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## INVESTORS' LETTER

Dear Valued Investors,

Happy New Year!

Thank you for your continued support and for the confidence that you have placed in us. We are pleased to share that CIMB-Principal Asset Management Berhad ("CIMB-Principal") Malaysia concluded the year with RM48 billion in Asset Under Management ("AUM") and the CIMB-Principal's Group AUM has increased by 7.6% to RM67.6 billion, for 1-year period ending 31 December 2016. Our AUM for Private Retirement Scheme business has increased by 27% year-on-year ("y-o-y") to RM343 million as at 31 December 2016.

We continue to achieve prestigious recognitions from The Edge | Thomson Reuters Lipper Malaysia, Thomson Reuters Lipper and Morningstar such as:

### **The Edge | Thomson Reuters Lipper Malaysia Fund Awards 2016**

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

### **Thomson Reuters Lipper Fund Award Global Islamic 2016**

- Best Equity Asia Pacific Ex-Japan (Islamic), 3 years : CIMB Islamic Asia Pacific Equity Fund

### **Morningstar Awards Malaysia 2016**

- Best Asia-Pacific Equity Fund : CIMB-Principal Asia Pacific Dynamic Income Fund

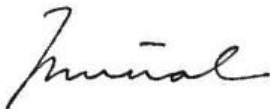
This reflects our consistent fund performance and investment capabilities, in tandem with our commitment to provide the best customer experience to our investors.

Through your support, CIMB-Principal has also managed to garner the **Best Asset and Fund Manager, Malaysia (2007-2016)** award from Alpha Southeast Asia and the **Asset Management Company of the Year, Malaysia** award from The Asset Triple A Investor Awards 2016.

As part of our on-going effort to further expand the payment options offered to our customers, CIMB-Principal has introduced the Virtual Account facility effective 7 December 2016. Please contact your servicing CWA Consultant or our Customer Care Centre at 03-77183000 to find out more.

Thank you once again and we wish you a happy and prosperous new year ahead.

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



**Munirah Khairuddin**  
Chief Executive Officer/Executive Director

## MANAGER'S REPORT

### FUND OBJECTIVE AND POLICY

#### **What is the investment objective of the Fund?**

The objective of the Fund is to provide growth to the value of Unit holders' investments over the long-term in an equity fund by investing in undiscovered smaller companies listed on Bursa Malaysia.

#### **Has the Fund achieved its objective?**

For the financial year under review, the Fund has underperformed its benchmark. However, over the 5-year period, the Fund has outperformed its benchmark, achieving its stated objective.

#### **What are the Fund investment policy and principal investment strategy?**

The Fund may invest between 70% to 98% (both inclusive) of the Fund's Net Asset Value ("NAV") in shares of smaller companies that are listed on Bursa Malaysia with market capitalisation of up to three (3) billion Ringgit Malaysia ("RM") at the point of purchase. The investment policy and strategy of the Fund will therefore focus on investments in securities of such smaller companies with potential growth and hands-on management policies but may be under-researched by major stock broking houses. To a lesser extent, the Fund may also invest in other permissible investments such as liquid assets primarily for the purpose of cash management. In addition, liquid assets may be strategically used if the Manager feels that the market downside risk is high in the short term.

#### **Fund category/type**

Equity (Small-Cap)/Growth

#### **How long should you invest for?**

Recommended five (5) years or more

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

High

#### **When was the Fund launched?**

20 April 2004

#### **What was the size of the Fund as at 31 December 2016?**

RM115.09 million (156.18 million units)

#### **What is the Fund's benchmark?**

Financial Times Stock Exchange ("FTSE") Bursa Malaysia ("FBM") Small Cap ("FBMSCAP") Index

#### **What is the Fund distribution policy?**

No distribution is expected to be paid, however, distribution, if any, will be incidental and will vary from period to period depending on interest rates, market conditions and the performance of the Fund.

#### **What was the net income distribution for the financial year ended 31 December 2016?**

There was no distribution made for the financial year ended 31 December 2016?

**PERFORMANCE DATA**

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

	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
	%	%	%
Quoted securities			
- Construction	13.13	3.57	5.29
- Consumer Products	14.35	14.11	7.66
- Finance	3.12	0.27	6.46
- Industrials	25.11	35.76	16.50
- Infrastructure Project Company ("IPC")	-	-	6.16
- Plantation	-	-	0.50
- Properties	1.53	-	-
- Real Estate Investment Trust ("REIT")	2.43	-	-
- Special Purpose Acquisition Company ("SPAC")	0.36	-	-
- Technology	4.25	16.29	4.66
- Trading/Services	22.71	20.90	24.10
Cash and other net assets	13.01	9.10	28.67
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

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

	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
NAV (RM Million)	115.09	154.05	168.41
Units in circulation (Million)	156.18	179.25	217.48
NAV per unit (RM)	0.7368	0.8594	0.7743
Highest NAV per unit (RM)	0.8810	0.6819	0.9009
Lowest NAV per unit (RM)	0.7257	0.8593	0.7094
Total return (%)	(14.26)	10.96	6.04
- Capital growth (%)	(14.26)	10.96	6.04
- Income distribution (%)	-	-	-
Management Expense Ratio ("MER") (%) ^	1.72	1.68	1.61
Portfolio Turnover Ratio ("PTR") (times) #	1.14	1.69	2.40

^ The Fund's MER increased from 1.68% to 1.72% due to lower average NAV during the financial year under review.

# The Fund's PTR decreased from 1.69 times to 1.14 times as there was less trading activity during the financial year under review.

	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
	%	%	%	%	%
Annual total return	(14.26)	10.96	6.04	43.62	23.42

(Launch date: 20 April 2004)

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 JANUARY 2016 TO 31 DECEMBER 2016)**

Equities had a rocky start in 2016. The FBMSCAP Index fell sharply earlier in the month before rebounding towards the end. The sharp selloff globally spooked traders and Malaysia was not spared. The late recovery was helped by the recalibrated Budget 2016, as well as the rebound in crude oil prices and a stronger Malaysian Ringgit ("MYR").

Key global events in February 2016 were; 1) the US and Chinese growth worries, 2) possibility of the US Federal Reserve (the "Fed") hike mistake; 3) "Brexit" risk; and 4) widening credit spreads. On the domestic side, market sentiment was dented by the weak fourth quarter of 2015 corporate earnings. MYR weakened slightly from RM4.148 to RM4.203 against US Dollars ("USD"). The latest fourth quarter of 2015 Consumer Sentiment Index touched a new low of 63.8.

In March 2016, the market was lifted by higher oil prices, stronger MYR and increasing investor optimism that the Fed may delay its future Fed Funds' rate hike. The confluence of these positive macro factors led to a RM6.1 billion net foreign equity inflow into the Malaysian market. However, most of the gains in March 2016 were given up in the following month of April 2016. Investors were rattled by the news of 1Malaysia Development Berhad's ("1MDB") bond default, which triggered a cross default on two other notes. Bank Negara Malaysia's ("BNM") new internally sourced governor failed to lift the market.

In May 2016, the market was back on its downtrend, weighed down by a few events such as; 1) the 1MDB bond default saga; 2) fears of liquidity stress in Malaysian banking system as money supply slowed; 3) Morgan Stanley Capital International ("MSCI") rebalancing which subjected the Malaysian market to repositioning and short-selling activities; 4) Rising probability of US rate hike in the coming months; 5) weaker than expected China Purchasing Manager's Index ("PMI"); and 6) weaker MYR despite the stronger oil price.

In June 2016, post-Brexit, the resulting flight to safety caused global government bond yields to collapse, signalling deflationary growth concerns. In the US, the likelihood of a rate hike this year had fallen significantly. On the local front, Barisan Nasional's two by-election victories fuelled speculation of early elections.

In July 2016, the Index rose to 1.6% despite oil prices receding by 13.9% to USD41.6 per barrel and heightened political noise. We maintained the view that the market would trade range-bound in the short term with key catalysts being: 1) stabilisation of earnings in the second quarter of 2016 results; 2) speculation of early elections in the first half of 2017; and 3) more stimulus by the Government to support growth. On 13 July 2016, BNM cuts the Overnight Policy Rate ("OPR") earlier than expected by 25 basis points ("bps") from 3.25% to 3.00%.

The market reversed in August 2016 despite rumours of early elections in 2017, higher crude oil prices and strong crude palm oil prices.

September 2016 was another volatile month for Malaysia as the Index rose on the back of some stability returning to regional markets and Wall Street divided the Fed left its policy interest rate unchanged at the September 2016 Federal Open Market Committee ("FOMC") meeting to await more evidence of progress towards its goals. Meanwhile, the Bank of Japan ("BOJ") shifted the focus of its monetary policy to controlling bond yields.

The Index decreased in October 2016 with a slightly weaker MYR and slightly lower Brent Crude oil price. Budget 2017 had a Gross Domestic Product ("GDP") forecast of 4% to 5% and a Consumer Price Index ("CPI") target of 2% to 3%. The fiscal deficit target is 3.1% and 3.0% for 2016 and 2017 respectively. This is based on a moderate oil prices recovery to USD45 per barrel. Winners include the construction, tourism, digital services and affordable housing sectors. RM3 billion was also allocated to a special fund for small-mid cap stocks.

**MARKET REVIEW (1 JANUARY 2016 TO 31 DECEMBER 2016) (CONTINUED)**

The Index fell by 6.61% in November 2016 due to global uncertainties arising from the outcomes of the recent US presidential election. The MYR weakened 6% month-on-month (“m-o-m”) and 10-year Malaysian Government Securities (“MGS”) yield spiked up to 4.35% (+75 bps m-o-m), on rising fears of an eventual US rate hike. We remain cautious going into first quarter of 2017 as; 1) earnings season in third quarter of 2016 was fairly disappointing and our initial assumption of some form of earnings stability is further delayed; and 2) the MYR remains challenged by foreign portfolio outflows.

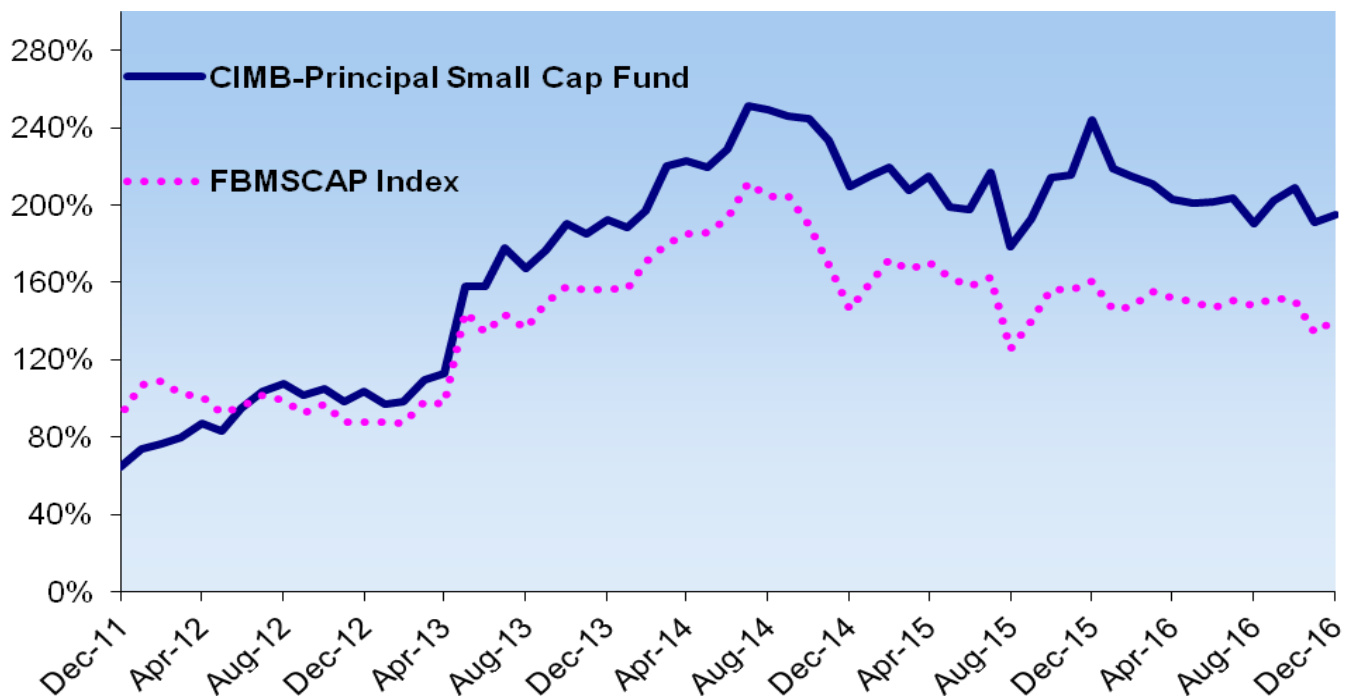
The Index rebounded by 2.68% in December 2016 due to year-end window dressing.

For 2016, the Index was down by 1,228.62 points or 7.71% to close the year at 14,715.51 points.

**FUND PERFORMANCE**

	<b>1 year to 31.12.2016 %</b>	<b>3 years to 31.12.2016 %</b>	<b>5 years to 31.12.2016 %</b>	<b>Since inception to 31.12.2016 %</b>
Income	-	-	-	-
Capital	(14.26)	0.89	78.83	194.72
Total Return	(14.26)	0.89	78.83	194.72
Benchmark	(7.71)	(6.24)	26.10	140.68
Average Total Return	(14.26)	0.30	12.33	8.88

For the financial year under review, the Fund decreased by 14.26%, while the benchmark fell by 7.71%. As such, the Fund underperformed its benchmark by 6.55%.



**FUND PERFORMANCE (CONTINUED)**

**Changes in NAV**

	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>Changes %</b>
NAV (RM Million)	115.09	154.05	(25.29)
NAV/Unit (RM)	0.7368	0.8594	(14.27)

The NAV of the Fund declined by 25.29% due mainly to unit redemptions, while the NAV per unit decreased by 14.27% due to negative investment performance.

\*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**

<b>(% of NAV)</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Quoted securities	86.99	90.90
Cash and other net assets	13.01	9.10
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

Asset allocation for local quoted securities decreased from 90.90% to 86.99% as at 31 December 2016.

**MARKET OUTLOOK\***

We maintain the view that the local market will remain choppy with slight upward bias. Potential positive catalysts are; 1) The fourth quarter of 2016 earnings season does not disappoint followed by earnings upgrades for 2017; 2) further evidence of corporate exercise on Government-Linked Companies (“GLCs”) restructuring to unlock values; and 3) speculation of early elections.

In this uncertain environment, stock picking is the key and any dips from macro concerns are buying opportunities. We continue to overweight construction and GLCs in the services, plantations and utilities sectors that fit into our Malaysian GLCs restructuring theme. From a research perspective, we seek alpha in small capitalisation companies.

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

**INVESTMENT STRATEGY**

We look to be more nimble in our asset allocation. For 2017, we will continue to overweight construction, GLCs and selective companies with sustained growth. From research perspective, we seek to expose the portfolio to a longer list of names in line with Budget 2017’s focus on promoting investments in small and mid-cap companies. This is evidenced by the introduction of The Small and Mid-Cap Public Listed Companies (“PLC”) Research Scheme and the Government-Linked Investment Companies’ RM3 billion special fund to be created to promote the visibility and vibrancy of at least 300 companies.

**UNIT HOLDINGS STATISTICS**

Breakdown of unit holdings by size as at 31 December 2016 are as follows:

<b>Size of unit holdings (units)</b>	<b>No. of unit holders</b>	<b>No. of units held (million)</b>	<b>% of units held</b>
5,000 and below	1,782	5.33	3.42
5,001 to 10,000	1,138	8.35	5.35
10,001 to 50,000	2,392	55.18	35.34
50,001 to 500,000	774	73.85	47.26
500,001 and above	11	13.47	8.63
<b>Total</b>	<b>6,097</b>	<b>156.18</b>	<b>100.00</b>

**SOFT COMMISSIONS AND REBATES**

CIMB-Principal Asset Management Berhad (the “Manager”) and the Trustee (including their officers) will not retain any form of rebate or soft commission from, or otherwise share in any commission with, any broker in consideration for directing dealings in the investments of the Funds unless the soft commission received is retained in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds. All dealings with brokers are executed on best available terms.

During the financial year under review, the Manager and the Trustee did not receive any rebates from the brokers or dealers but have retained soft commission in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds.



**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF  
CIMB-PRINCIPAL SMALL CAP FUND**

I, being a Director of 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 14 to 43 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 31 December 2016 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  
**CIMB-Principal Asset Management Berhad**  
**(Company No.: 304078-K)**

**MUNIRAH KHAIRUDDIN**  
Chief Executive Officer/Executive Director

Kuala Lumpur  
28 February 2017

**TRUSTEE'S REPORT  
FOR FINANCIAL YEAR ENDED 31 DECEMBER 2016**

We have acted as the Trustee for CIMB-Principal Small Cap Fund (the "Fund") for the financial year ended 31 December 2016. In our opinion, CIMB-Principal Asset Management Berhad (the "Manager") has managed the Fund in the financial year under review in accordance with the following:

- (a) The limitations imposed on the investment powers of the Manager and the Trustee under the Deeds, securities laws and the Securities Commission Malaysia's Guidelines on Unit Trust Funds;
- (b) The valuation or pricing of the Fund is carried out in accordance with the Deeds and relevant regulatory requirement; and
- (c) The creation and cancellation of units of the Fund are carried out in accordance with the Deeds and relevant regulatory requirement.

For **Maybank Trustees Berhad**  
(Company No.: 5004-P)

**BERNICE K M LAU**  
Head, Operations

Kuala Lumpur  
28 February 2017

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
CIMB-PRINCIPAL SMALL CAP FUND**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Our opinion

In our opinion, the financial statements of CIMB-Principal Small Cap Fund (the "Fund") give a true and fair view of the financial position of the Fund as at 31 December 2016, 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 31 December 2016, 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 14 to 43.

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-PRINCIPAL SMALL CAP FUND (CONTINUED)**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

Information other than the financial statements and auditors' report thereon

The Manager of the Fund are responsible for the other information. The other information comprises:

- Manager's report
- Statement by Manager;
- Trustee's report;

(but does not include the financial statements of the Fund and our auditors' 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 are 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 in Malaysia. The Manager is also responsible for such internal control as the Manager determine 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 intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
CIMB-PRINCIPAL SMALL CAP FUND (CONTINUED)****REPORT ON THE AUDIT OF 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-PRINCIPAL SMALL CAP FUND (CONTINUED)**

**REPORT ON THE AUDIT OF 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.

**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**

(No. AF: 1146)  
Chartered Accountants

Kuala Lumpur  
28 February 2017

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Note	2016 RM	2015 RM
<b>INVESTMENT (LOSS)/INCOME</b>			
Dividend income		3,016,744	3,919,049
Interest income from deposits with licensed financial institutions		459,520	769,902
Net (loss)/gain on financial assets at fair value through profit or loss	7	<u>(21,800,896)</u>	<u>14,511,319</u>
		<u>(18,324,632)</u>	<u>19,200,270</u>
<b>EXPENSES</b>			
Management fee	4	1,917,918	2,208,254
Trustee's fee	5	89,503	103,052
Transaction costs		951,918	1,441,929
Audit fee		11,720	11,240
Tax agent's fee		6,000	3,700
Other expenses		<u>222,533</u>	<u>204,863</u>
		<u>3,199,592</u>	<u>3,973,038</u>
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		(21,524,224)	15,227,232
Taxation	6	<u>-</u>	<u>-</u>
<b>(LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR</b>		<u>(21,524,224)</u>	<u>15,227,232</u>
(Loss)/Profit after taxation is made up as follows:			
Realised amount		12,427,499	(7,728,869)
Unrealised amount		<u>(33,951,723)</u>	<u>22,956,101</u>
		<u>(21,524,224)</u>	<u>15,227,232</u>

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

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016**

	Note	2016 RM	2015 RM
<b>ASSETS</b>			
Cash and cash equivalents	8	13,125,365	14,923,833
Financial assets at fair value through profit or loss	7	100,142,871	140,033,466
Amount due from stockbrokers		3,224,178	1,756,624
Amount due from Manager		1,450	127,205
Dividends receivable		79,525	272,391
Tax recoverable		43,274	43,274
<b>TOTAL ASSETS</b>		<u>116,616,663</u>	<u>157,156,793</u>
<b>LIABILITIES</b>			
Amount due to stockbrokers		1,172,200	2,305,685
Amount due to Manager		171,267	563,771
Accrued management fee		148,048	189,755
Amount due to Trustee		6,909	8,855
Other payables and accruals		32,271	37,406
<b>TOTAL LIABILITIES</b>		<u>1,530,695</u>	<u>3,105,472</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>115,085,968</u>	<u>154,051,321</u>
<b>EQUITY</b>			
Unit holders' capital		31,283,233	48,724,362
Retained earnings		83,802,735	105,326,959
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>115,085,968</u>	<u>154,051,321</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	9	<u>156,182,364</u>	<u>179,251,062</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.7368</u>	<u>0.8594</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 31 DECEMBER 2016**

	Unit holders' capital RM	Retained earnings RM	Total RM
<b>Balance as at 1 January 2016</b>	48,724,362	105,326,959	154,051,321
Movement in unit holders' contributions:			
- Creation of units from applications	28,784,960	-	28,784,960
- Cancellation of units	(46,226,089)	-	(46,226,089)
Total comprehensive loss for the financial year	-	(21,524,224)	(21,524,224)
<b>Balance as at 31 December 2016</b>	<u>31,283,233</u>	<u>83,802,735</u>	<u>115,085,968</u>
<b>Balance as at 1 January 2015</b>	78,311,974	90,099,727	168,411,701
Movement in unit holders' contributions:			
- Creation of units from applications	30,676,513	-	30,676,513
- Cancellation of units	(60,264,125)	-	(60,264,125)
Total comprehensive income for the financial year	-	15,227,232	15,227,232
<b>Balance as at 31 December 2015</b>	<u>48,724,362</u>	<u>105,326,959</u>	<u>154,051,321</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 31 DECEMBER 2016**

	Note	2016 RM	2015 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from disposal of quoted securities		158,789,234	239,528,273
Purchase of quoted securities		(144,252,491)	(247,477,637)
Dividend income received		3,209,609	3,761,639
Interest income received from deposits with licensed financial institutions		459,520	769,902
Management fee paid		(1,959,625)	(2,230,957)
Trustee's fee paid		(91,449)	(104,112)
Payments for other fees and expenses		(245,388)	(207,954)
<b>Net cash generated from/(used in) operating activities</b>		<u>15,909,410</u>	<u>(5,960,846)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		28,910,715	30,663,650
Payments for cancellation of units		(46,618,593)	(59,802,122)
<b>Net cash used in financing activities</b>		<u>(17,707,878)</u>	<u>(29,138,472)</u>
Net decrease in cash and cash equivalents		(1,798,468)	(35,099,318)
Cash and cash equivalents at the beginning of the financial year		<u>14,923,833</u>	<u>50,023,151</u>
Cash and cash equivalents at the end of the financial year	<b>8</b>	<u><u>13,125,365</u></u>	<u><u>14,923,833</u></u>

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 31 DECEMBER 2016****1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITY**

CIMB-Principal Small Cap Fund (the “Fund”) is governed by a Principal Master Deed dated 15 May 2008, a Thirteenth Supplemental Master Deed dated 26 June 2012 and an Eighteenth Supplemental Master Deed dated 25 March 2015 (collectively referred to as the “Deeds”), between CIMB-Principal Asset Management Berhad (the “Manager”) and Maybank Trustees Berhad (the “Trustee”).

The Fund may invest between 70% to 98% (both inclusive) of the Fund’s NAV in shares of smaller companies that are listed on Bursa Malaysia with market capitalisation of up to three (3) billion RM at the point of purchase. The investment policy and strategy of the Fund will therefore focus on investments in securities of such smaller companies with potential growth and hands-on management policies but may be under-researched by major stock broking houses. To a lesser extent, the Fund may also invest in other permissible investments such as liquid assets primarily for the purpose of cash management. In addition, liquid assets may be strategically used if the Manager feels that the market downside risk is high in the short term.

All investments are subjected to the Securities Commission Malaysia (“SC”) Guidelines on Unit Trust Funds, SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Basis of preparation**

The financial statements have been prepared in accordance with the provisions of the 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.

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

### (a) Basis of preparation (continued)

The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 2(k).

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

The Fund has applied the following amendments for the first time for the financial year beginning 1 January 2016:

- Annual Improvements to MFRS 101 “Presentation of Financial Statements Disclosure Initiative” provide clarifications on a number of issues, including:

Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

Disaggregation and subtotals – line items specified in MFRS 101 may need to be disaggregated where this is relevant to an understanding of the entity’s financial position or performance. There is also new guidance on the use of subtotals.

Notes – confirmation that the notes do not need to be presented in a particular order.

Other comprehensive income (“OCI”) arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss.

Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in MFRS 108 regarding the adoption of new standards/accounting policies are not required for these amendments.

- Annual Improvements to MFRS 2012 – 2014 Cycle

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

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

#### (i) Financial year beginning on/after 1 January 2017

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(a) Basis of preparation (continued)****(ii) Financial year beginning on/after 1 January 2018**

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

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

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

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

Key provisions of the new standard are as follows:

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

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

### (a) Basis of preparation (continued)

#### (ii) Financial year beginning on/after 1 January 2018 (continued)

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

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

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the income statement, unless this creates an accounting mismatch.

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

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

### (b) Financial assets and financial liabilities

#### Classification

The Fund designates its investments in quoted securities as financial assets at fair value through profit or loss at inception.

Financial assets are designated at fair value through profit or loss when they are managed and their performance are 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, amount due from stockbrokers, amount due from Manager and dividends receivable.

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 Manager, amount due to stockbrokers, amount due to Manager, accrued management fee, amount due to Trustee, and other payables and accruals as other financial liabilities.

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

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

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.

Quoted securities in Malaysia are valued at the last done market price quoted on Bursa Malaysia Securities Bhd ("Bursa Securities") at the date of the statement of financial position.

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

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest method over the period from the date of placement to the date of maturity of the respective deposits.

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

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

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

**(c) Income recognition**

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

Interest income from deposits with licensed financial institutions is recognised on a time proportionate basis using effective interest method on an accrual basis.

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

**(d) Functional and presentation currency**

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented RM, which is the Fund's functional and presentation currency.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(e) Cash and cash equivalents**

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

**(f) Amount due from/to stockbrokers**

Amount due from and amount due to stockbrokers represent receivables for quoted securities sold and payables for quoted securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of amount due from stockbrokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant stockbroker. Significant financial difficulties of the stockbroker, probability that the stockbroker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from stockbrokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

**(g) 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.

**(h) Transaction 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, advisors, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

**(i) 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 prices based on the Fund's NAV per unit at the time of creation or cancellation. The Fund's NAV per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units.

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

**(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) 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 Unit Trust Funds.

However, the Manager is of the opinion that there are no accounting policies which require significant judgement to be exercised.

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES**

Financial instruments of the Fund are as follows:

	<b>Financial assets at fair value through profit or loss RM</b>	<b>Loans and receivables RM</b>	<b>Total RM</b>
<b>2016</b>			
Cash and cash equivalents (Note 8)	-	13,125,365	13,125,365
Quoted securities (Note 7)	100,142,871	-	100,142,871
Amount due from stockbrokers	-	3,224,178	3,224,178
Amount due from Manager	-	1,450	1,450
Dividends receivable	-	79,525	79,525
	<u>100,142,871</u>	<u>16,430,518</u>	<u>116,573,389</u>
<b>2015</b>			
Cash and cash equivalents (Note 8)	-	14,923,833	14,923,833
Quoted securities (Note 7)	140,033,466	-	140,033,466
Amount due from stockbrokers	-	1,756,624	1,756,624
Amount due from Manager	-	127,205	127,205
Dividends receivable	-	272,391	272,391
	<u>140,033,466</u>	<u>17,080,053</u>	<u>157,113,519</u>

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

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

The investment objective of the Fund is to provide growth to the value of Unit holders' investments over the long-term in an equity fund by investing in undiscovered smaller companies listed on Bursa Malaysia.

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and interest rate 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 Deeds and SC Guidelines on Unit Trust Funds.

**(a) Market risk**

**(i) Price risk**

This is the risk that the fair value of an investment in quoted securities will fluctuate because of changes in market prices (other than those arising from interest rate risk). The value of quoted securities 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 price risk is managed through portfolio diversification and selection of quoted securities and other financial instruments within specified limits according to the Deeds.

The Fund's overall exposures to price risk were as follows:

	<b>2016 RM</b>	<b>2015 RM</b>
Financial assets at fair value through profit or loss:		
- Quoted securities	<u>100,142,871</u>	<u>140,033,466</u>

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

(a) Market risk (continued)

(i) Price risk (continued)

The table below summarises the sensitivity of the Fund's (loss)/profit after tax and NAV to movements in prices of quoted securities at the end of each reporting year. The analysis is based on the assumptions that the price of the quoted securities fluctuates by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the quoted securities, having regard to the historical volatility of the prices.

% Change in price of quoted securities	Market value RM	Impact on (loss)/profit after tax/NAV RM
<b>2016</b>		
-5 %	95,135,727	(5,007,144)
0 %	100,142,871	-
5 %	<u>105,150,015</u>	<u>5,007,144</u>
<b>2015</b>		
-5 %	133,031,793	(7,001,673)
0 %	140,033,466	-
5 %	<u>147,035,139</u>	<u>7,001,673</u>

(ii) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate is a general economic indicator that will have an impact on the management of the Fund.

The Fund's exposure to fair value interest rate risk arises from investment in money market instruments. The interest rate risk is expected to be minimal as the Fund's investments comprise mainly short term deposits with approved licensed financial institutions.

As at the end of each financial year, the Fund is not exposed to a material level of interest rate risk.

The Fund is not exposed to cash flow interest rate risk as the Fund does not hold any financial instruments at variable interest rate.

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

#### (b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Fund.

The credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions. The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Guidelines on Unit Trust Funds.

For amount due from stockbrokers, the settlement terms are governed by the relevant rules and regulations as prescribed by respective stock exchange. The credit risk is minimal as all transactions in quoted securities are settled or paid upon delivery using approved stockbrokers.

The following table sets out the credit risk concentration of the Fund:

	Cash and cash equivalents RM	Amount due from stockbrokers RM	Amount due from Manager RM	Dividends Receivable RM	Total RM
<b>2016</b>					
Consumer Products					
- Not Rated	-	-	-	19,798	19,798
Finance					
- CIMB Bank Bhd (AAA)	52,635	-	-	-	52,635
- Public Bank Bhd (AAA)	3,176,696	-	-	-	3,176,696
- Hong Leong Bank Bhd (AA2)	4,336,425	-	-	-	4,336,425
- RHB Bank Bhd (AA2)	5,559,609	-	-	-	5,559,609
- Not Rated		3,224,178	-	-	3,224,178
Industrials					
- Not Rated	-	-	-	13,808	13,808
Technology					
- Not Rated	-	-	-	11,343	11,343
Trading/ Services					
- Not Rated	-	-	-	34,576	34,576
Others					
- Not Rated	-	-	1,450	-	1,450
	<u>13,125,365</u>	<u>3,224,178</u>	<u>1,450</u>	<u>79,525</u>	<u>16,430,518</u>

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

#### (b) Credit risk (continued)

The following table sets out the credit risk concentration of the Fund (continued):

	Cash and cash equivalents RM	Amount due from stockbrokers RM	Amount due from Manager RM	Dividends receivable RM	Total RM
<b>2015</b>					
Consumer Products					
- Not Rated	-	-	-	139,045	139,045
Construction					
- Not Rated	-	-	-	71,020	71,020
Finance					
- Affin Bank Bhd (AA3)	2,002,268	-	-	-	2,002,268
- Al Rajhi Banking & Investment Corp (M) Bhd (AA2)	868,113	-	-	-	868,113
- AmBank Islamic Bhd (AA2)	1,577,419	-	-	-	1,577,419
- CIMB Bank Bhd (AAA)	2,784,887	-	-	-	2,784,887
- Hong Leong Bank Bhd (AA1)	3,188,607	-	-	-	3,188,607
- Public Bank Bhd (AAA)	2,000,515	-	-	-	2,000,515
- Public Islamic Bank Bhd (AAA)	1,000,134	-	-	-	1,000,134
- United Overseas Bank (M) Bhd (AAA)	1,501,890	-	-	-	1,501,890
- AAA	-	90,615	-	-	90,615
- AA2	-	315,588	-	-	315,588
- Not Rated	-	1,350,421	-	-	1,350,421
Industrials					
- Not Rated	-	-	-	27,163	27,163
Trading/ Services					
- Not Rated	-	-	-	34,363	34,363
Technology					
- Not Rated	-	-	-	800	800
Others					
- Not Rated	-	-	127,205	-	127,205
	<u>14,923,833</u>	<u>1,756,624</u>	<u>127,205</u>	<u>272,391</u>	<u>17,080,053</u>

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

(b) Credit risk (continued)

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 and deposits with licensed financial institutions and other instruments, 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
<b>2016</b>			
Amount due to stockbrokers	1,172,200	-	1,172,200
Amount due to Manager	171,267	-	171,267
Accrued management fee	148,048	-	148,048
Amount due to Trustee	6,909	-	6,909
Other payables and accruals	9,297	22,974	32,271
<b>Contractual undiscounted cash flows</b>	<u>1,507,721</u>	<u>22,974</u>	<u>1,530,695</u>
<b>2015</b>			
Amount due to stockbrokers	2,305,685	-	2,305,685
Amount due to Manager	563,771	-	563,771
Accrued management fee	189,755	-	189,755
Amount due to Trustee	8,855	-	8,855
Other payables and accruals	11,917	25,489	37,406
<b>Contractual undiscounted cash flows</b>	<u>3,079,983</u>	<u>25,489</u>	<u>3,105,472</u>

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

#### (d) 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 values 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 below analyses financial instruments carried at fair value. The different levels have been defined as follows:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

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

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.



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

(d) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2016</b>				
Financial assets at fair value through profit or loss:				
- Quoted securities	100,142,871	-	-	100,142,871
<b>2015</b>				
Financial assets at fair value through profit or loss:				
- Quoted securities	140,033,466	-	-	140,033,466

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include quoted securities. 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, amount due from stockbrokers, amount due from Manager, dividends receivable 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 Deeds, the Manager is entitled to a maximum management fee of 2.00% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 31 December 2016, the management fee is recognised at a rate of 1.50% per annum (2015: 1.50% per annum).

There will be no further liability to the Manager in respect of management fee other than amount recognised above.

**5. TRUSTEE'S FEE**

In accordance with Deeds, the Trustee is entitled to a maximum fee of 0.07% per annum calculated daily based on the NAV of the Fund. The Trustee's fee includes the local custodian fee but excludes the foreign sub-custodian fee (if any).

For the financial year ended 31 December 2016, the Trustee's fee is recognised at a rate of 0.07% per annum (2015: 0.07% per annum).

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

**6. TAXATION**

	2016 RM	2015 RM
Tax charged for the financial year:		
- Current taxation	<u>-</u>	<u>-</u>

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

	2016 RM	2015 RM
(Loss)/Profit before taxation	<u>(21,524,223)</u>	<u>15,227,232</u>
Taxation at Malaysian statutory rate of 24% (2015: 25%)	(5,165,814)	3,806,808
Tax effects of:		
Investment loss not deductible for tax purposes/ (Investment income not subject to tax)	4,397,911	(4,800,068)
Expenses not deductible for tax purposes	267,159	414,162
Restriction on tax deductible expenses for Unit Trust Funds	<u>500,744</u>	<u>579,098</u>
Taxation	<u>-</u>	<u>-</u>

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2016 RM	2015 RM
Designated at fair value through profit or loss at inception:		
- Quoted securities	<u>100,142,871</u>	<u>140,033,466</u>
Net (loss)/gain on financial assets at fair value through profit or loss:		
- Realised gain/(loss) on disposals	12,150,827	(8,444,782)
- Unrealised fair value (loss)/gain	<u>(33,951,723)</u>	<u>22,956,101</u>
	<u>(21,800,896)</u>	<u>14,511,319</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2016</b>				
<b>QUOTED SECURITIES</b>				
<b>Construction</b>				
Econpile Holdings Bhd	1,774,500	3,066,347	3,247,335	2.82
Gadang Holdings Bhd	5,025,000	5,516,053	5,276,250	4.58
Gadang Holdings Bhd - Warrant	890,000	-	373,800	0.32
Kimlun Corporation Bhd	776,500	1,552,344	1,615,120	1.40
Protasco Bhd	1,413,750	1,907,185	1,597,538	1.39
Sunway Construction Group Bhd	476,100	711,375	809,370	0.70
WCT Holdings Bhd	1,280,000	2,412,112	2,214,400	1.92
	<u>11,635,850</u>	<u>15,165,416</u>	<u>15,133,813</u>	<u>13.13</u>
<b>Consumer Products</b>				
Bioalpha Holdings Bhd	2,890,800	695,393	592,614	0.51
Karex Bhd	381,100	925,804	899,396	0.78
Kawan Food Bhd	650,000	2,406,326	2,470,000	2.15
Oriental Food Industries Holdings Bhd	1,624,300	3,699,590	2,225,291	1.93
Power Root Bhd	662,900	1,788,514	1,358,945	1.18
Prolexus Bhd	1,131,300	2,097,477	1,538,568	1.34
Salutica Bhd	1,301,400	1,423,382	1,652,778	1.44
Sasbadi Holdings Bhd	2,417,400	2,750,757	3,263,490	2.84
Tek Seng Holdings Bhd	3,655,400	3,306,748	2,503,949	2.18
	<u>14,714,600</u>	<u>19,093,991</u>	<u>16,505,031</u>	<u>14.35</u>
<b>Finance</b>				
Aeon Credit Service (M) Bhd	134,100	1,944,546	1,925,676	1.67
RCE Capital Bhd	1,199,800	1,624,078	1,631,728	1.42
Tune Protect Group Bhd	25,000	34,500	35,500	0.03
	<u>1,358,900</u>	<u>3,603,124</u>	<u>3,592,904</u>	<u>3.12</u>
<b>Industrials</b>				
Comfort Glove Bhd	1,623,100	1,477,556	1,071,246	0.93
EG Industries Bhd	4,365,500	3,703,233	3,732,502	3.24
Evergreen Fibreboard Bhd	399,750	450,073	383,760	0.33
Ge-Shen Corporation Bhd	1,424,000	2,843,699	2,192,960	1.91
Heveaboard Bhd	2,702,400	2,714,263	4,053,600	3.52
Pecca Group Bhd	867,300	1,375,728	1,379,007	1.20
SKP Resources Bhd	2,225,200	2,301,602	2,870,508	2.49
Success Transformer Corporation Bhd	2,357,934	4,419,245	4,763,027	4.14
Thong Guan Industries Bhd	594,200	2,386,750	2,513,466	2.18
United U-Li Corpoartion Bhd	390,800	2,155,751	1,340,444	1.16
V.S. Industry Bhd	3,166,500	4,218,868	4,464,765	3.88
V.S. Industry Bhd - Warrant	617,925	-	154,481	0.13
	<u>20,734,609</u>	<u>28,046,768</u>	<u>28,919,766</u>	<u>25.11</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2016 (CONTINUED)</b>				
<b>QUOTED SECURITIES (CONTINUED)</b>				
<b>Properties</b>				
LBS Bina Group Bhd	75,500	128,366	126,085	0.11
Malaysian Resources Corporation Bhd	208,200	268,362	276,906	0.24
MKH Bhd	380,000	1,097,561	1,079,200	0.94
Tambun Indah Land Bhd	200,000	300,347	278,000	0.24
	<u>863,700</u>	<u>1,794,636</u>	<u>1,760,191</u>	<u>1.53</u>
<b>REIT</b>				
MRCB-Quill REIT	<u>2,327,000</u>	<u>2,792,400</u>	<u>2,792,400</u>	<u>2.43</u>
<b>SPAC</b>				
Reach Energy Bhd	<u>642,300</u>	<u>452,822</u>	<u>411,072</u>	<u>0.36</u>
<b>Technology</b>				
Malaysian Pacific Industries Bhd	158,700	1,129,311	1,175,967	1.02
N2N Connect Bhd	810,000	637,293	611,550	0.53
Sedania Innovator Bhd	5,787,700	2,662,943	1,678,433	1.46
Unisem (M) Bhd	92,000	208,736	217,120	0.19
Vitrox Corp Bhd	324,900	1,118,697	1,205,379	1.05
	<u>7,173,300</u>	<u>5,756,980</u>	<u>4,888,449</u>	<u>4.25</u>
<b>Trading/Services</b>				
Berjaya Food Bhd	1,662,700	2,347,417	2,610,439	2.27
Bermaz Auto Bhd	602,200	1,314,554	1,282,686	1.11
Datasonic Group Bhd	2,294,200	3,213,790	2,775,982	2.41
Destini Bhd	5,619,200	4,479,630	3,371,520	2.93
E.A. Technique (M) Bhd	4,792,400	3,940,467	2,971,288	2.58
George Kent Malaysia Bhd	581,700	1,529,752	1,768,368	1.54
Kim Teck Cheong Consolidated Bhd	2,553,800	602,013	612,912	0.53
Only World Group Holdings Bhd	640,900	1,464,365	1,474,070	1.28
Pos Malaysia Bhd	853,200	2,624,574	3,336,012	2.90
Taliworks Corporation Bhd	3,596,850	4,911,126	5,179,464	4.50
Yong Tai Bhd	600,400	664,571	756,504	0.66
	<u>23,797,550</u>	<u>27,092,259</u>	<u>26,139,245</u>	<u>22.71</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2016 (CONTINUED) QUOTED SECURITIES (CONTINUED)</b>				
<b>TOTAL QUOTED SECURITIES</b>	<u>83,247,809</u>	103,798,396	<u>100,142,871</u>	<u>86.99</u>
<b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>(3,655,525)</u>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>100,142,871</u>		

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2015</b>				
<b>QUOTED SECURITIES</b>				
<b>Construction</b>				
Gadang Holdings Bhd	772,400	1,459,527	1,637,488	1.06
Protasco Bhd	1,763,400	3,224,282	2,839,074	1.84
Puncak Niaga Holdings Bhd	709,500	1,780,537	1,035,870	0.67
	<u>3,245,300</u>	<u>6,464,346</u>	<u>5,512,432</u>	<u>3.57</u>
<b>Consumer Products</b>				
Bioalpha Holdings Bhd	5,583,800	1,722,777	1,758,897	1.14
Dutch Lady Milk Industries Bhd	18,800	866,943	897,888	0.58
IQ Group Holdings Bhd	656,800	1,451,206	1,366,144	0.89
Kawan Food Bhd	414,500	1,320,946	1,488,055	0.97
Oriental Food Industries Holdings Bhd	930,600	2,028,377	2,298,582	1.49
Power Root Bhd	841,800	2,288,559	2,314,950	1.50
Prolexus Bhd	1,451,900	3,599,918	3,716,864	2.41
Sasbadi Holdings Bhd	1,087,100	2,010,210	2,706,879	1.76
Signature International Bhd	665,000	1,406,159	1,223,600	0.79
Tek Seng Holdings Bhd	3,237,900	2,334,999	3,399,795	2.21
Teo Seng Capital Bhd	374,000	596,690	564,740	0.37
	<u>15,262,200</u>	<u>19,626,784</u>	<u>21,736,394</u>	<u>14.11</u>
<b>Finance</b>				
Aeon Credit Service (M) Bhd	35,200	473,825	418,880	0.27
<b>Industrials</b>				
Cahaya Mata Sarawak Bhd	869,600	1,760,355	4,461,048	2.90
EG Industries Bhd	5,599,800	4,657,950	6,159,780	4.00
Evergreen Fibreboard Bhd	2,747,300	4,965,072	6,483,628	4.21
Ge-Shen Corporation Bhd	932,500	1,829,820	2,573,700	1.67
Heveaboard Bhd	4,870,800	3,612,620	7,890,696	5.12
Hume Industries Bhd	500,000	1,575,000	1,600,000	1.04
KNM Group Bhd	3,793,400	2,184,777	1,934,634	1.26
SKP Resources Bhd	7,059,400	5,720,577	9,247,814	6.00
SLP Resources Bhd	244,900	465,310	465,310	0.30
Success Transformer Corporation Bhd	3,803,800	6,851,931	8,710,702	5.65
United U-Li Corporation Bhd	145,900	725,975	795,155	0.52
V.S. Industry Bhd	3,035,300	4,120,587	4,765,421	3.09
V.S. Industry Bhd - Warrant	767,925	-	-	-
	<u>34,370,625</u>	<u>38,469,974</u>	<u>55,087,888</u>	<u>35.76</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2015 (CONTINUED) QUOTED SECURITIES (CONTINUED)</b>				
<b>Technology</b>				
Globetronics Technology Bhd	797,300	4,761,019	5,182,450	3.36
IFCA MSC Bhd	3,111,900	2,801,091	2,909,627	1.89
Inari Amertron Bhd	434,200	1,635,823	1,988,636	1.29
Malaysian Pacific Industries Bhd	660,600	4,557,626	6,150,186	3.99
Sedania Innovator Bhd	15,177,900	7,104,441	6,602,387	4.29
Unisem (M) Bhd	949,900	2,080,366	2,260,761	1.47
	<u>21,131,800</u>	<u>22,940,366</u>	<u>25,094,047</u>	<u>16.29</u>
<b>Trading/Services</b>				
Berjaya Food Bhd	3,735,800	5,188,418	8,704,414	5.65
Century Logistic Holdings Bhd	1,221,100	1,114,339	1,019,619	0.66
E.A. Technique (M) Bhd	2,749,100	2,705,748	3,051,501	1.98
Kim Teck Cheong Consolidated Bhd	27,331,200	5,701,307	11,479,104	7.45
Luxchem Corporation Bhd	279,800	424,910	464,468	0.30
Taliworks Corporation Bhd	4,842,450	6,627,251	7,166,825	4.66
Taliworks Corporation Bhd - Warrant	773,750	-	297,894	0.20
	<u>40,933,200</u>	<u>21,761,973</u>	<u>32,183,825</u>	<u>20.90</u>
<b>TOTAL QUOTED SECURITIES</b>	<b><u>114,978,325</u></b>	<b><u>109,737,268</u></b>	<b><u>140,033,466</u></b>	<b><u>90.90</u></b>
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>30,296,198</u></b>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>140,033,466</u></b>		

**8. CASH AND CASH EQUIVALENTS**

	<b>2016</b> <b>RM</b>	<b>2015</b> <b>RM</b>
Deposits with licensed financial institutions	13,072,730	14,903,002
Bank balances	<u>52,635</u>	<u>20,831</u>
	<u>13,125,365</u>	<u>14,923,833</u>

The weighted average effective interest rate per annum is as follows:

	<b>2016</b> <b>%</b>	<b>2015</b> <b>%</b>
Deposits with licensed financial institutions	<u>4.00</u>	<u>4.68</u>

Deposits with licensed financial institutions of the Fund have an average maturity of 3 days (2015: 5 days).

**9. NUMBER OF UNITS IN CIRCULATION (UNITS)**

	<b>2016</b> <b>No. of units</b>	<b>2015</b> <b>No. of units</b>
At the beginning of the financial year	179,251,062	217,477,681
Add : Creation of units from applications	35,312,736	40,398,202
Less: Cancellation of units	<u>(58,381,434)</u>	<u>(78,624,821)</u>
At the end of the financial year	<u>156,182,364</u>	<u>179,251,062</u>

**10. MANAGEMENT EXPENSE RATIO ("MER")**

	<b>2016</b> <b>%</b>	<b>2015</b> <b>%</b>
MER	<u>1.72</u>	<u>1.68</u>

MER is derived from the following calculation:

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

A = Management fee

B = Trustee's fee

C = Audit fee

D = Tax agent's fee

E = Other expenses excluding Goods and Services Tax ("GST") on transaction costs

F = 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 RM127,862,315 (2015: RM147,235,296).



11. PORTFOLIO TURNOVER RATIO (“PTR”)

	2016	2015
PTR (times)	<u>1.14</u>	<u>1.69</u>

PTR is derived from 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	= RM142,662,743 (2015: RM247,223,805)
total disposal for the financial year	= RM148,601,616 (2015: RM250,284,252)

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

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

<u>Related parties</u>	<u>Relationship</u>
CIMB-Principal Asset Management Bhd	The Manager
CIMB Group Sdn Bhd	Holding company of the Manager
CIMB Group Holdings Bhd (“CIMB”)	Ultimate holding company of the Manager
CIMB Bank Bhd	Fellow subsidiary of the Manager
CIMB Investment Bank Bhd	Fellow subsidiary of the Manager
CIMB Islamic Bank Bhd	Fellow subsidiary of the Manager
Subsidiaries and associates of CIMB as disclosed in its financial statements	Subsidiary and associated companies of the ultimate holding company of the Manager

Units held by the Manager and parties related to the Manager

Manager	<u>2016</u>		<u>2015</u>	
	No. of units	RM	No. of units	RM
CIMB-Principal Asset Management Bhd	<u>71,254</u>	<u>52,500</u>	<u>357,776</u>	<u>307,473</u>

In the opinion of the Manager, the above units were transacted at the prevailing market price.

The units are held beneficially by the Manager for booking purposes. Other than the above, there were no units held by the Directors or parties related to the Manager.

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

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

	2016 RM	2015 RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institutions:		
- CIMB Bank Bhd	75,483	208,763
- CIMB Islamic Bank Bhd	-	8,193
	<u>                    </u>	<u>                    </u>
<u>Significant related party balances</u>		
Deposits with licensed financial institutions:		
- CIMB Bank Bhd	-	2,764,056
	<u>                    </u>	<u>                    </u>
Bank balances:		
- CIMB Bank Bhd	52,635	20,831
	<u>                    </u>	<u>                    </u>

**13. TRANSACTIONS WITH BROKERS/DEALERS/FINANCIAL INSTITUTIONS**

Details of transactions with the top 10 broker/dealers for the financial year ended 31 December 2016 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Hong Leong Investment Bank Bhd	34,647,000	11.42	75,132	11.02
Maybank Investment Bank Bhd	31,970,512	10.54	72,058	10.57
Alliance Investment Bank Bhd	31,566,229	10.40	64,867	9.52
RHB Investment Bank Bhd	30,757,399	10.14	79,896	11.72
CIMB Investment Bank Bhd #	29,996,166	9.89	68,865	10.10
JP Morgan Securities (Malaysia) Sdn Bhd	29,158,106	9.61	65,802	9.65
CLSA Securities Malaysia Sdn Bhd	22,971,144	7.57	51,967	7.62
Kenanga Investment Bank Bhd	22,523,102	7.42	48,196	7.07
Credit Suisse Securities (Malaysia) Sdn Bhd	20,988,032	6.92	47,486	6.97
Macquarie Malaysia Sdn Bhd	19,245,937	6.34	43,357	6.36
Others	29,591,560	9.75	64,045	9.40
	<u>303,415,187</u>	<u>100.00</u>	<u>681,671</u>	<u>100.00</u>

13. TRANSACTIONS WITH BROKERS/DEALERS/FINANCIAL INSTITUTIONS (CONTINUED)

Details of transactions, primarily cash placements with the licensed financial institutions for the financial year ended 31 December 2016 are as follows:

Financial Institutions	Value of placements RM	Percentage of total placements %
RHB Bank Bhd	291,439,000	31.22
Public Bank Bhd	260,502,000	27.90
CIMB Bank Bhd #	178,286,000	19.10
Malayan Banking Bhd	142,782,000	15.29
Hong Leong Bank Bhd	60,637,000	6.49
	<u>933,646,000</u>	<u>100.00</u>

Details of transactions with the top 10 broker/dealers for the financial year ended 31 December 2015 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
CIMB Investment Bank Bhd #	134,655,545	27.55	303,163	26.95
RHB Investment Bank Bhd	69,351,803	14.19	176,426	15.69
Maybank Investment Bank Bhd	54,874,632	11.23	123,518	10.99
AmlInvestment Bank Bhd	51,126,399	10.46	115,186	10.24
Hong Leong Investment Bank Bhd	48,885,436	10.00	109,103	9.70
Alliance Investment Bank Bhd	43,976,381	9.00	98,361	8.75
Kenanga Investment Bank Bhd	35,299,036	7.22	100,855	8.97
JP Morgan Securities (Malaysia) Sdn Bhd	17,810,585	3.64	39,400	3.50
Macquarie Malaysia Sdn Bhd	8,814,368	1.80	19,832	1.76
UBS Securities Malaysia Sdn Bhd	8,055,387	1.65	18,144	1.61
Others	15,903,883	3.26	20,718	1.84
	<u>488,753,455</u>	<u>100.00</u>	<u>1,124,706</u>	<u>100.00</u>

**13. TRANSACTIONS WITH BROKERS/DEALERS/FINANCIAL INSTITUTIONS (CONTINUED)**

Details of transactions, primarily cash placements with the top 10 licensed financial institutions for the financial year ended 31 December 2015 are as follows:

Financial Institutions	Value of placements RM	Percentage of total placements %
Public Bank Bhd	610,654,000	34.62
CIMB Bank Bhd #	481,362,000	27.29
RHB Bank Bhd	345,429,000	19.58
Hong Leong Bank Bhd	132,521,000	7.51
Malayan Banking Bhd	97,962,000	5.55
Alliance Bank Malaysia Bhd	33,000,000	1.87
AmBank Bhd	26,448,000	1.50
United Overseas Bank (M) Bhd	14,800,000	0.84
CIMB Islamic Bank #	10,760,000	0.61
Public Islamic Bank Bhd	6,600,000	0.37
Others	4,445,000	0.26
	1,763,981,000	100.00

# Included in the transactions are trades conducted with CIMB Bank Bhd and CIMB Investment Bank Bhd, fellow subsidiaries of the Manager amounting to RM178,286,000 (2015: RM481,362,000) and RM29,996,166 (2015: RM134,655,545) respectively. The Manager is of the opinion that all transactions with the related company have been entered into in the normal course of business at agreed terms between the related parties.

**14. SEGMENT INFORMATION**

The internal reporting provided to the chief operating decision-maker for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and IFRS. The chief operating decision-maker is responsible for the performance of the Fund and considers the business to have a single operating segment located in Malaysia. Asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The investment objective of the Fund is to provide growth to the value of Unit holders' investments over the long-term in an equity fund by investing in undiscovered smaller companies listed on Bursa Malaysia. 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 interest income and dividend income earned from investments and gains on the appreciation in the value of investments, which are derived from Ringgit-denominated deposits with licensed financial institutions in Malaysia and quoted securities listed on Bursa Securities, Malaysia.

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

**15. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue by the Manager on 28 February 2017.

**DIRECTORY**

**Head office of the Manager**

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

**Postal address**

CIMB-Principal Asset Management Berhad (Company No.: 304078-K)  
P.O.Box 10571,  
50718 Kuala Lumpur, MALAYSIA.

**Website**

<http://www.cimb-principal.com.my>

**E-mail address**

[service@cimb-principal.com.my](mailto:service@cimb-principal.com.my)

**General investment enquiries**

(03) 7718 3100

**Trustee for the CIMB-Principal Small Cap Fund**

Maybank Trustees Berhad (Company No. : 5004-P)  
8<sup>th</sup> Floor, Menara Maybank,  
100, Jalan Tun Perak,  
50050 Kuala Lumpur, MALAYSIA  
Tel: (03) 2078 8363, 2070 8833  
Fax: (03) 2070 9387

**Auditors of the Fund and of the Manager**

PricewaterhouseCoopers (Company No. AF: 1146)  
Level 10, 1 Sentral,  
Jalan Rakyat, Kuala Lumpur Sentral,  
PO Box 10192, 50706 Kuala Lumpur, MALAYSIA.  
Tel: (03) 2173 1188  
Fax: (03) 2173 1288

**LIST OF CWA (an Agency force of CIMB-Principal) OFFICES**

	<b>ADDRESS</b>	<b>TELEPHONE</b>
<b><u>REGIONAL OFFICE</u></b>		
<b>Northern Region</b>	No 5, Jalan Todak 4, Bandar Sunway, Seberang Jaya, 13700 Perai, Pulau Pinang.	04-370 2155 04-370 2156
<b>Southern Region</b>	23 & 23A, Jalan Harimau Tarum, Taman Century, 80250 Johor Bahru, Johor.	07-334 1748
<b>Central Region</b>	46, 2 <sup>nd</sup> Floor, Jalan SS 21/39, Damansara Utama, 47400 Petaling Jaya, Selangor.	03-7712 2888
<b>Sarawak</b>	5B, Lot 414, Section 10, KTLD Jalan Rubber, 93400 Kuching, Sarawak.	082-259 777
<b>Sabah</b>	No 1, Jalan Pasar Baru, Kampung Air, 88000 Kota Kinabalu, Sabah.	088-239 951 088-239 952
<b><u>BRANCHES</u></b>		
<b>Ipoh</b>	30A, 1 <sup>st</sup> Floor, Persiaran Greentown 1, Greentown Business Centre, 30450 Ipoh, Perak.	05-243 9001 05-243 9002
<b>Kota Bharu</b>	Ground Floor, No 298-B, Jalan Tok Hakim, 15000 Kota Bharu, Kelantan.	09-747 1172 09-747 1190
<b>Ampang</b>	No 13B, 2 <sup>nd</sup> Floor, Jalan Mamanda 7/1, Off Jalan Ampang, 68000 Ampang, Selangor.	03-4270 2970
<b>Sri Petaling</b>	169-2, Jalan Radin Bagus, Bandar Baru Sri Petaling, 57000 Kuala Lumpur.	03-9059 2333
<b>Melaka</b>	21, Jalan Melaka Raya 24, Taman Melaka Raya, 75000 Melaka.	06-281 1111
<b>Miri</b>	1 <sup>st</sup> & 2 <sup>nd</sup> Floor, Lot 1092, Jalan Merpati, 98000 Miri, Sarawak.	085-432 525
<b>Kuantan</b>	No. 44 & 44A, Jalan Putra Square 6, Putra Square, 25000 Kuantan, Pahang.	09-513 4400
<b><u>FINANCIAL CARE CENTER (FCC)</u></b>		
<b>Financial Planning Centre</b>	46, 2 <sup>nd</sup> Floor, Jalan SS 21/39, Damansara Utama, 47400 Petaling Jaya, Selangor.	03-7718 3000

LIST OF CWA (an Agency force of CIMB-Principal) OFFICES (CONTINUED)

	ADDRESS	TELEPHONE
<b><u>SALES OFFICES - Klang Valley</u></b>		
<b>Charisma Legacy</b>	B-1-22 & B-2-22 & B-2-21, Block B, 10 Boulevard, Jalan Cempaka Sungai Kayu Ara, 47400 Petaling Jaya, Selangor.	03-7722 3895
<b>AAAAA Wealth Builders</b>	Lot C-615 & Lot C-616, Level 6, Block C, Kelana Square, 17 Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor.	03-7880 6893
<b>Megas</b>	2-6A, Jalan PJU 8/3A, Bandar Damansara Perdana, 47820 Petaling Jaya, Selangor.	03-7725 6320
<b>Preferred Wealth Advisors</b>	No 12-01, D'Bayu Business Centre, Jalan Serambi U8/24, Bukit Jelutong, 40150 Shah Alam, Selangor.	03-6142 8382
<b>Otye Xcellence Consultants</b>	Lot No 35-2, 2 <sup>nd</sup> Floor, Jalan Sepah Puteri 5/1B, Pusat Dagangan Seri Utama, PJU 5 Kota Damansara, 47410 Petaling Jaya, Selangor.	03-6140 3046
<b>Elite Group Consultants</b>	No 6-2, Jalan Dagang 1/1A, Taman Dagang, 68000 Ampang, Selangor.	03-4251 1129
<b>Prestige Wealth Advisors</b>	I-91-2, Block I, Jalan Teknologi 3/9, Kota Damansara, 47810 Petaling Jaya, Selangor.	03-6140 7275
<b>Magnificent Champion Agency Office</b>	47A, Tingkat 1, Jalan Badminton 13/29, Seksyen 13, 40100 Shah Alam, Selangor.	03-5523 2693
<b>Diamond Star Agency Office</b>	Block E-1-03A & E-2-03A, Jalan SS6/20A, Dataran Glomac, 47301 Kelana Jaya, Selangor.	03-7880 7082
<b>JAT XO Group</b>	D-10-08-G & D10-08-1, Pusat Perdagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor.	03-7831 1267
<b>Nsg Wealth Advisors</b>	32-3, 4 <sup>th</sup> Floor, Jalan Wangsa Delima 6, Kuala Lumpur Satelite Centre (KLSC), Section 5 Wangsa Maju, 53300 Kuala Lumpur.	03-4142 2911
<b>Platinum</b>	A-2-1, Block A, 8 Jalan PJU 1A/20A, Dataran Ara Damansara, 47301 Petaling Jaya, Selangor.	03-7843 0506
<b>Platinum 2</b>	A-2-3, Block A, 8 Jalan PJU 1A/20A, Dataran Ara Damansara, 47301 Petaling Jaya, Selangor.	03-7843 0503
<b>Dynamics Wealth Advisors</b>	Unit B-3A-1, Setiawangsa Business Suites, Jalan Setiawangsa 11, Taman Setiawangsa, 54200 Kuala Lumpur.	03-4256 6277

**LIST OF CWA (an Agency force of CIMB-Principal) OFFICES (CONTINUED)**

	<b>ADDRESS</b>	<b>TELEPHONE</b>
<b><u>SALES OFFICES - Klang Valley (Continued)</u></b>		
<b>My Financial Freedom Advisors</b>	No. 3A, Jalan Hentian 3, Pusat Hentian Kajang, 43000 Kajang, Selangor.	03-8741 4382
<b>Success Concepts Life Planners</b>	J-06-01, Level 6, Block J, Solaris Mont' Kiara, Jalan Solaris, 50480 Kuala Lumpur.	03-6204 0113
<b>ACES Advisors</b>	37-2, Jalan Cecawi 6/33, PJU 5, Kota Damansara, 47810 Petaling Jaya, Selangor.	03-6142 2970
<b>Monalisa Private Wealth Advisors</b>	No 41B, 43B, Jalan Wan Kadir 2, Taman Tun Dr Ismail, 60000 Kuala Lumpur.	03-7724 1789
<b>SA-7</b>	No 35B-2, (2 <sup>nd</sup> Floor), Jalan Keluli Am 7/Am, Pusat Perniagaan Bukit Raja, Seksyen 7, 40000 Shah Alam, Selangor.	03-3341 4978
<b>Tremendous Agency</b>	No 65-2, Jalan Nelayan A, 19/A Pusat Daerah Seksyen 19, 40300 Shah Alam, Selangor.	03-5480 0296
<b>The One Asia Advisors</b>	No B-3A-23, Merchant Square, Jalan Tropicana Selatan 1, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor.	03-7887 4408
<b>Wealth Resources Group Advisors</b>	No 41B, 3B Curve Business Park, Medan Pusat Bandar 2D, Seksyen 9, 43650 Bandar Baru Bangi, Selangor.	03-8926 4155
<b>Evoque Wealth Advisors</b>	2 <sup>nd</sup> Floor No 32A-2, Jalan PJU 5/20D, The Strand, Pusat Perdagangan Kota Damansara, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor.	03-6151 9512
<b>KPG Management Resources</b>	19-2, Jalan Adenium 2G/9, Adenium Business Centre, Bukit Beruntung, 48300 Rawang, Selangor.	03-6021 7385
<b>Emmaz Wealth Empire</b>	No 17-2, Jalan Rampai Maju 1, Taman Sri Rampai, 53300 Kuala Lumpur.	03-4141 7574
<b>Fidelis Wealth Advisors</b>	No 70-2, Jalan Tasik Utama 7, Medan Niaga Tasik Damai, The Trillium Lake Fields, 57000 Sungai Besi, Kuala Lumpur.	03-9054 8596
<b>Charisma Legacy 1</b>	B-3-21, Block Bougainvillea, 10 Boulevard, Lebuhraya Sprint, PJU 6A, 47400 Petaling Jaya, Selangor.	03-7733 5009
<b>KPG Capital Growth Solution</b>	No 15-1, Jalan Adenium 2G/9, Adenium Business Centre, 48300 Bukit Beruntung, 48300 Rawang, Selangor.	03-6021 7188



LIST OF CWA (an Agency force of CIMB-Principal) OFFICES (CONTINUED)

	ADDRESS	TELEPHONE
<b><u>SALES OFFICES - Klang Valley (Continued)</u></b>		
<b>Global Amazing Entrepreneur</b>	C-10-2 & C-11-2, Bangi Gateway Shopping Complex, Persiaran Pekililing, Seksyen 15, 43650 Bandar Baru Bangi, Selangor.	03-8920 9038
<b>NRICH Wealth Advisory Group</b>	ZP-02-12, Zest Point, Lebuhraya Bukit Jalil, Bandar Kinrara, 47180 Puchong, Selangor.	03-8074 8485
<b>Charisma Legacy 3</b>	B-3-17, Block Bouganvilla, 10 Boulevard, Lebuhraya Sprint, PJU 6A, Kayu Ara, Damansara Jaya, 47400 Petaling Jaya, Selangor.	03-7733 4211
<b>SWM Advisors Group</b>	Block E-13-2, 2 <sup>nd</sup> Floor, Jalan Serai Wangi M/16M, Alam Avenue 2 Seksyen 16, 40200 Shah Alam, Selangor.	019-388 2067
<b>Synergy Wealth Entrepreneur</b>	98-2, Jalan Dwitasik, Dataran Dwitasik, Bandar Sri Permaisuri, Cheras, 56000 Kuala Lumpur.	03-9226 5344
<b>Charisma Legacy 2</b>	B-3-25, Block Bougainvillea, 10 Boulevard, Lebuhraya Sprint, PJU 6A, 47400 Petaling Jaya, Selangor.	03-7733 2460
<b>Charisma Legacy Sepang</b>	32A, 1 <sup>st</sup> Floor, Jalan Gemilang 1, Pusat Perniagaan Gemilang, Sepang, 47300 Selangor.	03-8705 3240
<b><u>SALES OFFICES - Northern</u></b>		
<b>Charisma Legacy Kota Bharu</b>	PT1671 & 1672, Tingkat 2, Jalan Raja Perempuan Zainab 2, Kubang Kerian, 16150 Kota Bharu, Kelantan.	016-223 6343
<b>NZ Group</b>	PT 650, 1 <sup>st</sup> & 3 <sup>rd</sup> Floor, Jalan Sri Cemerlang, Seksyen 27, 15300 Kota Bharu, Kelantan.	09-747 6932
<b>My IFP Kemaman</b>	PT 10725, Ground Floor, Jalan Kubang Kurus, Taman Cukai Utama Fasa 4, 24000, Kemaman, Terengganu.	09-858 9911
<b>Amg Synergy Multiresources Sdn Bhd</b>	No 50, Tingkat 1, Jalan Putra Square 1, Malay Town, 25200 Kuantan, Pahang.	09-516 1430

**LIST OF CWA (an Agency force of CIMB-Principal) OFFICES (CONTINUED)**

	<b>ADDRESS</b>	<b>TELEPHONE</b>
<b><u>SALES OFFICES - Southern</u></b>		
<b>GVG Solution Agency</b>	24-1, Jalan Padi Emas 4/1, Pusat Bandar Tampoi, 81200 Johor Bahru, Johor.	07-232 6976
<b>Kyzan Jaguar Agency</b>	16-01, Jalan Padi Emas 1/5, UDA Business Centre, 81200 Johor Bahru, Johor.	07-300 9350
<b>GVG Pasir Gudang Solution</b>	No 38-01, Jalan Serangkai 18, Taman Bukit Dahlia, 81700 Pasir Gudang, Johor.	012-707 6107
<b>Victorious Agency</b>	98-02, Jalan Pertama 1, Pusat Perdagangan Danga Utama, 81200 Johor Bahru, Johor.	011-121 1840
<b>Soha Barakah Wealth Consultancy</b>	No 55-2, 57-2, 59-2, Jalan TU 49A, Taman Tasik Utama, Ayer Keroh, 75450, Melaka.	06-2533 289
<b>Premier Wealth Advisors</b>	No 18-1, Jalan S2 B18, Biz Avenue Seremban 2, 70300 Seremban, Negeri Sembilan.	06-601 5749
<b>PremierOne Wealth</b>	No 527-1, Jalan Pusat Bandar Senawang, Pusat Bandar Senawang, 70450 Senawang, Negeri Sembilan.	06-671 8253

**SALES OFFICES - East Malaysia**

<b>Sibu</b>	15A, Jalan Ruby, 96000 Sibu, Sarawak.	084-325 515
<b>JAT XO Group Bintulu</b>	Shop Lot No 2, Block 49, Of Parent Lot 2646, Park City Commerce Square, Jalan Kamar Bubin Off Jalan Tun Ahmad Zaidi, 97000 Bintulu, Sarawak.	012-217 2269