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INVESTOR LETTER

Dear valued investors,

2011 was ushered in with a lot of optimism. Most analysts, if not all, were positive that the 2010 market rally would have spilt over into this year. However, it seems like the year may not be as predictable as we thought.

Nevertheless, as we all know the market is always cyclical. It goes up and comes down based on the current uncertainties. Ultimately, if you are a long-term investor, the best thing to do is to stay invested and not react emotionally by panic selling. What investors should do is to try to think forward with a plan and have a preferred asset allocation based on their risk tolerance. A well diversified portfolio is also important to mitigate risks in the long-term.

Usually, the source of market volatility is a mix of short and long-term causes. One of several immediate short-term causes has of course been the Standard and Poor's (S&P) ratings downgrade of long-term U.S. Government debt from AAA to AA+. The S&P downgrade had caused a massive downshift of investor's risk appetite that has been underway for several weeks.

We believe that once the current market turmoil subsides, we expect repercussions from the U.S. downgrade to be limited. Some fears that investors have, while certainly understandable in situation like this, are unsupported.

To be fair, here are some positive facts for the US:-

- US treasuries remain one of the safest investments even at AA+ rating;
- Over 60% of global allocated foreign exchange reserves are in USD and they are still highly in demand;
- US Treasuries are the most liquid securities traded in the world and it is hard to find alternatives or substitutes.
- Huge amounts of forced selling of US Treasures have yet to be seen

Overall, given the uncertainty in the markets, we still hold on to our view that the US will not go into a double dip recession. We will continue to remain positive on Asian Equities for second half of 2011 as we believe that strong fund flows into Asian fixed income markets may eventually have a positive spill over effect into the regional equity markets.

On another note, we are happy to announce that CIMB-Principal has garnered a total of 8 awards this year and will maintain our momentum of achievements in the industry for the best interest of our investors.

We are also happy to announce that CIMB-Principal Asset Management Berhad ("CIMB-Principal") is now GIPS-compliant.

GIPS or Global Investment Performance Standards are a set of standardized principles that provide guidance on how investment firms should calculate and report their investment results to prospective and current clients.

INVESTOR LETTER (*Continued*)

By being GIPS-compliant, investors can now have a greater level of confidence in the integrity of performance presentations as well as our general practices. We trust this will provide further assurance that the performance and reporting figures we cite are prepared to the highest standards.

With this, we at CIMB-Principal will strive to consistently provide investors with potential capital gains over the long-term and at the same time become the most reliable and trusted fund house in the industry. We look forward to supporting your journey through the interesting financial markets to come.

Yours sincerely

Campbell Tupling

Chief Executive

CIMB-Principal Asset Management Berhad

MANAGER'S REPORT**What is the investment objective of the Fund?**

The Fund is a close-ended fund that aims to provide investors with total return predominantly through investments in a portfolio of non-ringgit currency denominated bond and others fixed and floating rate securities.

Has the fund achieved its objective?

For the period under review, the Fund is in line with its stated objectives as stated under the fund performance review.

What are the fund investment policy and its strategy?

The Fund seeks to achieve its overall objective by providing potential total investment return consisting of a combination of interest income and capital appreciation. Under general market conditions, up to 98% of the Fund's NAV may be invested in non-ringgit bonds and other fixed and floating rate instruments (including convertible bonds). These securities are issued or backed by governments, governments agencies, supranational organizations, corporate or others issuers in the Asia Pacific region, which has a minimum credit rating of "A" rating by RAM or its MARC equivalent or if rates by a foreign rating agency, at least "BB-" by S&P or Fitch or "Ba3" from Moody's at the time of investment. The Fund's policies on investments were carried out in accordance with the Deed and it will continue its operations until terminated in accordance with the provisions of the Deed.

Fund category/ type

Bond / Income and growth.

How long should you invest for?

Recommended 3 years

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

High.

When was the Fund launched?

15 January 2009

What was the size of the Fund as at 31 July 2011?

RM 40.96 million (33.16 million units).

What is the fund's benchmark?

12-Month LIBOR (London Interbank Offered Rate) + 2% p.a.

What is the fund distribution policy?

The Fund distributes income, if any, are at the discretion of the Manager and will vary from period to period depending on the availability of the income for distribution.

What was the net income distribution for the period ended 31 July 2011?

There is no distribution made from 1 February 2011 to 31 July 2011.

***Note:** Pursuant to the Master Deed, the Manager has the right to make provisions for reserves in respect of distribution of the Fund. If the distribution available is too small or insignificant, any distribution may not be of benefit to the Unit holders as the total cost to be incurred in any such distribution may be higher than the amount for distribution. The Manager has the discretion to decide on the amount to be distributed to the Unit holders.

PERFORMANCE DATA

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

	31.07.2011	31.07.2010
	%	%
Fixed income securities	70.31	94.36
Cash and Other Net Assets	29.69	5.64
	<u>100.00</u>	<u>100.00</u>

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

	31.07.2011	31.07.2010
Net asset value (RM Million)*	40.96	48.83
Units in circulation (Million)	33.16	42.33
Net asset value per unit (RM)*	1.2351	1.1535
Highest NAV per unit (RM)	1.2351	1.1555
Lowest NAV per unit (RM)	1.1983	1.1328
Total return (%)	3.05	1.62
- Capital growth (%)	3.05	1.62
- Income distribution (%)	-	-
Management expense ratio (%)	0.67	0.71
Portfolio turnover ratio (times) #	0.51	0.16

	Total Return	Annualized
	%	%
- One Year	6.88	6.88
- Since inception	23.49	8.66

* Ex-distribution

(Launch date: 15 January 2009)

The PTR for the financial period under review was stable during the recent financial year and was mainly to cater for redemption of the fund.

	31.07.2011	31.07.2010	Since Inception
Annual total return (%)	6.88	7.96	23.49

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 have been verified by Mercer (Malaysia) Sdn Bhd (253344-U).

MARKET REVIEW (1 FEBRUARY 2011 TO 31 JULY 2011)

For the first quarter of the year, the global economic recovery was gathering pace following a slew of positive economic data. The US Federal Reserve Bank (Fed) has upgraded its economic outlook in the latest FOMC meeting and affirmed that the labour market is showing gradual improvements. Though the disruption stemming from Japan's earthquake and the ongoing turmoil in the Middle East has increased uncertainty around the economic outlook, it is not likely to derail global growth.

Meanwhile, the focus in Asia has shifted from supporting growth towards tackling rising inflation. Inflation threat has been exacerbated by the rise in global food and fuel prices. Most central banks across the region are seen moving from the less direct tightening monetary approach to taking more aggressive measures to hike interest rates.

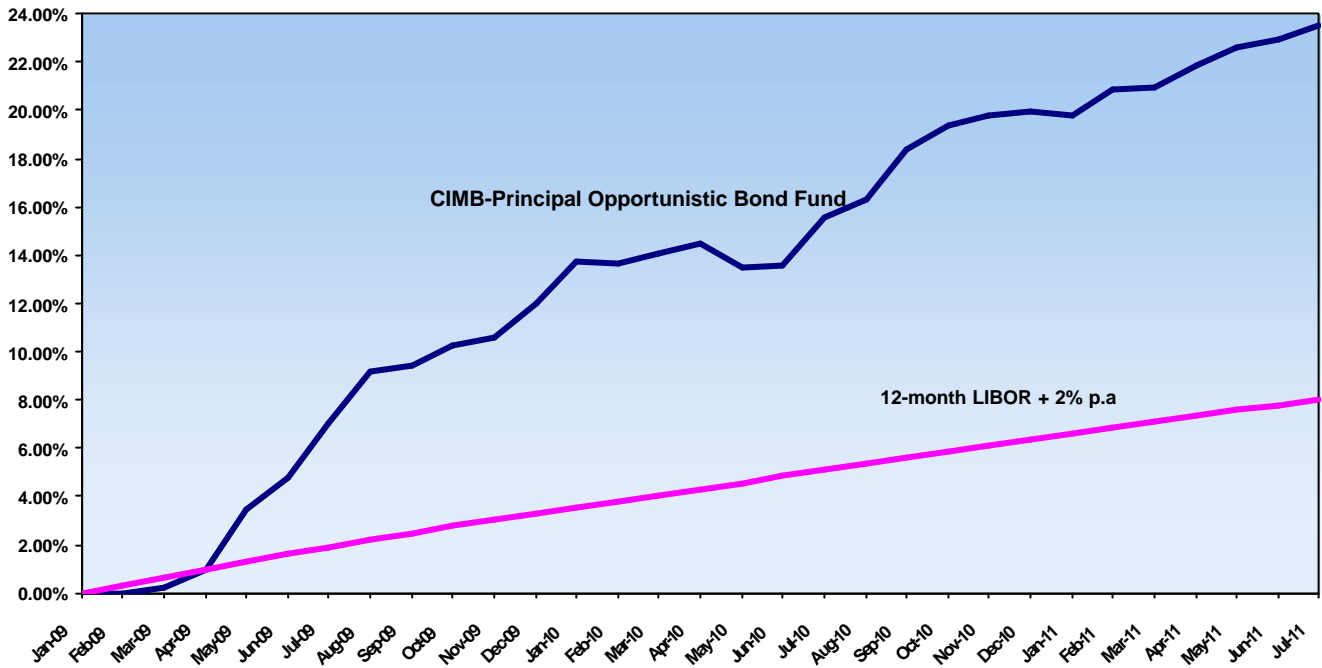
During the first quarter of 2011, the People's Bank of China raised its benchmark one year deposit rate and one year lending rate by 25 bps each to 3.00% and 6.06% respectively in an attempt to control price pressures and ward off a property bubble. Subsequently in March, China again raised the bank's reserve requirements. The Bank of Korea first raised its rate by 25 bps to 2.75% in January and then hiked its base rate again to 3.00% in March. Similarly, Thailand also upped its policy rate to 2.50%, its fifth increase in six meetings. In Singapore, CPI inflation rose by 5.00% year on year (y-o-y) in February above the 4.50% target for a third consecutive month.

In June, Asian USD bonds saw some sell-off due to uncertainty over the rollover of the Greek debt and its impact on the European banks. In addition, the negative outlook revision of the Chinese real estate sector by S&P on June 14th due to regulatory tightening also dampened sentiment. However, towards the month-end, the market rebounded as the Greek parliament approved the austerity package and most French and German banks accepted the rollover of the debt.

Towards the end of the period under review and despite the uncertainty surrounding the Euro sovereign crisis, the US debt ceiling and the onslaught of poor economic data coming out of the US, the Asian credit market was well supported with most of the high grade, high yield sovereigns and high yield corporates reported tighter spreads. The high yield corporates seems to have recovered somewhat from its June sell off, which was triggered by renewed corporate governance concerns.

FUND PERFORMANCE

	6 Month to 31.07.2011	1 Year to 31.07.2011	Since Inception to 31.07.2011
Income (%)	-	-	-
Capital (%)	3.05	6.88	23.49
Total Return (%)	3.05	6.88	23.49
Benchmark (%)	1.39	2.81	8.05
Average Total Return (%)	0.67	6.88	8.66



FUND PERFORMANCE (CONTINUED)

Changes in Net Asset Value (“NAV”)

	31.07.2011	31.07.2010	% changes
Net Asset Value (“NAV”) (RM Million)	40.96	48.83	(16.12)
NAV/unit (RM)	1.2351	1.1535	7.07

For the period under review, the Fund registered a reduction in net asset value of 16.12% mainly due to redemption. On a nav/unit basis, the better performance of the underlying corporate bonds in the portfolio saw a 7.07% increase. In terms of return, the Fund achieved a positive total return of 3.05% compared to the benchmark 12 month LIBOR + 2% p.a. rate return of 1.39% for the period under review. The out performance of 1.66% was due mainly to better performance from the corporate bonds in the portfolio.

The Fund did not declare any dividend distribution for the financial period under review.

In terms of Lipper rankings, as at 31 July 2011, the Fund ranked 7th out of 21 funds for 6 months (2nd Quartile), 8th out of 17 funds (2nd Quartile) over 1-year and 7th out of 9 funds (3rd Quartile) over 2 years under the Target Maturity category. (Source: Lipper).

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.

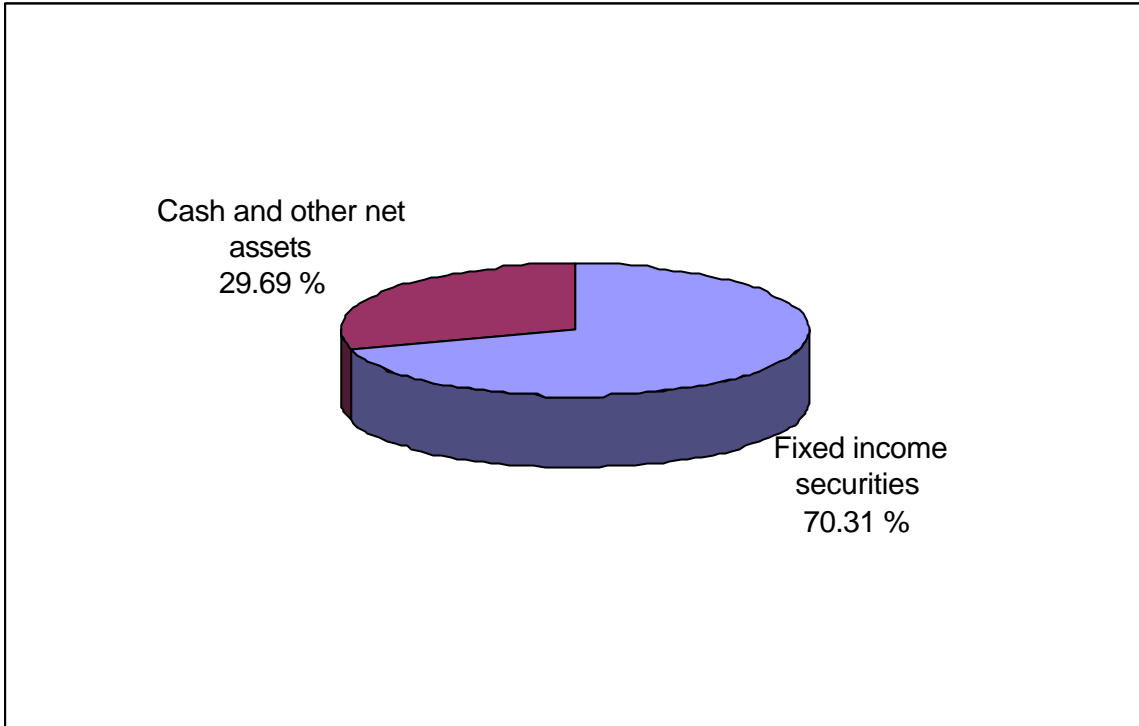
PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	31 July 2011	31 July 2010
Fixed income securities	70.31	94.36
Cash and other net assets	29.69	5.64
TOTAL	100.00	100.00

As at 31 July 2011, about 70.23% of the fund’s assets were invested in fixed income securities with the remaining balance in cash. Liquidity is maintained for the fund to participate in new issuances with higher yielding paper as well as to facilitate any redemption.

PORTFOLIO STRUCTURE (CONTINUED)



MARKET OUTLOOK

With the slowing growth trend in developed market, the ongoing restructuring of Eurozone and growth and inflation risk in most Asian markets, volatility has increased and markets are increasingly beginning to price in a bearish sentiment. Along with continued lower rates in developed market and further currency appreciation, we expect capital inflows to continue in Asia as investors are still interested in the Asian growth and currency appreciation story.

However, as the volatility increased in Asian bonds due to global risks mentioned before, we favour a conservative approach with capital preservation focus. At this juncture, we will take profit on some of our bond which has appreciated handsomely and will reduce risk until further clarity arises in the global view.

INVESTMENT STRATEGY

Overall, we will continue with our buy and hold strategy and to prioritise capital preservation.

UNIT HOLDING STATISTICS

Breakdown of unit holdings by size as at 31 July 2011 are as follows:

Size of unit holding	No. of unit holders	No. of units held	% of units held
5,000 and below	10	34,558	0.10
5,001 to 10,000	3	29,823	0.09
10,001 to 50,000	-	-	-
50,001 to 500,000	-	-	-
500,001 and above	3	33,097,843	99.81
Total	16	33,162,224	100.00

SOFT COMMISSIONS AND REBATES

Dealings on investments of the Fund through brokers or dealers will be on terms which are best available for the Fund. Any rebates from brokers or dealers will be directed to the account of the Fund.

The Investment Manager may from time to time receive and retain soft commissions in the form of subscription for real-time services or advisory services that assist in the decision-making process relating to the Fund's investments from brokers or dealers.

During the financial period under review, the management company did not receive any rebates and soft commissions from brokers or dealers.

**STATEMENT BY MANAGER TO THE UNITHOLDERS OF
CIMB-PRINCIPAL OPPORTUNISTIC BOND FUND**

We, being the Directors of CIMB-Principal Asset Management Berhad, do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 12 to 40 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the state of financial position of the Fund as at 31 July 2011 and of its financial performance, changes in equity and cash flows for the six months financial period ended on that date in accordance with Financial Reporting Standards in Malaysia and the Securities Commission's Guidelines on Unit Trust Funds.

For and on behalf of the Manager
CIMB-Principal Asset Management Berhad (Company No.: 304078-K)

JOHN CAMPBELL TUPLING
Chief Executive Officer/Director

DATUK NORIPAH KAMSO
Director

Kuala Lumpur
30 September 2011

TRUSTEE'S REPORT

**TO THE UNITHOLDERS OF
CIMB-PRINCIPAL OPPORTUNISTIC BOND FUND**

We have acted as Trustee of **CIMB-Principal Opportunistic Bond Fund** ("the Fund") for the financial period ended 31 July 2011. To the best of our knowledge, **CIMB-Principal Asset Management Berhad**, ("the Management Company"), 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 Deed, the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- b) Valuation/pricing is carried out in accordance with the Deed and any regulatory requirements; and
- c) Creation and cancellation of units are carried out in accordance with the Deed and any regulatory requirements.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie
Head, Trustee Operations

Kuala Lumpur

30 September 2011

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 JULY 2011**

	Note	01.02.2011 to 31.07.2011 RM	01.02.2010 to 31.07.2010 RM
NET INVESTMENT INCOME			
Interest income	4	226,425	1,340,928
Net realised gain/(loss) on sale of financial assets at fair value through profit or loss		754,110	(2,285,940)
Net foreign currency exchange gain		578,846	1,613,560
Net fair value (loss) on derivative assets		(25,350)	-
Other income		50,222	168,283
		-----	-----
		1,584,253	836,831
		-----	-----
EXPENSES			
Management fee	5	247,795	336,264
Trustee and custodian fees	6	22,199	41,792
Audit fee		4,000	8,000
Tax agent's fee		1,500	-
Other expenses		4,646	3,872
		-----	-----
		280,140	389,928
		-----	-----
NET PROFIT BEFORE TAXATION		1,304,113	446,903
TAXATION	7	(30,332)	(16,167)
		-----	-----
NET PROFIT AFTER TAXATION REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		1,273,781	430,736
		-----	-----
Net profit after taxation is made up as follows:			
Realised amount		754,110	430,736
Unrealised amount		519,671	-
		-----	-----
		1,273,781	430,736
		-----	-----

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2011**

		01.02.2011 to 31.07.2011	01.02.2010 to 31.01.2011
	Note	RM	RM
CURRENT ASSETS			
Financial assets at fair value through profit or loss	8	28,772,329	35,012,693
Cash and cash equivalents	9	11,959,651	7,087,404
Derivative assets	10	492,350	517,700
Amount due from dealer		-	1,553,066
Other receivables		11,243	22,488
TOTAL ASSETS		<u>41,235,573</u>	<u>44,193,351</u>
CURRENT LIABILITIES			
Amount due to Manager		104,397	170,641
Accrued management fee		39,129	46,607
Amount due to Trustee		2,519	2,968
Tax payable		108,129	101,844
Other payables and accruals		21,000	21,000
TOTAL LIABILITIES		<u>275,174</u>	<u>343,060</u>
NET ASSET VALUE OF THE FUND	11	<u>40,960,399</u>	<u>43,850,291</u>
EQUITY			
Unitholders' capital		28,361,024	32,524,697
Retained Earnings		<u>12,599,375</u>	<u>11,325,594</u>
		<u>40,960,399</u>	<u>43,850,291</u>
NUMBER UNITS IN CIRCULATION	11	<u>33,162,224</u>	<u>36,590,719</u>
NET ASSET VALUE PER UNIT (RM)		1.2351	1.1983

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 JULY 2011**

	Note	Unitholders' Capital RM	Retained Earnings RM	Total RM
Balance as at 1 February 2011, restated after adoption of FRS 139		32,524,697	11,325,594	43,850,291
Movement in unitholders' contribution:				
Creation of units from distribution		-	-	-
Creation of units from application	11	-	-	-
Cancellation of units	11	(4,163,673)	-	(4,163,673)
Total comprehensive income for the financial year		-	1,273,781	1,273,781
Balance as at 31 July 2011		<u>28,361,024</u>	<u>12,599,375</u>	<u>40,960,399</u>
Balance as at 1 February 2010, restated after adoption of FRS 139		55,667,503	9,049,796	64,717,299
Movement in unitholders' contribution:				
Creation of units from distribution	11	-	-	-
Creation of units from application	11	-	-	-
Cancellation of units	11	(23,142,806)	-	(23,142,806)
Total comprehensive income for the financial year		-	2,275,798	2,275,798
Balance as at 31 January 2011, restated		<u>32,524,697</u>	<u>11,325,594</u>	<u>43,850,291</u>

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

**UNAUDITED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 JULY 2011**

	01.02.2011	01.02.2010
	to	to
	31.07.2011	31.01.2011
Note	RM	
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of unquoted fixed income securities	20,237,014	27,792,237
Proceeds from redemption of unquoted fixed income securities	11,652,500	-
Purchase of unquoted fixed income securities	(24,262,456)	(7,811,330)
Interest income received from deposits with licensed financial institutions	47,782	20,950
Interest income received from unquoted fixed income securities	1,541,595	2,530,804
Other income received	61,667	597,743
Management fees paid	(255,273)	(632,586)
Trustee and custodian fees paid	(17,018)	(58,892)
Payments for other fees and expenses	(15,976)	(24,782)
Tax payment	(24,047)	(80,927)
Tax penalty	-	(4,569)
Net realised foreign currency exchange gain	618,033	3,609,519
Net cash inflow from operating and investing activities	9,583,821	25,938,167
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for cancellation of units	(4,229,917)	(23,363,683)
Net cash outflow from financing activities	(4,229,917)	(23,363,683)
Net increase in cash and cash equivalents	5,353,904	2,574,484
Effects of foreign exchange	(481,657)	(112,163)
Cash and cash equivalents at the beginning of the financial period / year	7,087,404	4,625,083
Cash and cash equivalents at the end of the financial period / year	9 11,959,651	7,087,404

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 JULY 2011**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITY

CIMB-Principal Opportunistic Bond Fund (the "Fund") is governed by a Deed dated 5 December 2008, (referred to as "the Deed") made between CIMB-Principal Asset Management Berhad (the "Manager"), HSBC (Malaysia) Trustee Berhad (the "Trustee") and the registered unit holders of the Fund.

The principal activity of the Fund is to invest in "Permitted Investments", as defined in Clause 17 of the Deed, which includes fixed income securities and other money market instruments. The Fund commenced operations on 15 January 2009 and will continue its operations until terminated by the Trustee or the Manager, as the case may be as provided under Clause 25 of the Deed.

The Manager, a company incorporated in Malaysia, is subsidiary of CIMB Group Sdn Bhd, and regards CIMB Group Holdings Berhad as its ultimate holding company. Its principal activities are the management of unit trust 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 under the historical cost convention in accordance with Financial Reporting Standards ("FRS") in Malaysia.

The preparation of financial statements in conformity with the FRS 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 financial year. It also requires the Manager to exercise their judgement in the process of applying the Fund's accounting policies. Although these estimates and judgement 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).

(i) Standards and amendments to published standards and interpretations that are applicable and are effective :

- FRS 8 "Operating Segments" (effective from 1 July 2009) replaces FRS 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The improvement to FRS 8 (effective from 1 January 2010) clarifies that entities that do not provide information about segment assets to the chief operating decision-maker will no longer need to report this information. Prior year comparatives must be restated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) Standards and amendments to published standards and interpretations that are applicable and are effective :

- FRS 7 “Financial instruments: Disclosures” (effective from 1 January 2010) provides information to users of financial statements about an entity’s exposure to risks and how the entity manages those risks. The improvement to FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the Statement of Comprehensive Income. This standard does not have any impact on the classification and valuation of the Fund's financial statements.
- The revised FRS 101 “Presentation of financial statements” (effective from 1 January 2010) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. 'Non-owner changes in equity' are to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the Statement of Comprehensive Income) or two statements (the income statement and Statement of Comprehensive Income).

Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

- FRS 107 “Statement of cash flows” (effective from 1 January 2010) clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities.
- FRS 110 “Events after the balance sheet date” (effective from 1 January 2010) reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time.
- FRS 118 “Revenue” (effective from 1 January 2010) provides more guidance when determining whether an entity is acting as a ‘principal’ or as an ‘agent’. This standard does not have material impact on the classification and valuation of the Fund's financial statements.
- Amendment FRS 132 “Financial Instruments: Presentation”

In the previous financial year, the Fund had classified its puttable instruments as liabilities in accordance with FRS 132, 'Financial instruments: Presentation'. However, the FRS 132 (amendment), 'Financial instruments: Presentation', and FRS 101 (amendment), 'Presentation of financial statements' - 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2010) (the 'amendment') requires puttable financial instruments that meet the definition of a financial liability to be classified as equity where certain strict criteria are met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (continued)**

- (i) Standards and amendments to published standards and interpretations that are applicable and are effective (continued):

Those criteria include: (i) the puttable instruments must entitle the holder to a pro-rata share of net assets; (ii) the puttable instruments must be the most subordinated class and that class's features must be identical; (iii) there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and (iv) the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer. As a result, the prior year financial statements are restated from amounts previously reported to conform with the amendment. The amendment has been applied retrospectively.

- FRS 139 "Financial Instruments: Recognition and Measurement"

In the previous financial year, unrealised gains or losses from the derivative financial instrument are recognised in the Statement of Financial Position as receivables and payables while the corresponding effect are transferred to the fair value reserve included in the capital and reserves attributable to equity holders of the fund.

However, the FRS 139 (new standard) 'Financial Instruments: Recognition and Measurement' (effective 1 January 2010) (the 'standard') requires the Fund to recognise all investments in its balance sheet as assets and shall measure them at fair value (except for a derivative that is linked to and that must be settled by delivery of an unquoted equity instrument whose fair value cannot be measured reliably) at the beginning of the financial period in which this standard is initially applied. The unrealised gains or losses transferred to the fair value reserve in the previous financial period shall be recognised as an adjustment of the balance of retained earnings at the beginning of the financial period in which this Standard is initially applied (other than for a derivative that is a designated hedging instrument).

In respect of FRS 7 and FRS 139, the Fund has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standards on the financial statements of the Fund. Comparative related to financial instruments have not been adjusted and therefore the corresponding balances are not comparable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (continued)**

- (ii) The new standards, amendments and interpretations to published standards which are relevant to the Fund and have not been early adopted are:
- Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective from 1 January 2011) require enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The Fund will apply this standard when effective.
- The Fund has applied the transitional provision which exempts entities from disclosing the possible impact arising from the initial application of this amendment on the financial statements of the Fund.
- IC Interpretation 17 "Distribution of non-cash assets to owners" (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

(b) Financial assets at fair value through profit or lossClassification

The Fund designates its investment in quoted securities and unquoted fixed income securities as financial assets at fair value through profit or loss at inception.

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

Recognition and measurement

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

Financial 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.

Gains or losses from changes in the fair value of the investments 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 period which they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets at fair value through profit or loss (continued)**Recognition and measurement (continued)

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

Quoted investments in Malaysia are valued at the last done market price quoted on Bursa Malaysia Securities Berhad ("Bursa Securities") at the date of the Statement of Financial Position.

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

Unquoted fixed income securities denominated in Ringgit Malaysia are revalued on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with the SC as per the SC Guidelines on Unit Trust Funds. Where such quotation are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- (i) records its basis for using non-BPA price;
- (ii) obtains necessary internal approvals to use the non-BPA price; and
- (iii) keeps an audit trail of all decisions and basis for adopting the market yield.

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

For assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'financing and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets at fair value through profit or loss (continued)**Recognition and measurement (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in Statement of Comprehensive Income.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(c) Derivative assets / (liabilities)

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.

Derivatives of the Fund are not recognised as a hedging instrument and are classified as held for trading and are subsequently carried at fair value, where changes in the fair value are recognised in the profit or loss in the period in which the changes arise.

(d) Income recognition

Dividend income is recognised on the ex-dividend date.

Interest income from deposits and unquoted fixed income securities are recognised on the accrual basis (taking into account the effective yield of the asset).

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

Realised gain or loss on disposal of investments is calculated based on difference between the net disposal proceeds and the carrying amount of investments, determined on cost adjusted for accretion of discount or amortisation of premium.

(e) Creation and cancellation of units

The Fund issues cancellable units, which are cancelled at the unitholder's option and are classified as equity. Cancellable units can be returned to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The outstanding units are carried at the redemption amount that is payable at the statement of financial position date if the unitholder exercises the right to return the unit to the Fund.

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

(f) Cash and cash equivalents

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

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

Current tax expense is determined according to Malaysian tax laws at the current tax rate based on taxable profits earned during the financial period.

(h) Amount due from/to stockbrokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Statement of Financial Position date respectively.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(i) Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include the bid-ask spread, fees and commissions paid to agents, advisors, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the Statement of Comprehensive Income as expenses. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

(j) Distribution

Proposed distributions to unitholders are recognised in the statement of changes in equity upon approval by the Board of Directors of the Manager.

(k) Functional and presentation currency

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Proceeds and payments on creation and cancellation of units

The net asset value per unit is computed for each dealing day. The price at which units are created or cancelled is calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day. Units in the Fund are classified as equity in the Statement of Financial Position and are stated at fair value representing the price at which unitholders can redeem the units from the Fund.

(m) Segmental information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographic segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Investment Committee of the Fund's manager that undertakes strategic decisions for the Fund.

(n) Financial instruments

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the date of the Statement of Financial Position.

Financial instruments as at 31 July 2011 are as follows:

	Financing and Receivables RM	Financial assets at fair value through profit or loss RM	Total RM
Financial assets at fair value through profit or loss (Note 8)	-	28,772,329	28,772,329
Cash and cash equivalents (Note 9)	11,959,651	-	11,959,651
Derivative assets	492,350	-	492,350
Other receivables	11,243	-	11,243
	-----	-----	-----
	12,463,244	28,772,329	41,235,573
	-----	-----	-----

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with FRS and the SC Guidelines on Unit Trust Funds requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the Statement of Financial Position date, and the reported amount of income and expenses during the reported financial year. Although these estimates are based on the Manager's best knowledge of current events and actions, actual results may differ from those estimates.

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.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks which include market risk (comprise price risk, interest rate risk and currency risk), credit risk, liquidity risk, counterparty risk, single issuer risk and non-compliance risk arising from the financial instruments it holds, and capital risk.

Financial risk management is carried out through internal control process adopted by the Manager and adherence to the investment restrictions as stipulated by the SC Guidelines on Unit Trust Funds.

(a) Market risk

(i) Price risk

This is the risk that the fair value of an investment in quoted security and unquoted fixed income security will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk).

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

At 31 July 2011, the Fund's overall exposure to price risk was as follows:

	2011
	RM
Financial asset at fair value through profit or loss	28,772,329

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(i) Price risk (continued)

The table below summarises the sensitivity of the Fund's net asset value to movements in prices of unquoted fixed income securities as at 31 July 2011. The analysis is based on the assumptions that the price of the unquoted fixed income securities fluctuates by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the unquoted fixed income securities, having regard to the historical volatility of the prices.

% Change in price	<u>Market value</u>		<u>Change in net asset value</u>	
	<u>Unquoted Fixed income securities</u> RM	<u>Total</u> RM	<u>Unquoted fixed income securities</u> RM	<u>Total</u> RM
(5%)	27,333,713	27,333,713	(1,438,616)	(1,438,616)
0%	28,772,329	28,772,329	-	-
5%	30,210,945	30,210,945	1,438,616	1,438,616

(ii) Interest rate risk

In general, when interest rates rise, bond prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund hold a bond till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

Interest rate is a general economic indicator that will have an impact on the management of the Fund. This risk is crucial in a bond fund since bond portfolio management depends on forecasting interest rate movements. Prices of bonds move inversely to interest rate movements, therefore as interest rates rise, the prices of bond portfolio decrease and vice versa. Furthermore, bonds with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Investors should note that fixed income securities (such as the bonds held by the Fund) and money market instruments are subject to interest rate fluctuations. Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The Fund also holds a limited amount of cash and cash equivalents that expose the Fund to cash flow interest rate risk.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The table below summarises the sensitivity of the Fund's net asset value to movements in prices of unquoted fixed income securities and interest income from deposits with licensed financial institutions held by the Fund as at 31 July 2011 as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate fluctuates by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

% Change in interest rate	Impact on net asset value	
	Unquoted fixed income securities designated at fair value through profit or loss RM	Deposits with licensed financial institutions RM
(5%)	(8,932)	(2,389)
0%	-	-
5%	8,932	2,389
	-----	-----

(iii) Currency risk

When a Fund invests in foreign markets, the foreign investment portion of the Fund may be affected by risks specific to the countries in which it invests. Such risks include changes in the country's economic fundamentals, social and political stability, currency movements and foreign investment policies. These factors may have an impact on the prices of the Fund's investment in that country and consequently may also affect the Fund's NAV and its growth. To mitigate these risks, the Manager will select securities and collective investment schemes that spread across various countries. The decision on diversification will be based on constant fundamental research and analysis of the global markets.

	USD RM	IDR RM	SGD RM	AUD RM	Total RM
Financial assets at fair value through profit or loss	6,187,292	2,509,018	-	1,679,251	10,375,561
Cash and cash equivalents	5,356,852	-	1,333,256	1,676,152	8,366,260
Total	11,544,144	2,509,018	1,333,256	3,355,403	18,741,821

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Currency risk (continued)

The table below summarises the sensitivity of the Fund's investments fair value to changes in foreign exchange movements as at 31 July 2011. The analysis is based on the assumption that the foreign exchange rate changes 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. Any increase/decrease in foreign exchange rate will result in a corresponding decrease/increase in the net assets attributable to unit holders by approximately 5%. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in foreign exchange rate %	Impact on profit before tax RM	Impact on net asset value RM
USD	5	577,207	577,207
IDR	5	125,451	125,451
SGD	5	66,663	66,663
AUD	5	167,770	167,770
		<u>937,091</u>	<u>937,091</u>

(b) Credit risk

Investment in debt securities, such as bonds, may involve a certain degree of credit/default risk with regards to the issuers. Generally, credit risk or default risk is the risk of loss due to the issuer's non payment or untimely payment of the investment amount as well as the returns on investment. This will cause a decline in value of the defaulted debt securities and subsequently depress the NAV of the Fund. Usually credit risk is more apparent for an investment with a longer tenure, i.e. the longer the duration, the higher the credit risk. Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the Manager imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the investment in accordance to the objective of the Fund. For this Fund, the debt securities investment must satisfy a minimum credit rating requirement of "A" by RAM or its MARC equivalent or if rated by a foreign rating agency, at least "BB-" by S&P or Fitch or "Ba3" from Moody's at the time of investment.

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. For amount due from stockbrokers, the settlement terms are governed by the relevant rules and regulations as prescribed by Bursa Securities. The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the Securities Commission's Guidelines on Unit Trust Funds.

The credit/default risk is minimal as all transactions in unquoted fixed income investments are settled/paid upon delivery using approved brokers. The following table sets out the credit risk concentration of the Fund:

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

As at 31.07.2011	Financial assets at fair value through profit or loss RM	Cash balance and deposits RM	Other assets RM	Total RM
Finance		11,959,651	-	11,959,651
Unquoted Sukuk				
- A	5,191,514	-	-	5,191,514
- A1	1,597,833	-	-	1,597,833
- Ba2	726,082	-	-	726,082
- Baa3	3,116,504	-	-	3,116,504
- NR	18,140,396	-	-	18,140,396
Others	-	-	503,593	503,593
	<u>28,772,329</u>	<u>11,959,651</u>	<u>503,593</u>	<u>41,235,573</u>

All financial assets of the Fund as at 31 July 2011 are neither past due nor impaired.

(c) Liquidity risk

Liquidity risk can be defined as the ease with which a security can be sold at or near its fair value depending on the volume traded in the market. If a security encounters a liquidity crunch, the security may need to be sold at a discount to the market fair value of the security. This in turn would depress the NAV and/or growth of the Fund. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector, and other factors. For the funds with more apparent liquidity risk, the Manager will continuously conduct research and analysis to actively manage the asset allocations.

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unitholders. Liquid assets comprise cash, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 days. The Fund has a policy of maintaining a minimum level of 2.00% of liquid assets at all times to reduce the liquidity risk.

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

	Less than 1 month RM	Less than 1 year RM
Amount due to Manager	104,397	-
Accrued management fee	39,129	-
Amount due to Trustee fee	2,519	-
Other payables and accruals	-	129,129
	-----	-----
Contractual cash out flows	146,045	129,129
	-----	-----

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Counterparty risk

When a Fund conducts over-the-counter (“OTC”) transactions, it may be exposed to risks relating to the credit standing of its counterparties and their ability to fulfill the conditions of the contracts it enters into with them. The Manager aims to mitigate this risk by performing fundamental credit research and analysis to determine the creditworthiness of its counterparty, and impose a credit limit as a precautionary step to limit any loss that may arise directly or indirectly as a result of a defaulted transaction.

(e) Single issuer risk

Any major price fluctuation of a particular security invested by the Fund may affect the Fund’s net asset value and thus the prices of units.

The single issuer risk is managed by adhering to the investment limits as specified in the SC Guidelines on Unit Trust Funds.

(f) Non-compliance risk

Non-compliance risk arises when the Manager and others associated with the Fund do not follow the rules set out in the Fund’s constitution, or the law that govern the Fund, or act fraudulently or dishonestly. It also includes the risk of the Manager not complying with internal control procedures. The non-compliance may expose the Fund to higher risks which may result in a fall in the value of the Fund which in turn may affect its investment goals. However, the risk can be mitigated by the internal controls and compliance monitoring undertaken by the manager.

(g) Capital risk management

The capital of the Fund is represented by equity consisting of unitholders’ capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of shareholders. 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 for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

4. INTEREST INCOME

	31.07.2011	31.07.2010
	RM	RM
Interest income from deposits with licensed financial institutions	47,782	8,260
Interest income from unquoted fixed income securities	178,643	1,332,668
	-----	-----
	226,425	1,340,928
	-----	-----

5. MANAGER'S FEE

In accordance with Clause 24(1) of the Deed, the Manager is entitled to a maximum management fee of 3.00% per annum calculated daily based on the net asset value of the Fund.

For the six months financial period ended 31 July 2011, the Manager's fee is recognised at a rate of 1.20% per annum (2010: 1.20%).

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

6. TRUSTEE'S FEE

In accordance with Clause 24(2) of the Deed, the Trustee is entitled to a fee not exceeding 0.10% per annum calculated daily based on the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum (excluding foreign sub-custodian fees and charges).

For the six months financial period ended 31 July 2011, the trustee's fee is recognised at a rate of 0.08% per annum (2010: 0.08%). The trustee fee includes the local custodian fee but excludes the foreign sub-custodian fee (if any).

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

7. TAXATION

	31.07.2011	31.07.2010
	RM	RM
Current taxation		
- Malaysian tax	6,285	-
- Foreign tax	24,047	16,167
	-----	-----
	30,332	16,167
	-----	-----

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

	31.07.2011	31.07.2010
	RM	RM
Net income before finance cost and taxation	1,304,113	446,903
	-----	-----
Taxation at Malaysian statutory rate of 25% (2010: 25%)	326,028	111,726
Tax effects:		
Income not subject to tax	(56,556)	(542,052)
Net realised (gain)/loss on sale of investment not (subject to tax)/deductible for tax purpose	(326,901)	332,845
Expenses not deductible for tax purposes	6,827	10,858
Permitted expenses not deducted and not carried forward	-	8,661
Restriction on tax deductible expenses for unit trust funds	56,887	77,962
Effect of foreign tax on foreign taxable income	24,047	16,167
	-----	-----
	30,332	16,167
	-----	-----

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.07.2011	31.01.2011
	RM	RM
Designated at fair value through profit or loss		
- Unquoted fixed income securities	<u>28,772,329</u>	<u>35,012,693</u>
	<u>28,772,329</u>	<u>35,012,693</u>
Net gain on assets at fair value through profit or loss		
- Realised	747,991	1,892,822
- Unrealised	<u>6,119</u>	<u>(3,363,012)</u>
	<u>754,110</u>	<u>(1,470,190)</u>

Name of issuer	Nominal value	Carrying cost	Fair value	Percentage of net asset value
As at 31 July 2011	Units	RM	RM	%

UNQUOTED FIXED INCOME SECURITIES - FOREIGN

AUSTRALIA

Morgan Stanley - 7.25% 26/05/2015	1,608,850	1,628,527	1,679,251	4.10
	<hr/>	<hr/>	<hr/>	<hr/>

UNITED STATES OF AMERICA

Wakala Global Sukuk Bhd - 2.991% 06/07/2016	761,875	763,415	746,874	1.83
SBB Capital Corporation - 6.62% 02/11/2015	3,516,999	3,149,715	3,116,504	7.62
Texhong Textile Group Lt - 7.625% 19/01/2016	763,375	765,260	726,082	1.77
Petronas Global Sukuk Lt -4.25% 12/08/2014	1,753,750	1,781,893	1,597,832	3.90
	<hr/>	<hr/>	<hr/>	<hr/>
	6,795,999	6,460,283	6,187,292	15.12
	<hr/>	<hr/>	<hr/>	<hr/>

INDONESIA

Indonesia Government 10% Due 15/10/2011 AO15	2,497,110	2,578,987	2,509,018	6.13
	<hr/>	<hr/>	<hr/>	<hr/>

TOTAL UNQUOTED FIXED INCOME SECURITIES - FOREIGN

	<u>10,901,959</u>	<u>10,667,797</u>	<u>10,375,561</u>	<u>25.35</u>
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8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Name of issuer	Nominal value	Carrying cost	Fair value	Percentage of net asset value
As at 31 July 2011	Units	RM	RM	%
UNQUOTED FIXED INCOME SECURITIES - LOCAL				
Kapar Energy Ventures SB 6.4% Due 6/1/2012 JJ8	3,000,000	3,048,838	3,047,759	7.45
Berjaya Land Berhad 8% Due 15/8/2011 FA15	5,000,000	5,182,125	5,191,514	12.69
Tresor Assets Berhad - 6.10% 12/01/2012	5,000,000	5,062,221	5,068,712	12.38
Pahlawan Power Sdn Bhd 6.9% Due 31/1/2012 JJ31	5,000,000	5,087,982	5,088,783	12.44
TOTAL UNQUOTED FIXED INCOME SECURITIES - LOCAL	18,000,000	18,381,166	18,396,768	44.96
TOTAL UNQUOTED FIXED INCOME SECURITIES	28,901,959	29,048,963	28,772,329	70.31
UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		591,183		
EFFECTS OF UNREALISED FOREIGN EXCHANGE DIFFERENCES		(867,817)		
TOTAL FAIR VALUE OF FOREIGN AND LOCAL UNQUOTED FIXED INCOME SECURITIES		28,772,329		

The unquoted fixed income securities have an effective weighted average interest rate of 3.22% per annum as at 31 July 2011.

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

Name of issuer	Nominal Value Units	Carrying cost RM	Fair value RM	Percentage of net asset value %
As at 31 January 2011				
UNQUOTED FIXED INCOME SECURITIES - FOREIGN				
AUSTRALIA				
CFS Retail Property Trust 5.075% 21/08/2014 (A)	2,582,032	2,376,673	3,033,315	6.92
HONG KONG				
Xiniao Gas Holdings Limited 7.375% 05/08/2012 (Ba2)	2,364,408	2,327,824	2,166,485	4.94
Texhong Textile Group Lt 7.625% 19/01/2016 (Ba2)	763,375	765,320	779,312	1.78
	3,127,783	3,093,144	2,945,797	6.72
INDONESIA				
Indonesia Government 14.50% 15/12/2010 (Ba2)	2,497,110	2,607,281	2,454,098	5.60
PT Bank Danamon Indonesia # 8.75% 09/12/2013	2,925,211	2,961,721	2,903,112	6.62
	5,422,321	5,569,002	5,357,210	12.22
SINGAPORE				
Capitamall Trust 1.00% 02/07/2013 #	1,203,097	1,180,646	1,265,013	2.88
DBS Group Holdings Limited 7.657% 15/03/2011 (A)	8,992,748	9,151,678	7,929,958	18.08
	10,195,845	10,332,324	9,194,971	20.96
UNITED ARAB AMIRATES				
Dubai Electricity & Water 6.375% 21/10/2016 (Ba2)	311,700	317,119	308,011	0.70
TOTAL UNQUOTED FIXED INCOME SECURITIES - FOREIGN	21,639,681	21,688,262	20,839,304	47.52

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

Name of issuer	Nominal Value Units	Carrying cost RM	Fair value RM	Percentage of net asset value %
As at 31 January 2011				
UNQUOTED FIXED INCOME SECURITIES – LOCAL				
Berjaya Land Berhad 8.00% 15/08/2011 (A)	5,000,000	5,180,325	5,293,205	12.07
Hyundai Capital Services 5.50% 20/05/2011 (AA1)	4,000,000	4,012,988	4,063,595	9.27
Petronas Global Sukuk Lt 4.25% 12/08/2014 (A1)	1,753,750	1,782,612	1,628,571	3.71
SBB Capital Corporation 6.62% 02/11/2015 (Ba3)	3,516,999	3,112,916	3,188,019	7.27
<hr style="border-top: 1px dashed black;"/>				
TOTAL UNQUOTED FIXED INCOME SECURITIES - LOCAL	14,270,749	14,088,841	14,173,389	32.32
<hr style="border-top: 1px dashed black;"/>				
TOTAL UNQUOTED FIXED INCOME SECURITIES	35,910,430	35,777,103	35,012,693	79.84
<hr style="border-top: 1px dashed black;"/>				
UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
- LOCAL INVESTMENTS		163,487		
- FOREIGN INVESTMENTS		1,215,211		
EFFECT OF UNREALISED FOREIGN EXCHANGE DIFFERENCES		(2,143,108)		
<hr style="border-top: 1px dashed black;"/>				
TOTAL FAIR VALUE OF LOCAL AND FOREIGN UNQUOTED FIXED INCOME SECURITIES		35,012,693		
<hr style="border-top: 1px dashed black;"/>				

Unquoted fixed income securities that are not rated as at the statement of financial position date.

The unquoted fixed income securities have an effective weighted average interest rate of 7.07% per annum and an average maturity of 3 years as at 31 January 2011.

9. CASH AND CASH EQUIVALENTS

	31.07.2011	31.01.2011
	RM	RM
Bank balances in a licensed bank	8,558,814	3,657,734
Deposits with licensed financial institutions	3,400,837	3,429,670
	-----	-----
	11,959,651	7,087,404
	-----	-----

The currency exposure profile of cash and cash equivalents is as follows:

	31.07.2011	31.01.2011
	RM	RM
- Australian Dollar	1,676,152	-
- US Dollar	5,356,852	3,397,668
- Ringgit Malaysia	3,593,391	3,677,952
- Singapore Dollar	1,333,256	11,768
- Indonesian Rupiah	-	16
	-----	-----
	11,959,651	7,087,404
	-----	-----

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

	31.07.2011	31.01.2011
	%	%
Deposits with licensed financial institutions	<u>2.99</u>	<u>3.27</u>

Deposits with licensed financial institutions of the Fund have an average maturity of 0.5 days (2010: 2 days).

10. DERIVATIVE ASSETS / (LIABILITIES)

As at the date of Statement of Financial Position, there are six forward currency contracts outstanding.

The notional principal amount of the outstanding forward currency contracts amounted to RM 17,115,100 (2010: RM31, 271,440).

The forward currency contracts entered into during the financial year was for hedging against the currency exposure arising from the unquoted investments denominated in USD.

As the Fund has not adopted hedge accounting during the financial period, the change in the fair value of the forward currency contracts is recognised immediately in the Statement of Comprehensive Income.

11. NUMBER OF UNITS IN CIRCULATION AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	31.07.2011		31.01. 2011	
	No. of units	RM	No. of units	RM
At beginning of the financial year	36,590,719	43,850,291	56,628,000	64,717,299
Creation arising from distribution	-	-	-	-
Creation arising from application	-	-	-	-
Cancellation of units	(3,428,495)	(4,163,673)	(20,037,281)	(23,142,806)
Total comprehensive income for the financial period / year	-	1,273,781	-	2,275,798
At end of the financial period / year	33,162,224	40,960,399	36,590,719	43,850,291
Approved size of Fund	200,000,000		200,000,000	

As at 31 July 2011, the number of units not yet issued is 166,837,776 (2010: 163,409,281)

12. MANAGEMENT EXPENSE RATIO (“MER”)

	31.07.2011	31.07.2010
	%	%
MER	0.67	0.71

MER is based on the following calculation:

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

- A = Management fee
- B = Trustee’s fee
- C = Auditors’ remuneration
- D = Tax agent’s fee
- E = Transactions costs
- F = Other expenses
- G = Average net asset value of the Fund calculation on a daily basis

The average net asset value of the Fund for the financial period calculated on daily basis is RM42,059,130 (2010: RM55,303,014).

13. PORTFOLIO TURNOVER RATIO (“PTR”)

31.07.2011 31.07.2010

PTR (times)	0.51	0.16
	-----	-----

PTR is derived from the following calculation:

(Total acquisition for the financial period + total disposal for the financial period) ÷ 2

Average net asset value of the Fund for the financial period calculated on a daily basis

Where:

total acquisition for the financial period	=	RM 24,264,379 (2010: 3,700,666)
total disposal for the financial period	=	RM 18,257,232 (2010: RM13,538,960)

14. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

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

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

Unit held by the Manager and parties related to the Manager

Manager	31.07.2011		31.07.2010	
	No. of units	RM	No. of units	RM
CIMB-Principal Asset Management Berhad (The units are held beneficially by the Manager for booking purposes)	44,150	54,478	69,150	80,557
	-----	-----	-----	-----

The above units were transacted at the prevailing market price.

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

**14. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER
(CONTINUED)**

In addition to related party disclosure mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on terms and conditions obtained in transactions with unrelated parties unless otherwise stated. Interest rates on fixed and short-term deposits were at normal commercial rates.

	31.07.2011	31.07.2010
	RM	RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institution:		
- CIMB Bank Berhad	7,731	761
	-----	-----

15. TRANSACTIONS WITH BROKERS / DEALERS

Transactions entered into by the Fund by value of trades for the financial period ended 31 July 2011 are as follows:

Brokers / dealers	Values of trade	Percentage of total trades	Brokerage fees	Percentage of total brokerage
	RM	%	RM	%
RHB Bank Berhad - Repo	77,953,000	24.37	-	-
United Overseas Bank M - REPO	62,460,000	19.53	-	-
Hong Leong Bank Berhad	48,693,000	15.22	-	-
EON Bank Berhad	44,431,000	13.89	-	-
CIMB Bank Bhd - Treasury	37,769,000	11.81	-	-
OSK Investment Bank Bhd	13,250,550	4.14	-	-
Citi Bank Berhad	13,003,313	4.07	-	-
Morgan Stanley	8,660,763	2.71	-	-
Affin Bank Berhad	4,894,000	1.53	-	-
Deutsche Bank M Berhad	2,998,557	0.94	-	-
Others	5,730,672	1.79	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	319,843,854	100.00	-	-

15. TRANSACTIONS WITH BROKERS / DEALERS (CONTINUED)

Transactions entered into by the Fund by value of trades for the financial period ended 31 July 2011 are as follows:

Brokers / dealers	Values of trade RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage %
RHB Bank Berhad - Repo	148,691,000	31.28	-	-
United Overseas Bank M -REPO	97,264,000	20.46	-	-
Hong Leong Bank Berhad	71,944,000	15.13	-	-
CIMB Bank Bhd – Treasury #	59,488,000	12.51	-	-
EON Bank Berhad	44,958,000	9.46	-	-
Affin Bank Berhad	20,129,000	4.23	-	-
AmBank Berhad	13,804,000	2.90	-	-
Standard Chartered Bank Bhd	5,317,608	1.12	-	-
Credit Suisse Se HK Ltd	3,489,362	0.73	-	-
CIMB Bank Labuan #	3,475,326	0.73	-	-
Others	6,830,149	1.44	-	-
	475,390,445	100.00	-	-

Transactions by the Fund are trades conducted on normal terms with CIMB Bank Berhad and CIMB Bank Labuan, companies related to the Manager amounting to RM 37,769,000 (2010 : 59,488,000) and RM nil (2010 : RM 3,475,326).

16. SEGMENT INFORMATION

The Investment Committee of the Manager makes the strategic resource allocations on behalf of the Fund. The Fund has determined the operating segments based on the reports reviewed by this committee that are used to make strategic decisions.

The committee is responsible for the Fund's entire portfolio and considers the business as two sub-portfolio, consisting of a quoted investments portfolio, which focuses on equity and equity-related securities, and a debt portfolio, which focuses on unquoted fixed income securities.

The reportable operating segment derives its income by seeking investments to achieve targeted returns commensurate with an acceptable level of risk within the portfolio. These returns consist of interest income, dividend income and gains on the appreciation in the value of investments.

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

The Fund invests up to 100% of its NAV in quoted securities and unquoted fixed income securities, including but not limited to deposits with licensed financial institutions under BAFIA and/or IBA in Malaysia. These securities include but not limited to those issued or backed by governments, government agencies, supranational organisations, corporates or other issuers in Malaysia. The minimum credit rating for these securities would be "A3" by RAM or MARC equivalent, with the exception for those issued or backed by governments or supranational organisations.

The internal reporting provided to the CEO for the fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of FRS. The CEO is responsible for the performance of the fund and considers the business to have a single operating segment.

DIRECTORY

Head office of the Manager

CIMB-Principal Asset Management Berhad (Company No.: 304078-K)
Level 5, Menara Milenium,
8, Jalan Damanlela,
Bukit Damansara,
50490 Kuala Lumpur MALAYSIA

Postal address

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

Internet site

www.cimb-principal.com.my

E-mail address

cimb-p.custsupport@cimb.com

General investment enquiries

(03) 7718 3100

Trustee for the CIMB-Principal Strategic Bond Fund

HSBC (Malaysia) Trustee Berhad (Co. No. 001281-T)
13 Floor, Bangunan HSBC, South Tower,
No 2, Leboh Ampang,
50100 Kuala Lumpur,
MALAYSIA

Consulting Actuaries

Mercer (Malaysia) Sdn Bhd (253344-U)
1702 Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
MALAYSIA

LIST OF CIMB WEALTH ADVISORS BERHAD'S OFFICES

ADDRESS **TELEPHONE**

HEAD OFFICE

- 50, 52 & 54, Jalan SS21/39, Damansara Utama,
47400 Petaling Jaya, Selangor. 03-77183000

FINANCIAL CARE CENTRE

- 1 Jalan PJU 8/3B, Damansara Perdana,
47820 Petaling Jaya, Selangor. 03-77262000

REGIONAL OFFICES

- 5A, 1st & 2nd Floor, Jalan Todak 4, Bandar Sunway,
Seberang Jaya, 13700 Perai, Penang. 04-3702155
04-3702156
- 23 & 23A Jalan Harimau Tarum
Taman Century, 80250 Johor Bahru, Johor. 07-3341748
- 48, Jalan SS 21/39, Damansara Utama
47400 Petaling Jaya, Selangor. 03-77122888
- 5B, Lot 414, Section 10, KTLD Jalan Rubber,
93400 Kuching, Sarawak. 082-259777
- No 1 Jalan Pasar Baru, Kampung Air,
88000 Kota Kinabalu, Sabah. 088-239951
088-239952

BRANCHES

- Ground Floor, No. 298-B, Jalan Tok Hakim, 15000
Kota Bharu, Kelantan 09-7471190
09-7471172
- 30A, First Floor, Persiaran Greentown 1,
Greentown Business Centre, 30450 Ipoh, Perak. 05-2439001
05-2439002
- No 13B, 2nd Floor, Jalan Mamanda 7/1,
Off Jalan Ampang, 68000 Ampang, Selangor. 03-42702970
- 39-3 & 41-3, Jalan Radin Anum, Bandar Baru Sri Petaling,
57000 Kuala Lumpur. 03-90592333
- 61, Jalan Melaka Raya 24, Taman Melaka Raya, 75000 Melaka. 06-2811111
- Lot 228, 1st Floor, Beautiful Jade Centre, Jalan Maju,
98000 Miri, Sarawak. 085-432525

ADDRESS TELEPHONE

SALES OFFICES

- Unit 113 & 213, Block C, Damansara Intan 1, Jalan Ss20/27, 47400 Petaling Jaya. 03-7118 2234
- Lot C-615 & Lot C-616, Level 6 Block C Kelana Square, 17 Jalan Ss7/26, Kelana Jaya, 47301 Petaling Jaya 03-7880 6893
- 2-6A, Jalan Pju 8/3a, Bandar Damansara Perdana, 47820 Petaling Jaya, Selangor. 03-7725 6320
- 12A-3 (2nd Floor), Block C, Jalan Pju 5/17 Dataran Sunway, Kota Damansara, 47810 Petaling Jaya, Selangor. 03-6141 6369
- Unit A-2-5 & A-3-5, Block A, Pusat Perdagangan Pelangi, Pelangi Damansara, Pju 6 Persiaran Surian, 47800 Petaling Jaya, Selangor . 03-7725 2880
- No. 6-2, Jalan Dagang 1/1a, Taman Dagang, 68000 Ampang, Selangor. 03-4251 1129
- I-91-2, Block I, Jalan Teknologi 3/9, Kota Damansara, 47810 Petaling Jaya, Selangor. 03-6140 7275
- No 6B, 2nd Floor, Jalan Tengku Zabedah Ampuan K/9k, 40000 Shah Alam, Selangor. 03-5541 0350
- Block E-1-03a & E-2-03a, Jalan Ss6/20a, Dataran Glomac, 47301 Kelana Jaya, Selangor. 03-7880 7082
- 98A, Jalan Ss21/39, Damansara Utama, 47400, Petaling Jaya, Selangor. 03-7725 0825
- D-10-08-G & D10-08-1, Pusat Perdagangan Dana 1, Jalan Pju 1a/46, 47301 Petaling Jaya, Selangor. TBA
- 32 – 3, 3rd Floor, Jalan 1/27f, KI Satellite Centre (Klsc), Wangsa Maju Section 5 53300 Kuala Lumpur. 03-4142 2911
- A-2-1, Block A, 8 Jalan Pju 1a/20a Dataran Ara Damansara , 47301 Petaling Jaya. 03-7843 0506
- A-2-3, Block A, 8 Jalan Pju 1a/20a, Dataran Ara Damansara, 47301 Petaling Jaya. 03-7843 0503
- Unit B-3A-1, Setiawangsa Business Suites Jalan Setiawangsa 11, Taman Setiawangsa, 54200 Kuala Lumpur. 03-4256 6277
- 22-2, Jalan Metro Wangsa, Seksyen 2 Wangsa Maju, 53300 Kuala Lumpur. 03-4149 8818
- J-06-01 Level 6 Block J, Solaris Mont' Kiara, Jalan Solaris, 50480 Kuala Lumpur. 03-6204 0113
- Suite B-12-11 Plaza Mont Kiara 2, Jalan 1/70c, Mont Kiara, 50480 Kuala Lumpur. 03-6203 9036
- A-7, Tingkat 1 Lorong Tun Ismail 12, Sri Dagangan 2, 25000 Kuantan, Pahang. 09-5161 430
- 15A, Jalan Ruby, 96000 Sibul, Sarawak. 084-325 515

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INVESTOR LETTER

Dear valued investors,

2011 was ushered in with a lot of optimism. Most analysts, if not all, were positive that the 2010 market rally would have spilt over into this year. However, it seems like the year may not be as predictable as we thought.

Nevertheless, as we all know the market is always cyclical. It goes up and comes down based on the current uncertainties. Ultimately, if you are a long-term investor, the best thing to do is to stay invested and not react emotionally by panic selling. What investors should do is to try to think forward with a plan and have a preferred asset allocation based on their risk tolerance. A well diversified portfolio is also important to mitigate risks in the long-term.

Usually, the source of market volatility is a mix of short and long-term causes. One of several immediate short-term causes has of course been the Standard and Poor's (S&P) ratings downgrade of long-term U.S. Government debt from AAA to AA+. The S&P downgrade had caused a massive downshift of investor's risk appetite that has been underway for several weeks.

We believe that once the current market turmoil subsides, we expect repercussions from the U.S. downgrade to be limited. Some fears that investors have, while certainly understandable in situation like this, are unsupported.

To be fair, here are some positive facts for the US:-

- US treasuries remain one of the safest investments even at AA+ rating;
- Over 60% of global allocated foreign exchange reserves are in USD and they are still highly in demand;
- US Treasuries are the most liquid securities traded in the world and it is hard to find alternatives or substitutes.
- Huge amounts of forced selling of US Treasures have yet to be seen

Overall, given the uncertainty in the markets, we still hold on to our view that the US will not go into a double dip recession. We will continue to remain positive on Asian Equities for second half of 2011 as we believe that strong fund flows into Asian fixed income markets may eventually have a positive spill over effect into the regional equity markets.

On another note, we are happy to announce that CIMB-Principal has garnered a total of 8 awards this year and will maintain our momentum of achievements in the industry for the best interest of our investors.

We are also happy to announce that CIMB-Principal Asset Management Berhad ("CIMB-Principal") is now GIPS-compliant.

GIPS or Global Investment Performance Standards are a set of standardized principles that provide guidance on how investment firms should calculate and report their investment results to prospective and current clients.

INVESTOR LETTER *(Continued)*

By being GIPS-compliant, investors can now have a greater level of confidence in the integrity of performance presentations as well as our general practices. We trust this will provide further assurance that the performance and reporting figures we cite are prepared to the highest standards.

With this, we at CIMB-Principal will strive to consistently provide investors with potential capital gains over the long-term and at the same time become the most reliable and trusted fund house in the industry. We look forward to supporting your journey through the interesting financial markets to come.

Yours sincerely

Campbell Tupling

Chief Executive

CIMB-Principal Asset Management Berhad

MANAGER'S REPORT**What is the investment objective of the Fund?**

The Fund is a close-ended fund that aims to provide investors with total return predominantly through investments in a portfolio of non-ringgit currency denominated bond and others fixed and floating rate securities.

Has the fund achieved its objective?

For the period under review, the Fund is in line with its stated objectives as stated under the fund performance review.

What are the fund investment policy and its strategy?

The Fund seeks to achieve its overall objective by providing potential total investment return consisting of a combination of interest income and capital appreciation. Under general market conditions, up to 98% of the Fund's NAV may be invested in non-ringgit bonds and other fixed and floating rate instruments (including convertible bonds). These securities are issued or backed by governments, governments agencies, supranational organizations, corporate or others issuers in the Asia Pacific region, which has a minimum credit rating of "A" rating by RAM or its MARC equivalent or if rates by a foreign rating agency, at least "BB-" by S&P or Fitch or "Ba3" from Moody's at the time of investment. The Fund's policies on investments were carried out in accordance with the Deed and it will continue its operations until terminated in accordance with the provisions of the Deed.

Fund category/ type

Bond / Income and growth.

How long should you invest for?

Recommended 3 years

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

High.

When was the Fund launched?

15 January 2009

What was the size of the Fund as at 31 July 2011?

RM 40.96 million (33.16 million units).

What is the fund's benchmark?

12-Month LIBOR (London Interbank Offered Rate) + 2% p.a.

What is the fund distribution policy?

The Fund distributes income, if any, are at the discretion of the Manager and will vary from period to period depending on the availability of the income for distribution.

What was the net income distribution for the period ended 31 July 2011?

There is no distribution made from 1 February 2011 to 31 July 2011.

***Note:** Pursuant to the Master Deed, the Manager has the right to make provisions for reserves in respect of distribution of the Fund. If the distribution available is too small or insignificant, any distribution may not be of benefit to the Unit holders as the total cost to be incurred in any such distribution may be higher than the amount for distribution. The Manager has the discretion to decide on the amount to be distributed to the Unit holders.

PERFORMANCE DATA

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

	31.07.2011	31.07.2010
	%	%
Fixed income securities	70.31	94.36
Cash and Other Net Assets	29.69	5.64
	<u>100.00</u>	<u>100.00</u>

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

	31.07.2011	31.07.2010
Net asset value (RM Million)*	40.96	48.83
Units in circulation (Million)	33.16	42.33
Net asset value per unit (RM)*	1.2351	1.1535
Highest NAV per unit (RM)	1.2351	1.1555
Lowest NAV per unit (RM)	1.1983	1.1328
Total return (%)	3.05	1.62
- Capital growth (%)	3.05	1.62
- Income distribution (%)	-	-
Management expense ratio (%)	0.67	0.71
Portfolio turnover ratio (times) #	0.51	0.16

	Total Return	Annualized
	%	%
- One Year	6.88	6.88
- Since inception	23.49	8.66

* Ex-distribution

(Launch date: 15 January 2009)

The PTR for the financial period under review was stable during the recent financial year and was mainly to cater for redemption of the fund.

	31.07.2011	31.07.2010	Since Inception
Annual total return (%)	6.88	7.96	23.49

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 have been verified by Mercer (Malaysia) Sdn Bhd (253344-U).

MARKET REVIEW (1 FEBRUARY 2011 TO 31 JULY 2011)

For the first quarter of the year, the global economic recovery was gathering pace following a slew of positive economic data. The US Federal Reserve Bank (Fed) has upgraded its economic outlook in the latest FOMC meeting and affirmed that the labour market is showing gradual improvements. Though the disruption stemming from Japan's earthquake and the ongoing turmoil in the Middle East has increased uncertainty around the economic outlook, it is not likely to derail global growth.

Meanwhile, the focus in Asia has shifted from supporting growth towards tackling rising inflation. Inflation threat has been exacerbated by the rise in global food and fuel prices. Most central banks across the region are seen moving from the less direct tightening monetary approach to taking more aggressive measures to hike interest rates.

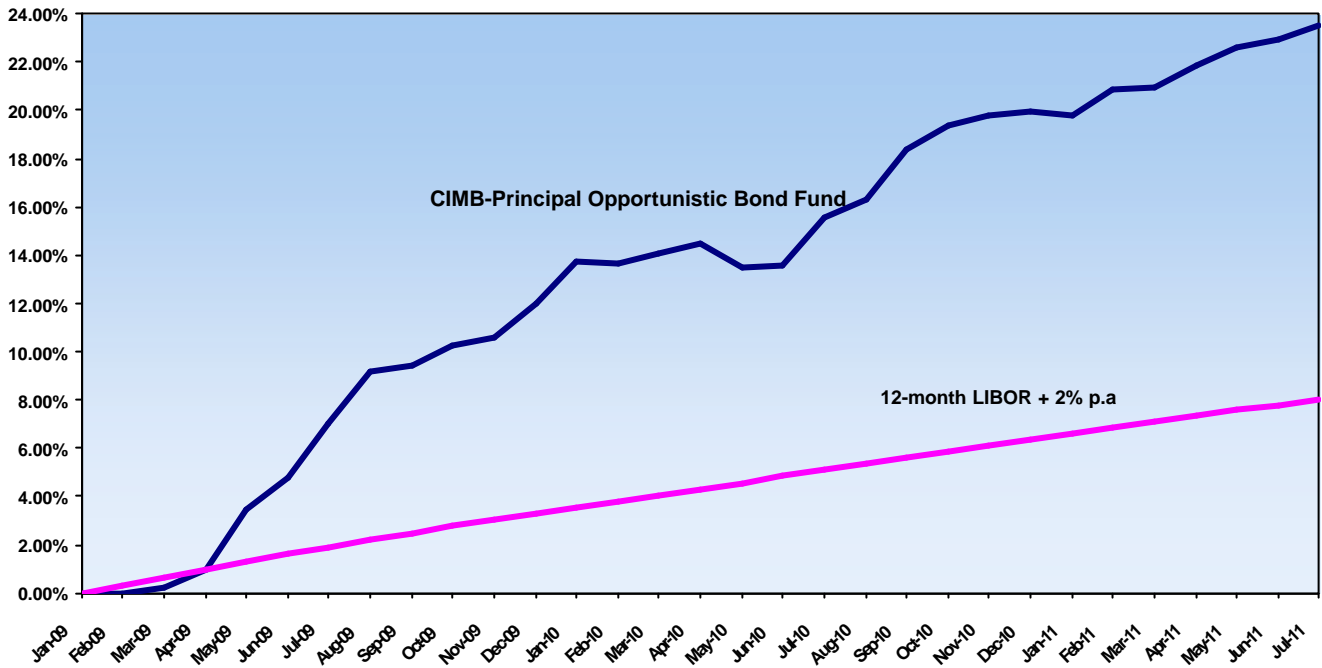
During the first quarter of 2011, the People's Bank of China raised its benchmark one year deposit rate and one year lending rate by 25 bps each to 3.00% and 6.06% respectively in an attempt to control price pressures and ward off a property bubble. Subsequently in March, China again raised the bank's reserve requirements. The Bank of Korea first raised its rate by 25 bps to 2.75% in January and then hiked its base rate again to 3.00% in March. Similarly, Thailand also upped its policy rate to 2.50%, its fifth increase in six meetings. In Singapore, CPI inflation rose by 5.00% year on year (y-o-y) in February above the 4.50% target for a third consecutive month.

In June, Asian USD bonds saw some sell-off due to uncertainty over the rollover of the Greek debt and its impact on the European banks. In addition, the negative outlook revision of the Chinese real estate sector by S&P on June 14th due to regulatory tightening also dampened sentiment. However, towards the month-end, the market rebounded as the Greek parliament approved the austerity package and most French and German banks accepted the rollover of the debt.

Towards the end of the period under review and despite the uncertainty surrounding the Euro sovereign crisis, the US debt ceiling and the onslaught of poor economic data coming out of the US, the Asian credit market was well supported with most of the high grade, high yield sovereigns and high yield corporates reported tighter spreads. The high yield corporates seems to have recovered somewhat from its June sell off, which was triggered by renewed corporate governance concerns.

FUND PERFORMANCE

	6 Month to 31.07.2011	1 Year to 31.07.2011	Since Inception to 31.07.2011
Income (%)	-	-	-
Capital (%)	3.05	6.88	23.49
Total Return (%)	3.05	6.88	23.49
Benchmark (%)	1.39	2.81	8.05
Average Total Return (%)	0.67	6.88	8.66



FUND PERFORMANCE (CONTINUED)

Changes in Net Asset Value (“NAV”)

	31.07.2011	31.07.2010	% changes
Net Asset Value (“NAV”) (RM Million)	40.96	48.83	(16.12)
NAV/unit (RM)	1.2351	1.1535	7.07

For the period under review, the Fund registered a reduction in net asset value of 16.12% mainly due to redemption. On a nav/unit basis, the better performance of the underlying corporate bonds in the portfolio saw a 7.07% increase. In terms of return, the Fund achieved a positive total return of 3.05% compared to the benchmark 12 month LIBOR + 2% p.a. rate return of 1.39% for the period under review. The out performance of 1.66% was due mainly to better performance from the corporate bonds in the portfolio.

The Fund did not declare any dividend distribution for the financial period under review.

In terms of Lipper rankings, as at 31 July 2011, the Fund ranked 7th out of 21 funds for 6 months (2nd Quartile), 8th out of 17 funds (2nd Quartile) over 1-year and 7th out of 9 funds (3rd Quartile) over 2 years under the Target Maturity category. (Source: Lipper).

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.

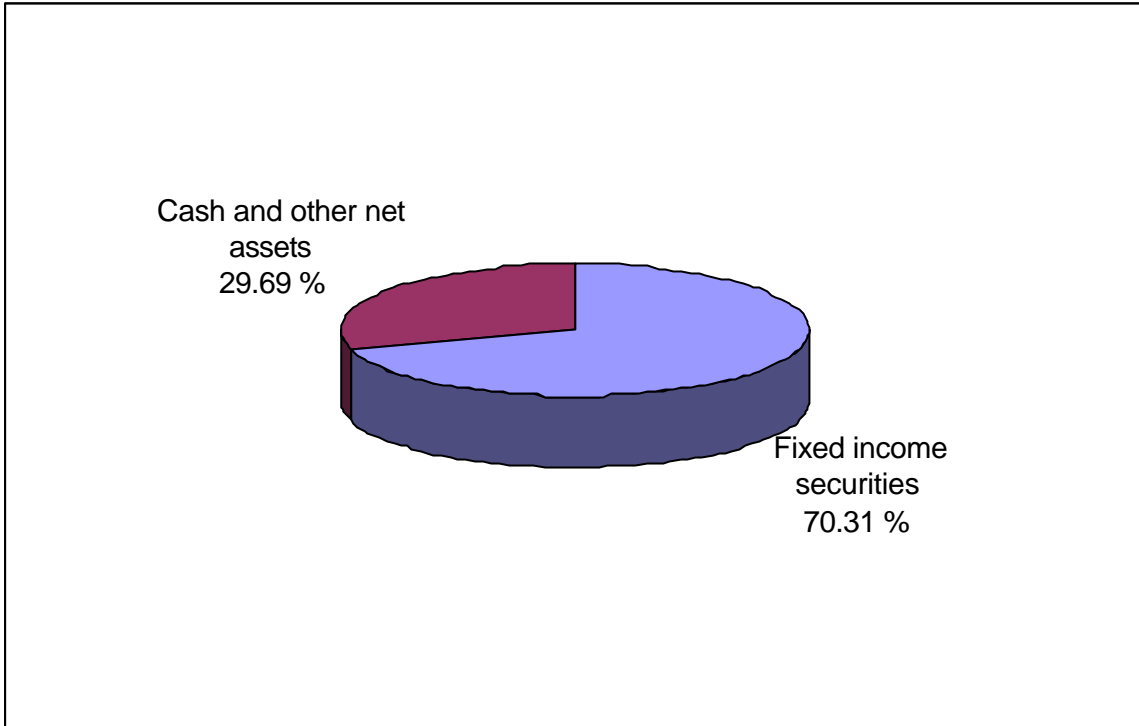
PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	31 July 2011	31 July 2010
Fixed income securities	70.31	94.36
Cash and other net assets	29.69	5.64
TOTAL	100.00	100.00

As at 31 July 2011, about 70.23% of the fund’s assets were invested in fixed income securities with the remaining balance in cash. Liquidity is maintained for the fund to participate in new issuances with higher yielding paper as well as to facilitate any redemption.

PORTFOLIO STRUCTURE (CONTINUED)



MARKET OUTLOOK

With the slowing growth trend in developed market, the ongoing restructuring of Eurozone and growth and inflation risk in most Asian markets, volatility has increased and markets are increasingly beginning to price in a bearish sentiment. Along with continued lower rates in developed market and further currency appreciation, we expect capital inflows to continue in Asia as investors are still interested in the Asian growth and currency appreciation story.

However, as the volatility increased in Asian bonds due to global risks mentioned before, we favour a conservative approach with capital preservation focus. At this juncture, we will take profit on some of our bond which has appreciated handsomely and will reduce risk until further clarity arises in the global view.

INVESTMENT STRATEGY

Overall, we will continue with our buy and hold strategy and to prioritise capital preservation.

UNIT HOLDING STATISTICS

Breakdown of unit holdings by size as at 31 July 2011 are as follows:

Size of unit holding	No. of unit holders	No. of units held	% of units held
5,000 and below	10	34,558	0.10
5,001 to 10,000	3	29,823	0.09
10,001 to 50,000	-	-	-
50,001 to 500,000	-	-	-
500,001 and above	3	33,097,843	99.81
Total	16	33,162,224	100.00

SOFT COMMISSIONS AND REBATES

Dealings on investments of the Fund through brokers or dealers will be on terms which are best available for the Fund. Any rebates from brokers or dealers will be directed to the account of the Fund.

The Investment Manager may from time to time receive and retain soft commissions in the form of subscription for real-time services or advisory services that assist in the decision-making process relating to the Fund's investments from brokers or dealers.

During the financial period under review, the management company did not receive any rebates and soft commissions from brokers or dealers.

**STATEMENT BY MANAGER TO THE UNITHOLDERS OF
CIMB-PRINCIPAL OPPORTUNISTIC BOND FUND**

We, being the Directors of CIMB-Principal Asset Management Berhad, do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 12 to 40 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the state of financial position of the Fund as at 31 July 2011 and of its financial performance, changes in equity and cash flows for the six months financial period ended on that date in accordance with Financial Reporting Standards in Malaysia and the Securities Commission's Guidelines on Unit Trust Funds.

For and on behalf of the Manager
CIMB-Principal Asset Management Berhad (Company No.: 304078-K)

JOHN CAMPBELL TUPLING
Chief Executive Officer/Director

DATUK NORIPAH KAMSO
Director

Kuala Lumpur
30 September 2011

TRUSTEE'S REPORT

**TO THE UNITHOLDERS OF
CIMB-PRINCIPAL OPPORTUNISTIC BOND FUND**

We have acted as Trustee of **CIMB-Principal Opportunistic Bond Fund** ("the Fund") for the financial period ended 31 July 2011. To the best of our knowledge, **CIMB-Principal Asset Management Berhad**, ("the Management Company"), 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 Deed, the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- b) Valuation/pricing is carried out in accordance with the Deed and any regulatory requirements; and
- c) Creation and cancellation of units are carried out in accordance with the Deed and any regulatory requirements.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie
Head, Trustee Operations

Kuala Lumpur

30 September 2011

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 JULY 2011**

	Note	01.02.2011 to 31.07.2011 RM	01.02.2010 to 31.07.2010 RM
NET INVESTMENT INCOME			
Interest income	4	226,425	1,340,928
Net realised gain/(loss) on sale of financial assets at fair value through profit or loss		754,110	(2,285,940)
Net foreign currency exchange gain		578,846	1,613,560
Net fair value (loss) on derivative assets		(25,350)	-
Other income		50,222	168,283
		-----	-----
		1,584,253	836,831
		-----	-----
EXPENSES			
Management fee	5	247,795	336,264
Trustee and custodian fees	6	22,199	41,792
Audit fee		4,000	8,000
Tax agent's fee		1,500	-
Other expenses		4,646	3,872
		-----	-----
		280,140	389,928
		-----	-----
NET PROFIT BEFORE TAXATION		1,304,113	446,903
TAXATION	7	(30,332)	(16,167)
		-----	-----
NET PROFIT AFTER TAXATION REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		1,273,781	430,736
		-----	-----
Net profit after taxation is made up as follows:			
Realised amount		754,110	430,736
Unrealised amount		519,671	-
		-----	-----
		1,273,781	430,736
		-----	-----

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2011**

		01.02.2011 to 31.07.2011	01.02.2010 to 31.01.2011
	Note	RM	RM
CURRENT ASSETS			
Financial assets at fair value through profit or loss	8	28,772,329	35,012,693
Cash and cash equivalents	9	11,959,651	7,087,404
Derivative assets	10	492,350	517,700
Amount due from dealer		-	1,553,066
Other receivables		11,243	22,488
TOTAL ASSETS		<u>41,235,573</u>	<u>44,193,351</u>
CURRENT LIABILITIES			
Amount due to Manager		104,397	170,641
Accrued management fee		39,129	46,607
Amount due to Trustee		2,519	2,968
Tax payable		108,129	101,844
Other payables and accruals		21,000	21,000
TOTAL LIABILITIES		<u>275,174</u>	<u>343,060</u>
NET ASSET VALUE OF THE FUND	11	<u>40,960,399</u>	<u>43,850,291</u>
EQUITY			
Unitholders' capital		28,361,024	32,524,697
Retained Earnings		<u>12,599,375</u>	<u>11,325,594</u>
		<u>40,960,399</u>	<u>43,850,291</u>
NUMBER UNITS IN CIRCULATION	11	<u>33,162,224</u>	<u>36,590,719</u>
NET ASSET VALUE PER UNIT (RM)		1.2351	1.1983

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 JULY 2011**

	Note	Unitholders' Capital RM	Retained Earnings RM	Total RM
Balance as at 1 February 2011, restated after adoption of FRS 139		32,524,697	11,325,594	43,850,291
Movement in unitholders' contribution:				
Creation of units from distribution		-	-	-
Creation of units from application	11	-	-	-
Cancellation of units	11	(4,163,673)	-	(4,163,673)
Total comprehensive income for the financial year		-	1,273,781	1,273,781
Balance as at 31 July 2011		<u>28,361,024</u>	<u>12,599,375</u>	<u>40,960,399</u>
Balance as at 1 February 2010, restated after adoption of FRS 139		55,667,503	9,049,796	64,717,299
Movement in unitholders' contribution:				
Creation of units from distribution	11	-	-	-
Creation of units from application	11	-	-	-
Cancellation of units	11	(23,142,806)	-	(23,142,806)
Total comprehensive income for the financial year		-	2,275,798	2,275,798
Balance as at 31 January 2011, restated		<u>32,524,697</u>	<u>11,325,594</u>	<u>43,850,291</u>

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

**UNAUDITED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 JULY 2011**

	01.02.2011	01.02.2010
	to	to
	31.07.2011	31.01.2011
Note	RM	
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of unquoted fixed income securities	20,237,014	27,792,237
Proceeds from redemption of unquoted fixed income securities	11,652,500	-
Purchase of unquoted fixed income securities	(24,262,456)	(7,811,330)
Interest income received from deposits with licensed financial institutions	47,782	20,950
Interest income received from unquoted fixed income securities	1,541,595	2,530,804
Other income received	61,667	597,743
Management fees paid	(255,273)	(632,586)
Trustee and custodian fees paid	(17,018)	(58,892)
Payments for other fees and expenses	(15,976)	(24,782)
Tax payment	(24,047)	(80,927)
Tax penalty	-	(4,569)
Net realised foreign currency exchange gain	618,033	3,609,519
Net cash inflow from operating and investing activities	<u>9,583,821</u>	<u>25,938,167</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for cancellation of units	(4,229,917)	(23,363,683)
Net cash outflow from financing activities	<u>(4,229,917)</u>	<u>(23,363,683)</u>
Net increase in cash and cash equivalents	5,353,904	2,574,484
Effects of foreign exchange	(481,657)	(112,163)
Cash and cash equivalents at the beginning of the financial period / year	<u>7,087,404</u>	<u>4,625,083</u>
Cash and cash equivalents at the end of the financial period / year	9 <u>11,959,651</u>	<u>7,087,404</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 JULY 2011**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITY

CIMB-Principal Opportunistic Bond Fund (the "Fund") is governed by a Deed dated 5 December 2008, (referred to as "the Deed") made between CIMB-Principal Asset Management Berhad (the "Manager"), HSBC (Malaysia) Trustee Berhad (the "Trustee") and the registered unit holders of the Fund.

The principal activity of the Fund is to invest in "Permitted Investments", as defined in Clause 17 of the Deed, which includes fixed income securities and other money market instruments. The Fund commenced operations on 15 January 2009 and will continue its operations until terminated by the Trustee or the Manager, as the case may be as provided under Clause 25 of the Deed.

The Manager, a company incorporated in Malaysia, is subsidiary of CIMB Group Sdn Bhd, and regards CIMB Group Holdings Berhad as its ultimate holding company. Its principal activities are the management of unit trust 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 under the historical cost convention in accordance with Financial Reporting Standards ("FRS") in Malaysia.

The preparation of financial statements in conformity with the FRS 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 financial year. It also requires the Manager to exercise their judgement in the process of applying the Fund's accounting policies. Although these estimates and judgement 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).

(i) Standards and amendments to published standards and interpretations that are applicable and are effective :

- FRS 8 "Operating Segments" (effective from 1 July 2009) replaces FRS 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The improvement to FRS 8 (effective from 1 January 2010) clarifies that entities that do not provide information about segment assets to the chief operating decision-maker will no longer need to report this information. Prior year comparatives must be restated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) Standards and amendments to published standards and interpretations that are applicable and are effective :

- FRS 7 “Financial instruments: Disclosures” (effective from 1 January 2010) provides information to users of financial statements about an entity’s exposure to risks and how the entity manages those risks. The improvement to FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the Statement of Comprehensive Income. This standard does not have any impact on the classification and valuation of the Fund's financial statements.
- The revised FRS 101 “Presentation of financial statements” (effective from 1 January 2010) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. 'Non-owner changes in equity' are to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the Statement of Comprehensive Income) or two statements (the income statement and Statement of Comprehensive Income).

Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

- FRS 107 “Statement of cash flows” (effective from 1 January 2010) clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities.
- FRS 110 “Events after the balance sheet date” (effective from 1 January 2010) reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time.
- FRS 118 “Revenue” (effective from 1 January 2010) provides more guidance when determining whether an entity is acting as a ‘principal’ or as an ‘agent’. This standard does not have material impact on the classification and valuation of the Fund's financial statements.
- Amendment FRS 132 “Financial Instruments: Presentation”

In the previous financial year, the Fund had classified its puttable instruments as liabilities in accordance with FRS 132, 'Financial instruments: Presentation'. However, the FRS 132 (amendment), 'Financial instruments: Presentation', and FRS 101 (amendment), 'Presentation of financial statements' - 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2010) (the 'amendment') requires puttable financial instruments that meet the definition of a financial liability to be classified as equity where certain strict criteria are met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (continued)**

- (i) Standards and amendments to published standards and interpretations that are applicable and are effective (continued):

Those criteria include: (i) the puttable instruments must entitle the holder to a pro-rata share of net assets; (ii) the puttable instruments must be the most subordinated class and that class's features must be identical; (iii) there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and (iv) the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer. As a result, the prior year financial statements are restated from amounts previously reported to conform with the amendment. The amendment has been applied retrospectively.

- FRS 139 "Financial Instruments: Recognition and Measurement"

In the previous financial year, unrealised gains or losses from the derivative financial instrument are recognised in the Statement of Financial Position as receivables and payables while the corresponding effect are transferred to the fair value reserve included in the capital and reserves attributable to equity holders of the fund.

However, the FRS 139 (new standard) 'Financial Instruments: Recognition and Measurement' (effective 1 January 2010) (the 'standard') requires the Fund to recognise all investments in its balance sheet as assets and shall measure them at fair value (except for a derivative that is linked to and that must be settled by delivery of an unquoted equity instrument whose fair value cannot be measured reliably) at the beginning of the financial period in which this standard is initially applied. The unrealised gains or losses transferred to the fair value reserve in the previous financial period shall be recognised as an adjustment of the balance of retained earnings at the beginning of the financial period in which this Standard is initially applied (other than for a derivative that is a designated hedging instrument).

In respect of FRS 7 and FRS 139, the Fund has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standards on the financial statements of the Fund. Comparative related to financial instruments have not been adjusted and therefore the corresponding balances are not comparable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (continued)**

- (ii) The new standards, amendments and interpretations to published standards which are relevant to the Fund and have not been early adopted are:
- Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective from 1 January 2011) require enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The Fund will apply this standard when effective.

The Fund has applied the transitional provision which exempts entities from disclosing the possible impact arising from the initial application of this amendment on the financial statements of the Fund.
 - IC Interpretation 17 "Distribution of non-cash assets to owners" (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

(b) Financial assets at fair value through profit or lossClassification

The Fund designates its investment in quoted securities and unquoted fixed income securities as financial assets at fair value through profit or loss at inception.

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

Recognition and measurement

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

Financial 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.

Gains or losses from changes in the fair value of the investments 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 period which they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets at fair value through profit or loss (continued)**Recognition and measurement (continued)

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

Quoted investments in Malaysia are valued at the last done market price quoted on Bursa Malaysia Securities Berhad ("Bursa Securities") at the date of the Statement of Financial Position.

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

Unquoted fixed income securities denominated in Ringgit Malaysia are revalued on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with the SC as per the SC Guidelines on Unit Trust Funds. Where such quotation are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- (i) records its basis for using non-BPA price;
- (ii) obtains necessary internal approvals to use the non-BPA price; and
- (iii) keeps an audit trail of all decisions and basis for adopting the market yield.

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

For assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'financing and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets at fair value through profit or loss (continued)**Recognition and measurement (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in Statement of Comprehensive Income.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(c) Derivative assets / (liabilities)

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.

Derivatives of the Fund are not recognised as a hedging instrument and are classified as held for trading and are subsequently carried at fair value, where changes in the fair value are recognised in the profit or loss in the period in which the changes arise.

(d) Income recognition

Dividend income is recognised on the ex-dividend date.

Interest income from deposits and unquoted fixed income securities are recognised on the accrual basis (taking into account the effective yield of the asset).

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

Realised gain or loss on disposal of investments is calculated based on difference between the net disposal proceeds and the carrying amount of investments, determined on cost adjusted for accretion of discount or amortisation of premium.

(e) Creation and cancellation of units

The Fund issues cancellable units, which are cancelled at the unitholder's option and are classified as equity. Cancellable units can be returned to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The outstanding units are carried at the redemption amount that is payable at the statement of financial position date if the unitholder exercises the right to return the unit to the Fund.

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

(f) Cash and cash equivalents

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

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

Current tax expense is determined according to Malaysian tax laws at the current tax rate based on taxable profits earned during the financial period.

(h) Amount due from/to stockbrokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Statement of Financial Position date respectively.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(i) Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include the bid-ask spread, fees and commissions paid to agents, advisors, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the Statement of Comprehensive Income as expenses. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

(j) Distribution

Proposed distributions to unitholders are recognised in the statement of changes in equity upon approval by the Board of Directors of the Manager.

(k) Functional and presentation currency

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Proceeds and payments on creation and cancellation of units

The net asset value per unit is computed for each dealing day. The price at which units are created or cancelled is calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day. Units in the Fund are classified as equity in the Statement of Financial Position and are stated at fair value representing the price at which unitholders can redeem the units from the Fund.

(m) Segmental information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographic segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Investment Committee of the Fund's manager that undertakes strategic decisions for the Fund.

(n) Financial instruments

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the date of the Statement of Financial Position.

Financial instruments as at 31 July 2011 are as follows:

	Financing and Receivables RM	Financial assets at fair value through profit or loss RM	Total RM
Financial assets at fair value through profit or loss (Note 8)	-	28,772,329	28,772,329
Cash and cash equivalents (Note 9)	11,959,651	-	11,959,651
Derivative assets	492,350	-	492,350
Other receivables	11,243	-	11,243
	-----	-----	-----
	12,463,244	28,772,329	41,235,573
	-----	-----	-----

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with FRS and the SC Guidelines on Unit Trust Funds requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the Statement of Financial Position date, and the reported amount of income and expenses during the reported financial year. Although these estimates are based on the Manager's best knowledge of current events and actions, actual results may differ from those estimates.

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.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks which include market risk (comprise price risk, interest rate risk and currency risk), credit risk, liquidity risk, counterparty risk, single issuer risk and non-compliance risk arising from the financial instruments it holds, and capital risk.

Financial risk management is carried out through internal control process adopted by the Manager and adherence to the investment restrictions as stipulated by the SC Guidelines on Unit Trust Funds.

(a) Market risk

(i) Price risk

This is the risk that the fair value of an investment in quoted security and unquoted fixed income security will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk).

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

At 31 July 2011, the Fund's overall exposure to price risk was as follows:

	2011
	RM
Financial asset at fair value through profit or loss	28,772,329

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(i) Price risk (continued)

The table below summarises the sensitivity of the Fund's net asset value to movements in prices of unquoted fixed income securities as at 31 July 2011. The analysis is based on the assumptions that the price of the unquoted fixed income securities fluctuates by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the unquoted fixed income securities, having regard to the historical volatility of the prices.

% Change in price	<u>Market value</u>		<u>Change in net asset value</u>	
	<u>Unquoted Fixed income securities RM</u>	<u>Total RM</u>	<u>Unquoted fixed income securities RM</u>	<u>Total RM</u>
(5%)	27,333,713	27,333,713	(1,438,616)	(1,438,616)
0%	28,772,329	28,772,329	-	-
5%	30,210,945	30,210,945	1,438,616	1,438,616

(ii) Interest rate risk

In general, when interest rates rise, bond prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund hold a bond till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

Interest rate is a general economic indicator that will have an impact on the management of the Fund. This risk is crucial in a bond fund since bond portfolio management depends on forecasting interest rate movements. Prices of bonds move inversely to interest rate movements, therefore as interest rates rise, the prices of bond portfolio decrease and vice versa. Furthermore, bonds with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Investors should note that fixed income securities (such as the bonds held by the Fund) and money market instruments are subject to interest rate fluctuations. Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The Fund also holds a limited amount of cash and cash equivalents that expose the Fund to cash flow interest rate risk.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The table below summarises the sensitivity of the Fund's net asset value to movements in prices of unquoted fixed income securities and interest income from deposits with licensed financial institutions held by the Fund as at 31 July 2011 as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate fluctuates by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

% Change in interest rate	Impact on net asset value	
	Unquoted fixed income securities designated at fair value through profit or loss RM	Deposits with licensed financial institutions RM
(5%)	(8,932)	(2,389)
0%	-	-
5%	8,932	2,389
	-----	-----

(iii) Currency risk

When a Fund invests in foreign markets, the foreign investment portion of the Fund may be affected by risks specific to the countries in which it invests. Such risks include changes in the country's economic fundamentals, social and political stability, currency movements and foreign investment policies. These factors may have an impact on the prices of the Fund's investment in that country and consequently may also affect the Fund's NAV and its growth. To mitigate these risks, the Manager will select securities and collective investment schemes that spread across various countries. The decision on diversification will be based on constant fundamental research and analysis of the global markets.

	USD RM	IDR RM	SGD RM	AUD RM	Total RM
Financial assets at fair value through profit or loss	6,187,292	2,509,018	-	1,679,251	10,375,561
Cash and cash equivalents	5,356,852	-	1,333,256	1,676,152	8,366,260
Total	11,544,144	2,509,018	1,333,256	3,355,403	18,741,821

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Currency risk (continued)

The table below summarises the sensitivity of the Fund's investments fair value to changes in foreign exchange movements as at 31 July 2011. The analysis is based on the assumption that the foreign exchange rate changes 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. Any increase/decrease in foreign exchange rate will result in a corresponding decrease/increase in the net assets attributable to unit holders by approximately 5%. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in foreign exchange rate %	Impact on profit before tax RM	Impact on net asset value RM
USD	5	577,207	577,207
IDR	5	125,451	125,451
SGD	5	66,663	66,663
AUD	5	167,770	167,770
		<u>937,091</u>	<u>937,091</u>

(b) Credit risk

Investment in debt securities, such as bonds, may involve a certain degree of credit/default risk with regards to the issuers. Generally, credit risk or default risk is the risk of loss due to the issuer's non payment or untimely payment of the investment amount as well as the returns on investment. This will cause a decline in value of the defaulted debt securities and subsequently depress the NAV of the Fund. Usually credit risk is more apparent for an investment with a longer tenure, i.e. the longer the duration, the higher the credit risk. Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the Manager imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the investment in accordance to the objective of the Fund. For this Fund, the debt securities investment must satisfy a minimum credit rating requirement of "A" by RAM or its MARC equivalent or if rated by a foreign rating agency, at least "BB-" by S&P or Fitch or "Ba3" from Moody's at the time of investment.

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. For amount due from stockbrokers, the settlement terms are governed by the relevant rules and regulations as prescribed by Bursa Securities. The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the Securities Commission's Guidelines on Unit Trust Funds.

The credit/default risk is minimal as all transactions in unquoted fixed income investments are settled/paid upon delivery using approved brokers. The following table sets out the credit risk concentration of the Fund:

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

As at 31.07.2011	Financial assets at fair value through profit or loss RM	Cash balance and deposits RM	Other assets RM	Total RM
Finance		11,959,651	-	11,959,651
Unquoted Sukuk				
- A	5,191,514	-	-	5,191,514
- A1	1,597,833	-	-	1,597,833
- Ba2	726,082	-	-	726,082
- Baa3	3,116,504	-	-	3,116,504
- NR	18,140,396	-	-	18,140,396
Others	-	-	503,593	503,593
	<u>28,772,329</u>	<u>11,959,651</u>	<u>503,593</u>	<u>41,235,573</u>

All financial assets of the Fund as at 31 July 2011 are neither past due nor impaired.

(c) Liquidity risk

Liquidity risk can be defined as the ease with which a security can be sold at or near its fair value depending on the volume traded in the market. If a security encounters a liquidity crunch, the security may need to be sold at a discount to the market fair value of the security. This in turn would depress the NAV and/or growth of the Fund. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector, and other factors. For the funds with more apparent liquidity risk, the Manager will continuously conduct research and analysis to actively manage the asset allocations.

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unitholders. Liquid assets comprise cash, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 days. The Fund has a policy of maintaining a minimum level of 2.00% of liquid assets at all times to reduce the liquidity risk.

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

	Less than 1 month RM	Less than 1 year RM
Amount due to Manager	104,397	-
Accrued management fee	39,129	-
Amount due to Trustee fee	2,519	-
Other payables and accruals	-	129,129
	-----	-----
Contractual cash out flows	146,045	129,129
	-----	-----

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Counterparty risk

When a Fund conducts over-the-counter (“OTC”) transactions, it may be exposed to risks relating to the credit standing of its counterparties and their ability to fulfill the conditions of the contracts it enters into with them. The Manager aims to mitigate this risk by performing fundamental credit research and analysis to determine the creditworthiness of its counterparty, and impose a credit limit as a precautionary step to limit any loss that may arise directly or indirectly as a result of a defaulted transaction.

(e) Single issuer risk

Any major price fluctuation of a particular security invested by the Fund may affect the Fund’s net asset value and thus the prices of units.

The single issuer risk is managed by adhering to the investment limits as specified in the SC Guidelines on Unit Trust Funds.

(f) Non-compliance risk

Non-compliance risk arises when the Manager and others associated with the Fund do not follow the rules set out in the Fund’s constitution, or the law that govern the Fund, or act fraudulently or dishonestly. It also includes the risk of the Manager not complying with internal control procedures. The non-compliance may expose the Fund to higher risks which may result in a fall in the value of the Fund which in turn may affect its investment goals. However, the risk can be mitigated by the internal controls and compliance monitoring undertaken by the manager.

(g) Capital risk management

The capital of the Fund is represented by equity consisting of unitholders’ capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of shareholders. 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 for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

4. INTEREST INCOME

	31.07.2011	31.07.2010
	RM	RM
Interest income from deposits with licensed financial institutions	47,782	8,260
Interest income from unquoted fixed income securities	178,643	1,332,668
	-----	-----
	226,425	1,340,928
	-----	-----

5. MANAGER'S FEE

In accordance with Clause 24(1) of the Deed, the Manager is entitled to a maximum management fee of 3.00% per annum calculated daily based on the net asset value of the Fund.

For the six months financial period ended 31 July 2011, the Manager's fee is recognised at a rate of 1.20% per annum (2010: 1.20%).

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

6. TRUSTEE'S FEE

In accordance with Clause 24(2) of the Deed, the Trustee is entitled to a fee not exceeding 0.10% per annum calculated daily based on the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum (excluding foreign sub-custodian fees and changes).

For the six months financial period ended 31 July 2011, the trustee's fee is recognised at a rate of 0.08% per annum (2010: 0.08%). The trustee fee includes the local custodian fee but excludes the foreign sub-custodian fee (if any).

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

7. TAXATION

	31.07.2011	31.07.2010
	RM	RM
Current taxation		
- Malaysian tax	6,285	-
- Foreign tax	24,047	16,167
	-----	-----
	30,332	16,167
	-----	-----

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

	31.07.2011	31.07.2010
	RM	RM
Net income before finance cost and taxation	1,304,113	446,903
	-----	-----
Taxation at Malaysian statutory rate of 25% (2010: 25%)	326,028	111,726
Tax effects:		
Income not subject to tax	(56,556)	(542,052)
Net realised (gain)/loss on sale of investment not (subject to tax)/deductible for tax purpose	(326,901)	332,845
Expenses not deductible for tax purposes	6,827	10,858
Permitted expenses not deducted and not carried forward	-	8,661
Restriction on tax deductible expenses for unit trust funds	56,887	77,962
Effect of foreign tax on foreign taxable income	24,047	16,167
	-----	-----
	30,332	16,167
	-----	-----

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.07.2011	31.01.2011
	RM	RM
Designated at fair value through profit or loss		
- Unquoted fixed income securities	<u>28,772,329</u>	<u>35,012,693</u>
	<u>28,772,329</u>	<u>35,012,693</u>
Net gain on assets at fair value through profit or loss		
- Realised	747,991	1,892,822
- Unrealised	<u>6,119</u>	<u>(3,363,012)</u>
	<u>754,110</u>	<u>(1,470,190)</u>

Name of issuer	Nominal value	Carrying cost	Fair value	Percentage of net asset value
As at 31 July 2011	Units	RM	RM	%

UNQUOTED FIXED INCOME SECURITIES - FOREIGN

AUSTRALIA

Morgan Stanley - 7.25% 26/05/2015	1,608,850	1,628,527	1,679,251	4.10
	<hr/>	<hr/>	<hr/>	<hr/>

UNITED STATES OF AMERICA

Wakala Global Sukuk Bhd - 2.991% 06/07/2016	761,875	763,415	746,874	1.83
SBB Capital Corporation - 6.62% 02/11/2015	3,516,999	3,149,715	3,116,504	7.62
Texhong Textile Group Lt - 7.625% 19/01/2016	763,375	765,260	726,082	1.77
Petronas Global Sukuk Lt -4.25% 12/08/2014	1,753,750	1,781,893	1,597,832	3.90
	<hr/>	<hr/>	<hr/>	<hr/>
	6,795,999	6,460,283	6,187,292	15.12
	<hr/>	<hr/>	<hr/>	<hr/>

INDONESIA

Indonesia Government 10% Due 15/10/2011 AO15	2,497,110	2,578,987	2,509,018	6.13
	<hr/>	<hr/>	<hr/>	<hr/>

TOTAL UNQUOTED FIXED INCOME SECURITIES - FOREIGN

	<u>10,901,959</u>	<u>10,667,797</u>	<u>10,375,561</u>	<u>25.35</u>
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8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Name of issuer	Nominal value	Carrying cost	Fair value	Percentage of net asset value
As at 31 July 2011	Units	RM	RM	%
UNQUOTED FIXED INCOME SECURITIES - LOCAL				
Kapar Energy Ventures SB 6.4% Due 6/1/2012 JJ8	3,000,000	3,048,838	3,047,759	7.45
Berjaya Land Berhad 8% Due 15/8/2011 FA15	5,000,000	5,182,125	5,191,514	12.69
Tresor Assets Berhad - 6.10% 12/01/2012	5,000,000	5,062,221	5,068,712	12.38
Pahlawan Power Sdn Bhd 6.9% Due 31/1/2012 JJ31	5,000,000	5,087,982	5,088,783	12.44
TOTAL UNQUOTED FIXED INCOME SECURITIES - LOCAL	18,000,000	18,381,166	18,396,768	44.96
TOTAL UNQUOTED FIXED INCOME SECURITIES	28,901,959	29,048,963	28,772,329	70.31
UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		591,183		
EFFECTS OF UNREALISED FOREIGN EXCHANGE DIFFERENCES		(867,817)		
TOTAL FAIR VALUE OF FOREIGN AND LOCAL UNQUOTED FIXED INCOME SECURITIES		28,772,329		

The unquoted fixed income securities have an effective weighted average interest rate of 3.22% per annum as at 31 July 2011.

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

Name of issuer	Nominal Value Units	Carrying cost RM	Fair value RM	Percentage of net asset value %
As at 31 January 2011				
UNQUOTED FIXED INCOME SECURITIES - FOREIGN				
AUSTRALIA				
CFS Retail Property Trust 5.075% 21/08/2014 (A)	2,582,032	2,376,673	3,033,315	6.92
HONG KONG				
Xinao Gas Holdings Limited 7.375% 05/08/2012 (Ba2)	2,364,408	2,327,824	2,166,485	4.94
Texhong Textile Group Lt 7.625% 19/01/2016 (Ba2)	763,375	765,320	779,312	1.78
	3,127,783	3,093,144	2,945,797	6.72
INDONESIA				
Indonesia Government 14.50% 15/12/2010 (Ba2)	2,497,110	2,607,281	2,454,098	5.60
PT Bank Danamon Indonesia # 8.75% 09/12/2013	2,925,211	2,961,721	2,903,112	6.62
	5,422,321	5,569,002	5,357,210	12.22
SINGAPORE				
Capitamall Trust 1.00% 02/07/2013 #	1,203,097	1,180,646	1,265,013	2.88
DBS Group Holdings Limited 7.657% 15/03/2011 (A)	8,992,748	9,151,678	7,929,958	18.08
	10,195,845	10,332,324	9,194,971	20.96
UNITED ARAB AMIRATES				
Dubai Electricity & Water 6.375% 21/10/2016 (Ba2)	311,700	317,119	308,011	0.70
TOTAL UNQUOTED FIXED INCOME SECURITIES – FOREIGN	21,639,681	21,688,262	20,839,304	47.52

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

Name of issuer	Nominal Value Units	Carrying cost RM	Fair value RM	Percentage of net asset value %
As at 31 January 2011				
UNQUOTED FIXED INCOME SECURITIES – LOCAL				
Berjaya Land Berhad 8.00% 15/08/2011 (A)	5,000,000	5,180,325	5,293,205	12.07
Hyundai Capital Services 5.50% 20/05/2011 (AA1)	4,000,000	4,012,988	4,063,595	9.27
Petronas Global Sukuk Lt 4.25% 12/08/2014 (A1)	1,753,750	1,782,612	1,628,571	3.71
SBB Capital Corporation 6.62% 02/11/2015 (Ba3)	3,516,999	3,112,916	3,188,019	7.27
<hr style="border-top: 1px dashed black;"/>				
TOTAL UNQUOTED FIXED INCOME SECURITIES - LOCAL	14,270,749	14,088,841	14,173,389	32.32
<hr style="border-top: 1px dashed black;"/>				
TOTAL UNQUOTED FIXED INCOME SECURITIES	35,910,430	35,777,103	35,012,693	79.84
<hr style="border-top: 1px dashed black;"/>				
UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
- LOCAL INVESTMENTS		163,487		
- FOREIGN INVESTMENTS		1,215,211		
EFFECT OF UNREALISED FOREIGN EXCHANGE DIFFERENCES		(2,143,108)		
<hr style="border-top: 1px dashed black;"/>				
TOTAL FAIR VALUE OF LOCAL AND FOREIGN UNQUOTED FIXED INCOME SECURITIES		35,012,693		
<hr style="border-top: 1px dashed black;"/>				

Unquoted fixed income securities that are not rated as at the statement of financial position date.

The unquoted fixed income securities have an effective weighted average interest rate of 7.07% per annum and an average maturity of 3 years as at 31 January 2011.

9. CASH AND CASH EQUIVALENTS

	31.07.2011	31.01.2011
	RM	RM
Bank balances in a licensed bank	8,558,814	3,657,734
Deposits with licensed financial institutions	3,400,837	3,429,670
	-----	-----
	11,959,651	7,087,404
	-----	-----

The currency exposure profile of cash and cash equivalents is as follows:

	31.07.2011	31.01.2011
	RM	RM
- Australian Dollar	1,676,152	-
- US Dollar	5,356,852	3,397,668
- Ringgit Malaysia	3,593,391	3,677,952
- Singapore Dollar	1,333,256	11,768
- Indonesian Rupiah	-	16
	-----	-----
	11,959,651	7,087,404
	-----	-----

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

	31.07.2011	31.01.2011
	%	%
Deposits with licensed financial institutions	<u>2.99</u>	<u>3.27</u>

Deposits with licensed financial institutions of the Fund have an average maturity of 0.5 days (2010: 2 days).

10. DERIVATIVE ASSETS / (LIABILITIES)

As at the date of Statement of Financial Position, there are six forward currency contracts outstanding.

The notional principal amount of the outstanding forward currency contracts amounted to RM 17,115,100 (2010: RM31, 271,440).

The forward currency contracts entered into during the financial year was for hedging against the currency exposure arising from the unquoted investments denominated in USD.

As the Fund has not adopted hedge accounting during the financial period, the change in the fair value of the forward currency contracts is recognised immediately in the Statement of Comprehensive Income.

11. NUMBER OF UNITS IN CIRCULATION AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	31.07.2011		31.01. 2011	
	No. of units	RM	No. of units	RM
At beginning of the financial year	36,590,719	43,850,291	56,628,000	64,717,299
Creation arising from distribution	-	-	-	-
Creation arising from application	-	-	-	-
Cancellation of units	(3,428,495)	(4,163,673)	(20,037,281)	(23,142,806)
Total comprehensive income for the financial period / year	-	1,273,781	-	2,275,798
At end of the financial period / year	33,162,224	40,960,399	36,590,719	43,850,291
Approved size of Fund	200,000,000		200,000,000	

As at 31 July 2011, the number of units not yet issued is 166,837,776 (2010: 163,409,281)

12. MANAGEMENT EXPENSE RATIO (“MER”)

	31.07.2011	31.07.2010
	%	%
MER	0.67	0.71

MER is based on the following calculation:

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

- A = Management fee
- B = Trustee’s fee
- C = Auditors’ remuneration
- D = Tax agent’s fee
- E = Transactions costs
- F = Other expenses
- G = Average net asset value of the Fund calculation on a daily basis

The average net asset value of the Fund for the financial period calculated on daily basis is RM42,059,130 (2010: RM55,303,014).

13. PORTFOLIO TURNOVER RATIO (“PTR”)

31.07.2011 31.07.2010

PTR (times)	0.51	0.16
	-----	-----

PTR is derived from the following calculation:

(Total acquisition for the financial period + total disposal for the financial period) ÷ 2

Average net asset value of the Fund for the financial period calculated on a daily basis

Where:

total acquisition for the financial period = RM 24,264,379 (2010: 3,700,666)
total disposal for the financial period = RM 18,257,232 (2010: RM13,538,960)

14. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

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

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

Unit held by the Manager and parties related to the Manager

Manager	31.07.2011		31.07.2010	
	No. of units	RM	No. of units	RM
CIMB-Principal Asset Management Berhad (The units are held beneficially by the Manager for booking purposes)	44,150	54,478	69,150	80,557
	-----	-----	-----	-----

The above units were transacted at the prevailing market price.

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

**14. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER
(CONTINUED)**

In addition to related party disclosure mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on terms and conditions obtained in transactions with unrelated parties unless otherwise stated. Interest rates on fixed and short-term deposits were at normal commercial rates.

	31.07.2011	31.07.2010
	RM	RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institution:		
- CIMB Bank Berhad	7,731	761
	-----	-----

15. TRANSACTIONS WITH BROKERS / DEALERS

Transactions entered into by the Fund by value of trades for the financial period ended 31 July 2011 are as follows:

Brokers / dealers	Values of trade	Percentage of total trades	Brokerage fees	Percentage of total brokerage
	RM	%	RM	%
RHB Bank Berhad - Repo	77,953,000	24.37	-	-
United Overseas Bank M - REPO	62,460,000	19.53	-	-
Hong Leong Bank Berhad	48,693,000	15.22	-	-
EON Bank Berhad	44,431,000	13.89	-	-
CIMB Bank Bhd - Treasury	37,769,000	11.81	-	-
OSK Investment Bank Bhd	13,250,550	4.14	-	-
Citi Bank Berhad	13,003,313	4.07	-	-
Morgan Stanley	8,660,763	2.71	-	-
Affin Bank Berhad	4,894,000	1.53	-	-
Deutsche Bank M Berhad	2,998,557	0.94	-	-
Others	5,730,672	1.79	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	319,843,854	100.00	-	-

15. TRANSACTIONS WITH BROKERS / DEALERS (CONTINUED)

Transactions entered into by the Fund by value of trades for the financial period ended 31 July 2011 are as follows:

Brokers / dealers	Values of trade RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage %
RHB Bank Berhad - Repo	148,691,000	31.28	-	-
United Overseas Bank M -REPO	97,264,000	20.46	-	-
Hong Leong Bank Berhad	71,944,000	15.13	-	-
CIMB Bank Bhd – Treasury #	59,488,000	12.51	-	-
EON Bank Berhad	44,958,000	9.46	-	-
Affin Bank Berhad	20,129,000	4.23	-	-
AmBank Berhad	13,804,000	2.90	-	-
Standard Chartered Bank Bhd	5,317,608	1.12	-	-
Credit Suisse Se HK Ltd	3,489,362	0.73	-	-
CIMB Bank Labuan #	3,475,326	0.73	-	-
Others	6,830,149	1.44	-	-
	475,390,445	100.00	-	-

Transactions by the Fund are trades conducted on normal terms with CIMB Bank Berhad and CIMB Bank Labuan, companies related to the Manager amounting to RM 37,769,000 (2010 : 59,488,000) and RM nil (2010 : RM 3,475,326).

16. SEGMENT INFORMATION

The Investment Committee of the Manager makes the strategic resource allocations on behalf of the Fund. The Fund has determined the operating segments based on the reports reviewed by this committee that are used to make strategic decisions.

The committee is responsible for the Fund's entire portfolio and considers the business as two sub-portfolio, consisting of a quoted investments portfolio, which focuses on equity and equity-related securities, and a debt portfolio, which focuses on unquoted fixed income securities.

The reportable operating segment derives its income by seeking investments to achieve targeted returns commensurate with an acceptable level of risk within the portfolio. These returns consist of interest income, dividend income and gains on the appreciation in the value of investments.

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

The Fund invests up to 100% of its NAV in quoted securities and unquoted fixed income securities, including but not limited to deposits with licensed financial institutions under BAFIA and/or IBA in Malaysia. These securities include but not limited to those issued or backed by governments, government agencies, supranational organisations, corporates or other issuers in Malaysia. The minimum credit rating for these securities would be "A3" by RAM or MARC equivalent, with the exception for those issued or backed by governments or supranational organisations.

The internal reporting provided to the CEO for the fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of FRS. The CEO is responsible for the performance of the fund and considers the business to have a single operating segment.

DIRECTORY

Head office of the Manager

CIMB-Principal Asset Management Berhad (Company No.: 304078-K)
Level 5, Menara Milenium,
8, Jalan Damanlela,
Bukit Damansara,
50490 Kuala Lumpur MALAYSIA

Postal address

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

Internet site

www.cimb-principal.com.my

E-mail address

cimb-p.custsupport@cimb.com

General investment enquiries

(03) 7718 3100

Trustee for the CIMB-Principal Strategic Bond Fund

HSBC (Malaysia) Trustee Berhad (Co. No. 001281-T)
13 Floor, Bangunan HSBC, South Tower,
No 2, Leboh Ampang,
50100 Kuala Lumpur,
MALAYSIA

Consulting Actuaries

Mercer (Malaysia) Sdn Bhd (253344-U)
1702 Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
MALAYSIA

LIST OF CIMB WEALTH ADVISORS BERHAD'S OFFICES

ADDRESS **TELEPHONE**

HEAD OFFICE

- 50, 52 & 54, Jalan SS21/39, Damansara Utama,
47400 Petaling Jaya, Selangor. 03-77183000

FINANCIAL CARE CENTRE

- 1 Jalan PJU 8/3B, Damansara Perdana,
47820 Petaling Jaya, Selangor. 03-77262000

REGIONAL OFFICES

- 5A, 1st & 2nd Floor, Jalan Todak 4, Bandar Sunway,
Seberang Jaya, 13700 Perai, Penang. 04-3702155
04-3702156
- 23 & 23A Jalan Harimau Tarum
Taman Century, 80250 Johor Bahru, Johor. 07-3341748
- 48, Jalan SS 21/39, Damansara Utama
47400 Petaling Jaya, Selangor. 03-77122888
- 5B, Lot 414, Section 10, KTLD Jalan Rubber,
93400 Kuching, Sarawak. 082-259777
- No 1 Jalan Pasar Baru, Kampung Air,
88000 Kota Kinabalu, Sabah. 088-239951
088-239952

BRANCHES

- Ground Floor, No. 298-B, Jalan Tok Hakim, 15000
Kota Bharu, Kelantan 09-7471190
09-7471172
- 30A, First Floor, Persiaran Greentown 1,
Greentown Business Centre, 30450 Ipoh, Perak. 05-2439001
05-2439002
- No 13B, 2nd Floor, Jalan Mamanda 7/1,
Off Jalan Ampang, 68000 Ampang, Selangor. 03-42702970
- 39-3 & 41-3, Jalan Radin Anum, Bandar Baru Sri Petaling,
57000 Kuala Lumpur. 03-90592333
- 61, Jalan Melaka Raya 24, Taman Melaka Raya, 75000 Melaka. 06-2811111
- Lot 228, 1st Floor, Beautiful Jade Centre, Jalan Maju,
98000 Miri, Sarawak. 085-432525

ADDRESS TELEPHONE

SALES OFFICES

- Unit 113 & 213, Block C, Damansara Intan 1, Jalan Ss20/27, 47400 Petaling Jaya. 03-7118 2234
- Lot C-615 & Lot C-616, Level 6 Block C Kelana Square, 17 Jalan Ss7/26, Kelana Jaya, 47301 Petaling Jaya 03-7880 6893
- 2-6A, Jalan Pju 8/3a, Bandar Damansara Perdana, 47820 Petaling Jaya, Selangor. 03-7725 6320
- 12A-3 (2nd Floor), Block C, Jalan Pju 5/17 Dataran Sunway, Kota Damansara, 47810 Petaling Jaya, Selangor. 03-6141 6369
- Unit A-2-5 & A-3-5, Block A, Pusat Perdagangan Pelangi, Pelangi Damansara, Pju 6 Persiaran Surian, 47800 Petaling Jaya, Selangor . 03-7725 2880
- No. 6-2, Jalan Dagang 1/1a, Taman Dagang, 68000 Ampang, Selangor. 03-4251 1129
- I-91-2, Block I, Jalan Teknologi 3/9, Kota Damansara, 47810 Petaling Jaya, Selangor. 03-6140 7275
- No 6B, 2nd Floor, Jalan Tengku Zabedah Ampuan K/9k, 40000 Shah Alam, Selangor. 03-5541 0350
- Block E-1-03a & E-2-03a, Jalan Ss6/20a, Dataran Glomac, 47301 Kelana Jaya, Selangor. 03-7880 7082
- 98A, Jalan Ss21/39, Damansara Utama, 47400, Petaling Jaya, Selangor. 03-7725 0825
- D-10-08-G & D10-08-1, Pusat Perdagangan Dana 1, Jalan Pju 1a/46, 47301 Petaling Jaya, Selangor. TBA
- 32 – 3, 3rd Floor, Jalan 1/27f, KI Satellite Centre (Klsc), Wangsa Maju Section 5 53300 Kuala Lumpur. 03-4142 2911
- A-2-1, Block A, 8 Jalan Pju 1a/20a Dataran Ara Damansara , 47301 Petaling Jaya. 03-7843 0506
- A-2-3, Block A, 8 Jalan Pju 1a/20a, Dataran Ara Damansara, 47301 Petaling Jaya. 03-7843 0503
- Unit B-3A-1, Setiawangsa Business Suites Jalan Setiawangsa 11, Taman Setiawangsa, 54200 Kuala Lumpur.03-4256 6277
- 22-2, Jalan Metro Wangsa, Seksyen 2 Wangsa Maju, 53300 Kuala Lumpur. 03-4149 8818
- J-06-01 Level 6 Block J, Solaris Mont' Kiara, Jalan Solaris, 50480 Kuala Lumpur. 03-6204 0113
- Suite B-12-11 Plaza Mont Kiara 2, Jalan 1/70c, Mont Kiara, 50480 Kuala Lumpur. 03-6203 9036
- A-7, Tingkat 1 Lorong Tun Ismail 12, Sri Dagangan 2, 25000 Kuantan, Pahang. 09-5161 430
- 15A, Jalan Ruby, 96000 Sibul, Sarawak. 084-325 515

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INVESTOR LETTER

Dear valued investors,

2011 was ushered in with a lot of optimism. Most analysts, if not all, were positive that the 2010 market rally would have spilt over into this year. However, it seems like the year may not be as predictable as we thought.

Nevertheless, as we all know the market is always cyclical. It goes up and comes down based on the current uncertainties. Ultimately, if you are a long-term investor, the best thing to do is to stay invested and not react emotionally by panic selling. What investors should do is to try to think forward with a plan and have a preferred asset allocation based on their risk tolerance. A well diversified portfolio is also important to mitigate risks in the long-term.

Usually, the source of market volatility is a mix of short and long-term causes. One of several immediate short-term causes has of course been the Standard and Poor's (S&P) ratings downgrade of long-term U.S. Government debt from AAA to AA+. The S&P downgrade had caused a massive downshift of investor's risk appetite that has been underway for several weeks.

We believe that once the current market turmoil subsides, we expect repercussions from the U.S. downgrade to be limited. Some fears that investors have, while certainly understandable in situation like this, are unsupported.

To be fair, here are some positive facts for the US:-

- US treasuries remain one of the safest investments even at AA+ rating;
- Over 60% of global allocated foreign exchange reserves are in USD and they are still highly in demand;
- US Treasuries are the most liquid securities traded in the world and it is hard to find alternatives or substitutes.
- Huge amounts of forced selling of US Treasures have yet to be seen

Overall, given the uncertainty in the markets, we still hold on to our view that the US will not go into a double dip recession. We will continue to remain positive on Asian Equities for second half of 2011 as we believe that strong fund flows into Asian fixed income markets may eventually have a positive spill over effect into the regional equity markets.

On another note, we are happy to announce that CIMB-Principal has garnered a total of 8 awards this year and will maintain our momentum of achievements in the industry for the best interest of our investors.

We are also happy to announce that CIMB-Principal Asset Management Berhad ("CIMB-Principal") is now GIPS-compliant.

GIPS or Global Investment Performance Standards are a set of standardized principles that provide guidance on how investment firms should calculate and report their investment results to prospective and current clients.

INVESTOR LETTER (*Continued*)

By being GIPS-compliant, investors can now have a greater level of confidence in the integrity of performance presentations as well as our general practices. We trust this will provide further assurance that the performance and reporting figures we cite are prepared to the highest standards.

With this, we at CIMB-Principal will strive to consistently provide investors with potential capital gains over the long-term and at the same time become the most reliable and trusted fund house in the industry. We look forward to supporting your journey through the interesting financial markets to come.

Yours sincerely

Campbell Tupling

Chief Executive

CIMB-Principal Asset Management Berhad

MANAGER'S REPORT**What is the investment objective of the Fund?**

The Fund is a close-ended fund that aims to provide investors with total return predominantly through investments in a portfolio of non-ringgit currency denominated bond and others fixed and floating rate securities.

Has the fund achieved its objective?

For the period under review, the Fund is in line with its stated objectives as stated under the fund performance review.

What are the fund investment policy and its strategy?

The Fund seeks to achieve its overall objective by providing potential total investment return consisting of a combination of interest income and capital appreciation. Under general market conditions, up to 98% of the Fund's NAV may be invested in non-ringgit bonds and other fixed and floating rate instruments (including convertible bonds). These securities are issued or backed by governments, governments agencies, supranational organizations, corporate or others issuers in the Asia Pacific region, which has a minimum credit rating of "A" rating by RAM or its MARC equivalent or if rates by a foreign rating agency, at least "BB-" by S&P or Fitch or "Ba3" from Moody's at the time of investment. The Fund's policies on investments were carried out in accordance with the Deed and it will continue its operations until terminated in accordance with the provisions of the Deed.

Fund category/ type

Bond / Income and growth.

How long should you invest for?

Recommended 3 years

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

High.

When was the Fund launched?

15 January 2009

What was the size of the Fund as at 31 July 2011?

RM 40.96 million (33.16 million units).

What is the fund's benchmark?

12-Month LIBOR (London Interbank Offered Rate) + 2% p.a.

What is the fund distribution policy?

The Fund distributes income, if any, are at the discretion of the Manager and will vary from period to period depending on the availability of the income for distribution.

What was the net income distribution for the period ended 31 July 2011?

There is no distribution made from 1 February 2011 to 31 July 2011.

***Note:** Pursuant to the Master Deed, the Manager has the right to make provisions for reserves in respect of distribution of the Fund. If the distribution available is too small or insignificant, any distribution may not be of benefit to the Unit holders as the total cost to be incurred in any such distribution may be higher than the amount for distribution. The Manager has the discretion to decide on the amount to be distributed to the Unit holders.

PERFORMANCE DATA

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

	31.07.2011	31.07.2010
	%	%
Fixed income securities	70.31	94.36
Cash and Other Net Assets	29.69	5.64
	<u>100.00</u>	<u>100.00</u>

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

	31.07.2011	31.07.2010
Net asset value (RM Million)*	40.96	48.83
Units in circulation (Million)	33.16	42.33
Net asset value per unit (RM)*	1.2351	1.1535
Highest NAV per unit (RM)	1.2351	1.1555
Lowest NAV per unit (RM)	1.1983	1.1328
Total return (%)	3.05	1.62
- Capital growth (%)	3.05	1.62
- Income distribution (%)	-	-
Management expense ratio (%)	0.67	0.71
Portfolio turnover ratio (times) #	0.51	0.16

	Total Return	Annualized
	%	%
- One Year	6.88	6.88
- Since inception	23.49	8.66

* Ex-distribution

(Launch date: 15 January 2009)

The PTR for the financial period under review was stable during the recent financial year and was mainly to cater for redemption of the fund.

	31.07.2011	31.07.2010	Since Inception
Annual total return (%)	6.88	7.96	23.49

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 have been verified by Mercer (Malaysia) Sdn Bhd (253344-U).

MARKET REVIEW (1 FEBRUARY 2011 TO 31 JULY 2011)

For the first quarter of the year, the global economic recovery was gathering pace following a slew of positive economic data. The US Federal Reserve Bank (Fed) has upgraded its economic outlook in the latest FOMC meeting and affirmed that the labour market is showing gradual improvements. Though the disruption stemming from Japan's earthquake and the ongoing turmoil in the Middle East has increased uncertainty around the economic outlook, it is not likely to derail global growth.

Meanwhile, the focus in Asia has shifted from supporting growth towards tackling rising inflation. Inflation threat has been exacerbated by the rise in global food and fuel prices. Most central banks across the region are seen moving from the less direct tightening monetary approach to taking more aggressive measures to hike interest rates.

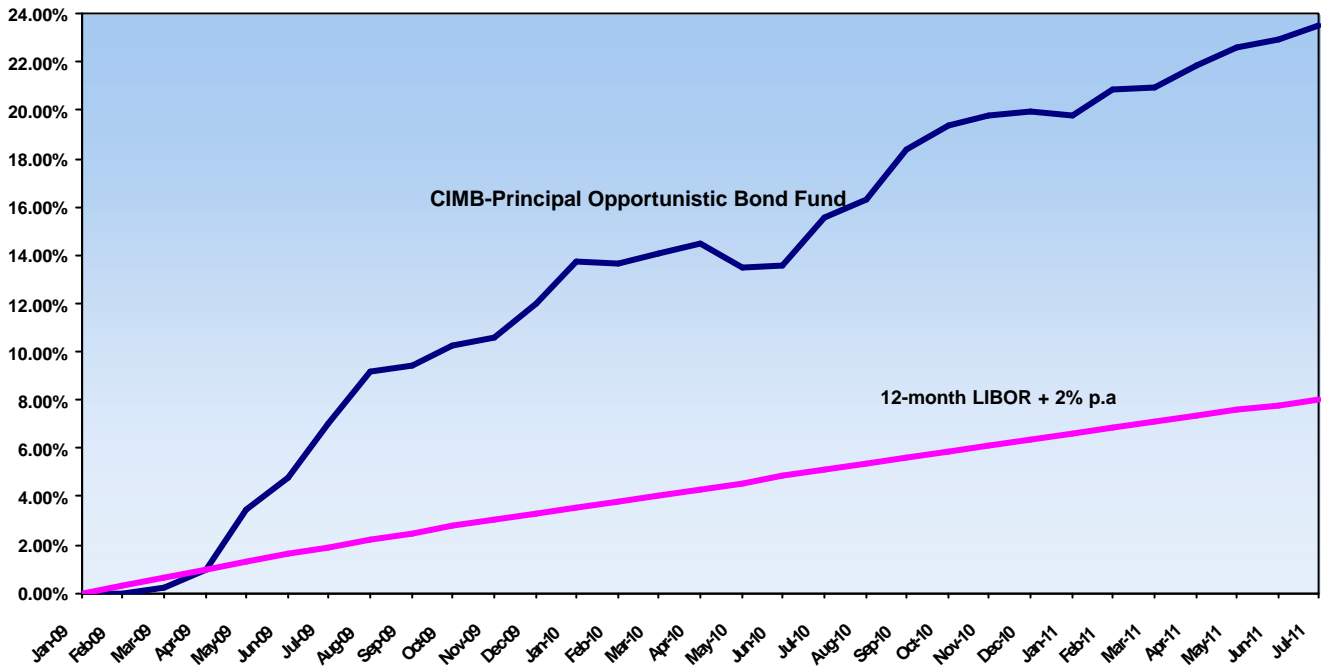
During the first quarter of 2011, the People's Bank of China raised its benchmark one year deposit rate and one year lending rate by 25 bps each to 3.00% and 6.06% respectively in an attempt to control price pressures and ward off a property bubble. Subsequently in March, China again raised the bank's reserve requirements. The Bank of Korea first raised its rate by 25 bps to 2.75% in January and then hiked its base rate again to 3.00% in March. Similarly, Thailand also upped its policy rate to 2.50%, its fifth increase in six meetings. In Singapore, CPI inflation rose by 5.00% year on year (y-o-y) in February above the 4.50% target for a third consecutive month.

In June, Asian USD bonds saw some sell-off due to uncertainty over the rollover of the Greek debt and its impact on the European banks. In addition, the negative outlook revision of the Chinese real estate sector by S&P on June 14th due to regulatory tightening also dampened sentiment. However, towards the month-end, the market rebounded as the Greek parliament approved the austerity package and most French and German banks accepted the rollover of the debt.

Towards the end of the period under review and despite the uncertainty surrounding the Euro sovereign crisis, the US debt ceiling and the onslaught of poor economic data coming out of the US, the Asian credit market was well supported with most of the high grade, high yield sovereigns and high yield corporates reported tighter spreads. The high yield corporates seems to have recovered somewhat from its June sell off, which was triggered by renewed corporate governance concerns.

FUND PERFORMANCE

	6 Month to 31.07.2011	1 Year to 31.07.2011	Since Inception to 31.07.2011
Income (%)	-	-	-
Capital (%)	3.05	6.88	23.49
Total Return (%)	3.05	6.88	23.49
Benchmark (%)	1.39	2.81	8.05
Average Total Return (%)	0.67	6.88	8.66



FUND PERFORMANCE (CONTINUED)

Changes in Net Asset Value (“NAV”)

	31.07.2011	31.07.2010	% changes
Net Asset Value (“NAV”) (RM Million)	40.96	48.83	(16.12)
NAV/unit (RM)	1.2351	1.1535	7.07

For the period under review, the Fund registered a reduction in net asset value of 16.12% mainly due to redemption. On a nav/unit basis, the better performance of the underlying corporate bonds in the portfolio saw a 7.07% increase. In terms of return, the Fund achieved a positive total return of 3.05% compared to the benchmark 12 month LIBOR + 2% p.a. rate return of 1.39% for the period under review. The out performance of 1.66% was due mainly to better performance from the corporate bonds in the portfolio.

The Fund did not declare any dividend distribution for the financial period under review.

In terms of Lipper rankings, as at 31 July 2011, the Fund ranked 7th out of 21 funds for 6 months (2nd Quartile), 8th out of 17 funds (2nd Quartile) over 1-year and 7th out of 9 funds (3rd Quartile) over 2 years under the Target Maturity category. (Source: Lipper).

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.

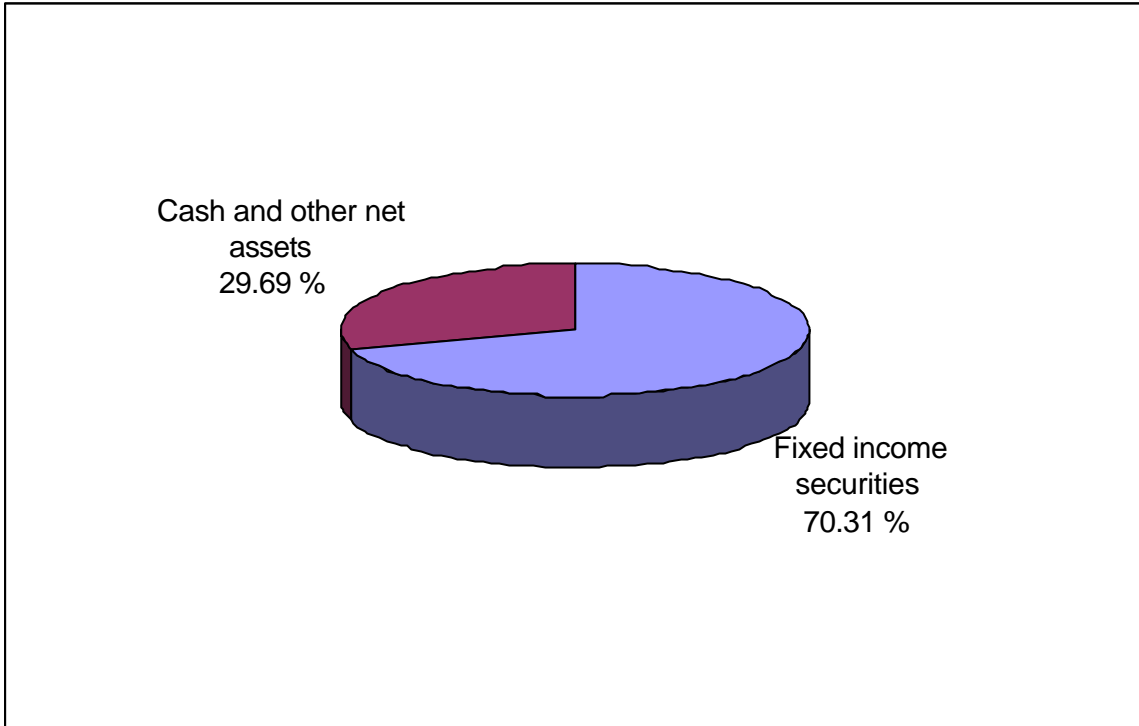
PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	31 July 2011	31 July 2010
Fixed income securities	70.31	94.36
Cash and other net assets	29.69	5.64
TOTAL	100.00	100.00

As at 31 July 2011, about 70.23% of the fund’s assets were invested in fixed income securities with the remaining balance in cash. Liquidity is maintained for the fund to participate in new issuances with higher yielding paper as well as to facilitate any redemption.

PORTFOLIO STRUCTURE (CONTINUED)



MARKET OUTLOOK

With the slowing growth trend in developed market, the ongoing restructuring of Eurozone and growth and inflation risk in most Asian markets, volatility has increased and markets are increasingly beginning to price in a bearish sentiment. Along with continued lower rates in developed market and further currency appreciation, we expect capital inflows to continue in Asia as investors are still interested in the Asian growth and currency appreciation story.

However, as the volatility increased in Asian bonds due to global risks mentioned before, we favour a conservative approach with capital preservation focus. At this juncture, we will take profit on some of our bond which has appreciated handsomely and will reduce risk until further clarity arises in the global view.

INVESTMENT STRATEGY

Overall, we will continue with our buy and hold strategy and to prioritise capital preservation.

UNIT HOLDING STATISTICS

Breakdown of unit holdings by size as at 31 July 2011 are as follows:

Size of unit holding	No. of unit holders	No. of units held	% of units held
5,000 and below	10	34,558	0.10
5,001 to 10,000	3	29,823	0.09
10,001 to 50,000	-	-	-
50,001 to 500,000	-	-	-
500,001 and above	3	33,097,843	99.81
Total	16	33,162,224	100.00

SOFT COMMISSIONS AND REBATES

Dealings on investments of the Fund through brokers or dealers will be on terms which are best available for the Fund. Any rebates from brokers or dealers will be directed to the account of the Fund.

The Investment Manager may from time to time receive and retain soft commissions in the form of subscription for real-time services or advisory services that assist in the decision-making process relating to the Fund's investments from brokers or dealers.

During the financial period under review, the management company did not receive any rebates and soft commissions from brokers or dealers.

**STATEMENT BY MANAGER TO THE UNITHOLDERS OF
CIMB-PRINCIPAL OPPORTUNISTIC BOND FUND**

We, being the Directors of CIMB-Principal Asset Management Berhad, do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 12 to 40 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the state of financial position of the Fund as at 31 July 2011 and of its financial performance, changes in equity and cash flows for the six months financial period ended on that date in accordance with Financial Reporting Standards in Malaysia and the Securities Commission's Guidelines on Unit Trust Funds.

For and on behalf of the Manager
CIMB-Principal Asset Management Berhad (Company No.: 304078-K)

JOHN CAMPBELL TUPLING
Chief Executive Officer/Director

DATUK NORIPAH KAMSO
Director

Kuala Lumpur
30 September 2011

TRUSTEE'S REPORT

**TO THE UNITHOLDERS OF
CIMB-PRINCIPAL OPPORTUNISTIC BOND FUND**

We have acted as Trustee of **CIMB-Principal Opportunistic Bond Fund** ("the Fund") for the financial period ended 31 July 2011. To the best of our knowledge, **CIMB-Principal Asset Management Berhad**, ("the Management Company"), 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 Deed, the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- b) Valuation/pricing is carried out in accordance with the Deed and any regulatory requirements; and
- c) Creation and cancellation of units are carried out in accordance with the Deed and any regulatory requirements.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie
Head, Trustee Operations

Kuala Lumpur

30 September 2011

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 JULY 2011**

	Note	01.02.2011 to 31.07.2011 RM	01.02.2010 to 31.07.2010 RM
NET INVESTMENT INCOME			
Interest income	4	226,425	1,340,928
Net realised gain/(loss) on sale of financial assets at fair value through profit or loss		754,110	(2,285,940)
Net foreign currency exchange gain		578,846	1,613,560
Net fair value (loss) on derivative assets		(25,350)	-
Other income		50,222	168,283
		-----	-----
		1,584,253	836,831
		-----	-----
EXPENSES			
Management fee	5	247,795	336,264
Trustee and custodian fees	6	22,199	41,792
Audit fee		4,000	8,000
Tax agent's fee		1,500	-
Other expenses		4,646	3,872
		-----	-----
		280,140	389,928
		-----	-----
NET PROFIT BEFORE TAXATION		1,304,113	446,903
TAXATION	7	(30,332)	(16,167)
		-----	-----
NET PROFIT AFTER TAXATION REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		1,273,781	430,736
		-----	-----
Net profit after taxation is made up as follows:			
Realised amount		754,110	430,736
Unrealised amount		519,671	-
		-----	-----
		1,273,781	430,736
		-----	-----

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2011**

		01.02.2011 to 31.07.2011	01.02.2010 to 31.01.2011
	Note	RM	RM
CURRENT ASSETS			
Financial assets at fair value through profit or loss	8	28,772,329	35,012,693
Cash and cash equivalents	9	11,959,651	7,087,404
Derivative assets	10	492,350	517,700
Amount due from dealer		-	1,553,066
Other receivables		11,243	22,488
TOTAL ASSETS		<u>41,235,573</u>	<u>44,193,351</u>
CURRENT LIABILITIES			
Amount due to Manager		104,397	170,641
Accrued management fee		39,129	46,607
Amount due to Trustee		2,519	2,968
Tax payable		108,129	101,844
Other payables and accruals		21,000	21,000
TOTAL LIABILITIES		<u>275,174</u>	<u>343,060</u>
NET ASSET VALUE OF THE FUND	11	<u>40,960,399</u>	<u>43,850,291</u>
EQUITY			
Unitholders' capital		28,361,024	32,524,697
Retained Earnings		<u>12,599,375</u>	<u>11,325,594</u>
		<u>40,960,399</u>	<u>43,850,291</u>
NUMBER UNITS IN CIRCULATION	11	<u>33,162,224</u>	<u>36,590,719</u>
NET ASSET VALUE PER UNIT (RM)		1.2351	1.1983

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 JULY 2011**

	Note	Unitholders' Capital RM	Retained Earnings RM	Total RM
Balance as at 1 February 2011, restated after adoption of FRS 139		32,524,697	11,325,594	43,850,291
Movement in unitholders' contribution:				
Creation of units from distribution		-	-	-
Creation of units from application	11	-	-	-
Cancellation of units	11	(4,163,673)	-	(4,163,673)
Total comprehensive income for the financial year		-	1,273,781	1,273,781
Balance as at 31 July 2011		<u>28,361,024</u>	<u>12,599,375</u>	<u>40,960,399</u>
Balance as at 1 February 2010, restated after adoption of FRS 139		55,667,503	9,049,796	64,717,299
Movement in unitholders' contribution:				
Creation of units from distribution	11	-	-	-
Creation of units from application	11	-	-	-
Cancellation of units	11	(23,142,806)	-	(23,142,806)
Total comprehensive income for the financial year		-	2,275,798	2,275,798
Balance as at 31 January 2011, restated		<u>32,524,697</u>	<u>11,325,594</u>	<u>43,850,291</u>

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

**UNAUDITED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 JULY 2011**

	01.02.2011 to 31.07.2011	01.02.2010 to 31.01.2011
Note	RM	
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of unquoted fixed income securities	20,237,014	27,792,237
Proceeds from redemption of unquoted fixed income securities	11,652,500	-
Purchase of unquoted fixed income securities	(24,262,456)	(7,811,330)
Interest income received from deposits with licensed financial institutions	47,782	20,950
Interest income received from unquoted fixed income securities	1,541,595	2,530,804
Other income received	61,667	597,743
Management fees paid	(255,273)	(632,586)
Trustee and custodian fees paid	(17,018)	(58,892)
Payments for other fees and expenses	(15,976)	(24,782)
Tax payment	(24,047)	(80,927)
Tax penalty	-	(4,569)
Net realised foreign currency exchange gain	618,033	3,609,519
Net cash inflow from operating and investing activities	9,583,821	25,938,167
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for cancellation of units	(4,229,917)	(23,363,683)
Net cash outflow from financing activities	(4,229,917)	(23,363,683)
Net increase in cash and cash equivalents	5,353,904	2,574,484
Effects of foreign exchange	(481,657)	(112,163)
Cash and cash equivalents at the beginning of the financial period / year	7,087,404	4,625,083
Cash and cash equivalents at the end of the financial period / year	9 11,959,651	7,087,404

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 JULY 2011**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITY

CIMB-Principal Opportunistic Bond Fund (the "Fund") is governed by a Deed dated 5 December 2008, (referred to as "the Deed") made between CIMB-Principal Asset Management Berhad (the "Manager"), HSBC (Malaysia) Trustee Berhad (the "Trustee") and the registered unit holders of the Fund.

The principal activity of the Fund is to invest in "Permitted Investments", as defined in Clause 17 of the Deed, which includes fixed income securities and other money market instruments. The Fund commenced operations on 15 January 2009 and will continue its operations until terminated by the Trustee or the Manager, as the case may be as provided under Clause 25 of the Deed.

The Manager, a company incorporated in Malaysia, is subsidiary of CIMB Group Sdn Bhd, and regards CIMB Group Holdings Berhad as its ultimate holding company. Its principal activities are the management of unit trust 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 under the historical cost convention in accordance with Financial Reporting Standards ("FRS") in Malaysia.

The preparation of financial statements in conformity with the FRS 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 financial year. It also requires the Manager to exercise their judgement in the process of applying the Fund's accounting policies. Although these estimates and judgement 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).

(i) Standards and amendments to published standards and interpretations that are applicable and are effective :

- FRS 8 "Operating Segments" (effective from 1 July 2009) replaces FRS 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The improvement to FRS 8 (effective from 1 January 2010) clarifies that entities that do not provide information about segment assets to the chief operating decision-maker will no longer need to report this information. Prior year comparatives must be restated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) Standards and amendments to published standards and interpretations that are applicable and are effective :

- FRS 7 “Financial instruments: Disclosures” (effective from 1 January 2010) provides information to users of financial statements about an entity’s exposure to risks and how the entity manages those risks. The improvement to FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the Statement of Comprehensive Income. This standard does not have any impact on the classification and valuation of the Fund's financial statements.
- The revised FRS 101 “Presentation of financial statements” (effective from 1 January 2010) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. 'Non-owner changes in equity' are to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the Statement of Comprehensive Income) or two statements (the income statement and Statement of Comprehensive Income).

Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

- FRS 107 “Statement of cash flows” (effective from 1 January 2010) clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities.
- FRS 110 “Events after the balance sheet date” (effective from 1 January 2010) reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time.
- FRS 118 “Revenue” (effective from 1 January 2010) provides more guidance when determining whether an entity is acting as a ‘principal’ or as an ‘agent’. This standard does not have material impact on the classification and valuation of the Fund's financial statements.
- Amendment FRS 132 “Financial Instruments: Presentation”

In the previous financial year, the Fund had classified its puttable instruments as liabilities in accordance with FRS 132, 'Financial instruments: Presentation'. However, the FRS 132 (amendment), 'Financial instruments: Presentation', and FRS 101 (amendment), 'Presentation of financial statements' - 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2010) (the 'amendment') requires puttable financial instruments that meet the definition of a financial liability to be classified as equity where certain strict criteria are met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (continued)**

- (i) Standards and amendments to published standards and interpretations that are applicable and are effective (continued):

Those criteria include: (i) the puttable instruments must entitle the holder to a pro-rata share of net assets; (ii) the puttable instruments must be the most subordinated class and that class's features must be identical; (iii) there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and (iv) the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer. As a result, the prior year financial statements are restated from amounts previously reported to conform with the amendment. The amendment has been applied retrospectively.

- FRS 139 "Financial Instruments: Recognition and Measurement"

In the previous financial year, unrealised gains or losses from the derivative financial instrument are recognised in the Statement of Financial Position as receivables and payables while the corresponding effect are transferred to the fair value reserve included in the capital and reserves attributable to equity holders of the fund.

However, the FRS 139 (new standard) 'Financial Instruments: Recognition and Measurement' (effective 1 January 2010) (the 'standard') requires the Fund to recognise all investments in its balance sheet as assets and shall measure them at fair value (except for a derivative that is linked to and that must be settled by delivery of an unquoted equity instrument whose fair value cannot be measured reliably) at the beginning of the financial period in which this standard is initially applied. The unrealised gains or losses transferred to the fair value reserve in the previous financial period shall be recognised as an adjustment of the balance of retained earnings at the beginning of the financial period in which this Standard is initially applied (other than for a derivative that is a designated hedging instrument).

In respect of FRS 7 and FRS 139, the Fund has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standards on the financial statements of the Fund. Comparative related to financial instruments have not been adjusted and therefore the corresponding balances are not comparable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (continued)**

- (ii) The new standards, amendments and interpretations to published standards which are relevant to the Fund and have not been early adopted are:
- Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective from 1 January 2011) require enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The Fund will apply this standard when effective.

The Fund has applied the transitional provision which exempts entities from disclosing the possible impact arising from the initial application of this amendment on the financial statements of the Fund.
 - IC Interpretation 17 "Distribution of non-cash assets to owners" (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

(b) Financial assets at fair value through profit or lossClassification

The Fund designates its investment in quoted securities and unquoted fixed income securities as financial assets at fair value through profit or loss at inception.

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

Recognition and measurement

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

Financial 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.

Gains or losses from changes in the fair value of the investments 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 period which they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets at fair value through profit or loss (continued)**Recognition and measurement (continued)

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

Quoted investments in Malaysia are valued at the last done market price quoted on Bursa Malaysia Securities Berhad ("Bursa Securities") at the date of the Statement of Financial Position.

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

Unquoted fixed income securities denominated in Ringgit Malaysia are revalued on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with the SC as per the SC Guidelines on Unit Trust Funds. Where such quotation are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- (i) records its basis for using non-BPA price;
- (ii) obtains necessary internal approvals to use the non-BPA price; and
- (iii) keeps an audit trail of all decisions and basis for adopting the market yield.

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

For assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'financing and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets at fair value through profit or loss (continued)**Recognition and measurement (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in Statement of Comprehensive Income.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(c) Derivative assets / (liabilities)

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.

Derivatives of the Fund are not recognised as a hedging instrument and are classified as held for trading and are subsequently carried at fair value, where changes in the fair value are recognised in the profit or loss in the period in which the changes arise.

(d) Income recognition

Dividend income is recognised on the ex-dividend date.

Interest income from deposits and unquoted fixed income securities are recognised on the accrual basis (taking into account the effective yield of the asset).

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

Realised gain or loss on disposal of investments is calculated based on difference between the net disposal proceeds and the carrying amount of investments, determined on cost adjusted for accretion of discount or amortisation of premium.

(e) Creation and cancellation of units

The Fund issues cancellable units, which are cancelled at the unitholder's option and are classified as equity. Cancellable units can be returned to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The outstanding units are carried at the redemption amount that is payable at the statement of financial position date if the unitholder exercises the right to return the unit to the Fund.

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

(f) Cash and cash equivalents

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

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

Current tax expense is determined according to Malaysian tax laws at the current tax rate based on taxable profits earned during the financial period.

(h) Amount due from/to stockbrokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Statement of Financial Position date respectively.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(i) Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include the bid-ask spread, fees and commissions paid to agents, advisors, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the Statement of Comprehensive Income as expenses. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

(j) Distribution

Proposed distributions to unitholders are recognised in the statement of changes in equity upon approval by the Board of Directors of the Manager.

(k) Functional and presentation currency

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Proceeds and payments on creation and cancellation of units

The net asset value per unit is computed for each dealing day. The price at which units are created or cancelled is calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day. Units in the Fund are classified as equity in the Statement of Financial Position and are stated at fair value representing the price at which unitholders can redeem the units from the Fund.

(m) Segmental information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographic segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Investment Committee of the Fund's manager that undertakes strategic decisions for the Fund.

(n) Financial instruments

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the date of the Statement of Financial Position.

Financial instruments as at 31 July 2011 are as follows:

	Financing and Receivables RM	Financial assets at fair value through profit or loss RM	Total RM
Financial assets at fair value through profit or loss (Note 8)	-	28,772,329	28,772,329
Cash and cash equivalents (Note 9)	11,959,651	-	11,959,651
Derivative assets	492,350	-	492,350
Other receivables	11,243	-	11,243
	-----	-----	-----
	12,463,244	28,772,329	41,235,573
	-----	-----	-----

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with FRS and the SC Guidelines on Unit Trust Funds requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the Statement of Financial Position date, and the reported amount of income and expenses during the reported financial year. Although these estimates are based on the Manager's best knowledge of current events and actions, actual results may differ from those estimates.

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.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks which include market risk (comprise price risk, interest rate risk and currency risk), credit risk, liquidity risk, counterparty risk, single issuer risk and non-compliance risk arising from the financial instruments it holds, and capital risk.

Financial risk management is carried out through internal control process adopted by the Manager and adherence to the investment restrictions as stipulated by the SC Guidelines on Unit Trust Funds.

(a) Market risk

(i) Price risk

This is the risk that the fair value of an investment in quoted security and unquoted fixed income security will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk).

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

At 31 July 2011, the Fund's overall exposure to price risk was as follows:

	2011
	RM
Financial asset at fair value through profit or loss	28,772,329

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(i) Price risk (continued)

The table below summarises the sensitivity of the Fund's net asset value to movements in prices of unquoted fixed income securities as at 31 July 2011. The analysis is based on the assumptions that the price of the unquoted fixed income securities fluctuates by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the unquoted fixed income securities, having regard to the historical volatility of the prices.

% Change in price	<u>Market value</u>		<u>Change in net asset value</u>	
	<u>Unquoted Fixed income securities RM</u>	<u>Total RM</u>	<u>Unquoted fixed income securities RM</u>	<u>Total RM</u>
(5%)	27,333,713	27,333,713	(1,438,616)	(1,438,616)
0%	28,772,329	28,772,329	-	-
5%	30,210,945	30,210,945	1,438,616	1,438,616

(ii) Interest rate risk

In general, when interest rates rise, bond prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund hold a bond till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

Interest rate is a general economic indicator that will have an impact on the management of the Fund. This risk is crucial in a bond fund since bond portfolio management depends on forecasting interest rate movements. Prices of bonds move inversely to interest rate movements, therefore as interest rates rise, the prices of bond portfolio decrease and vice versa. Furthermore, bonds with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Investors should note that fixed income securities (such as the bonds held by the Fund) and money market instruments are subject to interest rate fluctuations. Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The Fund also holds a limited amount of cash and cash equivalents that expose the Fund to cash flow interest rate risk.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The table below summarises the sensitivity of the Fund's net asset value to movements in prices of unquoted fixed income securities and interest income from deposits with licensed financial institutions held by the Fund as at 31 July 2011 as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate fluctuates by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

% Change in interest rate	Impact on net asset value	
	Unquoted fixed income securities designated at fair value through profit or loss RM	Deposits with licensed financial institutions RM
(5%)	(8,932)	(2,389)
0%	-	-
5%	8,932	2,389
	-----	-----

(iii) Currency risk

When a Fund invests in foreign markets, the foreign investment portion of the Fund may be affected by risks specific to the countries in which it invests. Such risks include changes in the country's economic fundamentals, social and political stability, currency movements and foreign investment policies. These factors may have an impact on the prices of the Fund's investment in that country and consequently may also affect the Fund's NAV and its growth. To mitigate these risks, the Manager will select securities and collective investment schemes that spread across various countries. The decision on diversification will be based on constant fundamental research and analysis of the global markets.

	USD RM	IDR RM	SGD RM	AUD RM	Total RM
Financial assets at fair value through profit or loss	6,187,292	2,509,018	-	1,679,251	10,375,561
Cash and cash equivalents	5,356,852	-	1,333,256	1,676,152	8,366,260
Total	11,544,144	2,509,018	1,333,256	3,355,403	18,741,821

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Currency risk (continued)

The table below summarises the sensitivity of the Fund's investments fair value to changes in foreign exchange movements as at 31 July 2011. The analysis is based on the assumption that the foreign exchange rate changes 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. Any increase/decrease in foreign exchange rate will result in a corresponding decrease/increase in the net assets attributable to unit holders by approximately 5%. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in foreign exchange rate %	Impact on profit before tax RM	Impact on net asset value RM
USD	5	577,207	577,207
IDR	5	125,451	125,451
SGD	5	66,663	66,663
AUD	5	167,770	167,770
		<u>937,091</u>	<u>937,091</u>

(b) Credit risk

Investment in debt securities, such as bonds, may involve a certain degree of credit/default risk with regards to the issuers. Generally, credit risk or default risk is the risk of loss due to the issuer's non payment or untimely payment of the investment amount as well as the returns on investment. This will cause a decline in value of the defaulted debt securities and subsequently depress the NAV of the Fund. Usually credit risk is more apparent for an investment with a longer tenure, i.e. the longer the duration, the higher the credit risk. Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the Manager imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the investment in accordance to the objective of the Fund. For this Fund, the debt securities investment must satisfy a minimum credit rating requirement of "A" by RAM or its MARC equivalent or if rated by a foreign rating agency, at least "BB-" by S&P or Fitch or "Ba3" from Moody's at the time of investment.

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. For amount due from stockbrokers, the settlement terms are governed by the relevant rules and regulations as prescribed by Bursa Securities. The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the Securities Commission's Guidelines on Unit Trust Funds.

The credit/default risk is minimal as all transactions in unquoted fixed income investments are settled/paid upon delivery using approved brokers. The following table sets out the credit risk concentration of the Fund:

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

As at 31.07.2011	Financial assets at fair value through profit or loss RM	Cash balance and deposits RM	Other assets RM	Total RM
Finance		11,959,651	-	11,959,651
Unquoted Sukuk				
- A	5,191,514	-	-	5,191,514
- A1	1,597,833	-	-	1,597,833
- Ba2	726,082	-	-	726,082
- Baa3	3,116,504	-	-	3,116,504
- NR	18,140,396	-	-	18,140,396
Others	-	-	503,593	503,593
	<u>28,772,329</u>	<u>11,959,651</u>	<u>503,593</u>	<u>41,235,573</u>

All financial assets of the Fund as at 31 July 2011 are neither past due nor impaired.

(c) Liquidity risk

Liquidity risk can be defined as the ease with which a security can be sold at or near its fair value depending on the volume traded in the market. If a security encounters a liquidity crunch, the security may need to be sold at a discount to the market fair value of the security. This in turn would depress the NAV and/or growth of the Fund. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector, and other factors. For the funds with more apparent liquidity risk, the Manager will continuously conduct research and analysis to actively manage the asset allocations.

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unitholders. Liquid assets comprise cash, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 days. The Fund has a policy of maintaining a minimum level of 2.00% of liquid assets at all times to reduce the liquidity risk.

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

	Less than 1 month RM	Less than 1 year RM
Amount due to Manager	104,397	-
Accrued management fee	39,129	-
Amount due to Trustee fee	2,519	-
Other payables and accruals	-	129,129
	-----	-----
Contractual cash out flows	146,045	129,129
	-----	-----

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Counterparty risk

When a Fund conducts over-the-counter (“OTC”) transactions, it may be exposed to risks relating to the credit standing of its counterparties and their ability to fulfill the conditions of the contracts it enters into with them. The Manager aims to mitigate this risk by performing fundamental credit research and analysis to determine the creditworthiness of its counterparty, and impose a credit limit as a precautionary step to limit any loss that may arise directly or indirectly as a result of a defaulted transaction.

(e) Single issuer risk

Any major price fluctuation of a particular security invested by the Fund may affect the Fund’s net asset value and thus the prices of units.

The single issuer risk is managed by adhering to the investment limits as specified in the SC Guidelines on Unit Trust Funds.

(f) Non-compliance risk

Non-compliance risk arises when the Manager and others associated with the Fund do not follow the rules set out in the Fund’s constitution, or the law that govern the Fund, or act fraudulently or dishonestly. It also includes the risk of the Manager not complying with internal control procedures. The non-compliance may expose the Fund to higher risks which may result in a fall in the value of the Fund which in turn may affect its investment goals. However, the risk can be mitigated by the internal controls and compliance monitoring undertaken by the manager.

(g) Capital risk management

The capital of the Fund is represented by equity consisting of unitholders’ capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of shareholders. 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 for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

4. INTEREST INCOME

	31.07.2011	31.07.2010
	RM	RM
Interest income from deposits with licensed financial institutions	47,782	8,260
Interest income from unquoted fixed income securities	178,643	1,332,668
	-----	-----
	226,425	1,340,928
	-----	-----

5. MANAGER'S FEE

In accordance with Clause 24(1) of the Deed, the Manager is entitled to a maximum management fee of 3.00% per annum calculated daily based on the net asset value of the Fund.

For the six months financial period ended 31 July 2011, the Manager's fee is recognised at a rate of 1.20% per annum (2010: 1.20%).

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

6. TRUSTEE'S FEE

In accordance with Clause 24(2) of the Deed, the Trustee is entitled to a fee not exceeding 0.10% per annum calculated daily based on the net asset value of the Fund, subject to a minimum fee of RM18,000 per annum (excluding foreign sub-custodian fees and changes).

For the six months financial period ended 31 July 2011, the trustee's fee is recognised at a rate of 0.08% per annum (2010: 0.08%). The trustee fee includes the local custodian fee but excludes the foreign sub-custodian fee (if any).

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

7. TAXATION

	31.07.2011	31.07.2010
	RM	RM
Current taxation		
- Malaysian tax	6,285	-
- Foreign tax	24,047	16,167
	-----	-----
	30,332	16,167
	-----	-----

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

	31.07.2011	31.07.2010
	RM	RM
Net income before finance cost and taxation	1,304,113	446,903
	-----	-----
Taxation at Malaysian statutory rate of 25% (2010: 25%)	326,028	111,726
Tax effects:		
Income not subject to tax	(56,556)	(542,052)
Net realised (gain)/loss on sale of investment not (subject to tax)/deductible for tax purpose	(326,901)	332,845
Expenses not deductible for tax purposes	6,827	10,858
Permitted expenses not deducted and not carried forward	-	8,661
Restriction on tax deductible expenses for unit trust funds	56,887	77,962
Effect of foreign tax on foreign taxable income	24,047	16,167
	-----	-----
	30,332	16,167
	-----	-----

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.07.2011	31.01.2011
	RM	RM
Designated at fair value through profit or loss		
- Unquoted fixed income securities	<u>28,772,329</u>	<u>35,012,693</u>
	<u>28,772,329</u>	<u>35,012,693</u>
Net gain on assets at fair value through profit or loss		
- Realised	747,991	1,892,822
- Unrealised	<u>6,119</u>	<u>(3,363,012)</u>
	<u>754,110</u>	<u>(1,470,190)</u>

Name of issuer	Nominal value	Carrying cost	Fair value	Percentage of net asset value
As at 31 July 2011	Units	RM	RM	%

UNQUOTED FIXED INCOME SECURITIES - FOREIGN

AUSTRALIA

Morgan Stanley - 7.25% 26/05/2015	1,608,850	1,628,527	1,679,251	4.10
	<hr/>	<hr/>	<hr/>	<hr/>

UNITED STATES OF AMERICA

Wakala Global Sukuk Bhd - 2.991% 06/07/2016	761,875	763,415	746,874	1.83
SBB Capital Corporation - 6.62% 02/11/2015	3,516,999	3,149,715	3,116,504	7.62
Texhong Textile Group Lt - 7.625% 19/01/2016	763,375	765,260	726,082	1.77
Petronas Global Sukuk Lt -4.25% 12/08/2014	1,753,750	1,781,893	1,597,832	3.90
	<hr/>	<hr/>	<hr/>	<hr/>
	6,795,999	6,460,283	6,187,292	15.12
	<hr/>	<hr/>	<hr/>	<hr/>

INDONESIA

Indonesia Government 10% Due 15/10/2011 AO15	2,497,110	2,578,987	2,509,018	6.13
	<hr/>	<hr/>	<hr/>	<hr/>

TOTAL UNQUOTED FIXED INCOME SECURITIES - FOREIGN

	<u>10,901,959</u>	<u>10,667,797</u>	<u>10,375,561</u>	<u>25.35</u>
	<hr/>	<hr/>	<hr/>	<hr/>

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

Name of issuer	Nominal value	Carrying cost	Fair value	Percentage of net asset value
As at 31 July 2011	Units	RM	RM	%
UNQUOTED FIXED INCOME SECURITIES - LOCAL				
Kapar Energy Ventures SB 6.4% Due 6/1/2012 JJ8	3,000,000	3,048,838	3,047,759	7.45
Berjaya Land Berhad 8% Due 15/8/2011 FA15	5,000,000	5,182,125	5,191,514	12.69
Tresor Assets Berhad - 6.10% 12/01/2012	5,000,000	5,062,221	5,068,712	12.38
Pahlawan Power Sdn Bhd 6.9% Due 31/1/2012 JJ31	5,000,000	5,087,982	5,088,783	12.44
TOTAL UNQUOTED FIXED INCOME SECURITIES - LOCAL	18,000,000	18,381,166	18,396,768	44.96
TOTAL UNQUOTED FIXED INCOME SECURITIES	28,901,959	29,048,963	28,772,329	70.31
UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		591,183		
EFFECTS OF UNREALISED FOREIGN EXCHANGE DIFFERENCES		(867,817)		
TOTAL FAIR VALUE OF FOREIGN AND LOCAL UNQUOTED FIXED INCOME SECURITIES		28,772,329		

The unquoted fixed income securities have an effective weighted average interest rate of 3.22% per annum as at 31 July 2011.

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

Name of issuer	Nominal Value Units	Carrying cost RM	Fair value RM	Percentage of net asset value %
As at 31 January 2011				
UNQUOTED FIXED INCOME SECURITIES - FOREIGN				
AUSTRALIA				
CFS Retail Property Trust 5.075% 21/08/2014 (A)	2,582,032	2,376,673	3,033,315	6.92
HONG KONG				
Xiniao Gas Holdings Limited 7.375% 05/08/2012 (Ba2)	2,364,408	2,327,824	2,166,485	4.94
Texhong Textile Group Lt 7.625% 19/01/2016 (Ba2)	763,375	765,320	779,312	1.78
	3,127,783	3,093,144	2,945,797	6.72
INDONESIA				
Indonesia Government 14.50% 15/12/2010 (Ba2)	2,497,110	2,607,281	2,454,098	5.60
PT Bank Danamon Indonesia # 8.75% 09/12/2013	2,925,211	2,961,721	2,903,112	6.62
	5,422,321	5,569,002	5,357,210	12.22
SINGAPORE				
Capitamall Trust 1.00% 02/07/2013 #	1,203,097	1,180,646	1,265,013	2.88
DBS Group Holdings Limited 7.657% 15/03/2011 (A)	8,992,748	9,151,678	7,929,958	18.08
	10,195,845	10,332,324	9,194,971	20.96
UNITED ARAB AMIRATES				
Dubai Electricity & Water 6.375% 21/10/2016 (Ba2)	311,700	317,119	308,011	0.70
TOTAL UNQUOTED FIXED INCOME SECURITIES – FOREIGN	21,639,681	21,688,262	20,839,304	47.52

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

Name of issuer	Nominal Value Units	Carrying cost RM	Fair value RM	Percentage of net asset value %
As at 31 January 2011				
UNQUOTED FIXED INCOME SECURITIES – LOCAL				
Berjaya Land Berhad 8.00% 15/08/2011 (A)	5,000,000	5,180,325	5,293,205	12.07
Hyundai Capital Services 5.50% 20/05/2011 (AA1)	4,000,000	4,012,988	4,063,595	9.27
Petronas Global Sukuk Lt 4.25% 12/08/2014 (A1)	1,753,750	1,782,612	1,628,571	3.71
SBB Capital Corporation 6.62% 02/11/2015 (Ba3)	3,516,999	3,112,916	3,188,019	7.27
<hr style="border-top: 1px dashed black;"/>				
TOTAL UNQUOTED FIXED INCOME SECURITIES - LOCAL	14,270,749	14,088,841	14,173,389	32.32
<hr style="border-top: 1px dashed black;"/>				
TOTAL UNQUOTED FIXED INCOME SECURITIES	35,910,430	35,777,103	35,012,693	79.84
<hr style="border-top: 1px dashed black;"/>				
UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
- LOCAL INVESTMENTS		163,487		
- FOREIGN INVESTMENTS		1,215,211		
EFFECT OF UNREALISED FOREIGN EXCHANGE DIFFERENCES		(2,143,108)		
<hr style="border-top: 1px dashed black;"/>				
TOTAL FAIR VALUE OF LOCAL AND FOREIGN UNQUOTED FIXED INCOME SECURITIES		35,012,693		
<hr style="border-top: 1px dashed black;"/>				

Unquoted fixed income securities that are not rated as at the statement of financial position date.

The unquoted fixed income securities have an effective weighted average interest rate of 7.07% per annum and an average maturity of 3 years as at 31 January 2011.

9. CASH AND CASH EQUIVALENTS

	31.07.2011	31.01.2011
	RM	RM
Bank balances in a licensed bank	8,558,814	3,657,734
Deposits with licensed financial institutions	3,400,837	3,429,670
	-----	-----
	11,959,651	7,087,404
	-----	-----

The currency exposure profile of cash and cash equivalents is as follows:

	31.07.2011	31.01.2011
	RM	RM
- Australian Dollar	1,676,152	-
- US Dollar	5,356,852	3,397,668
- Ringgit Malaysia	3,593,391	3,677,952
- Singapore Dollar	1,333,256	11,768
- Indonesian Rupiah	-	16
	-----	-----
	11,959,651	7,087,404
	-----	-----

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

	31.07.2011	31.01.2011
	%	%
Deposits with licensed financial institutions	<u>2.99</u>	<u>3.27</u>

Deposits with licensed financial institutions of the Fund have an average maturity of 0.5 days (2010: 2 days).

10. DERIVATIVE ASSETS / (LIABILITIES)

As at the date of Statement of Financial Position, there are six forward currency contracts outstanding.

The notional principal amount of the outstanding forward currency contracts amounted to RM 17,115,100 (2010: RM31, 271,440).

The forward currency contracts entered into during the financial year was for hedging against the currency exposure arising from the unquoted investments denominated in USD.

As the Fund has not adopted hedge accounting during the financial period, the change in the fair value of the forward currency contracts is recognised immediately in the Statement of Comprehensive Income.

11. NUMBER OF UNITS IN CIRCULATION AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	31.07.2011		31.01. 2011	
	No. of units	RM	No. of units	RM
At beginning of the financial year	36,590,719	43,850,291	56,628,000	64,717,299
Creation arising from distribution	-	-	-	-
Creation arising from application	-	-	-	-
Cancellation of units	(3,428,495)	(4,163,673)	(20,037,281)	(23,142,806)
Total comprehensive income for the financial period / year	-	1,273,781	-	2,275,798
At end of the financial period / year	33,162,224	40,960,399	36,590,719	43,850,291
Approved size of Fund	200,000,000		200,000,000	

As at 31 July 2011, the number of units not yet issued is 166,837,776 (2010: 163,409,281)

12. MANAGEMENT EXPENSE RATIO (“MER”)

	31.07.2011	31.07.2010
	%	%
MER	0.67	0.71

MER is based on the following calculation:

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

- A = Management fee
- B = Trustee’s fee
- C = Auditors’ remuneration
- D = Tax agent’s fee
- E = Transactions costs
- F = Other expenses
- G = Average net asset value of the Fund calculation on a daily basis

The average net asset value of the Fund for the financial period calculated on daily basis is RM42,059,130 (2010: RM55,303,014).

13. PORTFOLIO TURNOVER RATIO (“PTR”)

31.07.2011 31.07.2010

PTR (times)	0.51	0.16
	-----	-----

PTR is derived from the following calculation:

(Total acquisition for the financial period + total disposal for the financial period) ÷ 2

Average net asset value of the Fund for the financial period calculated on a daily basis

Where:

total acquisition for the financial period = RM 24,264,379 (2010: 3,700,666)
total disposal for the financial period = RM 18,257,232 (2010: RM13,538,960)

14. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

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

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

Unit held by the Manager and parties related to the Manager

Manager	31.07.2011		31.07.2010	
	No. of units	RM	No. of units	RM
CIMB-Principal Asset Management Berhad (The units are held beneficially by the Manager for booking purposes)	44,150	54,478	69,150	80,557
	-----	-----	-----	-----

The above units were transacted at the prevailing market price.

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

**14. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER
(CONTINUED)**

In addition to related party disclosure mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on terms and conditions obtained in transactions with unrelated parties unless otherwise stated. Interest rates on fixed and short-term deposits were at normal commercial rates.

	31.07.2011	31.07.2010
	RM	RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institution:		
- CIMB Bank Berhad	7,731	761
	-----	-----

15. TRANSACTIONS WITH BROKERS / DEALERS

Transactions entered into by the Fund by value of trades for the financial period ended 31 July 2011 are as follows:

Brokers / dealers	Values of trade	Percentage of total trades	Brokerage fees	Percentage of total brokerage
	RM	%	RM	%
RHB Bank Berhad - Repo	77,953,000	24.37	-	-
United Overseas Bank M - REPO	62,460,000	19.53	-	-
Hong Leong Bank Berhad	48,693,000	15.22	-	-
EON Bank Berhad	44,431,000	13.89	-	-
CIMB Bank Bhd - Treasury	37,769,000	11.81	-	-
OSK Investment Bank Bhd	13,250,550	4.14	-	-
Citi Bank Berhad	13,003,313	4.07	-	-
Morgan Stanley	8,660,763	2.71	-	-
Affin Bank Berhad	4,894,000	1.53	-	-
Deutsche Bank M Berhad	2,998,557	0.94	-	-
Others	5,730,672	1.79	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	319,843,854	100.00	-	-

15. TRANSACTIONS WITH BROKERS / DEALERS (CONTINUED)

Transactions entered into by the Fund by value of trades for the financial period ended 31 July 2011 are as follows:

Brokers / dealers	Values of trade RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage %
RHB Bank Berhad - Repo	148,691,000	31.28	-	-
United Overseas Bank M -REPO	97,264,000	20.46	-	-
Hong Leong Bank Berhad	71,944,000	15.13	-	-
CIMB Bank Bhd – Treasury #	59,488,000	12.51	-	-
EON Bank Berhad	44,958,000	9.46	-	-
Affin Bank Berhad	20,129,000	4.23	-	-
AmBank Berhad	13,804,000	2.90	-	-
Standard Chartered Bank Bhd	5,317,608	1.12	-	-
Credit Suisse Se HK Ltd	3,489,362	0.73	-	-
CIMB Bank Labuan #	3,475,326	0.73	-	-
Others	6,830,149	1.44	-	-
	475,390,445	100.00	-	-

Transactions by the Fund are trades conducted on normal terms with CIMB Bank Berhad and CIMB Bank Labuan, companies related to the Manager amounting to RM 37,769,000 (2010 : 59,488,000) and RM nil (2010 : RM 3,475,326).

16. SEGMENT INFORMATION

The Investment Committee of the Manager makes the strategic resource allocations on behalf of the Fund. The Fund has determined the operating segments based on the reports reviewed by this committee that are used to make strategic decisions.

The committee is responsible for the Fund's entire portfolio and considers the business as two sub-portfolio, consisting of a quoted investments portfolio, which focuses on equity and equity-related securities, and a debt portfolio, which focuses on unquoted fixed income securities.

The reportable operating segment derives its income by seeking investments to achieve targeted returns commensurate with an acceptable level of risk within the portfolio. These returns consist of interest income, dividend income and gains on the appreciation in the value of investments.

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

The Fund invests up to 100% of its NAV in quoted securities and unquoted fixed income securities, including but not limited to deposits with licensed financial institutions under BAFIA and/or IBA in Malaysia. These securities include but not limited to those issued or backed by governments, government agencies, supranational organisations, corporates or other issuers in Malaysia. The minimum credit rating for these securities would be "A3" by RAM or MARC equivalent, with the exception for those issued or backed by governments or supranational organisations.

The internal reporting provided to the CEO for the fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of FRS. The CEO is responsible for the performance of the fund and considers the business to have a single operating segment.

DIRECTORY

Head office of the Manager

CIMB-Principal Asset Management Berhad (Company No.: 304078-K)
Level 5, Menara Milenium,
8, Jalan Damanlela,
Bukit Damansara,
50490 Kuala Lumpur MALAYSIA

Postal address

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

Internet site

www.cimb-principal.com.my

E-mail address

cimb-p.custsupport@cimb.com

General investment enquiries

(03) 7718 3100

Trustee for the CIMB-Principal Strategic Bond Fund

HSBC (Malaysia) Trustee Berhad (Co. No. 001281-T)
13 Floor, Bangunan HSBC, South Tower,
No 2, Leboh Ampang,
50100 Kuala Lumpur,
MALAYSIA

Consulting Actuaries

Mercer (Malaysia) Sdn Bhd (253344-U)
1702 Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
MALAYSIA

LIST OF CIMB WEALTH ADVISORS BERHAD'S OFFICES

ADDRESS **TELEPHONE**

HEAD OFFICE

- 50, 52 & 54, Jalan SS21/39, Damansara Utama,
47400 Petaling Jaya, Selangor. 03-77183000

FINANCIAL CARE CENTRE

- 1 Jalan PJU 8/3B, Damansara Perdana,
47820 Petaling Jaya, Selangor. 03-77262000

REGIONAL OFFICES

- 5A, 1st & 2nd Floor, Jalan Todak 4, Bandar Sunway,
Seberang Jaya, 13700 Perai, Penang. 04-3702155
04-3702156
- 23 & 23A Jalan Harimau Tarum
Taman Century, 80250 Johor Bahru, Johor. 07-3341748
- 48, Jalan SS 21/39, Damansara Utama
47400 Petaling Jaya, Selangor. 03-77122888
- 5B, Lot 414, Section 10, KTLD Jalan Rubber,
93400 Kuching, Sarawak. 082-259777
- No 1 Jalan Pasar Baru, Kampung Air,
88000 Kota Kinabalu, Sabah. 088-239951
088-239952

BRANCHES

- Ground Floor, No. 298-B, Jalan Tok Hakim, 15000
Kota Bharu, Kelantan 09-7471190
09-7471172
- 30A, First Floor, Persiaran Greentown 1,
Greentown Business Centre, 30450 Ipoh, Perak. 05-2439001
05-2439002
- No 13B, 2nd Floor, Jalan Mamanda 7/1,
Off Jalan Ampang, 68000 Ampang, Selangor. 03-42702970
- 39-3 & 41-3, Jalan Radin Anum, Bandar Baru Sri Petaling,
57000 Kuala Lumpur. 03-90592333
- 61, Jalan Melaka Raya 24, Taman Melaka Raya, 75000 Melaka. 06-2811111
- Lot 228, 1st Floor, Beautiful Jade Centre, Jalan Maju,
98000 Miri, Sarawak. 085-432525

ADDRESS TELEPHONE

SALES OFFICES

- Unit 113 & 213, Block C, Damansara Intan 1, Jalan Ss20/27, 47400 Petaling Jaya. 03-7118 2234
- Lot C-615 & Lot C-616, Level 6 Block C Kelana Square, 17 Jalan Ss7/26, Kelana Jaya, 47301 Petaling Jaya 03-7880 6893
- 2-6A, Jalan Pju 8/3a, Bandar Damansara Perdana, 47820 Petaling Jaya, Selangor. 03-7725 6320
- 12A-3 (2nd Floor), Block C, Jalan Pju 5/17 Dataran Sunway, Kota Damansara, 47810 Petaling Jaya, Selangor. 03-6141 6369
- Unit A-2-5 & A-3-5, Block A, Pusat Perdagangan Pelangi, Pelangi Damansara, Pju 6 Persiaran Surian, 47800 Petaling Jaya, Selangor . 03-7725 2880
- No. 6-2, Jalan Dagang 1/1a, Taman Dagang, 68000 Ampang, Selangor. 03-4251 1129
- I-91-2, Block I, Jalan Teknologi 3/9, Kota Damansara, 47810 Petaling Jaya, Selangor. 03-6140 7275
- No 6B, 2nd Floor, Jalan Tengku Zabedah Ampuan K/9k, 40000 Shah Alam, Selangor. 03-5541 0350
- Block E-1-03a & E-2-03a, Jalan Ss6/20a, Dataran Glomac, 47301 Kelana Jaya, Selangor. 03-7880 7082
- 98A, Jalan Ss21/39, Damansara Utama, 47400, Petaling Jaya, Selangor. 03-7725 0825
- D-10-08-G & D10-08-1, Pusat Perdagangan Dana 1, Jalan Pju 1a/46, 47301 Petaling Jaya, Selangor. TBA
- 32 – 3, 3rd Floor, Jalan 1/27f, KI Satellite Centre (Klsc), Wangsa Maju Section 5 53300 Kuala Lumpur. 03-4142 2911
- A-2-1, Block A, 8 Jalan Pju 1a/20a Dataran Ara Damansara , 47301 Petaling Jaya. 03-7843 0506
- A-2-3, Block A, 8 Jalan Pju 1a/20a, Dataran Ara Damansara, 47301 Petaling Jaya. 03-7843 0503
- Unit B-3A-1, Setiawangsa Business Suites Jalan Setiawangsa 11, Taman Setiawangsa, 54200 Kuala Lumpur. 03-4256 6277
- 22-2, Jalan Metro Wangsa, Seksyen 2 Wangsa Maju, 53300 Kuala Lumpur. 03-4149 8818
- J-06-01 Level 6 Block J, Solaris Mont' Kiara, Jalan Solaris, 50480 Kuala Lumpur. 03-6204 0113
- Suite B-12-11 Plaza Mont Kiara 2, Jalan 1/70c, Mont Kiara, 50480 Kuala Lumpur. 03-6203 9036
- A-7, Tingkat 1 Lorong Tun Ismail 12, Sri Dagangan 2, 25000 Kuantan, Pahang. 09-5161 430
- 15A, Jalan Ruby, 96000 Sibul, Sarawak. 084-325 515