accountants (MIA).										
Experience:	<table border="0" style="width: 100%;"> <tr> <td style="width: 20%;">2011 - Present</td> <td>Deputy Chief Executive Officer/Senior Managing Director (since April 2014) - CIMB Islamic Bank Berhad</td> </tr> <tr> <td>2009 - 2011</td> <td>Deputy Chief Executive Officer - MIDF Amanah Investment Bank, Kuala Lumpur</td> </tr> <tr> <td>Feb 2008 - Dec 2008</td> <td>Director - Global Markets & Regional Head, Islamic Structuring (Asia) of Deutsche Bank Dubai International Financial Centre (Dubai)</td> </tr> <tr> <td>2003 - 2008</td> <td>Director & Head - Debt Capital Markets, CIMB Islamic Bank Berhad</td> </tr> <tr> <td>2000 - 2003</td> <td>Senior Analyst - Malaysian Rating Corporation Berhad</td> </tr> </table>	2011 - Present	Deputy Chief Executive Officer/Senior Managing Director (since April 2014) - CIMB Islamic Bank Berhad	2009 - 2011	Deputy Chief Executive Officer - MIDF Amanah Investment Bank, Kuala Lumpur	Feb 2008 - Dec 2008	Director - Global Markets & Regional Head, Islamic Structuring (Asia) of Deutsche Bank Dubai International Financial Centre (Dubai)	2003 - 2008	Director & Head - Debt Capital Markets, CIMB Islamic Bank Berhad	2000 - 2003	Senior Analyst - Malaysian Rating Corporation Berhad
2011 - Present	Deputy Chief Executive Officer/Senior Managing Director (since April 2014) - CIMB Islamic Bank Berhad										
2009 - 2011	Deputy Chief Executive Officer - MIDF Amanah Investment Bank, Kuala Lumpur										
Feb 2008 - Dec 2008	Director - Global Markets & Regional Head, Islamic Structuring (Asia) of Deutsche Bank Dubai International Financial Centre (Dubai)										
2003 - 2008	Director & Head - Debt Capital Markets, CIMB Islamic Bank Berhad										
2000 - 2003	Senior Analyst - Malaysian Rating Corporation Berhad										
Date appointed to Investment Committee:	1 April 2014										
Conflict of interest with the Fund:	None										
List of convictions for offences within the past 10 years other than traffic offences:	None										
Number of Investment Committee meetings attended in the financial year (1 July 2018 to 30 June 2019):	9 of 11										

ADDITIONAL INFORMATION (CONTINUED)

The Investment Committee (continued)

Name:	Wong Fook Wah*
Age:	64
Nationality:	Malaysian
Designation:	Ex-Deputy Group Chief Executive for RAM Holdings Berhad
Qualifications:	Bachelor of Arts (Economics) from Universiti Malaya (1977) and a Masters degree in Policy Science from Saitama University, Japan (1987).
Experience:	<p>Wong had served 20 years in RAM Holdings Bhd, from its inception as Malaysia's first credit rating agency in 1991. He held several positions over the years including Managing Director/CEO of RAM Rating Services Sdn Bhd. His last position was that of Deputy Group Executive Officer of RAM Holdings Berhad ("RAM"). He retired from RAM in March 2011.</p> <p>Prior to joining RAM, Wong worked for the Ministry of Finance, Malaysia from 1977 to April 1991. He first served as an economist in the Economics Planning Division for the first 8 years. Then, for 4 years from 1987 to 1991, he worked as an analyst in a special task unit handling rehabilitational and restructuring work on ailing Government-owned enterprises.</p> <p>He was on the Board of Directors of the Malaysia Derivatives Exchange Bhd ("MDEX") from 2001 to May 2004 as an appointee of the Ministry of Finance. He also served on the Board of Directors of RAM Rating Services Bhd, Bond Pricing Agency Sdn Bhd and RAM Credit Information Sdn Bhd, representing the interest of RAM Holdings Bhd prior to retirement.</p>
Date appointed to Investment Committee:	1 May 2011
Conflict of interest with the Fund:	None
List of convictions for offences within the past 10 years other than traffic offences:	None
Number of Investment Committee meetings attended in the financial year (1 July 2018 to 30 June 2019):	8 of 11
Name:	A.Huzaima Bin Dato' Abdul Hamid*
Age:	54
Nationality:	Malaysian
Designation:	Independent Non-Executive Director of Principal Asset Management Berhad (<i>formerly known as CIMB-Principal Asset Management Berhad</i>).
Qualifications:	Master of Science, Financial Economics, School of Oriental and African Studies (SOAS), University of London, United Kingdom, 2010; Advanced Diploma in Russian Language from the Russian Center of Science and Culture, Kuala Lumpur, and the Pushkin State Institute of Russian Language, Moscow, Russia 2009; Bachelor of Science, Economics, Louisiana State University, Baton Rouge Louisiana, United States of America, 1988.

ADDITIONAL INFORMATION (CONTINUED)

The Investment Committee (continued)

Name:	A.Huzaim Bin Dato' Abdul Hamid* (continued)
Experience:	<p>Huzaim has spent 27 years in various aspects of finance, economics, and public policy advisory. 12 of those years was spent as a fund manager, where he was, among others, a Chief Investment Officer with Alliance Capital Asset Management and as a member of the Pacific Region Team and a Global Commodities Specialist with Hong Kong's Jardine Fleming Investment Management which is now part of JP Morgan, Chase and Co. He was an independent Investment Committee member for 6 years for Principal Asset Management as well as being the same for Principal Islamic Asset Management Sdn Bhd and CIMB Wealth Advisors Berhad for several years. He also served as an independent Investment Committee member for CIMB Aviva Assurance and CIMB Aviva Takaful for two years.</p> <p>Huzaim is the Chairman & CEO of Ingenium Advisors, a financial economics advisory established in 2013. He was, prior to that, the Head of Strategic Operations at Malaysia's Employees Provident Fund, where he was deeply engaged in the reform of the Malaysian pension and social security system, which resulted in the private pension system, minimum wages, and minimum retirement age acts. Huzaim also spent several years serving as a Senior Fellow at the then renowned Institute of Strategic and International Studies (ISIS) Malaysia, reporting directly to its late Chairman, Tan Sri Noordin Sopiee. He was most active in economic, finance, and geostrategic issues. He was engaged heavily in OIC and East Asian matters, and was appointed the Deputy Secretary General for the Malaysian chapter of the Network of East Asian Think-tanks (NEAT). Huzaim speaks, thinks and writes in 5 languages.</p>
Date appointed to Investment Committee:	3 September 2014
Conflict of interest with the Fund:	None
List of convictions for offences within the past 10 years other than traffic offences:	None
Number of Investment Committee meetings attended in the financial year (1 July 2018 to 30 June 2019):	8 of 11

ADDITIONAL INFORMATION (CONTINUED)

The Investment Committee (continued)

Name:	Alejandro Elias Echegorri Rodriguez
Age:	59
Nationality:	Mexican
Designation:	Chief Investment Officer, Principal Global Asset Management Asia, Director of Principal Asset Management (S) Pte Ltd (<i>formerly known as CIMB-Principal Asset Management (S) Pte Ltd</i>), Komisararis of PT Principal Asset Management Indonesia (<i>formerly known as PT CIMB-Principal Asset Management</i>).
Qualifications:	Degree in Economics from the Universidad Mayor de la Republica, Uruguay and a Master in Economics degree from Universidad Centro de Estudios Macroeconomicos de Argentina.
Experience:	Mr. Echegorri is the Chief Investment Officer for Principal Global Asset Management in Asia and as such he is responsible for the overall investment strategy and the investment process for the group and for overseeing the management of pension, mutual funds and general accounts in the Asia as well as for supporting the overall development of the asset management business in the region. Prior to that Mr. Echegorri was Chief Executive Officer, ASEAN Region of Principal Asset Management Bhd (<i>formerly known as CIMB-Principal Asset Management Bhd</i>), with responsibilities over Malaysia, Indonesia, Thailand and Singapore. Previously he was the Chief Investment Officer for Principal International in Latin America. He joined Principal in 2003 as Head of Institutional Asset Management and Chief Investment Officer for Principal Financial Group in Mexico. Prior to that, he was the Senior Investment Officer for Citibank's Pension Fund Business in Latin America. He had also held different positions in the investment area in countries such as Uruguay, Argentina, Chile, Mexico and the United Kingdom.
Date appointed to Board:	28 March 2016
Details of Membership of any Board Committee:	Investment Committee Member
Directorship of other public companies:	Principal Asset Management Company Limited (<i>formerly known as "CIMB-Principal Asset Management Company Limited"</i>)
Family relationship with any Director:	None
Conflict of interest with the Fund:	None
List of convictions for offences within the past 10 years other than traffic offences:	None
Number of Investment Committee meetings attended in the financial year (1 July 2018 to 30 June 2019):	9 of 11

ADDITIONAL INFORMATION (CONTINUED)**The Investment Committee (continued)**

Name:	Kim Teo Poh Jin*
Age:	61
Nationality:	Singaporean
Designation:	Chairman of the Investment Committee of Principal Asset Management Berhad (<i>formerly known as CIMB-Principal Asset Management Berhad</i>) and Principal Islamic Asset Management Berhad (<i>formerly known as CIMB Islamic Asset Management Berhad</i>). Executive Director and Group Chief Executive Officer, Boardroom Limited. Director, Livet Company Pte. Ltd. Director, Marina Yacht Services Pte. Ltd.
Qualifications:	Bachelor of Arts (Hons) in Economics from the Heriot-Watt University of Edinburgh.
Experience:	He has about 25 years of experience in the financial industry, having worked in senior positions of major financial institutions.
Date appointed to Investment Committee:	3 January 2008
Conflict of interest with the Fund:	None
List of convictions for offences within the past 10 years other than traffic offences:	None
Number of Investment Committee meetings attended in the financial year (1 July 2018 to 30 June 2019):	11 of 11

*Independent member

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
CIMB FTSE ASEAN 40 MALAYSIA**

We, being the Directors of Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 28 to 52 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 June 2019 and of its financial performance, changes in equity and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

Principal Asset Management Berhad (Company No.: 304078-K)

(formerly known as CIMB-Principal Asset Management Berhad)

MUNIRAH KHAIRUDDIN

Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA

Director

Kuala Lumpur
20 August 2019

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
CIMB FTSE ASEAN 40 MALAYSIA**

We have acted as the Trustee for CIMB FTSE ASEAN 40 Malaysia (the "Fund") for the financial year ended 30 June 2019. To the best of our knowledge, for the financial year under review, Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the "Manager") has operated and managed the Fund in accordance with the following:-

- (a) limitations imposed on the investment powers of the Manager under the Deed(s), the Securities Commission's Guidelines on Exchange-Traded Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation and pricing for the Fund has been carried out in accordance with the Deed(s) of the Fund and applicable regulatory requirements; and
- (c) creation and cancellation of units for the Fund have been carried out in accordance with the Deed(s) of the Fund and applicable regulatory requirements.

We are of the view that the distribution made by the Fund during the financial year ended 30 June 2019 is not inconsistent with the objective of the Fund.

For **Deutsche Trustees Malaysia Berhad**

Ng Hon Leong
Head, Trustee Operations

Richard Lim Hock Seng
Chief Executive Officer

Kuala Lumpur
20 August 2019

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB FTSE ASEAN 40 MALAYSIA**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of CIMB FTSE ASEAN 40 Malaysia (the "Fund") give a true and fair view of the financial position of the Fund as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 June 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 28 to 52.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB FTSE ASEAN 40 MALAYSIA (CONTINUED)**

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Fund. In particular, we considered where the Manager made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Fund, the accounting processes and controls, and the industry in which the Fund operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Fund for the current year. These matters were addressed in the context of our audit of the financial statements of the Fund as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation and existence of financial assets at fair value through profit or loss</p> <p>Refer to Note 2(b), Note 3(e) and Note 9 to the financial statements.</p> <p>The investment portfolio at the year-end comprised listed equity investment valued at RM5,207,981.</p> <p>We focused on the valuation and existence of investment because investment represents the most significant element of the net asset recognised in the financial statements.</p>	<p>We have tested the valuation of the listed equity investment as at year-end by agreeing the price used in the valuation to the quoted price published by the stock exchange.</p> <p>We have tested the existence of the investment portfolio by agreeing the holding for investment to an independent custodian confirmation.</p>

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB FTSE ASEAN 40 MALAYSIA (CONTINUED)**

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's report but does not include the financial statements of the Fund and our auditor's report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB FTSE ASEAN 40 MALAYSIA (CONTINUED)****REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)**Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB FTSE ASEAN 40 MALAYSIA (CONTINUED)**

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the Fund for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the unit holders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

WILLIAM MAH JIN CHIEK
03085/07/2021 J
Chartered Accountant

Kuala Lumpur
20 August 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

	Note	2019 RM	2018 RM
INCOME/(LOSS)			
Dividend income		185,033	183,575
Net gain/(loss) on financial assets at fair value through profit or loss	9	527,355	(300,760)
Net foreign exchange gain/(loss)		631	(6,953)
		<u>713,019</u>	<u>(124,138)</u>
EXPENSES			
Trustee's fee	5	12,000	12,000
Audit fee		27,300	27,300
Tax agent's fee		4,600	4,000
Transaction costs		-	546
Other expenses	6	5,612	11,320
		<u>49,512</u>	<u>55,166</u>
PROFIT/(LOSS) BEFORE TAXATION		663,507	(179,304)
Taxation	7	-	-
PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR		<u>663,507</u>	<u>(179,304)</u>
Profit/(Loss) after taxation is made up as follows:			
Realised amount		135,742	125,211
Unrealised amount		527,765	(304,515)
		<u>663,507</u>	<u>(179,304)</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Note	2019 RM	2018 RM
ASSETS			
Cash and cash equivalents	10	200,052	61,988
Financial assets at fair value through profit or loss	9	5,207,981	4,680,626
TOTAL ASSETS		<u>5,408,033</u>	<u>4,742,614</u>
LIABILITIES			
Amount due to Trustee		1,020	1,020
Distribution payable		184,950	-
Other payables and accruals	11	32,770	30,858
TOTAL LIABILITIES		<u>218,740</u>	<u>31,878</u>
NET ASSET VALUE OF THE FUND (EX-DISTRIBUTION)		<u>5,189,293</u>	<u>4,710,736</u>
EQUITY			
Unit holders' capital		3,857,355	3,857,355
Retained earnings		1,331,938	853,381
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>5,189,293</u>	<u>4,710,736</u>
NET ASSET VALUE OF THE FUND			
- before distribution		5,374,243	4,894,339
- after distribution		<u>5,189,293</u>	<u>4,710,736</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	12	<u>2,700,000</u>	<u>2,700,000</u>
NET ASSET VALUE PER UNIT (RM)			
- before distribution		1.9905	1.8127
- after distribution		<u>1.9220</u>	<u>1.7447</u>

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

	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 year		-	663,507	663,507
Distribution	8	-	(184,950)	(184,950)
Balance as at 30 June 2019		<u>3,857,355</u>	<u>1,331,938</u>	<u>5,189,293</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 loss for the financial year		-	(179,304)	(179,304)
Distribution	8	-	(183,603)	(183,603)
Balance as at 30 June 2018		<u>3,857,355</u>	<u>853,381</u>	<u>4,710,736</u>

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

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

	Note	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Purchase of collective investment scheme		-	(2,428,860)
Dividend income received		185,033	183,575
Trustee's fee paid		(12,000)	(12,000)
Payments for other fees and expenses		(35,600)	(45,212)
Net realised foreign exchange gain/(loss)		221	(3,198)
Net cash generated from/(used in) operating activities		137,654	(2,305,695)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from creation of units		-	2,545,290
Distribution paid		-	(283,368)
Net cash generated from financing activities		-	2,261,922
Net increase/(decrease) in cash and cash equivalents		137,654	(43,773)
Effects of foreign exchange differences		410	(3,755)
Cash and cash equivalents at the beginning of the financial year		61,988	109,516
Cash and cash equivalents at the end of the financial year	10	200,052	61,988
<u>Cash and cash equivalents comprised of:</u>			
Bank balances		200,052	61,988
Cash and cash equivalents at the end of the financial year	10	200,052	61,988

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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 Principal Asset Management Berhad (formerly known as 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 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, is a joint venture between Principal Financial Group®, a member of the FORTUNE 500® and a Nasdaq-listed global financial services and CIMB Group Holdings Berhad, one of Southeast Asia’s leading universal banking groups. 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 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 year.

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.

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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standard that is effective:

The Fund has applied the following standard for the first time for the financial year beginning 1 July 2018:

- 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. MFRS 9 also introduces a new expected credit loss ("ECL") impairment model.

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

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 July 2018 that have a material effect on the financial statements of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The amendments to published standard that are applicable to the Fund but not yet effective and have not been early adopted are as follows:

Financial year beginning on/after 1 July 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, other comprehensive income 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 these amendments to published standard when effective. These amendments to published standard are not expected to have a significant impact on the Fund's financial statements.

(b) Financial assets and financial liabilities

Classification

Up to 30 June 2018, the Fund designates its investment in collective investment scheme as financial assets at fair value through profit or loss at inception.

Financial assets are designated at fair value through profit or loss when they are managed and their performance evaluated on a fair value basis.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund's loans and receivables comprise 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, distribution payable, and other payables and accruals as other financial liabilities.

From 1 July 2018, the Fund classifies 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 investment 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.

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

Investment in collective investment scheme of the Fund does not have contractual cash flows that represent solely payment of principal and interest, and therefore are classified as fair value through profit or loss.

The Fund classifies cash and cash equivalents as financial assets 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, distribution payable and other payables and accruals as financial liabilities 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. Transaction costs are expensed in the statement of comprehensive income.

Financial liabilities, within the scope of MFRS 139 up to 30 June 2018 and MFRS 9 from 1 July 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 year which they arise.

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

Collective investment scheme is valued based on the most recent published NAV per unit or share of such collective investment scheme or, if unavailable, on the average of the last published price of such unit or share (excluding any sales charge included in such selling price).

Financial assets at amortised cost (2018: 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

Up to 30 June 2018, 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.

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.

From 1 July 2018, the Fund measures credit risk and ECL using probability of default, exposure at default and loss given default. The Manager considers both historical analysis and forward looking information in determining any ECL. The Manager considers 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 ECL 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 the Manager 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 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 RM primarily due to the following factors:

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

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

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

Financial instruments of the Fund are as follows:

	Financial assets at amortised cost RM	Financial asset at fair value through profit or loss RM	Total RM
2019			
Cash and cash equivalents (Note 10)	200,052	-	200,052
Collective investment scheme (Note 9)	-	5,207,981	5,207,981
	<u>200,052</u>	<u>5,207,981</u>	<u>5,408,033</u>
2018			
Cash and cash equivalents (Note 10)	61,988	-	61,988
Collective investment scheme (Note 9)	-	4,680,626	4,680,626
	<u>61,988</u>	<u>4,680,626</u>	<u>4,742,614</u>

All current liabilities are financial liabilities which are carried at amortised cost.

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

The Fund 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.

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

(a) Market risk (continued)

(i) Price risk (continued)

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

	2019 RM	2018 RM
Financial assets at fair value through profit or loss:		
- Collective investment scheme	<u>5,207,981</u>	<u>4,680,626</u>

The table below summarises the sensitivity of the Fund's profit or loss and NAV to movements in prices of the Underlying Index. The analysis is based on the assumptions that the Underlying Index fluctuates by 11.79% (2018: 9.93%), which is the standard deviation of the daily fluctuation of the Underlying Index, with all other variables held constant, and that the fair value of the investments moved in the same quantum with the fluctuation in the Underlying Index. This represents management's best estimate of a reasonable possible shift in the collective investment scheme, having regard to the historical volatility of the prices.

The Underlying Index is used as the Fund is designed to provide investment results that closely correspond to the performance of the Underlying Index.

% Change in Underlying Index	Underlying Index	Market value RM	Impact on profit or loss/NAV RM
2019			
-11.79%	10,071	4,593,960	(614,021)
0%	11,417	5,207,981	-
11.79%	<u>12,763</u>	<u>5,822,002</u>	<u>614,021</u>
2018			
-9.93%	9,410	4,215,840	(464,786)
0%	10,447	4,680,626	-
9.93%	<u>11,484</u>	<u>5,145,412</u>	<u>464,786</u>

(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)

(a) Market risk (continued)

(ii) Currency risk (continued)

The following table sets out the foreign currency risk concentrations arising from the denomination of the Fund's financial instruments in foreign currency:

Financial assets	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Total RM
2019			
USD	<u>199,471</u>	<u>5,207,981</u>	<u>5,407,452</u>
2018			
USD	<u>38,854</u>	<u>4,680,626</u>	<u>4,719,480</u>

The table below summarises the sensitivity of the Fund's profit or loss and NAV to changes in foreign exchange movements for the Fund. The analysis is based on the assumption that the foreign exchange rate fluctuates by 3.05% (2018: 3.63%), which is the standard deviation of the daily fluctuation of the exchange rate of USD against MYR, with all other variables remain constants. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative

	Change in foreign exchange rate %	Impact on profit or loss/ NAV RM
2019		
USD	<u>+/- 3.05</u>	<u>+/- 164,927</u>
2018		
USD	<u>+/- 3.63</u>	<u>+/- 171,317</u>

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.

The following table sets out the credit risk concentration of the Fund at the end of each financial year:

	Cash and cash equivalents	
	2019	2018
	RM	RM
Finance		
- Deutsche Bank (M) Bhd (AA1)	<u>200,052</u>	<u>61,988</u>

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.

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

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2019			
Amount due to Trustee	1,020	-	1,020
Distribution payable	184,950	-	184,950
Other payables and accruals	-	32,770	32,770
Contractual undiscounted cash flows	<u>185,970</u>	<u>32,770</u>	<u>218,740</u>
2018			
Amount due to Trustee	1,020	-	1,020
Other payables and accruals	-	30,858	30,858
Contractual undiscounted cash flows	<u>1,020</u>	<u>30,858</u>	<u>31,878</u>

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

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital of RM3,857,355 (2018: RM3,857,355) and retained earnings of RM1,331,938 (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.

(i) Fair value hierarchy

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.

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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
2019				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	<u>5,207,981</u>	<u>-</u>	<u>-</u>	<u>5,207,981</u>
2018				
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 RM18,000 per annum excluding foreign sub-custodian fees and charges.

For the financial year ended 30 June 2019, the Trustee's fee is recognised at a rate of 0.08% per annum (2018: 0.08% per annum) 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.

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

6. OTHER EXPENSES

	2019	2018
	RM	RM
Printing costs	-	110
Listing fee	2,000	2,990
Custodian fee	1,075	3,529
Other expenses	2,537	4,691
	<u>5,612</u>	<u>11,320</u>

7. TAXATION

	2019	2018
	RM	RM
Tax charged for the financial year:		
- Current taxation	<u>-</u>	<u>-</u>

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

	2019	2018
	RM	RM
Profit/(Loss) before taxation	<u>663,507</u>	<u>(179,304)</u>
Taxation at Malaysian statutory rate of 24% (2018: 24%)	159,242	(43,033)
Tax effects of:		
- (Income not subject to tax purpose)/loss not deductible for tax purpose	(171,125)	29,793
- Expenses not deductible for tax purposes	5,331	5,203
- Restriction on tax deductible expenses for ETFs	<u>6,552</u>	<u>8,037</u>
Taxation	<u>-</u>	<u>-</u>

8. DISTRIBUTION

Distribution to unit holders is derived from the following sources:

	2019	2018
	RM	RM
Dividend income	185,033	183,575
Net foreign exchange loss	-	(3,198)
Prior financial years' realised income	49,329	58,392
	<u>234,362</u>	<u>238,769</u>
Less:		
Expenses	<u>(49,412)</u>	<u>(55,166)</u>
Net distribution amount	<u>184,950</u>	<u>183,603</u>
Distribution on 25 June 2019		
Gross/Net distribution per unit (sen)	<u>6.85</u>	<u>-</u>
Distribution on 12 June 2018		
Gross/Net distribution per unit (sen)	<u>-</u>	<u>6.80</u>

Gross distribution is derived using total income less total expenses. Net distribution above is sourced from current and prior financial years' realised income.

Gross distribution per unit is derived from gross realised income less expense, divided by the number of units in circulation. Net distribution per unit is derived from gross realised income less expenses and taxation, divided by the number of units in circulation.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	RM	RM
At fair value through profit or loss:		
- Collective investment scheme	<u>5,207,981</u>	<u>4,680,626</u>
Net gain/(loss) on financial assets at fair value through profit or loss:		
- Unrealised fair value gain/(loss)	<u>527,355</u>	<u>(300,760)</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019				
COLLECTIVE INVESTMENT SCHEME				
SINGAPORE				
CIMB FTSE ASEAN 40	<u>124,300</u>	<u>4,382,059</u>	<u>5,207,981</u>	<u>100.36</u>
TOTAL COLLECTIVE INVESTMENT SCHEME	<u>124,300</u>	<u>4,382,059</u>	<u>5,207,981</u>	<u>100.36</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>825,922</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>5,207,981</u>		
2018				
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>4,680,626</u>		

10. CASH AND CASH EQUIVALENTS

	2019	2018
	RM	RM
Bank balances	<u>200,052</u>	<u>61,988</u>

11. OTHER PAYABLES AND ACCRUALS

	2019	2018
	RM	RM
Provision for audit fee	27,300	27,300
Provision for tax agent's fee	5,445	3,533
Other accruals	<u>25</u>	<u>25</u>
	<u>32,770</u>	<u>30,858</u>

12. NUMBER OF UNITS IN CIRCULATION

	2019	2018
	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	<u>-</u>	<u>1,350,000</u>
At the end of the financial year	<u>2,700,000</u>	<u>2,700,000</u>

13. MANAGEMENT EXPENSE RATIO ("MER")

	2019	2018
	%	%
MER	<u>0.99</u>	<u>1.18</u>

MER is derived from the following calculation:

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

- A = Trustee's fees
- B = Audit fee
- C = Tax agent's fee
- D = Other expenses excluding Goods and Services Tax ("GST") on transaction costs
- E = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial year calculated on a daily basis is RM4,994,581 (2018: RM4,612,648).

14. PORTFOLIO TURNOVER RATIO (“PTR”)

	2019	2018
PTR (times)	-	0.26

PTR is derived based on the following calculation:

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

where:

total acquisition for the financial year	=	Nil (2018: RM2,428,314)
total disposal for the financial year	=	Nil (2018: Nil)

15. 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>
Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i>	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
Principal Asset Management (S) Pte Ltd <i>(formerly known as CIMB-Principal Asset Management (S) Pte Ltd)</i>	Investment Adviser of the Underlying Fund
CGS-CIMB Securities International Pte Ltd <i>(formerly known as CIMB Securities (Singapore) Pte Ltd)</i>	Fellow related party to the Manager

15. 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 year.

Significant related party transactions

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

Significant related party balances

	2019 RM	2018 RM
Investment in collective investment scheme:		
- CIMB FTSE ASEAN 40	<u>5,207,981</u>	<u>4,680,626</u>

16. TRANSACTIONS WITH BROKERS/DEALERS

There are no transaction with brokers/dealers for the financial year ended 30 June 2019.

Details of transactions with brokers/dealers for the financial year ended 30 June 2018 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 Nil (2018: 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.

17. 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 year.

18. MFRS 9 FINANCIAL INSTRUMENTS

As disclosed in Note 2(a), the Fund has adopted MFRS 9, which resulted in the following changes in accounting policies as disclosed in Note 2(b) and adjustments to the financial position 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)	Reclassifi- cations	Remeasu- rements	New (MFRS 9)
			RM	RM	RM	RM
Assets						
Cash and cash equivalents	Loans and receivables	Amortised cost	61,988	-	-	61,988
Investment in collective investment scheme	FVTPL	FVTPL	4,680,626	-	-	4,680,626
Liabilities						
Amount due to Trustee	Amortised cost	Amortised cost	1,020	-	-	1,020
Other payables and accruals	Amortised cost	Amortised cost	30,858	-	-	30,858

19. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 20 August 2019.

DIRECTORY

TRUST DIRECTORY

Manager

Registered Address

Principal Asset Management Berhad (Company No.: 304078-K)
(formerly known as CIMB-Principal Asset Management Berhad)
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Tel: (03) 2084 8888

Business address

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Tel: (03) 2084 8888

Postal address

Principal Asset Management Berhad (Company No.: 304078-K)
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Website

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General investment enquiries

(03) 7718 3000

TRUST DIRECTORY (CONTINUED)**Board of Directors**

Pedro Esteban Borda
 Effendy Shahul Hamid
 Paul Wong Chee Kin
 Juan Ignacio Eyzaguirre Baraona
 Munirah binti Khairuddin
 Wong Joon Hian*
 A.Huzaima bin Dato' Abdul Hamid*
 Hisham bin Zainal Mokhtar*

* *Independent director*

Investment Committee

Mohamad Safri bin Shahul Hamid
 Alejandro Elias Echegorri Rodriguez
 A.Huzaima Bin Dato' Abdul Hamid*
 Wong Fook Wah*
 Kim Teo Poh Jin*

* *Independent member*

Audit Committee

Wong Joon Hian*
 Pedro Esteban Borda
 Hisham bin Zainal Mokhtar*

* *Independent member*

Company Secretaries

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 50490 Kuala Lumpur, Malaysia.
 Tel: (03) 2084 8888

Investment Adviser

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(formerly known as CIMB-Principal Asset Management (S) Pte Ltd)
 50 Raffles Place
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 Tel: (+65) 6210 8488 Fax: (+65) 6210 8489

CORPORATE DIRECTORY

Fund Administration and Fund Accounting Service Provider

Deutsche Bank (Malaysia) Berhad

Registered Address

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50250 Kuala Lumpur

Business Address

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8, Jalan Sultan Ismail
50250 Kuala Lumpur

Tel: (03) 2053 6788

Trustee

Deutsche Trustees Malaysia Berhad

Registered/Business Address

Level 20, Menara IMC
8, Jalan Sultan Ismail
50250 Kuala Lumpur

Custodian (Trustee's Delegate)

Registered Address

Level 18, Menara IMC
8, Jalan Sultan Ismail
50250 Kuala Lumpur

Business Address

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8, Jalan Sultan Ismail
50250 Kuala Lumpur

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Auditors of the Manager and of the Fund

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146)

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Tel: (03) 2173 1188

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Tax Adviser

PricewaterhouseCoopers Taxation Services Sdn Bhd

PricewaterhouseCoopers Chartered Accountants

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Principal Asset Management Berhad (304078-K)
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