

# Principal China Multi Asset Income Fund

(formerly known as CIMB-Principal China  
Multi Asset Income Fund)

Annual Report

For the Financial Year Ended 31 October 2020

**PRINCIPAL CHINA MULTI ASSET INCOME FUND**  
*(formerly known as CIMB-Principal China Multi Asset Income Fund)*

**ANNUAL REPORT**

**FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2020**

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## INVESTORS' LETTER

Dear Valued Investor,

The month of December is always a good time to re-evaluate where you stand financially and relook at how you can diversify and strategise your investment portfolio for the new year and years to come.

What's more, the recent Budget 2021 announcement that the tax relief for the Private Retirement Scheme ("PRS") has been extended till 2025 is something all of us should take advantage of - for your financial planning in the new year and beyond that for your retirement.

This year, we have seen unprecedented hits to our economic activities, major infusion of monetary and fiscal policymaking, and a vote for new leadership in the US. Going into 2021, I believe it will be a year of renewal where we will see the world trying to shift to pre-pandemic norms while at the same time, accelerate into the post-pandemic future.

Our commitment to responsible investing focuses on one key priority—your long-term best interest. We're able to deliver on this commitment to you by developing strong, stable, research-based investment solutions through our globally integrated asset class teams and shared information infrastructure.

We continue to prefer equities over fixed income and remain positive on Asian equities favouring China and more developed Asian economies on a 12-month basis. For our:

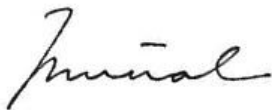
- **Conservative investors, we recommend:** Malaysia focus bond funds and regional balanced funds that are income focussed.
- **More aggressive investors, we recommend:** Growth-oriented funds that offer exposure to growth areas in China, Asia-Pacific, ASEAN, Global Technology and Malaysian aggressive funds.

We are constantly sharing content on investing, retirement and latest market outlook in our website ([www.principal.com.my](http://www.principal.com.my)). Do like out our Facebook page (@PrincipalAssetMY) in order not to miss these updates and promotions – and for those who already have, I take this opportunity to thank you.

Please be informed that effective 31 December 2019, the Fund been renamed as Principal China Multi Asset Income Fund following the issuance of the Information Memorandum Issue No. 2.

We appreciate your continuous support and the trust you place in us.

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



**Munirah Khairuddin**  
Chief Executive Officer

## MANAGER'S REPORT

### FUND OBJECTIVE AND POLICY

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

The Fund aims to provide income and moderate capital growth through investments in one collective investment scheme, which invests primarily in a diversified portfolio of securities related to China.

#### Has the Fund achieved its objective?

For the financial year under review, the Fund underperformed against its benchmark. However, the Fund is still in line with its stated objective of achieving long-term capital growth.

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

The Fund is a feeder fund and it invests in a single collective investment scheme, i.e. HSBC China Multi-Asset Income Fund ("Target Fund"). The Fund may also invest in liquid asset for liquidity purpose.

In order to achieve its investment objective, the Fund will invest at least 95% of its Net Asset Value ("NAV") in the Target Fund; a sub-fund established on 21 November 2014 under the HSBC Collective Investment Trust. The Fund will also maintain up to 5% of its NAV in liquid assets for liquidity purposes.

#### Information on the Target Fund:

Trust	: HSBC Collective Investment Trust, an umbrella unit trust established under the laws of Hong Kong by a trust deed dated 27 February 2014 between the Target Fund Manager and HSBC Institutional Trust Services (Asia) Limited as the Target Fund's trustee.
Target Fund Manager	: HSBC Investment Funds (Hong Kong) Ltd
Target Fund Investment Adviser	: HSBC Global Asset Management (Hong Kong) Ltd
Target Fund Research Adviser	: HSBC Jintrust Fund Management Company Ltd
Regulatory authority	: Securities and Futures Commission of Hong Kong

#### Base Currency

US Dollar ("USD")

#### Fund category/type

Feeder fund/Income & Growth

#### When was the Fund launched?

Name of Class	Launch Date
Class AUD-Hedged ("AUD-H")	2 July 2018
Class MYR-Hedged ("MYR-H")	3 July 2017
Class RMB-Hedged ("RMB-H")	2 July 2018
Class SGD-Hedged ("SGD-H")	19 June 2018
Class USD	3 July 2017

#### What was the size of the Fund as at 31 October 2020?

USD43.74 million (139.42 million units)

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

The Fund adheres to the benchmark of the Target Fund for performance comparison. The benchmark of the Target Fund is 50% MSCI China Net + 50% Markit iBoxx Asia Local Bond Index China Offshore for comparison purposes.

## **FUND OBJECTIVE AND POLICY (CONTINUED)**

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

Quarterly, depending on the availability of realised income and/or realised gains and at the discretion of the Manager.

### **What was the net income distribution for the financial year end 31 October 2020?**

The Fund distributed a total net income of USD1.19 million to unit holders for the financial year end 31 October 2020.

The Fund's NAV per unit are as follows:

<b>Date</b>	<b>NAV per unit (before distribution) USD</b>	<b>NAV per unit (after distribution) USD</b>
<b>27 November 2019</b>		
Class MYR-H	0.2310	0.2299
Class SGD-H	0.6642	0.6610
Class USD	1.0112	1.0058
<b>27 March 2020</b>		
Class MYR-H	0.2124	0.2112
Class SGD-H	0.6036	0.6002
Class USD	0.9676	0.9624
<b>19 June 2020</b>		
Class MYR-H	0.2368	0.2352
Class SGD-H	0.6804	0.6764
Class USD	1.0611	1.0545
<b>15 September 2020</b>		
Class MYR-H	0.2657	0.2645
Class SGD-H	0.7529	0.7494
Class USD	1.1498	1.1446

**PRINCIPAL CHINA MULTI ASSET INCOME FUND**  
*(formerly known as CIMB-Principal China Multi Asset Income Fund)*

**PERFORMANCE DATA**

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

	<b>31.10.2020</b>	<b>31.10.2019</b>	<b>31.10.2018</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Collective investment scheme	99.19	98.09	99.60
Cash and other net assets	0.18	1.91	0.40
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	<b>31.10.2020</b>	<b>31.10.2019</b>	<b>31.10.2018</b>
NAV (USD Million)			
- Class AUD-H	0.00*	0.00*	0.00*
- Class MYR-H	35.61	58.73	56.24
- Class RMB-H	0.00*	0.00*	0.00*
- Class SGD-H	0.43	0.47	0.44
- Class USD	7.70	12.07	13.75
Units in circulation (Million)			
- Class AUD-H	0.00*	0.00*	0.00*
- Class MYR-H	132.28	259.22	266.99
- Class RMB-H	0.00*	0.00*	0.00*
- Class SGD-H	0.56	0.71	0.72
- Class USD	6.58	12.18	15.10
NAV per unit (USD)			
- Class AUD-H	0.8669	0.7140	0.6600
- Class MYR-H	0.2692	0.2265	0.2106
- Class RMB-H	0.1803	0.1403	0.1400
- Class SGD-H	0.7640	0.6534	0.6143
- Class USD	1.1706	0.9912	0.9109

Note: 0.00\* denotes fair value less than 1 USD.

	<b>01.11.2019</b>	<b>01.11.2018</b>	<b>03.07.2017</b>
	<b>to 31.10.2020</b>	<b>to 31.10.2019</b>	<b>(date of launch)</b>
			<b>to 31.10.2018</b>
Highest NAV per unit (USD)			
- Class AUD-H	0.8937	0.7892	0.7600
- Class MYR-H	0.2733	0.2494	0.2996
- Class RMB-H	0.1837	0.1559	0.1500
- Class SGD-H	0.7795	0.7119	0.7387
- Class USD	1.1845	1.0515	1.1623
Lowest NAV per unit (USD)			
- Class AUD-H	0.5548	0.6700	0.6500
- Class MYR-H	0.1972	0.2128	0.2062
- Class RMB-H	0.1303	0.1331	0.1400
- Class SGD-H	0.5667	0.6199	0.6011
- Class USD	0.9237	0.9126	0.8909

**PRINCIPAL CHINA MULTI ASSET INCOME FUND**  
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**PERFORMANCE DATA**

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

	<b>01.11.2019 to 31.10.2020</b>	<b>01.11.2018 to 31.10.2019</b>	<b>03.07.2017 (date of launch) to 31.10.2018</b>
Total return (%)			
- Class AUD-H	19.30	7.82	(9.91)
- Class MYR-H	20.70	10.43	(6.56)
- Class RMB-H	22.31	0.36	(6.85)
- Class SGD-H	19.65	10.80	(17.90)
- Class USD	20.67	9.94	(7.00)
Capital growth (%)			
- Class AUD-H	19.30	7.82	(9.91)
- Class MYR-H	18.10	7.55	(2.14)
- Class RMB-H	22.31	0.36	(6.85)
- Class SGD-H	17.19	6.38	(11.99)
- Class USD	18.10	8.81	(18.87)
Income distribution (%)			
- Class AUD-H	-	-	-
- Class MYR-H	2.20	2.68	6.01
- Class RMB-H	-	-	-
- Class SGD-H	2.10	4.07	0.09
- Class USD	2.17	1.03	2.08
Management Expense Ratio ("MER") (%) ^	1.86	1.85	2.44
Portfolio Turnover Ratio ("PTR") (times) #	0.32	0.12	0.89

^ The Fund's MER increase from 1.85% to 1.86% was mainly due to lower average NAV for the financial year under review.

# For the financial year under review, the Fund's PTR increased from 0.12 times to 0.32 times. As a feeder fund, the turnover reflects investment and withdrawal in the Target Fund.

Gross/Net distribution per unit (cent)

Distribution on 27 November 2019

- Class MYR-H	0.11	-	-
- Class SGD-H	0.32	-	-
- Class USD	0.54	-	-

Distribution on 27 March 2020

- Class MYR-H	0.12	-	-
- Class SGD-H	0.34	-	-
- Class USD	0.52	-	-

Distribution on 19 June 2020

- Class MYR-H	0.16	-	-
- Class SGD-H	0.39	-	-
- Class USD	0.66	-	-

Distribution on 15 September 2020

- Class MYR-H	0.12	-	-
- Class SGD-H	0.34	-	-
- Class USD	0.52	-	-



**PRINCIPAL CHINA MULTI ASSET INCOME FUND**  
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**PERFORMANCE DATA**

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

	<b>01.11.2019 to 31.10.2020</b>	<b>01.11.2018 to 31.10.2019</b>	<b>03.07.2017 (date of launch) to 31.10.2018</b>
Gross/Net distribution per unit (cent)			
Distribution on 21 November 2018			
- Class USD	-	0.20	-
Distribution on 26 February 2019			
- Class SGD-H	-	1.27	-
- Class USD	-	0.18	-
Distribution on 29 May 2019			
- Class MYR-H	-	0.58	-
- Class SGD-H	-	1.36	-
- Class USD	-	0.47	-
Distribution on 27 August 2019			
- Class USD	-	0.14	-
Distribution on 6 August 2018			
- Class MYR-H	-	-	1.41
- Class SGD-H	-	-	0.06
- Class USD	-	-	2.06
	<b>31.10.2020 %</b>	<b>31.10.2019 %</b>	<b>Since inception to 31.10.2018 %</b>
Annual total return			
- Class MYR-H	20.70	10.43	(6.56)
- Class USD (Launch date: 3 July 2017)	20.67	9.94	(7.00)
- Class SGD-H (Launch date: 19 June 2018)	19.65	10.80	(17.90)
- Class AUD-H	19.30	7.82	(9.91)
- Class RMB-H (Launch date: 2 July 2018)	22.31	0.36	(6.85)

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/period have been extracted from Lipper.

## **MARKET REVIEW (1 NOVEMBER 2019 TO 31 OCTOBER 2020)**

Global stock markets delivered generally positive returns in November 2019 with the MSCI World Index gaining 2.63%, and this was reflected in offshore shares with the MSCI China Index returning 1.64%. However onshore shares fared less well with the Shanghai Composite Index falling 1.95%, as markets focused on challenges to growth and company earnings. Bond markets globally produced mixed returns but in China the weaker stock market background saw bonds perform well with onshore bonds particularly strong, the Markit iBoxx ALBI China Onshore bond Index delivering a return of 1.01% for the month. In currencies the USD generally strengthened, although it was noticeable that the Chinese Yuan Renminbi ("RMB") rose with the USD, gaining against other major and Asian currencies.

Markets continue to move higher in December 2019, with the MSCI World Index returning 2.89% and the MSCI China Index a world leading 7.80%. In onshore markets the Shanghai Composite Index also saw strong returns, gaining 6.20%. Both onshore and offshore bond markets also produced positive returns with onshore markets outperforming as a result of their longer duration. In currency markets the USD was weak against major, Asian and other emerging market currencies, allowing the RMB to appreciate by around 1% against the USD, but see mixed performance against other currencies to be little changed on a trade weighted basis.

Stock markets have in general moved lower in January 2020. The MSCI World Index returned -0.68% and China was in particular weak with the MSCI China Index down -5.15%. In onshore markets, the Shanghai Composite Index lost -2.41% but this hasn't reflected the outbreak of the virus due to the extended Chinese New Year's holiday. Both onshore and offshore bond markets produced positive returns with offshore bond yields move down to multi-year low. The RMB appreciated slightly over the month, with the coronavirus outbreak offsetting part of the positive impact of trade deal development.

Chinese Equities had a slight bounce in February 2020 after weakness in the start of the year. After lockdowns were announced in late January post the Lunar New Year holidays, Coronavirus 2019 ("COVID-19") infection rates in the mainland appeared to have stabilize and some activity indicators started to improve. However, both the February Manufacturing and Non-Manufacturing Purchasing Manager's Index ('PMI') plunged sharply to record lows of 35.7 and 29.6 respectively due to the widespread impact of the COVID-19. Meanwhile, economic activity and industrial production have not recovered as quickly as earlier expected, with work resumption being up to 50% to 60% as of the end of the month.

In March 2020, Chinese Equities recorded a decline. In Asia and China, work resumption coupled with relaxation in containment measures and intensified macro policy support should allow for a sequential activity recovery in the coming months. Central Banks and finance ministries across the globe have eased policy at an unprecedented pace, including measures not seen before. Fiscal policy has been loosened in previously unseen ways in many developed economies. The recently approved US stimulus package is the largest in the country's history.

Chinese Equities came in slightly weaker overall for April 2020. The worldwide spread of COVID-19 has created unprecedented volatility in financial markets. Governments have imposed hugely restrictive measures to suppress COVID-19. Economic activity has fallen at a precipitous pace. However, over the past month, easing of containment measures and resumption of work has gained further momentum in China and high frequency indicators are reflecting the resultant pick-up in economic activity, with production normalcy leading consumption normalcy for the time being. While the economic environment remains very difficult and the way forward unusually uncertain, current market pricing creates opportunities for long-term investors

## MARKET REVIEW (1 NOVEMBER 2019 TO 31 OCTOBER 2020)

Performance in May 2020 was largely unchanged despite the fact that the performance of Chinese assets was relatively weak over the month. Although China is well ahead of most countries in terms of its battle with the COVID-19, the tension between China and the US heightened again which has dampened the investment sentiment and weighed on the Chinese assets.

Chinese equities posted positive performance as it was up by 8.7% in June 2020. In addition, the RMB bonds also showed positive returns over the month as it was supported by the currency appreciation against the USD/Hong Kong Dollar ("HKD"). Furthermore, Chinese USD credit spreads narrowed further amid a relatively better economic outlook.

In July 2020, Chinese equities were up 9.4% overall, with A-shares being the strongest performer in the month. Fixed income also recorded a good monthly return, supported by the appreciation of RMB against the HKD. We also see credit spreads continued to narrow in July 2020 on the back of better economic outlook, giving a decent positive return to the USD high yield credits in the portfolio.

In August 2020, Chinese equities were up 4.7% overall, with H-shares being the strongest performer in the month. Fixed income also recorded a decent monthly return, contributed by the appreciation of RMB versus HKD and narrowed credit spreads.

Chinese Equities were overall down by 3.5% in the month of September 2020. Consumer discretionary was the only sector in positive territory, with the remaining ten sectors in the red. Meanwhile, the RMB strengthened about 2% during the month to 6.79 to the USD. Data on China retail sales were released during the month, up 0.5% year-on-year ("y-o-y") in August 2020, the first positive growth since COVID-19. Data showed that consumer staples and grocery growth moderated while apparel growth picked up.

Chinese equities were up 5.7% overall in October 2020, with H-shares being the strongest performer in the month. The Materials recorded a most outstanding performance among all sectors, with a return of 14.5% over the month. Fixed income also recorded a good return, both in RMB and USD high yield bonds, supported by the strengthening of RMB vs HKD and the compressed spreads in dollar credits

## FUND PERFORMANCE

1 year to 31.10.2020					
	Class AUD-H	Class MYR-H	Class RMB-H	Class SGD-H	Class USD
	%	%	%	%	%
Income Distribution	-	2.20	-	2.10	2.17
Capital Growth	19.30	18.10	22.31	17.19	18.10
Total Return	19.30	20.70	22.31	19.65	20.67
Benchmark	22.08	22.08	22.08	22.08	22.08
Average					
Total Return	19.30	20.70	22.31	19.65	20.67

3 years to 31.10.2020		
	Class MYR-H	Class USD
	%	%
Income Distribution	11.25	5.38
Capital Growth	6.11	11.00
Total Return	18.02	16.97
Benchmark	20.71	20.71
Average		
Total Return	5.68	5.36

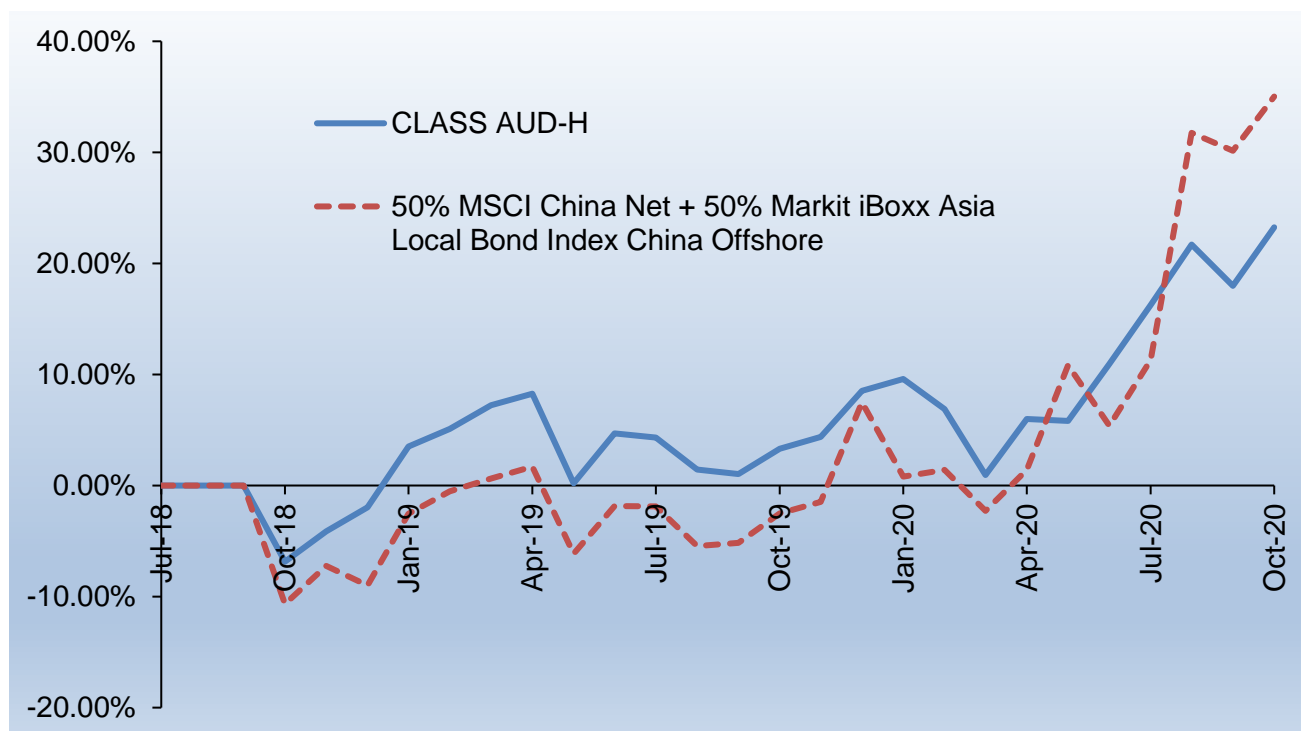
**PRINCIPAL CHINA MULTI ASSET INCOME FUND**  
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**FUND PERFORMANCE (CONTINUED)**

	Since inception to 31.10.2020				
	Class AUD-H	Class MYR-H	Class RMB-H	Class SGD-H	Class USD
	%	%	%	%	%
Income Distribution	-	11.25	-	6.35	5.38
Capital Growth	23.25	11.80	21.26	4.29	17.07
Total Return	23.25	24.37	21.26	10.91	23.37
Benchmark	35.03	35.03	35.03	35.03	35.03
Average					
Total Return	9.36	6.94	8.60	4.40	6.50

For the 1-year period under review, Class AUD-H, Class MYR-H, Class RMB-H, Class SGD-H, and Class USD all recorded an increase of 19.30%, 20.70%, 22.31%, 19.65%, and 20.67% respectively. This is in comparison to the benchmark for all the Class, which recorded an increase of 22.08% during the financial year under review.

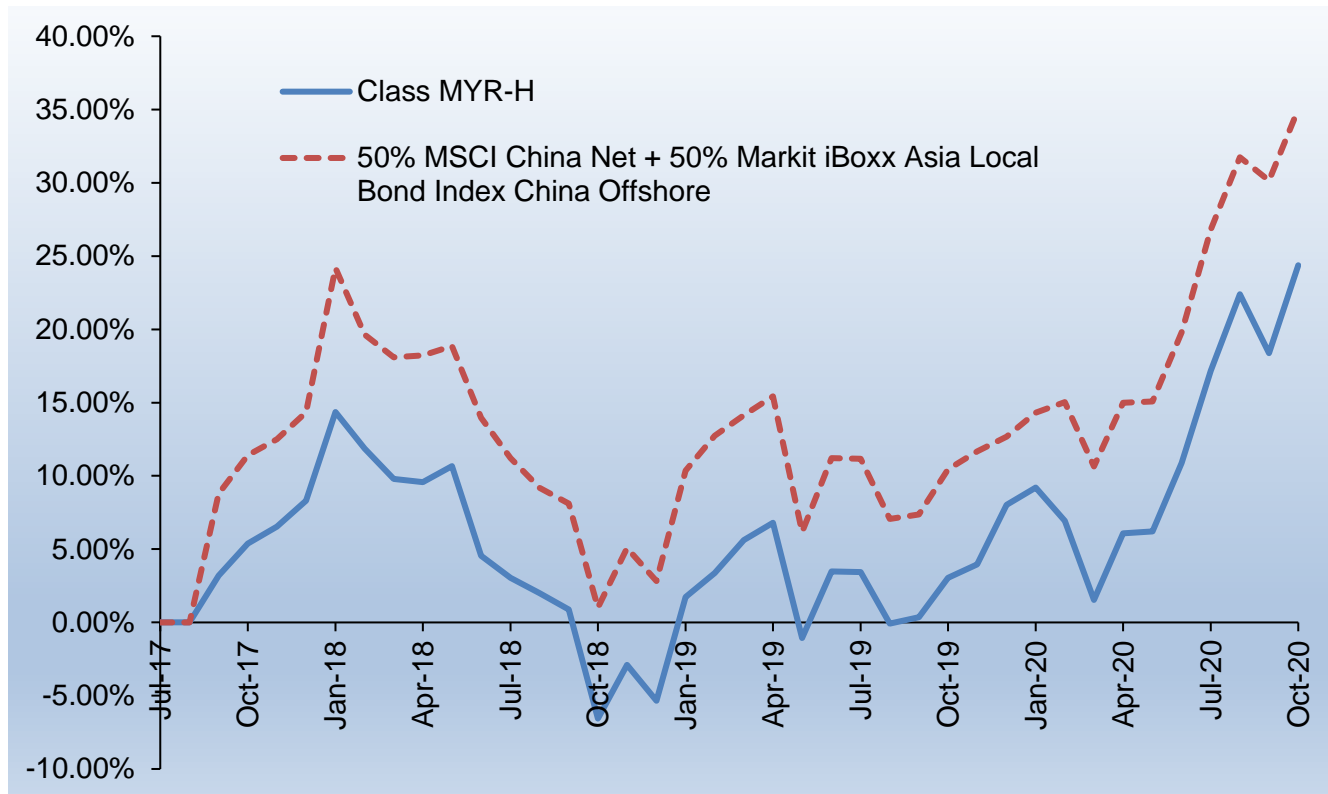
**CLASS AUD-H**



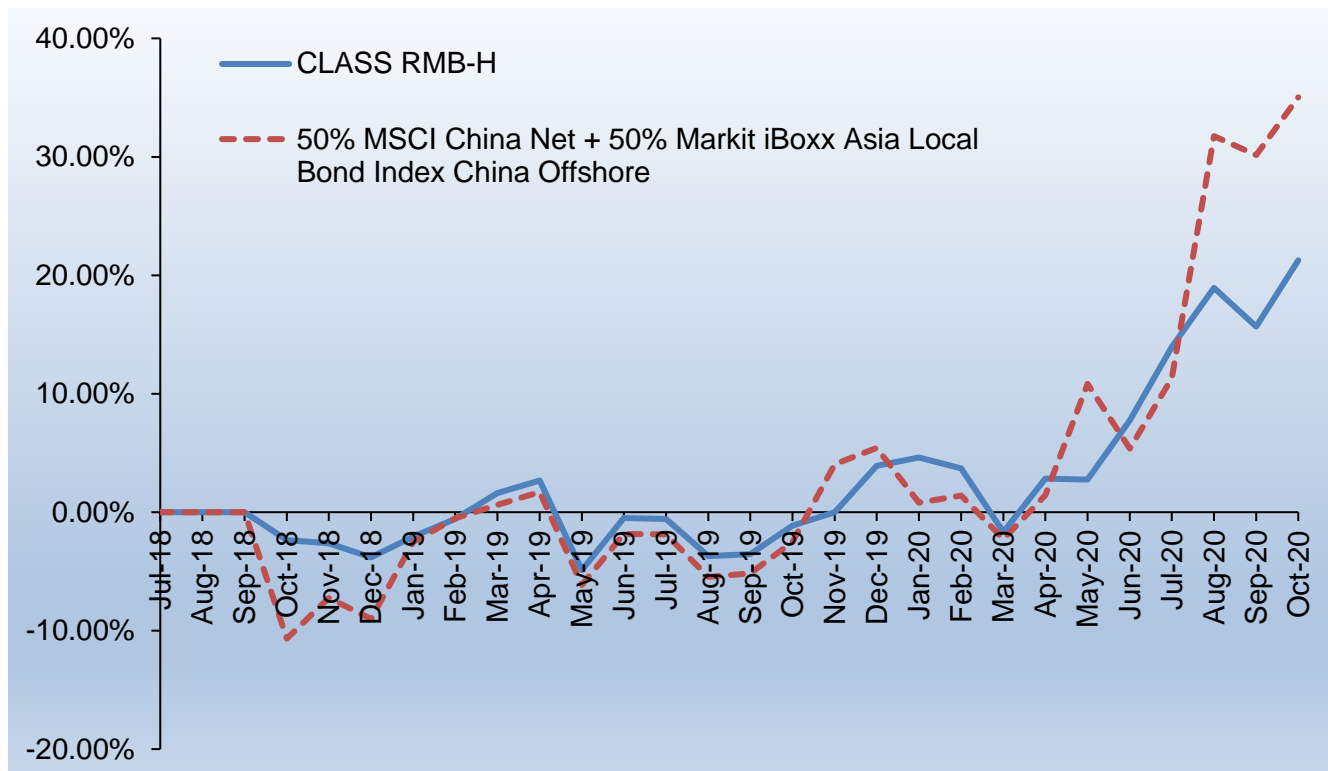
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**FUND PERFORMANCE (CONTINUED)**

**CLASS MYR-H**



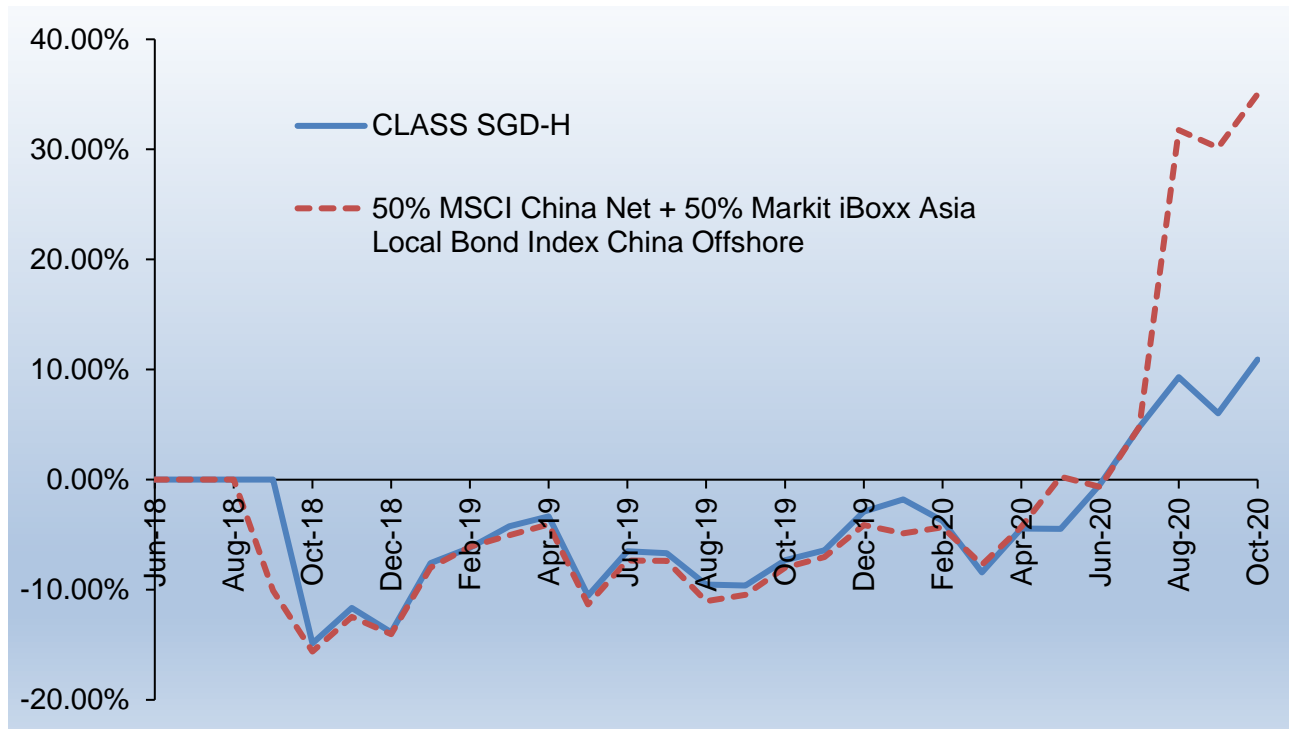
**CLASS RMB-H**



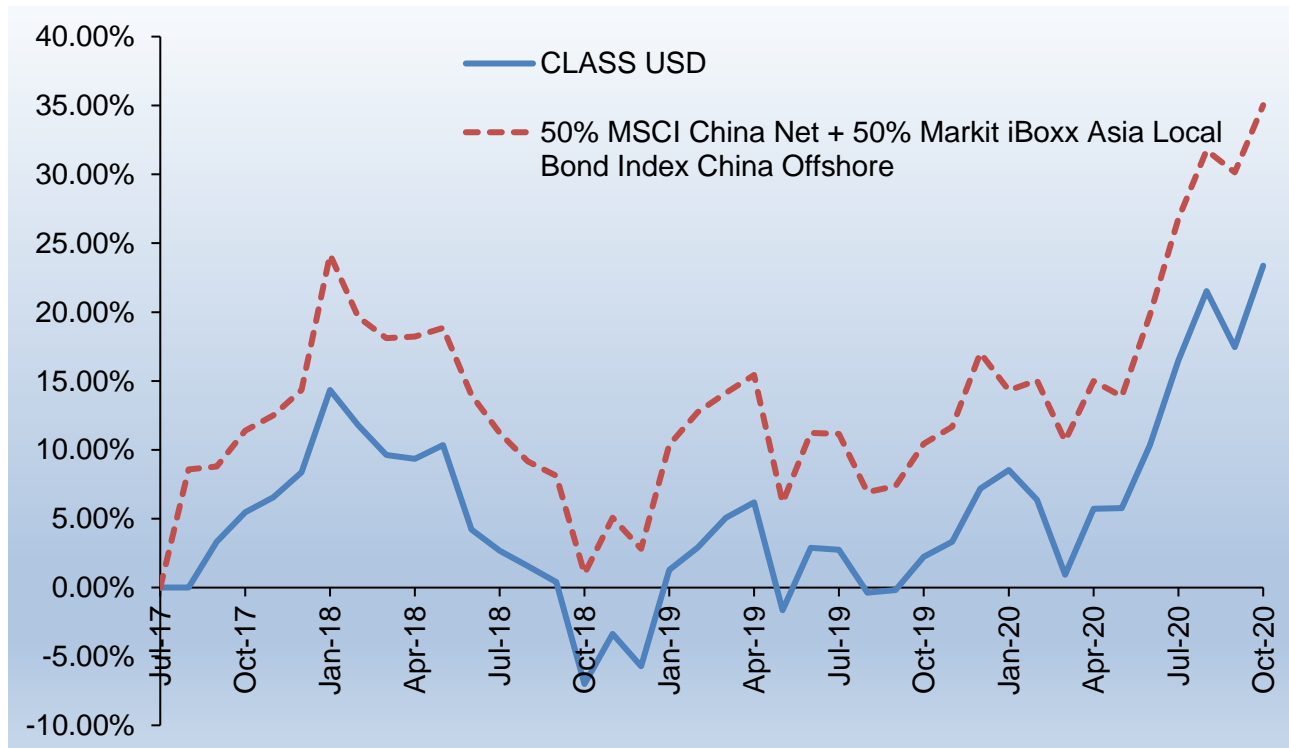
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FUND PERFORMANCE (CONTINUED)

CLASS SGD-H



CLASS USD



**PRINCIPAL CHINA MULTI ASSET INCOME FUND**  
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**FUND PERFORMANCE (CONTINUED)**

**Changes in NAV**

**CLASS AUD-H**

	<b>31.10.2020</b>	<b>31.10.2019</b>	<b>Changes %</b>
NAV (USD Million)	0.00	0.00	-
NAV/Unit (USD)	0.8669	0.7140	21.41

**CLASS MYR-H**

	<b>31.10.2020</b>	<b>31.10.2019</b>	<b>Changes %</b>
NAV (USD Million)	35.61	58.73	(39.37)
NAV/Unit (USD)	0.2692	0.2265	18.85

**CLASS RMB-H**

	<b>31.10.2020</b>	<b>31.10.2019</b>	<b>Changes %</b>
NAV (USD Million)	0.00	0.00	-
NAV/Unit (USD)	0.1803	0.1403	28.51

**CLASS SGD-H**

	<b>31.10.2020</b>	<b>31.10.2019</b>	<b>Changes %</b>
NAV (USD Million)	0.43	0.47	(8.51)
NAV/Unit (USD)	0.7640	0.6534	16.93

**CLASS USD**

	<b>31.10.2020</b>	<b>31.10.2019</b>	<b>Changes %</b>
NAV (USD Million)	7.70	12.07	(36.21)
NAV/Unit (USD)	1.1706	0.9912	18.10

On a 1-year period, the Fund's NAV for Class MYR-H, Class SGD-H and Class USD decreased by 39.37%, 8.51%, and 36.21% respectively. The decline in NAV for all three classes were attributed towards a net outflow from unit redemptions over the reporting period

Meanwhile, the Fund's NAV per unit for Class AUD-H, Class MYR-H, Class RMB-H Class SGD-H and Class USD increased by 21.41%, 18.85%, 28.51%, 16.93%, and 18.10% respectively on y-o-y basis. The changes in the Fund's NAV per unit is reflective of the investment performance on a 1-year period basis. At the time of reporting, Class MYR-H has the largest total NAV at USD35.61 million.

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/period have been extracted from Lipper.

## PORTFOLIO STRUCTURE

### Asset allocation

(% of NAV)	31.10.2020	31.10.2019
Collective investment scheme	99.19	98.09
Cash and other net assets	0.81	1.91
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

The Fund was fully invested during the financial year under review. A minimal level of liquid assets was maintained primarily for redemption purposes.

### MARKET OUTLOOK\*

Mainland China has its COVID-19 case numbers under much better control than most other countries. However, it is still difficult to eliminate the virus completely. It is expected that we will be living with the virus for many months to come. US politics has also been a market factor. With elections due in November there is the risk of disruption if the result is contested causing uncertainty over the US's attitude to Mainland China. Despite these risks economic data has continued to beat expectations both globally and in Mainland China, where retail sales, industrial production and exports are all higher than they were a year ago.

Looking ahead, FTSE Russell has confirmed that Chinese government bonds will be added to its World Government Bond Index ("WGBI") from October 2021, paving the way for billions of USD of inflows into the world's second-largest bond market. We estimate assets tracking the WGBI to be around USD2.5 trillion and the inclusion of Chinese bonds could drive significant passive inflows of around USD140 billion to USD150 billion over the inclusion period, or USD12 or USD12.5 billion per month. The WGBI inclusion represents the final step in China bond's global index inclusion journey, following similar action from Bloomberg Barclays Global Aggregate index and JP Morgan GBI-EM Global Diversified, which will be completed by November 2020 and December 2020 this year, respectively.

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

### INVESTMENT STRATEGY

The Fund will continue to remain fully invested in the Target Fund with minimal cash kept for liquidity purposes.

### UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 31 October 2020 are as follows:

#### CLASS AUD-H

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	100.00
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	-	-	-
500,001 and above	-	-	-
<b>Total</b>	<b>1</b>	<b>0.00</b>	<b>100.00</b>



**PRINCIPAL CHINA MULTI ASSET INCOME FUND**  
(formerly known as CIMB-Principal China Multi Asset Income Fund)

**UNIT HOLDINGS STATISTICS (CONTINUED)**

Breakdown of unit holdings by size as at 31 October 2020 are as follows: (continued)

**CLASS MYR-H**

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	-	-	-
5,001 - 10,000	2	0.02	0.01
10,001 - 50,000	18	0.51	0.39
50,001 - 500,000	15	1.81	1.37
500,001 and above	2	129.94	98.23
<b>Total</b>	<b>37</b>	<b>132.28</b>	<b>100.00</b>

**CLASS RMB-H**

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	100.00
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	-	-	-
500,001 and above	-	-	-
<b>Total</b>	<b>1</b>	<b>0.00</b>	<b>100.00</b>

**CLASS SGD-H**

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	0.01
5,001 - 10,000	-	-	-
10,001 - 50,000	1	0.03	4.54
50,001 - 500,000	-	-	-
500,001 and above	1	0.53	95.45
<b>Total</b>	<b>3</b>	<b>0.56</b>	<b>100.00</b>

**CLASS USD**

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	0.01
5,001 - 10,000	-	-	-
10,001 - 50,000	2	0.09	1.35
50,001 - 500,000			
500,001 and above	1	6.49	98.64
<b>Total</b>	<b>4</b>	<b>6.58</b>	<b>100.00</b>

Note: 0.00\* denotes value less than 0.01 million.

## **SOFT COMMISSIONS AND REBATES**

Principal Asset Management Berhad (the “Manager”) and the Trustee will not retain any form of rebate or soft commission from, or otherwise share in any commission with, any broker in consideration for directing dealings in the investments of the Principal Malaysia Funds (“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 Trustee did not receive any rebates from the brokers or dealers but the Manager has retained soft commission in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds.

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF  
PRINCIPAL CHINA MULTI ASSET INCOME FUND  
*(formerly known as CIMB-Principal China Multi Asset Income Fund)***

We, being the Directors of 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 22 to 50 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 October 2020 and of its financial performance, changes in net assets attributable to unit holders and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

**Principal Asset Management Berhad (Company No.: 199401018399 (304078-K))**

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

**JUAN IGNACIO EYZAGUIRRE BARAONA**  
Director

Kuala Lumpur  
17 December 2020

**TRUSTEE'S REPORT TO THE UNITHOLDERS OF  
PRINCIPAL CHINA MULTI ASSET INCOME FUND  
*(formerly known as CIMB-Principal China Multi Asset Income Fund)***

We have acted as Trustee of Principal China Multi Asset Income Fund *(formerly known CIMB-Principal China Multi Asset Income Fund)* (the "Fund") for the financial year ended 31 October 2020. To the best of our knowledge, Principal Asset Management Berhad (the "Manager"), has operated and managed the Fund in accordance with the following:-

- a) limitations imposed on the investment powers of the Management Company and the Trustee under the Deeds, the Securities Commission's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, the Capital Markets and Services Act 2007 and other applicable laws;
- b) valuation/pricing is carried out in accordance with the Deeds and any regulatory requirements; and
- c) creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirements.

During the financial year, a total distribution of 0.51 cent per unit (gross) for MYR-Hedged class, 1.39 cent per unit (gross) for SGD-Hedged class and 2.24 cent per unit (gross) for USD class have been distributed to the unit holders of the Fund respectively. We are of the view that the distributions are not inconsistent with the objectives of the Fund.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie  
Senior Manager, Investment Compliance Monitoring

Kuala Lumpur  
16 December 2020

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
PRINCIPAL CHINA MULTI ASSET INCOME FUND  
*(formerly known as CIMB-Principal China Multi Asset Income Fund)***

**Report on the audit of the financial statements**

*Opinion*

We have audited the financial statements of Principal China Multi Asset Income Fund *(formerly known as CIMB-Principal China Multi Asset Income Fund)* (the "Fund"), which comprise the statement of financial position as at 31 October 2020, and statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 22 to 50.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 October 2020, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

*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 audit 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("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  
PRINCIPAL CHINA MULTI ASSET INCOME FUND (CONTINUED)**  
***(formerly known as CIMB-Principal China Multi Asset Income Fund)***

**Report on the audit of the financial statements (cont'd.)**

*Information other than the financial statements and auditors' report thereon*

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

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

The Trustee is responsible for overseeing the Fund's financial reporting process. The Trustee is also responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
PRINCIPAL CHINA MULTI ASSET INCOME FUND (CONTINUED)**  
***(formerly known as CIMB-Principal China Multi Asset Income Fund)***

**Report on the audit of the financial statements (cont'd.)**

*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 skepticism throughout the audit. We also:

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- 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.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

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.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
PRINCIPAL CHINA MULTI ASSET INCOME FUND (CONTINUED)**  
***(formerly known as CIMB-Principal China Multi Asset Income Fund)***

**Other matters**

This report is made solely to the unit holders of the Fund, as a body, in accordance with the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the Securities Commission Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

The financial statements of the Fund for the year ended 31 October 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 12 December 2019.

Ernst & Young PLT  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Yeo Beng Yean  
No. 03013/10/2022 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
17 December 2020



**PRINCIPAL CHINA MULTI ASSET INCOME FUND**  
*(formerly known as CIMB-Principal China Multi Asset Income Fund)*

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2020**

	Note	2020 USD	2019 USD
<b>INCOME</b>			
Dividend income		1,449,528	2,327,705
Interest income		4	-
Net gain on financial assets at fair value through profit or loss	8	10,161,077	6,220,942
Net gain on derivative assets at fair value through profit or loss	9	539,771	188,178
Net foreign exchange loss		(17,998)	(8,323)
		<u>12,132,382</u>	<u>8,728,502</u>
<b>EXPENSES</b>			
Management fee	4	1,007,893	1,377,527
Trustee fee	5	22,397	30,612
Audit fee		2,403	2,087
Tax agent's fee		900	901
Other expenses		2,418	4,392
		<u>1,036,011</u>	<u>1,415,519</u>
<b>PROFIT BEFORE FINANCE COST AND TAXATION</b>		11,096,371	7,312,983
Finance costs (excluding increase in net assets attributable to unit holders):			
- Class MYR-H		(970,499)	(1,566,027)
- Class SGD-H		(8,766)	(21,946)
- Class USD		(212,069)	(145,336)
	6	<u>(1,191,334)</u>	<u>(1,733,309)</u>
<b>PROFIT BEFORE TAXATION</b>		9,905,037	5,579,674
Taxation	7	<u>-</u>	<u>-</u>
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>9,905,037</u>	<u>5,579,674</u>
Increase in net assets attributable to unit holders are made up as follows:			
Realised amount		654,191	(1,107,330)
Unrealised amount		9,250,846	6,687,004
		<u>9,905,037</u>	<u>5,579,674</u>

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

**PRINCIPAL CHINA MULTI ASSET INCOME FUND**  
*(formerly known as CIMB-Principal China Multi Asset Income Fund)*

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 OCTOBER 2020**

	Note	2020 USD	2019 USD
<b>ASSETS</b>			
Cash and cash equivalents	10	188,529	1,257,157
Financial assets at fair value through profit or loss	8	43,384,652	69,905,345
Derivative assets at fair value through profit or loss	9	-	202,805
Amount due from dealer		1,187,466	159,867
Amount due from Manager		34,587	50,126
Amount due from Manager of collective investment scheme			
- management fee rebate		57,311	83,114
Dividends receivable		121,215	161,401
<b>TOTAL ASSETS</b>		44,973,760	71,819,815
<b>LIABILITIES</b>			
Derivative liabilities at fair value through profit or loss	9	56,924	-
Amount due to dealer		487,108	159,606
Amount due to Manager		615,615	280,312
Accrued management fee		70,459	108,494
Amount due to Trustee		1,566	2,411
Other payables and accruals		1,885	3,234
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)</b>		1,233,557	554,057
<b>NET ASSET VALUE OF THE FUND</b>		43,740,203	71,265,758
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		43,740,203	71,265,758

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

**PRINCIPAL CHINA MULTI ASSET INCOME FUND**  
(formerly known as CIMB-Principal China Multi Asset Income Fund)

**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 OCTOBER 2020 (CONTINUED)**

	Note	2020 USD	2019 USD
<b>REPRESENTED BY:</b>			
<b>FAIR VALUE OF OUTSTANDING UNITS (USD)</b>			
- Class AUD-H		867	714
- Class MYR-H		35,612,246	58,727,955
- Class RMB-H		180	140
- Class SGD-H		427,291	465,469
- Class USD		7,699,619	12,071,480
		<u>43,740,203</u>	<u>71,265,758</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>			
- Class AUD-H		1,000	1,000
- Class MYR-H		132,283,896	259,219,284
- Class RMB-H		1,000	1,000
- Class SGD-H		559,274	712,321
- Class USD		6,577,297	12,177,508
	11	<u>139,422,467</u>	<u>272,111,113</u>
<b>NET ASSET VALUE PER UNIT (USD)</b>			
- Class AUD-H		0.8669	0.7140
- Class MYR-H		0.2692	0.2265
- Class RMB-H		0.1803	0.1403
- Class SGD-H		0.7640	0.6534
- Class USD		<u>1.1706</u>	<u>0.9912</u>
<b>NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES</b>			
- Class AUD-H		AUD 1.2324	AUD1.0329
- Class MYR-H		MYR 1.1180	MYR0.9464
- Class RMB-H		RMB 1.2061	RMB0.9885
- Class SGD-H		SGD 1.0429	SGD0.8899
- Class USD		<u>USD 1.1706</u>	<u>USD0.9912</u>

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

**PRINCIPAL CHINA MULTI ASSET INCOME FUND**  
*(formerly known as CIMB-Principal China Multi Asset Income Fund)*

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS  
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2020**

	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	71,265,758	70,438,170
Movement due to units created and cancelled during the financial year:		
Creation of units from applications		
- Class AUD-H	-	719
- Class RMB-H	-	140
- Class MYR-H	1,603,523	8,877,960
- Class SGD-H	132,059	279,209
- Class USD	445,775	1,912,286
	<u>2,181,357</u>	<u>11,070,314</u>
Creation of units from distributions		
- Class MYR-H	970,455	1,565,977
- Class SGD-H	8,766	21,946
- Class USD	212,069	145,336
	<u>1,191,290</u>	<u>1,733,259</u>
Cancellation of units		
- Class MYR-H	(33,858,581)	(12,270,802)
- Class SGD-H	(251,821)	(313,305)
- Class USD	(6,692,837)	(4,971,552)
	<u>(40,803,239)</u>	<u>(17,555,659)</u>
Increase in net assets attributable to unit holders during the financial year	<u>9,905,037</u>	<u>5,579,674</u>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR</b>	<u><u>43,740,203</u></u>	<u><u>71,265,758</u></u>

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

**PRINCIPAL CHINA MULTI ASSET INCOME FUND**  
*(formerly known as CIMB-Principal China Multi Asset Income Fund)*

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2020**

	Note	2020 USD	2019 USD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from disposal of collective investment scheme		35,940,000	12,100,000
Purchase of collective investment scheme		-	(6,650,000)
Dividend income received		1,489,714	2,396,004
Interest income received		4	-
Management fee paid		(1,045,928)	(1,379,839)
Management fee rebates received		767,574	1,020,702
Trustee fees paid		(23,242)	(30,663)
Payments for other fees and expenses		(7,070)	(6,414)
Net realised foreign exchange loss		(458,366)	(18,247)
Net realised gain/(loss) on forward foreign currency contracts		513,712	(335,878)
<b>Net cash generated from operating activities</b>		<u>37,176,398</u>	<u>7,095,665</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		2,196,896	11,164,511
Payments for cancellation of units		(40,467,936)	(17,517,540)
Distributions paid		(44)	(50)
<b>Net cash used in financing activities</b>		<u>(38,271,084)</u>	<u>(6,353,079)</u>
Net (decrease)/increase in cash and cash equivalents		(1,094,686)	742,586
Effects of foreign exchange differences		26,058	9,924
Cash and cash equivalents at the beginning of the financial year		<u>1,257,157</u>	<u>504,647</u>
Cash and cash equivalents at the end of the financial year	<b>10</b>	<u>188,529</u>	<u>1,257,157</u>
<u>Cash and cash equivalents comprised of:</u>			
Bank balances		<u>188,529</u>	<u>1,257,157</u>
Cash and cash equivalents at the end of the financial year	<b>10</b>	<u>188,529</u>	<u>1,257,157</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 OCTOBER 2020**

**1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES**

Principal China Multi Asset Income Fund (*formerly known as CIMB-Principal China Multi Asset Income Fund*) (the “Fund”) is governed by Principal Deed dated 28 June 2017 and a First Supplemental Deed dated 7 June 2018 and Second Supplement Deed dated 24 December 2019 (collectively referred to as the “Deeds”), made between Principal Asset Management Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

The Fund aims to provide income and moderate capital growth through investments in one collective investment scheme, which invests primarily in a diversified portfolio of securities related to China.

In order to in order to achieve its investment objective, the Fund will invest at least 95% of its NAV in the Target Fund; a sub-fund established on 21 November 2014 under the HSBC Collective Investment Trust. The Fund will also maintain up to 5% of its NAV in liquid assets for liquidity purposes.

Information on the Target Fund:

Trust	:	HSBC Collective Investment Trust, an umbrella unit trust established under the laws of Hong Kong by a trust deed dated 27 February 2014 between the Target Fund Manager and HSBC Institutional Trust Services (Asia) Limited as the Target Fund’s trustee.
Target Fund Manager	:	HSBC Investment Funds (Hong Kong) Ltd
Target Fund Investment Adviser	:	HSBC Global Asset Management (Hong Kong) Ltd
Target Fund Research Adviser	:	HSBC Jintrust Fund Management Company Ltd
Regulatory authority	:	Securities and Futures Commission of Hong Kong

All investments are subjected to the Securities Commission Malaysia (“SC”) Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, SC requirements, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

The Fund has changed its name from CIMB-Principal China Multi Asset Income Fund to Principal China Multi Asset Income Fund following the issuance of the Replacement Information Memorandum Issue No. 2 dated 31 December 2019.

The Manager, is a joint venture between Principal Financial Group®, a member of the FORTUNE 500® and a Nasdaq-listed global financial services and CIMB Group Holdings Berhad, one of Southeast Asia’s leading universal banking groups. The principal activities of the Manager are the establishment and management of unit trust funds and fund management activities.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **(a) Basis of preparation**

The financial statements have been prepared in accordance with the provisions of the MFRS as issued by the Malaysian Accounting Standards Board ("MASB") and IFRS as issued by the International Accounting Standards Board ("IASB").

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 judgement in the process of applying the Fund's accounting policies. Although these estimates and assumptions are based on the Manager's best knowledge of current events and actions, actual results may differ.

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

#### Standards, amendments to published standards or interpretations that are effective and relevant:

The Fund has applied the following amendments to published standards for the first time for the financial year beginning 1 November 2019:

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

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

There are no other standards, amendments to standards or interpretations that are effective for financial year beginning on 1 November 2019 that have a material effect on the financial statements of the Fund.

There are no new applicable standards, amendments to standards or interpretations that are effective for financial year beginning on/after 1 November 2020 that are applicable to the financial statements of the Fund.

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

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

#### Classification

The Fund classifies its financial assets in the following measurement categories:

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

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

The contractual cash flows of the Fund's investments are solely principal and interest ("SPPI"). However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

Investment in collective investment schemes have debt instrument with contractual cash flow that do not represent solely payment of principal and interest ("SPPI") and therefore are classified as fair value through profit or loss.

Derivatives are financial assets/liabilities at fair value through profit or loss unless they are designated hedges (Note 2(m)).

The Fund classifies cash and cash equivalents, amount due from dealer, amount due from Manager and amount due from Manager of collective investment scheme – management fee rebate as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies amount due to dealer, amount due to Manager, accrued management fee, amount due to Trustee, and other payables and accruals as other financial liabilities measured at amortised cost.

#### Recognition and measurement

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

Financial liabilities 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.



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

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

#### Recognition and measurement (continued)

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.

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

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

#### Impairment for assets carried at amortised costs

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

#### Significant increase in credit risk

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

#### Definition of default and credit-impaired financial assets

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

#### Write-off

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

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

**(c) Income recognition**

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

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

**(d) Cash and cash equivalents**

For the purpose of statement of cash flow, cash and cash equivalent comprise bank balances which are subject to an insignificant risk of changes in value.

**(e) Distributions**

Distributions to the Fund's unit holders are accounted for as finance cost in the statement of comprehensive income. Proposed distributions are recognised as a liability in the financial year in which it is approved by the Trustee.

**(f) Taxation**

Current tax expense is determined according to Malaysian tax laws at the current rate based upon the taxable profit earned during the financial year.

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

**(g) Increase/Decrease in net assets attributable to unit holders**

Income not distributed is included in net assets attributable to unit holders.

**(h) Realised and unrealised portions of increase/decrease in net assets attributable to unit holders**

The analysis of realised and unrealised portions of increase/decrease in net assets attributable to unit holders as presented on the statement of comprehensive income is guided by SC Guidelines on Unit Trust Funds<sup>1</sup>.

**(i) Management fee rebate**

Management fee rebate is derived from the Manager and the Manager of the collective investment scheme held by the Fund on an accrual basis to ensure no double charging of management fee. It is accrued daily based on the fair value of collective investment scheme held.

<sup>1</sup> The presentation of the analysis of realised and unrealised portions of increase/decrease in net assets attributable to unit holders as presented on the statement of comprehensive income is provided as per the SC Guidelines on Unit Trust Funds. However, the Fund is not guided by the SC Guidelines on Unit Trust Funds.

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

### (j) Functional and presentation currency

#### Functional and presentation currency

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

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

- i) The Fund’s investments are denominated in USD;
- ii) Significant portion of the cash is denominated in USD for the purpose of making settlement of the foreign trades; and
- iii) Significant portion of the Fund’s expenses are denominated in USD.

#### Transactions and balances

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

### (k) Unit holders’ contributions

The unit holders’ contributions to the Fund meet the definition of puttable instruments classified as financial liability under MFRS 132 “Financial Instruments: Presentation”.

The Fund issues cancellable units, in five classes of units, known respectively as the Class AUD-H, Class RMB-H, Class MYR-H, Class SGD-H and Class USD, which are cancelled at the unit holder’s option. The units are classified as financial liabilities. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund’s NAV of respective classes. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the member exercises the right to put back the unit to the Fund.

Units are created and cancelled at the unit holders’ option at prices based on the Fund’s NAV per unit of respective classes at the close of business on the relevant dealing day. The Fund’s NAV per unit of respective classes is calculated by dividing the net assets attributable to members of respective classes with the total number of outstanding units of respective classes.

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

### **(l) Amount due from/to dealer**

Amounts due from and amount due to dealer represents receivables for Spot FX sold and payables for Spot FX 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. At each reporting date, the Fund measure the loss allowance on amounts due from dealers at an amount equal to the lifetime ECL if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month ECL. Significant financial difficulties of the dealer, probability that the dealer will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by the Manager as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

### **(m) Derivative financial instruments**

A derivative financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavorable.

The Fund's derivative financial instruments comprise forward foreign exchange contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the date of statements of financial position, with the resulting value discounted back to present value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held-for-trading and accounted for in accordance with the accounting policy set out in Note 2(b).

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

### (n) Critical accounting estimates and judgements 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 Funds' results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgements 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 Unlisted Capital Market Products under the Lodge and Launch Framework.

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

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

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss USD	Financial assets at amortised cost USD	Total USD
<b>2020</b>			
Cash and cash equivalents (Note 10)	-	188,529	188,529
Collective investment scheme (Note 8)	43,384,652	-	43,384,652
Amount due from dealer	-	1,187,466	1,187,466
Amount due from Manager	-	34,587	34,587
Amount due from Manager of the collective investment scheme			
- management fee rebate	-	57,311	57,311
Dividends receivable	-	121,215	121,215
	<u>43,384,652</u>	<u>1,589,108</u>	<u>44,973,760</u>
<b>2019</b>			
Cash and cash equivalents (Note 10)	-	1,257,157	1,257,157
Collective investment scheme (Note 8)	69,905,345	-	69,905,345
Derivative assets (Note 9)	202,805	-	202,805
Amount due from dealer	-	159,867	159,867
Amount due from Manager	-	50,126	50,126
Amount due from Manager of the collective investment scheme			
- management fee rebate	-	83,114	83,114
Dividends receivable	-	161,401	161,401
	<u>70,108,150</u>	<u>1,711,665</u>	<u>71,819,815</u>

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

All liabilities, except derivative liabilities at fair value through profit or loss, are financial liabilities which are carried at amortised cost.

The Fund aims to provide income and moderate capital growth through investments in one collective investment scheme, which invests primarily in a diversified portfolio of securities related to China.

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

Financial risk management is carried out through internal control process adopted by the Manager and adherence to the investment restrictions as stipulated in the Deed and SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

#### (a) Market risk

##### (i) Price risk

Price risk is the risk that the fair value of an investment in collective investment scheme will fluctuate because of changes in market prices (other than those arising from currency risk). The value of collective investment scheme may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's NAV and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

The price risk is managed through diversification and selection of collective investment scheme and other financial instruments within specified limits according to the Deed.

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

	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
Financial assets at fair value through profit or loss:		
- Collective investment scheme	<u>43,384,652</u>	<u>69,905,345</u>

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

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

**(a) Market risk (continued)**

**(i) Price risk (continued)**

% Change in price of collective investment scheme	Market value USD	Impact on profit or loss/NAV USD
<b>2020</b>		
-5%	41,215,419	(2,169,233)
0%	43,384,652	-
+5%	45,553,885	2,169,233
<b>2019</b>		
-5%	66,410,078	(3,495,267)
0%	69,905,345	-
+5%	73,400,612	3,495,267

**(ii) Currency risk**

Currency risk is associated with investments that are quoted and/or priced in foreign currency denomination. Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Manager will evaluate the likely directions of a foreign currency versus USD based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels, and technical chart considerations.

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

	Cash and cash equivalents USD	Amount due from Manager USD	Amount due from dealer USD	Derivative assets at fair value through profit or loss USD	Total USD
<b>Financial assets</b>					
<b>2020</b>					
AUD	694	11	-	-	705
MYR	2,566	20,070	472,894	-	495,530
RMB	150	-	-	-	150
SGD	625	14,506	-	-	15,131
	4,035	34,587	472,894	-	511,516
<b>Financial assets</b>					
<b>2019</b>					
AUD	682	10	-	3	695
MYR	3,489	50,116	158,267	202,665	414,537
RMB	142	-	-	1	143
SGD	357	-	-	136	493
	4,670	50,126	158,267	202,805	415,868

**PRINCIPAL CHINA MULTI ASSET INCOME FUND**  
(formerly known as CIMB-Principal China Multi Asset Income Fund)

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

**(a) Market risk (continued)**

**(ii) Currency risk (continued)**

	Amount due to Manager USD	Amount due to dealer USD	Derivative liabilities at fair value through profit or loss USD	Net assets attributable to unit holders USD	Total USD
<b>Financial liabilities</b>					
<b>2020</b>					
AUD	-	-	-	867	867
MYR	583,011	-	2930	35,612,246	36,198,187
RMB	-	-	-	180	180
SGD	-	14,506	(65)	427,291	441,732
	<u>583,011</u>	<u>14,506</u>	<u>2,865</u>	<u>36,040,584</u>	<u>36,640,966</u>
<b>2019</b>					
AUD	-	-	-	714	714
MYR	248,492	1,602	-	58,727,955	58,978,049
RMB	-	-	-	140	140
SGD	-	-	-	465,469	465,469
	<u>248,492</u>	<u>1,602</u>	<u>-</u>	<u>59,194,278</u>	<u>59,444,372</u>

The table below summarises the sensitivity of the Fund's profit or loss and NAV to changes in foreign exchange movements at the end of the reporting year. The analysis is based on the assumption that the foreign exchange rate fluctuated by 5%, with all other variables remain constants. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

Change in foreign exchange rate		Impact on profit or loss/NAV	
	%	2020 USD	2019 USD
AUD	+5	(8)	(1)
MYR	+5	(1,785,133)	(2,928,176)
RMB	+5	(2)	-
SGD	+5	(21,330)	(23,249)
		<u>(1,806,473)</u>	<u>(2,951,426)</u>

Change in foreign exchange rate		Impact on profit or loss/NAV	
	%	2020 USD	2019 USD
AUD	-5	8	1
MYR	-5	1,785,133	2,928,176
RMB	-5	2	-
SGD	-5	21,330	23,249
		<u>1,806,473</u>	<u>2,951,426</u>



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

#### (b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligation 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.

In derivative activities, credit risk arises when counterparties to derivative contracts, are unable or unwilling to fulfil their obligation to pay the positive fair value or receivable resulting from the execution of contract terms.

For amount due from Manager, the settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

For amount due from Manager of collective investment scheme, the Fund will invest with an investment management company of the collective investment scheme which is authorised or approved by relevant regulatory authority in its home jurisdiction.

The following table sets out the credit risk concentration of the Fund at the end of the reporting year/period:

	Cash and cash equivalents USD	Amount due from dealer USD	Amount due from Manager USD	Amount due from Manager of collective investment scheme - management fee rebate USD	Dividends receivable USD	Total USD
<b>2020</b>						
-AAA	188,529	-	-	-	-	188,529
-Not Rated	-	1,187,466	34,587	57,311	121,215	1,400,579
	<u>188,529</u>	<u>1,187,466</u>	<u>34,587</u>	<u>57,311</u>	<u>121,215</u>	<u>1,589,108</u>
<b>2019</b>						
-AAA	1,257,157	-	-	-	-	1,257,157
-Not Rated	-	159,867	50,126	83,114	161,401	454,508
	<u>1,257,157</u>	<u>159,867</u>	<u>50,126</u>	<u>83,114</u>	<u>161,401</u>	<u>1,711,665</u>

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

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

**(c) Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations.

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balances and deposits with licensed financial institutions, which are capable of being converted into cash within 7 business days. The Fund's investments in collective investment scheme are realisable which are capable of being converted into cash within 10 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 period on 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 USD	Between 1 month to 1 year USD	Total USD
<b>2020</b>			
Derivative liabilities at fair value			
through profit or loss	56,924	-	56,924
Amount due to Manager	615,615	-	615,615
Amount due to dealer	487,108	-	487,108
Accrued management fee	70,459	-	70,459
Amount due to Trustee	1,566	-	1,566
Other payables and accruals	-	1,885	1,885
Net assets attributable to unit holders*	43,740,203	-	43,740,203
<b>Contractual undiscounted cash flows</b>	<b>44,971,875</b>	<b>1,885</b>	<b>44,973,760</b>
<b>2019</b>			
Amount due to Manager	280,312	-	280,312
Amount due to dealer	159,606	-	159,606
Accrued management fee	108,494	-	108,494
Amount due to Trustee	2,411	-	2,411
Other payables and accruals	-	3,234	3,234
Net assets attributable to unit holders*	71,265,758	-	71,265,758
<b>Contractual undiscounted cash flows</b>	<b>71,816,581</b>	<b>3,234</b>	<b>71,819,815</b>

\* Outstanding units are redeemed on demand at the unit holder's option. However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

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

**(d) Capital risk management**

The capital of the Fund is represented by net assets attributable to unit holders of USD43,740,203 (2019: USD71,265,758). The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

**(e) Fair value estimation**

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

The fair value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial year/period end date. The Fund utilises the last traded market price for financial assets where the last traded market falls within the bid-ask spread. In circumstances where the last traded market 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.

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

**(e) Fair value estimation (continued)**

**(i) Fair value hierarchy (continued)**

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

The determination of what constitutes 'observable' requires significant judgement 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.

	<b>Level 1 USD</b>	<b>Level 2 USD</b>	<b>Level 3 USD</b>	<b>Total USD</b>
<b>2020</b>				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	<u>43,384,652</u>	<u>-</u>	<u>-</u>	<u>43,384,652</u>
Derivative liabilities at fair value through profit or loss:				
- Forward foreign currency contracts	<u>-</u>	<u>56,924</u>	<u>-</u>	<u>56,924</u>
	<b>Level 1 USD</b>	<b>Level 2 USD</b>	<b>Level 3 USD</b>	<b>Total USD</b>
<b>2019</b>				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	69,905,345	-	-	69,905,345
- Derivative assets - forward foreign currency contracts	<u>-</u>	<u>202,805</u>	<u>-</u>	<u>202,805</u>
	<u>69,905,345</u>	<u>202,805</u>	<u>-</u>	<u>70,108,150</u>

Investments whose values are based on quoted market prices in active markets and are therefore classified within Level 1, include collective investment scheme. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

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

**(e) Fair value estimation (continued)**

**(i) Fair value hierarchy (continued)**

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted fixed income securities, forward foreign currency contracts and interest rate swaps. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

- (ii) The carrying values of cash and cash equivalents, amount due from dealer, amount due from Manager, amount due from Manager of collective investment scheme - management fee rebate, 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 Deed, the Manager is entitled to a maximum management fee of 3.00% per annum for each class, calculated daily based on the NAV of the Fund.

For the financial year ended 31 October 2020, the management fee is recognised at a rate of 1.80% per annum (2019: 1.80% per annum) for each classes.

There is no further liability to the Manager in respect of management fee other than amounts recognised above.

**5. TRUSTEE FEE**

In accordance with the Deed, the Trustee is entitled to a maximum fee of 0.04% per annum, calculated daily based on the NAV of the Fund. The Trustee fee includes local custodian fees and charges but excludes foreign sub-custodian fees and charges.

For the financial year ended 31 October 2020, the trustee fee is recognised at a rate of 0.04% per annum (2019: 0.04% per annum) for each classes.

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

## 6. FINANCE COST

Distribution to unit holders is derived from the following sources:

	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
Dividend income	935,708	640,401
Interest income	3	-
Net realised gain on disposal of collective investment scheme	436,737	1,430,576
Net realised gain on forward foreign currency contract	487,658	51,771
	<u>1,860,106</u>	<u>2,122,748</u>
Less:		
Expenses	<u>(668,772)</u>	<u>(389,439)</u>
Net distribution amount	<u><u>1,191,334</u></u>	<u><u>1,733,309</u></u>

Gross/Net distribution per unit (cent)

Distribution on 27 November 2019

- Class MYR-H	0.11	-
- Class SGD-H	0.32	-
- Class USD	0.54	-

Distribution on 27 March 2020

- Class MYR-H	0.12	-
- Class SGD-H	0.34	-
- Class USD	0.52	-

Distribution on 19 June 2020

- Class MYR-H	0.16	-
- Class SGD-H	0.39	-
- Class USD	0.66	-

Distribution on 15 September 2020

- Class MYR-H	0.12	-
- Class SGD-H	0.34	-
- Class USD	0.52	-

Distribution on 21 November 2018

- Class USD	-	0.20
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Distribution on 26 February 2019

- Class SGD-H	-	1.27
- Class USD	-	0.18

Distribution on 29 May 2019

- Class MYR-H	-	0.58
- Class SGD-H	-	1.36
- Class USD	-	0.47

**6. FINANCE COST (CONTINUED)**

	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
Distribution on 27 August 2019		
- Class USD	-	0.14
	<u>4.14</u>	<u>4.20</u>

Gross distribution is derived using total income less total expenses. Net distribution above is sourced from current financial year's realised income.

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

**7. TAXATION**

	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
Tax charged for the financial year:		
- Current taxation	<u>-</u>	<u>-</u>

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

	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
Profit before taxation	<u>9,905,037</u>	<u>5,579,674</u>
Taxation at Malaysian statutory rate of 24% (2019: 24%)	2,377,209	1,339,122
Tax effects of:		
Investment income not subject to tax	(2,911,771)	(2,094,840)
Expenses not deductible for tax purposes	292,092	424,611
Restriction on tax deductible expenses for Wholesale Funds	<u>242,470</u>	<u>331,107</u>
Taxation	<u>-</u>	<u>-</u>

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

	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
At fair value through profit or loss:		
- Collective investment scheme	<u>43,384,652</u>	<u>69,905,345</u>

	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
Net gain on financial assets at fair value through profit or loss:		
- Realised loss on disposals	(65,211)	(953,587)
- Unrealised fair value gain	9,484,517	6,153,389
- Management fee rebate #	<u>741,771</u>	<u>1,021,140</u>
	<u>10,161,077</u>	<u>6,220,942</u>

**PRINCIPAL CHINA MULTI ASSET INCOME FUND**  
(formerly known as CIMB-Principal China Multi Asset Income Fund)

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

# Management fee rebate represents the Fund's entitlement to management fee rebate from the Manager of collective investment scheme the Fund invests in.

For the financial year ended 31 October 2019, the rebate is recognised at a rate of 1.35% per annum (2019: 1.35% per annum) calculated and accrued daily based on the NAV of the collective investment scheme.

Name of counter	Quantity Units	Aggregate cost USD	Market value USD	Percentage of NAV %
<b>2020</b>				
<b>COLLECTIVE INVESTMENT SCHEME</b>				
HSBC China Multi-Asset Income Fund	<u>3,241,047</u>	<u>39,334,913</u>	<u>43,384,652</u>	<u>99.19</u>
<b>TOTAL COLLECTIVE INVESTMENT SCHEME</b>	<b><u>3,241,047</u></b>	<b><u>39,334,913</u></b>	<b><u>43,384,652</u></b>	<b><u>99.19</u></b>
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>4,049,739</u>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>43,384,652</u>		
<b>2019</b>				
<b>COLLECTIVE INVESTMENT SCHEME</b>				
HSBC China Multi-Asset Income Fund	<u>6,207,739</u>	<u>75,340,123</u>	<u>69,905,345</u>	<u>98.09</u>
<b>TOTAL COLLECTIVE INVESTMENT SCHEME</b>	<b><u>6,207,739</u></b>	<b><u>75,340,123</u></b>	<b><u>69,905,345</u></b>	<b><u>98.09</u></b>
<b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>(5,434,778)</u>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>69,905,345</u>		



**PRINCIPAL CHINA MULTI ASSET INCOME FUND**  
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**9. DERIVATIVE ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2020 USD</b>	<b>2019 USD</b>
Forward foreign currency contracts	(56,924)	202,805
	<b>2020 USD</b>	<b>2019 USD</b>
Net realised gain/(loss) on forward foreign currency contracts	773,442	(335,512)
Net unrealised (loss)/gain on forward foreign currency contracts	(233,671)	523,690
	<u>539,771</u>	<u>188,178</u>

As at 31 October 2020, there are 11 outstanding (2019: 4 outstanding) forward foreign currency contracts. The notional principal amount of the outstanding forward foreign currency contracts amounted to USD39,619,770 (2019: USD59,298,347).

The forward foreign currency contracts are entered into during the financial year to minimise the risk of foreign currency exposure between the USD and the Australian Dollar ("AUD"), Chinese Yuan Renminbi ("RMB"), Malaysian Ringgit ("MYR"), and Singapore Dollar ("SGD") for the Fund.

As the Fund has not adopted hedge accounting during the financial year, any changes in the fair value of the forward foreign currency contracts are recognised immediately in the statement of comprehensive income during the period in which it was incurred.

**10. CASH AND CASH EQUIVALENTS**

	<b>2020 USD</b>	<b>2019 USD</b>
Bank balances	188,529	1,257,157

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

	<b>2020 No. of units</b>	<b>2019 No. of units</b>
Class AUD-H (i)	1,000	1,000
Class MYR-H (ii)	132,283,896	259,219,284
Class RMB-H (iii)	1,000	1,000
Class SGD-H (iv)	559,274	712,321
Class USD (v)	6,577,297	12,177,508
	<u>139,422,467</u>	<u>272,111,113</u>

**11. NUMBER OF UNITS IN CIRCULATION (UNITS) (CONTINUED)**

(i) Class AUD-H

	<b>2020</b>	<b>2019</b>
	<b>No. of units</b>	<b>No. of units</b>
At the beginning of the financial year	1,000	1
Add: Creation of units from applications	-	999
At the end of the financial year	<u>1,000</u>	<u>1,000</u>

(ii) Class MYR-H

	<b>2020</b>	<b>2019</b>
	<b>No. of units</b>	<b>No. of units</b>
At the beginning of the financial year	259,219,284	266,986,296
Add: Creation of units from applications	6,557,641	38,226,171
Add: Creation of units from distribution	4,179,930	7,233,822
Less: Cancellation of units	(137,672,959)	(53,227,005)
At the end of the financial year	<u>132,283,896</u>	<u>259,219,284</u>

(iii) Class RMB-H

	<b>2020</b>	<b>2019</b>
	<b>No. of units</b>	<b>No. of units</b>
At the beginning of the financial year	1,000	1
Add: Creation of units from applications	-	999
At the end of the financial year	<u>1,000</u>	<u>1,000</u>

(iv) Class SGD-H

	<b>2020</b>	<b>2019</b>
	<b>No. of units</b>	<b>No. of units</b>
At the beginning of the financial year	712,321	721,691
Add: Creation of units from applications	193,980	415,872
Add: Creation of units from distributions	13,215	33,533
Less: Cancellation of units	(360,242)	(458,775)
At the end of the financial year	<u>559,274</u>	<u>712,321</u>

**11. NUMBER OF UNITS IN CIRCULATION (UNITS) (CONTINUED)**

(v) Class USD

	<b>2020</b>	<b>2019</b>
	<b>No. of units</b>	<b>No. of units</b>
At the beginning of the financial year	12,177,508	15,098,034
Add: Creation of units from applications	412,125	1,895,940
Add: Creation of units from distributions	205,767	151,343
Less: Cancellation of units	(6,218,103)	(4,967,809)
At the end of the financial year	<u>6,577,297</u>	<u>12,177,508</u>

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

	<b>2020</b>	<b>2019</b>
	<b>%</b>	<b>%</b>
MER	<u>1.86</u>	<u>1.85</u>

MER is derived from the following calculation:

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

A	=	Management fee
B	=	Trustee fee
C	=	Audit fee
D	=	Tax agent's fee
E	=	Other expenses
F	=	Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial year ended 31 October 2019 calculated on a daily basis is USD55,842,625 (2019: USD76,534,248).

**13. PORTFOLIO TURNOVER RATIO ("PTR")**

	<b>2020</b>	<b>2019</b>
PTR (times)	<u>0.32</u>	<u>0.12</u>

PTR is derived based on the following calculation:

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

where:

total acquisition for the financial year	=	USD35,940,000 (2019: USD6,650,000)
total disposal for the financial year	=	Nil (2019: USD12,100,000)

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

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

<u>Related parties</u>	<u>Relationship</u>
Principal Asset Management Berhad	The Manager
Principal Financial Group, Inc.	Ultimate holding company of shareholder of the Manager
Principal International (Asia) Ltd	Shareholder of the Manager
Subsidiaries and associates of Principal Financial Group Inc., other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager
CIMB Group Holdings Bhd	Ultimate holding company of shareholder of the Manager
CIMB Group Sdn Bhd	Shareholder of the Manager
Subsidiaries and associates of CIMB Group Holdings Berhad, other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager

Units held by the Manager and parties related to the Manager

		<b>2020</b>		<b>2019</b>
	<b>No. of units</b>	<b>USD</b>	<b>No. of units</b>	<b>USD</b>
<b>Manager</b>				
Principal Asset Management Berhad				
- Class AUD-H	1,000	867	1,000	714
- Class MYR-H	27,340	7,360	39,497	8,946
- Class RMB-H	1,000	180	1,000	140
- Class SGD-H	35	27	35	23
- Class USD	906	1,061	444	440

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, there are no significant related party transactions and balances for the financial year. 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.

## 15. TRANSACTIONS WITH BROKERS

Details of transactions with the broker for the financial year ended 31 October 2020 are as follows:

<b>Broker</b>	<b>Value of trades USD</b>	<b>Percentage of total trades %</b>
HSBC Investment Funds (Hong Kong) Ltd	35,940,000	100.00
	<u>35,940,000</u>	<u>100.00</u>

Details of transactions with the brokers for the financial year ended 31 October 2019 are as follows:

<b>Brokers</b>	<b>Value of trades USD</b>	<b>Percentage of total trades %</b>
HSBC Investment Funds (Hong Kong) Ltd	18,550,000	98.93
HSBC Nominees (Tempatan) Sdn Bhd	200,000	1.07
	<u>18,750,000</u>	<u>100.00</u>

## 16. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The worsening of the macro-economic outlook as a result of COVID-19, both domestically and globally, has impacted the Fund's performance during the financial year.

The Manager continues monitoring the situation closely and will be managing the portfolio to achieve the Fund's objective.

## 17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 17 December 2020.

## **DIRECTORY**

### **Head Office of the Manager**

Principal Asset Management Berhad (Company No.: 199401018399 (304078-K))  
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### **Customer Care Centre**

(03) 7718 3000

### **Trustee for the Principal China Multi Asset Income Fund**

**(formerly known as CIMB-Principal China Multi Asset Income Fund)**

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Fax: (03) 2179 6511

### **Auditors of the Fund (for financial year ended 31 October 2020) and of the Manager (for the financial year ending 31 December 2020)**

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### **Auditors of the Fund (for financial year ended 31 October 2019) and of the Manager (for the financial year ended 31 December 2019)**

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**199401018399 (304078-K)**

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