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Investor Letter

Dear Valued Investors,

It brings me great delight to announce that CIMB-Principal Asset Management continues to win more local and international awards. In April we prevailed by winning the Morningstar (Malaysia) Fund Awards 2009 for CIMB Islamic Balanced Fund in the Islamic Balanced Fund category, which recognises the fund's achievement in adding the most value within its peer group for investors over the past year and over the longer-term. On top of that, Failaka Advisors, a respected advisory firm in the development of Shariah-compliant investment products honoured us with not one, but 3 awards for Best Asian Equity 1 Year (CIMB Islamic Asia Pacific Equity Fund), Best Malaysian Equity 5 Years (CIMB Islamic Equity Fund) and Best Malaysian Equity 1 Year (CIMB Islamic Equity Aggressive Fund).

I would also like to congratulate our sister company CIMB-Principal Islamic Asset Management. It won the Best Islamic Fund Manager 2009 and the Best Islamic Wealth Management Provider 2009 from Islamic Finance News and the Best Asset Management Company from Global Finance in recognition of our involvement to the growth of Islamic finance by meeting investors' needs. These rewards are a recognition and appreciation of our investment capabilities as it endorses and confirms our investors trust in us.

CIMB-Principal also continued its pursuance of innovation by listing the first ETFs that are invested offshore on Bursa Malaysia. They are the CIMB FTSE ASEAN 40 Malaysia and the CIMB FTSE Xinhua China 25. The CIMB FTSE ASEAN 40 Malaysia will feed into the world's first and only ASEAN ETF the CIMB FTSE ASEAN 40 which has been listed on the Singapore Exchange (SGX) since September 2006.

I am also happy to announce that effective 30 June the acquisition of BT Asset Management in Thailand was completed. With this exercise, CIMB-Principal is now carrying on business in four countries, Malaysia, Indonesia, Singapore and Thailand. This expansion is timely in our course for regionalization as it brings about opportunities for us to advance our business and provide even greater opportunities for our investors.

Here's to a better second half of 2010.

Your's sincerely

Campbell Tupling

Chief Executive

CIMB-Principal Asset Management Berhad

MANAGER'S REPORT

What is the investment objective of the Fund?

The investment objective of the Fund is to seek long term growth in capital and income by investing in all types of investments.

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 may invest in a diversified portfolio of equities and fixed income investments. The Fund will be to maintain a balanced portfolio between equities and fixed income investments in the ratio of 60:40. The fixed income portion of the Fund is to provide some capital stability to the Fund whilst the equity portion will provide the added return in a rising market. The investments by the Fund in equity securities shall not exceed 60% of the NAV of the Fund and investments in fixed income securities and liquid assets shall not be less than 40% of the NAV of the Fund with a minimum rating of "BBB3" and "P3" by RAM or equivalent rating by MARC, "BB" by S&P or equivalent rating by Moody's or Fitch. The fixed income portion will provide capital stability to the Fund whilst the equity portion will provide the added return in a rising market.

Fund category/ type

Balanced/ Growth and Income

How long should you invest for?

Recommended 5 years or more

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

Moderate

When was the Fund launched?

10 August 1995

What was the size of the Fund as at 31 August 2010?

RM334.85 million (441.77 million units)

What is the fund's benchmark?

60% FBM100 + 40% CIMB Bank 1-month Fixed Deposit Rate

What is the fund distribution policy?

The Manager has the discretion to distribute part of all of the Fund's distributable income. The distribution (if any) may vary from period to period depending on the investment objective and the performance of the Fund.

What was the net income distribution for the period ended 31 August 2010?

There is no distribution made from 1 September 2009 to 31 August 2010

PERFORMANCE DATA

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

	2010	2009	2008
	%	%	%
Quoted Investments			
- Construction	4.24	3.72	2.51
- Consumer products	1.18	2.49	1.12
- Finance	17.27	19.17	14.39
- Industrial products	4.67	2.22	2.32
- Infrastructure project companies	1.50	0.77	2.80
- Plantations	7.87	11.50	4.43
- Properties	2.10	1.81	1.78
- Second board	-	-	2.40
- Trading/Services	20.08	16.66	23.95
Unquoted Investments	34.04	37.58	40.66
Cash and Other Net Assets	7.05	4.08	3.64
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	2010	2009	2008
Net asset value (RM Million)	334.85 *	322.72 *	211.60 *
Units in circulation @ 31 August (Million)	441.77 *	497.24 *	358.06 *
Net asset value per unit @ 31 August (RM)*	0.7569 *	0.6490 *	0.5910 *
Highest NAV per unit (RM)	0.7569 *	0.6552 *	0.8062 *
Lowest NAV per unit (RM)	0.6463 *	0.5024 *	0.5803 *
Total return (%) ^	16.80	9.80	-8.14
- Capital growth (%)	16.80	9.80	-17.81
- Income distribution (%)	-	-	11.77
Gross distribution per unit (sen)	-	-	7.00
Net distribution per unit (sen)	-	-	6.88
Date of distribution	N/A	N/A	17-Jul-08
Management expense ratio (%)	1.58	1.61	1.56
Portfolio turnover ratio (times) #	0.45	0.82	0.43

Average total return	Total Return	Annualised
	%	%
- One Year	16.80	12.89
- Three Years	5.61	3.63
- Five Years	9.33	7.16
- Since Inception	7.40	5.39

* Ex-distribution

(Launch date: 10 August 1995)

^ Source: Mercer Zainal Consulting Sdn Bhd

The Fund's PTR reduced to 0.45 times from 0.82 times last year due to lesser transactions for both fixed income and equity during the period under review.

PERFORMANCE DATA (CONTINUED)

	31.08.2010	31.08.2009	31.08.2008	31.08.2007	31.08.2006
Annual total return (%)	16.80	9.80	(8.14)	33.55	(0.72)

Source: Mercer Zainal Consulting Sdn Bhd

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 ended 31 August 2010 have been verified by Mercer Zainal Consulting Sdn Bhd, Consulting Actuaries (35090-H).

MARKET REVIEW (1 SEPTEMBER 2009 TO 31 AUGUST 2010)**Equities**

The financial period under review coincided with the recovery of regional markets and Bursa Malaysia after the meltdown caused by the Sub-Prime Crisis and the collapse of Lehman Brothers in the United States. To recap, the Federal Reserve injected close to US\$2.0 trillion into the capital markets to avert a credit crunch while the United States Treasury introduced the US\$700 billion TARP (Troubled Asset Rescue Plan) to purchase illiquid assets. These efforts, including stimulus measures around the world, resulted in an improvement in confidence which led to the recovery.

The rise in markets has been punctuated by panics. The Dubai financial crisis in February 2010 led to a brief sell-down. It was only averted as Abu Dhabi came to the rescue of its fellow emirate. Then came the European sovereign debt crisis, which has not been fully resolved. The European Central Bank has made available various guarantees and standby lines of credit totalling USD1.0 trillion and embarked on “quantitative easing”, following the tested formula of the Federal Reserve, which managed to assuage the fears of investors. Greece, Spain and Portugal have recently been able to raise or roll-over USD13.0 trillion of debt.

The receding global risk as evidenced by the watered-down Basle 3, lax “stress test” on banks and disappearing Greek crisis has prompted global investors to start looking at risky assets again. Surprisingly, some of the better performers had been beaten down markets, like Thailand, which has moved up over 25% in 3 months. Currencies have appreciated as well in line with demand for Asian assets, rising 2-7% in the last 3 months, led by the Aussie Dollar. Currency alpha will factor strongly in US\$ based fund returns investing in Asia this year, anywhere from 20-50% extra over local currency investors.

We see the much-relaxed stress test on European banks buying time for them as they attempt to repair their balance sheets. However this means that credit accessibility maybe difficult as banks try to cut back risk and provisioning. As per previous Asian and US financial crisis, banks are allowed to expand their margins using cheap government funding. We reckon Europe will go through the same motions, slowing credit growth and expanding funding from governments and cheap deposits.

In these scenarios, inflation targeting becomes difficult, and can take a back seat in deference to the banking system recovery. It may mean that if inflation comes back (which may be a longer-term threat) real savings rate will be deeper in the red. Hence the challenge to riskless investors will be the dichotomy of preservation of capital with the need of generating real rate of return. We expect risk free rates to remain low as developed world economies are trying to reflate out form the current possible deflationary spiral. This may pose a challenge for developing economies which are experiencing mini bubbles in the property markets. The positive side from these is the money flows to get positive returns in Asia will benefit Asian assets; bonds, property and equities. The worry is the bubble being inflated too fast that it blow up.

Our stance in keeping the portfolio near fully invested and concentrating on large caps is paying off in this current surprise rally. This is experienced across to other Asian countries, with the exception of Hong Kong/China, due to the perceived slowdown and currency peg to the USD. Foreigners have been aggressive equity buyers, even in Malaysia. Although Malaysia is deemed more expensive in relative value, the positive carry from bonds have spilled over to other assets, including equities.

MARKET REVIEW (1 SEPTEMBER 2009 TO 31 AUGUST 2010) (CONTINUED)**Fixed Income**

For the most part of the 4Q09, the domestic sovereign market traded range bound. Despite a bond friendly Budget 2010 announced in October, the MGS yields continued to steepen with supply worries and heightened expectations that regional central banks would raise policy rates to stem signs of rising inflationary pressure. However, in November the smaller than expected issuance size of the two auctions during the month lifted the sentiment of the sovereign bond market. The quarter ended with the benchmark yields rose along the belly of the yield curve with the release of the 2010 auction calendar in December which saw more auctions for the 5-10 tenors.

The domestic market kicked off the new year with some selling in the sovereign bonds which was spilled over from previous month's activities. However, the sell-off was well supported as bargain hunters comprising offshore and local investors were seen buying following contraction in the November's export. The buying momentum continued with stronger Ringgit supporting buying interest and also due to the release of the November industrial production which contracted by 1.3% versus consensus forecast of 2.9% increase.

During the first Monetary Policy Committee ("MPC") of the year which was held on 26 January 2010, BNM kept the OPR unchanged at 2.00% in line with market expectation but hinted that it was ready to normalize the policy rate to prevent the build up of financial imbalances. In March 2010, Bank Negara Malaysia normalised the OPR hike by 25 basis points bringing the policy rate to 2.25%. Despite the first rate hike since February 2009, market sentiment remained sturdy. The market also saw the inaugural 7.5 year MGS benchmark. Demand was decent given the rarity of the offering tenure. High grade corporate bonds remained the favour of the month with focus mainly Rantua, Putrajaya and Sime Darby.

In May, we saw the sale of the US\$1.25 billion 5 year global sukuk which came in larger than market expectations of US\$1 billion issue with a yield spread of 180bps over US Treasuries. This marked the country's first global sovereign bonds in eight years. Order book for the sukuk was in the US\$5.5 billion range and was more than four times oversubscribed. The Central Bank raised the Overnight Policy Rate by 25bps in its May MPC meeting to 2.50%. BNM pointed out the upside potential to growth but cautioned that external uncertainties still remain in light of the concerns over the European sovereign debt crisis.

In July 2010 Bank Negara raised the overnight policy rate (OPR) by another 25bps to 2.75%. The MGS curve flattened towards the mid and longer-end maturities as short-term yields spike to reflect this OPR hike. With the tepid debt supply continuing in 2010 and the expectation of no further OPR hikes for the rest of the year, yields on the mid to longer-end continued to be dragged lower as investors saw value in the 5-year as well as 7-year benchmark as they lengthened their maturity profile.

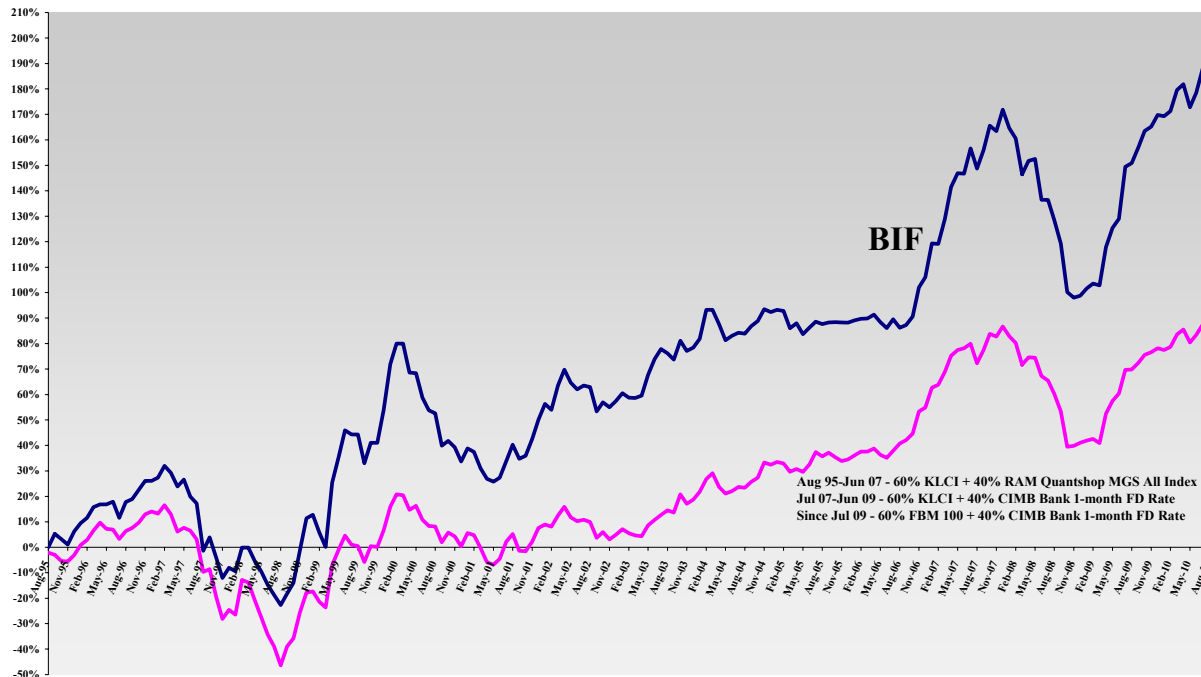
The MGS yield curve flattened further in August and strong interest was seen particularly in the mid and longer-end maturities. The strong buying was supported by favourable supply and demand dynamics, Ringgit strength, benign inflation, pause in OPR, further foreign exchange liberalization and disappointing US economic data.

In August, Bank Negara Malaysia liberalised its existing forex administration rules in 1) settlement of goods and services in Ringgit, 2) a resident is allowed to borrow any foreign currency and 3) caps on the amount of hedging by a resident is abolished. Though the liberalization does not constitute Ringgit internationalization, it is one step closer to scrapping its ban on the Ringgit trading offshore. The liberalization has been Ringgit positive and could potentially be positive for Malaysian financial assets in a longer term.

FUND PERFORMANCE

	1 Year to 31/08/10	3 years to 31/08/10	5 years to 31/08/10	Since Inception
Income (%)	-	11.77	37.07	104.84
Capital (%)	16.80	5.40	13.95	43.05
Total Return (%)	16.80	17.81	56.19	193.02
Benchmark (%)	12.89	11.29	41.34	91.71
Average Total Return (%)	16.80	5.61	9.33	7.40

The Fund reported a return of 16.80% as compared with the benchmark which declined by 12.89% for the period ended 31 August 2010. Both fixed income and equity contributed to the outperformance.



Changes in Net Asset Value (“NAV”)

	31.08.2010	31.08.2009	% changes
Net Asset Value (“NAV”) (RM Million)	334.85	322.72	3.76
NAV/unit (RM)*	0.7579	0.6490	16.78

* NAV after distribution

During the period under review, the Fund’s NAV increased by 16.78% to RM334.85 million from RM322.72 million. In terms of ranking, the Fund ranked 2nd (out of 38 funds) in the Non-Islamic “Mixed Asset” category for the 12 months ended 31 August 2010 (source: Lipper).

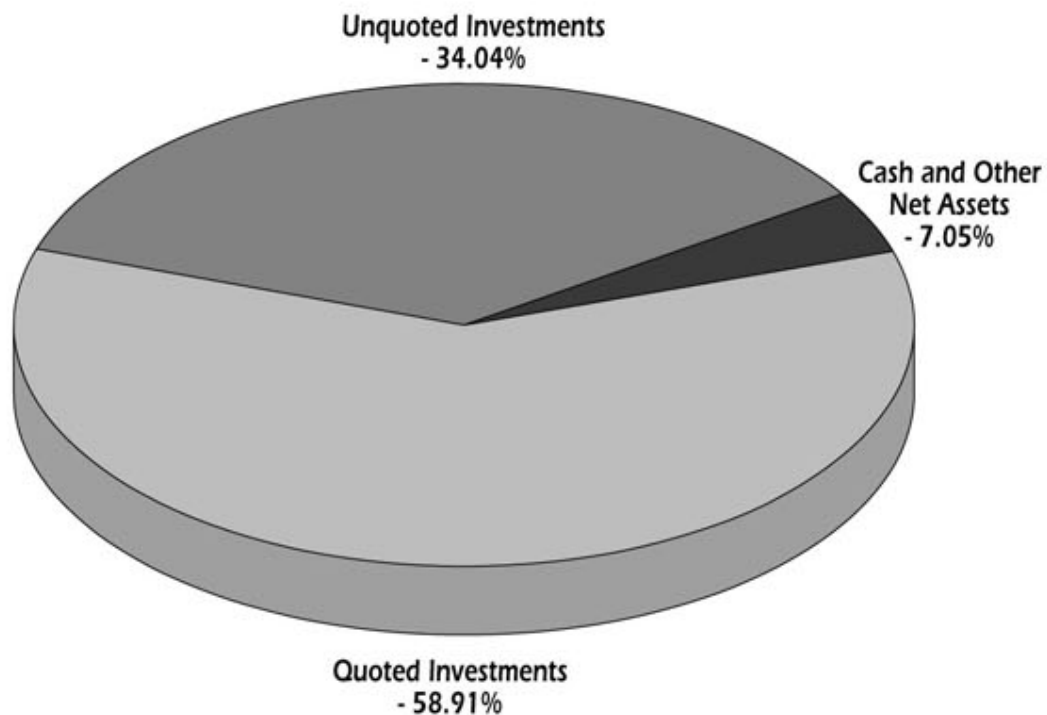
Performance data represents the combined income and capital return as a result of holding units in the fund for the specified length of time, based on NAV to NAV price. The performance data assumes that all earnings from the fund are reinvested and are net of management and trustee fees. Past performance is not reflective of future performance and income distributions are not guaranteed. Unit prices and income distributions, if any, may fall and rise. 1 year financial year ended 31 August 2010 performance figures have been verified by Mercer Zainal Consulting Sdn Bhd, a Consulting Actuaries (35090-H).

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	31 August 2010	31 August 2009
Quoted investments	58.91	58.34
Unquoted investments	34.04	37.58
Cash and other net assets	7.05	4.08
TOTAL	100.00	100.00

The equity portion of the portion remained highly invested for most of the period under review. As such, there was a marginal increase of total equity holdings to 58.91% at the end of the financial year under review, from 58.34% the previous year.



The asset allocation for fixed income reduced from 37.58% to 34.04% at the end of the financial year under review with liquidity being maintained to participate in primary issues.

MARKET OUTLOOK

Equity.

We believe the market has started taking on risk aggressively in searching for returns in emerging markets to compensate for lackluster returns in developed markets. This presents a crisis of sorts, opportunity for investors and danger for policy makers and governments. The shock to the Allied Irish Bank huge rescue package and quick bailout promises reinforces the quantitative easing framework and low interest rates for the near future.

The drive to Asia was seen in the surge of participation by European and Americans in investor conferences. In the recently completed CLSA Forum, (the biggest in Asia) there were UK participation of over 15% of the total attendees. Every fortnight, there is an investor/broker country/sector conference somewhere in Asia. However, if the strategists are correct, we ain't seen anything yet. Money into Asia has been largely flowing into bond markets, and has only started filtering into equity markets. Equity flows into the region this year are about 1/3 of last year, largely into China-related markets, India, Indonesia and more recently, Thailand. Frustratingly, a lot of these markets have moved up with no change in fundamentals, just by the sheer weight of money.

The pending tsunami of liquidity has raised concerns of hot money/portfolio inflows and possible dislocations in economic competitiveness, capital accounts, inflation and interference in monetary policy. No longer can policy makers raise interest rates upon pending inflation, as the positive carry will attract inflows, reducing export competitiveness and lowering imported inflation. These will continue to be in place unless the cost of capital (in this case US interest rates) starts to rise. Hence for policy makers, it is important for the US economy to recover and relieve the capital flow pressures on emerging markets. Both US and Europe comprise 55% of global market cap. If we exclude China as a closed market, the remainder investible markets are just over one third of global market cap. A 5% shift in asset allocation from developed to emerging markets will mean broadly 13% move across all emerging markets on the average. Add in the currency gains of say 5%, a USD investor could be making an average 18% return on current holdings.

Malaysia has been a performer, as the better cross-border relations and transformation rollout has received a warm response. From our feedback, the response would be better if the quality of execution moving forward can be enhanced. There has been a dearth of Budget gossip and rumours which is a huge departure from previous years. Hopefully the execution and incentives for the NKEAs will be addressed. We have increased the beta of the portfolio to reflect a liquidity driven environment moving forward, but still concentrating on liquid large and mid caps. We have not made changes to asset allocation.

MARKET OUTLOOK (CONTINUED)**Fixed Income**

Domestically, with the fragile global recovery, persistent low rates in developed nations, further inflows of funds into the emerging markets as well as relative higher rates in the Asian nations, the domestic sovereign bond market may see further rally. Following three interest rate increases since Mar this year, BNM is opting for a cautious monetary approach given clearer signs of slowing global growth as well as the cooling off of Malaysia's exports and industrial output in recent months. As such, we expect BNM to maintain the overnight policy rate at 2.75% when the monetary policy committee meets on 12 Nov 2010.

As for issuances in the sovereign bond market, there remain only 3 more auctions for the year with the MGS tenders concluding in October and GII in November. Assuming another RM9 billion issuance for all 3 auctions, this will bring the total issuance for the year to RM57.6 billion. With continued interest from the offshore players, yields may rally further as seen during the end 2008 to the beginning of 2009 when the 10 year MGS broke the 3% level.

In terms of credit outlook, as the economy rebounds from the global financial crisis, credit conditions should improve. Hence, there should be more upgrades versus downgrades for the domestic corporate sector. However, as witness in the water sector bonds, the regulatory risk premium has increased for the local corporate bond market as political risk come into play. As politicians tussle for control and votes by implementing policies that deems popular but may not be bond market friendly, this may hobble the corporate bond market as investors will price in a higher regulatory risk premium. The withholding tax issue that impacted the IPP bonds in 2008 is still fresh in investors' memory. Consequently, credit spread may widen further for the sector with high exposure to government regulation such as IPPs and toll roads.

On the potential supply in the corporate pipeline, we expect smallish issuances for the remaining of the year. This however does not ease the pressure in the corporate bond market as long as investors does not switch asset allocation away from bond into the equity market. YTD issuance totaled at around RM25.8 billion. Coupled with YTD maturities of approximately RM20.8 billion, net issuances are only RM4.9 billion. There is roughly another RM9 billion of maturities for the rest of the year. Unless the amount of new issuances increases, this will further aggravate the supply and demand dynamics in the corporate bond market and hence further credit compression for selective sectors.

INVESTMENT STRATEGY**Equity**

We look to maintain highly invested in the medium term to ride out the positive liquidity flow we expect coming into the emerging markets viz the Asian region on the back of stronger economic data, positive interest rate carry and better growth dynamics. We intend to focus on the sectors that display decent growth and good corporate governance; namely the Banking, Construction, Oil and Gas, and Consumer sector.

Fixed Income

With the positive and negative dynamics in the bond market, we remain neutral but tactical bullish in the mid to long-end. We are cautiously optimistic on the sovereign market as it is the result of currency play and employ a short trading strategy.

However, we are near term positive on the corporate market due to demand and supply dynamics. We will continue to be highly invested in corporate bonds and will trade based on spread and valuation of the yield curve. Notwithstanding the above, we will keep a close watch on leading indicators such as inflation data which has been trending upwards, monitor the pace of fund flows into the market and potential slow down of growth in China in order to identify as early as possible the "Turning Point".

UNIT HOLDING STATISTICS

Breakdown of unit holdings by size as at 31 August 2010 are as follows:

Size of holdings(units)	No. of unitholders	No. of units held (million)	% of units held
5,000 and below	38,960	9.65	2.18
5,001-10,000	3,336	24.46	5.54
10,001-50,000	7,766	171.98	38.94
50,001-500,000	1,639	162.82	36.87
Above 500,000	25	72.73	16.47
Total	51,726	441.64	100.00

REBATES AND SOFT COMMISSION

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 BALANCED INCOME FUND

I, being the Director of CIMB-Principal Asset Management Berhad, do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 19 to 44 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 August 2010 and of its financial performance, changes in net assets attributable to unitholders and cash flows for the financial year then ended 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

Kuala Lumpur
29 October 2010

**TRUSTEE'S REPORT TO THE UNITHOLDERS OF
CIMB-PRINCIPAL BALANCED INCOME FUND**

We, Universal Trustee (Malaysia) Berhad, being the Trustee of CIMB-Principal Balanced Income Fund ("the Fund"), are of the opinion that CIMB-Principal Asset Management Berhad ("the Manager"), acting in the capacity of Manager of the Fund, have fulfilled their duties in the following manner for the financial year ended 31 August 2010:

- (a) the Fund is being managed in accordance with the limitations imposed on the investment powers of the Manager 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 during the financial year ended 31 August 2010;
- (b) valuation/pricing is carried out in accordance with the Deed and any regulatory requirements;
- (c) creation and cancellation of units is carried out in accordance with the Deed and any regulatory requirements; and

For and on behalf of the Trustee
UNIVERSAL TRUSTEE (MALAYSIA) BERHAD

LIEW KOK WAH
Chief Executive Officer

Kuala Lumpur
29 October 2010

**INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
CIMB-PRINCIPAL BALANCED INCOME FUND**

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of CIMB-Principal Balanced Income Fund, which comprise the Statement of Assets and Liabilities as at 31 August 2010, and the Income Statement, Statement of Changes in Net Assets Attributable to Unitholders and Cash Flow Statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 19 to 44.

Manager's and Trustee's Responsibility for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards in Malaysia and the Securities Commission's Guidelines on Unit Trust Funds. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Trustee is responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable a fair presentation of these financial statements.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Manager's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager and the Trustee, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards in Malaysia and the Securities Commission's Guidelines on Unit Trust Funds so as to give a true and fair view of the financial position of the Fund as of 31 August 2010 and of its financial performance, changes in net assets attributable to unitholders and cash flows for the financial year ended.

**INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
CIMB-PRINCIPAL BALANCED INCOME FUND (CONTINUED)**

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

Kuala Lumpur
29 October 2010

**INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2010**

	Note	2010 RM	2009 RM
INCOME/(LOSS)			
Dividend income		4,552,669	4,018,677
Interest income	4	7,020,775	5,777,397
Net realised gain/(loss) on sale of investments		21,138,860	(14,852,743)
Net amortisation of premiums	5	(573,911)	(1,172,285)
Other Income		426	1,648
		<u>32,138,819</u>	<u>(6,227,306)</u>
EXPENSES			
Management fee	6	4,929,926	3,173,631
Trustee's and custodian fees	7	83,035	71,303
Audit fee		9,700	10,500
Tax agent's fee		17,585	5,800
Administration expenses		151,460	92,707
		<u>5,191,706</u>	<u>3,353,941</u>
NET INCOME/(LOSS) BEFORE TAXATION		26,947,113	(9,581,247)
TAXATION	8	(334,432)	(666,260)
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>26,612,681</u>	<u>(10,247,507)</u>
Net income/(loss) after taxation is made up as follows:			
Realised amount		26,340,514	(10,103,793)
Unrealised amount		272,167	(143,714)
		<u>26,612,681</u>	<u>(10,247,507)</u>

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

**STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 AUGUST 2010**

	Note	2010 RM	2009 RM
INVESTMENTS			
Quoted investments	9	197,243,284	188,278,258
Unquoted fixed income securities	10	113,997,750	121,289,425
		<u>311,241,034</u>	<u>309,567,683</u>
LIQUID ASSETS			
Deposits with licensed financial institutions		20,492,000	14,912,000
Bank balance in a licensed bank		127,813	89,233
	11	<u>20,619,813</u>	<u>15,001,233</u>
OTHER ASSETS			
Amount due from stockbrokers		-	726,881
Amount due from Manager		2,401,461	292,601
Dividends receivable		37,030	114,398
Interest receivable		1,882,949	2,012,816
Tax recoverable		381,352	199,785
Other receivables		490	490
		<u>4,703,282</u>	<u>3,346,971</u>
TOTAL ASSETS		<u>336,564,129</u>	<u>327,915,887</u>
LIABILITIES			
Amount due to stockbrokers		-	4,535,592
Amount due to Manager		1,598,989	437,056
Accrued management fee		420,121	412,899
Amount due to Trustee and Custodian		25,349	25,302
Other payables and accruals		105,989	36,995
		<u>2,150,448</u>	<u>5,447,844</u>
LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)		<u>2,150,448</u>	<u>5,447,844</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	13	<u>334,413,681</u>	<u>322,468,043</u>
REPRESENTED BY:			
Fair value of outstanding units		<u>334,413,681</u>	<u>322,468,043</u>
NUMBER OF UNITS IN CIRCULATION	13	<u>441,765,537</u>	<u>497,241,000</u>
NET ASSETS VALUE PER UNIT (RM) (EX-DISTRIBUTION)		<u>0.7569</u>	<u>0.6485</u>

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

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2010**

	2010 RM	2009 RM
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR	322,468,043	211,601,594
Movement due to units created and cancelled during the financial year:		
Creation of units	41,740,827	101,133,304
Cancellation of units	(80,573,956)	(17,055,570)
	<u>(38,833,129)</u>	<u>84,077,734</u>
Net increase in net assets attributable to unitholders during the financial year:		
Net income/(loss) after taxation	26,612,681	(10,247,507)
Net change in fair value reserve	24,166,086	37,036,222
	<u>50,778,767</u>	<u>26,788,715</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL YEAR	<u><u>334,413,681</u></u>	<u><u>322,468,043</u></u>

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

**CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2010**

	Note	2010 RM	2009 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES			
Proceeds from sale of quoted investments		126,598,041	76,306,908
Proceeds from capital repayment		-	804,400
Proceeds from sales of unquoted fixed income securities		46,132,150	30,528,289
Proceeds from redemption of unquoted fixed income securities		13,021,400	24,087,440
Purchase of quoted investments		(96,515,140)	(125,720,018)
Purchase of unquoted fixed income securities		(49,734,322)	(86,591,262)
Dividends received		3,860,882	3,423,253
Interest received from deposits with licensed financial institutions		320,307	339,528
Interest received from unquoted fixed income securities		6,830,335	5,077,180
Management fee paid		(4,922,704)	(3,052,322)
Trustee and custodian fees paid		(82,988)	(70,342)
Payments for other fees and expenses		(109,751)	(91,227)
Taxation refund		-	115,230
Receipt of other income		426	2,515
		<u>45,398,636</u>	<u>(74,840,428)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		39,631,967	101,141,449
Payments for cancellation of units		(79,412,023)	(16,657,952)
		<u>(39,780,056)</u>	<u>84,483,497</u>
Net cash (outflow)/inflow from financing activities			
Net increase in cash and cash equivalents		5,618,580	9,643,069
Cash and cash equivalents at the beginning of the financial year		<u>15,001,233</u>	<u>5,358,164</u>
Cash and cash equivalents at the end of the financial year	11	<u><u>20,619,813</u></u>	<u><u>15,001,233</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2010**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITY

CIMB Principal Balanced Income Fund (“the Fund”) is governed by a Principal Master Deed dated 15th May 2008, a First Supplemental Master Deed dated 25th June 2008, a Supplemental Master Deed dated 14th July 2008 and a Fourth Supplemental Master Deed dated 18th March 2009 (referred to as “the Deed”), between CIMB-Principal Asset Management Berhad (the “Manager”) and Universal Trustee (Malaysia) Berhad (the Trustee”).

Effective from 1 July 2009, the Manager of the Fund has been changed from CIMB Wealth Advisors Berhad to CIMB-Principal Asset Management Berhad.

The Fund invests principally in equities, with a bias towards stocks in emerging companies which have the potential to deliver long term capital appreciation. To a lesser extent, the Fund invests in unquoted fixed income securities. All investments will be subject to the Securities Commission’s (“SC”) Guidelines on Unit Trust Funds, SC requirements, the Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

The Manager, a company incorporated in Malaysia, is a subsidiary of CIMB Group Sdn Bhd and regards Bumiputra-Commerce Holdings Berhad as its ultimate holding company. Its principal activities are the management of unit trusts 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 Deed and the SC Guidelines on Unit Trust Funds.

- (i) The new accounting standard that is effective for the Fund’s financial year beginning on or after 1 July 2009 is as follows:
 - FRS 8 “Operating Segments” (effective from 1 July 2009) replaces FRS 1142004 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.
- (ii) The new standards that have been issued which are relevant to the Fund and have not been early adopted are:
 - 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 income statement. This standard does not have any impact on the classification and valuation of the Fund’s financial statements. The Fund will apply this standard when effective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) The new standards that have been issued which are relevant to the Fund and have not been early adopted are (continued):

- 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. The Fund will apply this improvement to the standard when effective.
- 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. The Fund will apply this standard when effective.

- 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. The Fund will apply this standard when effective.
- 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. The Fund will apply this standard when effective.
- 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. The Fund will apply this standard when effective.
- The amendments to FRS 132 “Financial instruments: Presentation” and FRS 101(revised) “Presentation of financial statements” - “Puttable financial instruments and obligations arising on liquidation” (effective from 1 January 2010) require entities to classify puttable financial instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation as equity, if they have particular features and meet specific conditions. The Fund will apply this standard when effective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

- (ii) The new standards that have been issued which are relevant to the Fund and have not been early adopted are (continued):
- FRS 139 “Financial Instruments: Recognition and Measurement” (effective from 1 January 2010) GN3 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances. The amendment to FRS 139 provides further guidance on eligible hedged items. The amendment provides guidance for two situations. On the designation of a one-sided risk in a hedged item, the amendment concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combinations that are firmly committed to being completed within a reasonable timeframe. The Fund will apply this standard when effective.

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.

(b) Investments

Investments are recorded at cost, which include transaction costs, and subsequently revalued to their fair values as at the date of Statement of Assets and Liabilities.

In accordance with the Deed, 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 Assets and Liabilities.

If a valuation based on the market price does not represent the fair value of the securities, for example during abnormal market conditions or 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 are carried at cost and adjusted for any amortisation of premium or accretion of discount from acquisition date to maturity date. The carrying cost is revalued to reflect its fair value on a daily basis using the net present value method 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 quotations are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income security 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 a non-BPA price;
- (ii) obtains necessary internal approvals to use the non-BPA price; and
- (iii) keeps and audit trail of all decisions and basis for adopting the market yield.

Unrealised gains or losses are transferred to the fair value reserve included in net assets attributable to unit holders and is not distributable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(c) Income recognition**

Dividend income is recognised on the ex-dividend date.

Interest income is recognised on the accrual basis.

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 sale redemption of unquoted fixed income securities is accounted for as the difference between the net disposal proceeds and the carrying amount of the investments, determined on cost adjusted for accretion of discount or amortisation of premium.

(d) Creation and cancellation of units

The Fund issues cancellable units, which are cancelled at the holder's option and are classified as financial liability. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The outstanding units is carried at the redemption amount that is payable at the balance sheet date if the holder exercises the right to put the unit back to the Fund.

Units are created and cancelled at the holder'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 is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units.

(e) Cash and cash equivalents

For the purpose of cash flow statement, 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 changes in value.

(f) Taxation

Current tax expense is determined according to Malaysian tax laws and includes all taxes based upon the taxable profits.

(g) Finance cost

Proposed distributions to unit holders are recognised in the income statement upon approval by the Board of Directors of the Manager. The distribution to the unit holders is recognised as finance cost in the income statement.

(h) Functional and presentation 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)**(i) Amount due from/to stockbrokers**

Amount due from/to stockbrokers are carried at approved transaction amount as stated in contract notes.

(j) 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 financial liability in the Statement of Assets and Liabilities and are stated at fair value representing the price at which unit holders can redeem the units from the Fund.

(k) Segmental reporting

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 strategic asset allocation committee of the Manager that makes strategic decisions.

(l) 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 Assets and Liabilities.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

A range of methodologies and assumptions had been used in deriving the fair values of the Fund's financial instruments as at the date of the Statement of Assets and Liabilities. The total fair value of each financial instrument is not materially different from the total carrying value.

The fair values are based on the following methodologies and assumptions:

(i) Short term deposits

For deposits and placements with financial institutions with maturities of less than three months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities three months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(I) Financial instruments (continued)****(ii) Quoted investments**

The estimated fair value is generally based on quoted and observable market price. However, if a valuation based on the market price does not represent the fair value of the securities, for example during abnormal market conditions or 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.

(iii) Unquoted fixed income securities

The estimated fair value is generally based on quoted and observable market prices. The fair values of unquoted fixed income securities have been estimated by reference to fair value prices quoted by the BPA.

(iv) Other short term financial instruments

Other short term financial instruments comprise other receivables, amount due from stockbrokers, amount due from Manager, dividends receivable, interest receivable, tax recoverable, other payables and accruals, amount due to stockbrokers, amount due to Manager, accrued management fee and amount due to Trustee and custodian. The carrying value of these assets and liabilities are assumed to approximate their fair values due to the short tenure of less than one year.

(m) 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 amounts of assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported financial period. 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 judgments 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 Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Funds' results and financial position are tested for sensitivity to changes in the underlying parameters.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Critical accounting estimates and judgements in applying accounting policies (continued)

(i) Estimate of fair value of unquoted fixed income securities

The Fund uses significant judgment in determining whether an investment is impaired. The Fund evaluates, among other factors, the duration and extent to which the fair value of the investment is less than cost, and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, macroeconomic factors and speculation.

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC valuation guidelines.

Unquoted fixed income securities are valued using fair value prices quoted by the BPA. Where the manager is of the view that the price quoted by BPA for a specific bond differs from the market price by more than 20 basis points, the manager may use the market price, provided that the manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price. This is allowed for under the SC Guidelines on Unit Trust Funds.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The investment objective of the Fund is to seek long term growth in capital and income by investing in all types of investments. The investments strategy of the Fund is to invest up to a maximum of 60% of its net asset value in equities and not less than 40% of its net asset value in fixed income securities and liquid assets unless otherwise prescribed in the prospectus.

The Fund is exposed to a variety of risks which include market risk, single issuer risk, interest rate risk, credit risk and liquidity risk.

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

(a) Market risk

Any purchase of securities will involve an element of risk. The value of securities may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's net asset value and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

The market risk is managed through portfolio diversification and asset allocation whereby the equity exposure will be reduced in the event of anticipated market weakness.

(b) 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.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk

The Fund is exposed to interest rate risk. Changes in interest rates will affect the value of the investments and its returns. To manage the risk, investments will be concentrated in investment grade issues by financial institutions and companies determined by the Manager.

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 bonds 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 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.

(d) Credit risk

This refers to the creditworthiness of the bond issuer and its expected ability to repay debt. Default happens when the issuer is not able to make timely payments of interest on the coupon payment date or principal repayment on the maturity date.

The credit risk is mitigated by selecting investments that carry ratings of “BBB” and above and if not able to have these, to invest in those investments that are bank or government guaranteed or secured against assets.

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

As at 31.08.2010	Quoted investments/ Unquoted fixed income securities RM	Cash balance and deposits RM	Amount due from stockbrokers RM	Dividends receivable RM	Other assets RM	Total RM
Construction	14,186,825	-	-	-	-	14,186,825
Consumer Products	3,939,368	-	-	-	-	3,939,368
Convertible Loans	1,605,000	-	-	-	-	1,605,000
Exchange Traded Funds	1,445,500	-	-	-	-	1,445,500
Finance	57,597,863	20,619,813	-	-	-	78,217,676
Industrial	8,907,357	-	-	-	-	8,907,357
Infrastructure Project Companies	2,617,492	-	-	37,030	-	2,654,522
Plantations	18,842,312	-	-	-	-	18,842,312
Properties	8,487,716	-	-	-	-	8,487,716
Technology	2,195,858	-	-	-	-	2,195,858
Trading Services	77,417,993	-	-	-	-	77,417,993
Unquoted fixed income securities						
- AAA2/AAA	6,112,100	-	-	-	-	6,112,100
- AAA3/AAA-	2,974,200	-	-	-	-	2,974,200
- AA1/AA+	38,603,850	-	-	-	-	38,603,850
- AA2/AA	6,418,375	-	-	-	-	6,418,375
- AA3/AA-	34,242,450	-	-	-	-	34,242,450
- A1/A+	13,873,100	-	-	-	-	13,873,100
- A2/A	6,288,200	-	-	-	-	6,288,200
- A3/A1	1,679,250	-	-	-	-	1,679,250
- P1	1,984,916	-	-	-	-	1,984,916
- B+	1,821,309	-	-	-	-	1,821,309
Others	-	-	-	-	4,666,252	4,666,252
	311,241,034	20,619,813	-	37,030	4,666,252	336,564,129

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk (continued)

As at 31.08.2009	Quoted investments/ Unquoted fixed income securities	Cash balance and deposits	Amount due from stockbrokers	Dividends receivable	Other assets	Total
	RM	RM	RM	RM	RM	RM
Construction	12,018,059	-	-	-	-	12,018,059
Consumer Products	8,036,050	-	-	-	-	8,036,050
Finance	61,856,117	15,001,233	726,881	114,398	-	77,698,629
Industrial Products	7,164,010	-	-	-	-	7,164,010
Infrastructure Project Companies	2,493,283	-	-	-	-	2,493,283
Plantations	37,113,062	-	-	-	-	37,113,062
Properties	5,840,988	-	-	-	-	5,840,988
Trading Services	53,756,689	-	-	-	-	53,756,689
Unquoted fixed income securities						
- AAA2/AAA	7,112,300	-	-	-	-	7,112,300
- AAA3/AAA-	40,231,600	-	-	-	-	40,231,600
- AA1/AA+	22,474,750	-	-	-	-	22,474,750
- AA2/AA	16,576,100	-	-	-	-	16,576,100
- AA3/AA-	4,995,700	-	-	-	-	4,995,700
- A1/A+	10,055,700	-	-	-	-	10,055,700
- A2/A	5,709,350	-	-	-	-	5,709,350
- A3/A1	4,526,550	-	-	-	-	4,526,550
- B+	1,390,705	-	-	-	-	1,390,705
- Not rated	8,216,670	-	-	-	-	8,216,670
Others	-	-	-	-	2,505,692	2,505,692
	<u>309,567,683</u>	<u>15,001,233</u>	<u>726,881</u>	<u>114,398</u>	<u>2,505,692</u>	<u>327,915,887</u>

(e) Liquidity risk

Liquidity risk is the risk that investments cannot be readily sold at or near its actual value without taking a significant discount. This will result in lower net asset value of the Fund. 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 two percent (2%) of liquid assets at all times to reduce the liquidity risk.

4. INTEREST INCOME

	2010 RM	2009 RM
Interest income from deposits with licensed financial institution	322,021	341,186
Interest income from unquoted fixed income securities	6,698,754	5,436,211
	<u>7,020,775</u>	<u>5,777,397</u>

5. NET AMORTISATION OF PREMIUMS

	2010 RM	2009 RM
Accretion of discounts	401,683	237,965
Amortisation of premiums	(975,594)	(1,410,250)
	<u>(573,911)</u>	<u>(1,172,285)</u>

6. MANAGEMENT FEE

In accordance with Clause 24(1) of the Master Deed dated 15 May 2009, the Manager is entitled to a maximum management fee of 1.50% (2009: 1.50%) per annum calculated daily based on the net asset value of the Fund.

For the financial year ended 31 August 2010, the management fee is recognised at a rate of 1.50% (2009: 1.50%) per annum.

7. TRUSTEE'S AND CUSTODIAN FEES

In accordance with Clause 24(2) of the Master Deed dated 15 May 2009, the Trustee is entitled to a fee at the following rates for both the current and previous financial year:

Size of Fund	Rate per annum of the net asset value of the Fund
First RM20 million	0.06%
Next RM20 million	0.05%
Next RM20 million	0.04%
Next RM20 million	0.03%
Next RM20 million	0.02%
Any amount in excess of RM100 million	0.01%

The Trustee fee is calculated daily based on the net asset value of the Fund. The custodian fee is accrued at fixed annual fee of RM20,000.

For the financial year ended 31 August 2010, the Trustee's fee is recognised at the above-mentioned rates (2009: above-mentioned rates) and the custodian fee is recognised at RM20,000 (2009: RM20,000).

8. TAXATION

	2010 RM	2009 RM
Current taxation		
- Malaysia tax	389,272	666,260
Overprovision in prior financial years	(54,840)	-
	<u>334,432</u>	<u>666,260</u>

A reconciliation of taxation applicable to net (loss)/income before finance cost and taxation multiplied by the Malaysian statutory tax rate and tax expense of the Fund is as follows:

	2010 RM	2009 RM
Net (loss)/income before finance cost and taxation	26,947,113	(9,581,247)
Taxation at Malaysian statutory rate of 25% (2009: 25%)	6,736,778	(2,395,311)
Tax effects of:		
Income not subject to tax	(2,233,992)	(1,409,712)
Net realised (gain)/loss on sales of investments not (subject to tax)/deductible for tax purposes	(5,284,715)	3,713,186
Expenses not deductible for tax purposes	30,664	34,639
Restriction on tax deductible expenses for unit trust funds	1,140,537	723,458
Overprovision in prior financial years	(54,840)	-
Taxation	<u>334,432</u>	<u>666,260</u>

9. QUOTED INVESTMENTS

Name of counter	Quantity (unit)	Aggregate cost RM	Market value RM	Percentage of net asset value %
As at 31 August 2010				
EQUITY SECURITIES				
Construction				
Gamuda Berhad	1,150,000	2,755,619	3,979,000	1.19
IJM Corporation Berhad	887,500	3,793,944	4,428,625	1.32
Malaysian Resources Corp Berhad	2,970,000	4,498,231	4,930,200	1.47
WCT Berhad	300,000	656,920	849,000	0.25
	<u>5,307,500</u>	<u>11,704,714</u>	<u>14,186,825</u>	<u>4.23</u>
Consumer Products				
PPB Group Berhad	194,600	2,414,991	3,323,768	0.99
Tan Chong Motor Holdings Berhad	129,600	647,413	615,600	0.18
	<u>324,200</u>	<u>3,062,404</u>	<u>3,939,368</u>	<u>1.17</u>
Convertible Loans				
Eastern and Oriental Berhad ICSLS 09/2019	1,500,000	1,213,165	1,605,000	0.48

9. QUOTED INVESTMENTS (CONTINUED)

Name of counter	Quantity (unit)	Aggregate cost RM	Market value RM	Percentage of net asset value %
As at 31 August 2010				
EQUITY SECURITIES				
Exchange Traded Funds				
CIMB FTSE XINHUA China 25	1,475,000	1,511,723	1,445,500	0.43
Finance				
Alliance Financial Group Berhad	457,300	1,373,214	1,403,911	0.42
AMMB Holdings Berhad	1,414,112	5,141,418	8,003,874	2.39
CIMB Group Holdings Berhad	2,312,500	10,077,398	18,037,500	5.39
Malayan Banking Berhad	2,075,016	12,880,119	17,409,384	5.21
OSK Holdings Berhad	1,250,000	1,817,594	1,637,500	0.49
Public Bank Berhad – Local	562,530	4,913,806	6,772,861	2.03
RCE Capital Berhad	1,916,400	1,278,755	1,207,332	0.36
RHB Capital Berhad	470,000	2,283,451	3,125,501	0.93
	10,457,858	39,765,755	57,597,863	17.22
Industrial Products				
Lafarge Malayan Cement Berhad	274,500	1,726,200	2,053,260	0.61
Lion Industries Corporation	840,000	1,283,174	1,352,400	0.40
Perisai Petroleum Teknologi Berhad	1,830,000	989,337	924,150	0.28
Scomi Group Berhad	6,675,500	3,232,794	2,636,822	0.79
Supermax Corporation Berhad	372,500	890,559	1,940,725	0.58
	9,992,500	8,122,064	8,907,357	2.66
Infrastructure Project Companies				
Digi.Com Bhd	105,800	2,621,379	2,617,492	0.78
Plantations				
Genting Plantations Berhad	283,000	1,497,504	2,063,070	0.62
IOI Corporation Berhad	1,920,008	6,973,584	10,080,042	3.01
Kuala Lumpur Kepong Berhad	395,000	4,602,144	6,699,200	2.00
	2,598,008	13,073,232	18,842,312	5.63
Properties				
Eastern and Oriental Berhad	2,395,000	2,470,272	2,562,650	0.77
IJM Land Berhad	842,500	1,607,611	1,904,050	0.57
Mah Sing Group Berhad	527,100	979,724	959,322	0.29
UEM Land Berhad	1,833,350	2,524,601	3,061,694	0.92
	5,597,950	7,582,208	8,487,716	2.55
Technology				
JCY International Berhad	2,275,500	3,765,921	2,195,858	0.66
Trading Services				
Airasia Berhad	675,000	912,331	1,134,000	0.34
Axiata Group Berhad	3,661,625	11,400,551	16,367,464	4.89
Dialog Group Berhad	2,247,600	2,025,940	2,472,360	0.74
Faber Group Berhad	375,000	1,011,065	978,750	0.29
Genting Berhad	1,130,000	5,897,420	10,678,500	3.19

9. QUOTED INVESTMENTS (CONTINUED)

Name of counter	Quantity (unit)	Aggregate cost RM	Market value RM	Percentage of net asset value %
As at 31 August 2010				
EQUITY SECURITIES				
Trading Services (continued)				
Genting Malaysia Berhad	810,000	2,287,167	2,446,200	0.73
Kencana Petroleum Berhad	3,700,000	4,425,762	5,698,000	1.70
KPJ Healthcare Berhad	1,159,800	3,303,522	4,001,310	1.20
Malaysia Mining Corporation Berhad	1,000,000	2,305,545	2,530,000	0.76
Maxis Communications Berhad	450,000	2,356,384	2,421,000	0.72
Media Prima Berhad	850,000	1,524,132	1,785,000	0.53
Parkson Holdings Berhad	265,000	1,114,575	1,457,500	0.44
Sapura Crest Petroleum Berhad	2,585,000	4,670,467	5,971,350	1.79
Sime Darby Berhad	900,067	6,674,756	7,515,559	2.25
Tenaga Nasional Bhd	1,350,000	10,999,431	11,961,000	3.58
	<u>21,159,092</u>	<u>60,909,048</u>	<u>77,417,993</u>	<u>23.15</u>
TOTAL QUOTED INVESTMENTS	60,793,408	153,331,613	197,243,284	58.96
FAIR VALUE RESERVE		43,911,671		
TOTAL MARKET VALUE OF QUOTED INVESTMENTS		197,243,284		
As at 31 August 2009				
Construction				
Gamuda Berhad	1,152,000	2,518,071	3,536,640	1.10
IJM Corporation Berhad	645,000	3,820,940	3,857,100	1.20
Malaysian Resources Corp Berhad	1,572,900	1,460,302	2,013,312	0.62
WCT Berhad	430,300	914,389	1,157,507	0.36
Zelan Berhad	1,615,000	1,553,223	1,453,500	0.45
	<u>5,415,200</u>	<u>10,266,925</u>	<u>12,018,059</u>	<u>3.73</u>
Consumer Products				
PPB Group Berhad	522,500	5,731,479	8,036,050	2.49
Finance				
Affin Holdings Berhad	440,000	730,195	836,000	0.26
AMMB Holdings Berhad	1,526,012	5,029,924	6,271,909	1.94
CIMB Group Holdings Berhad	1,827,500	15,543,247	18,183,625	5.63
Malayan Banking Berhad	2,720,016	16,767,545	17,707,304	5.49
Public Bank Berhad - Local	1,372,527	11,932,669	13,656,644	4.23
RHB Capital Berhad	1,099,500	5,060,134	5,200,635	1.61
	<u>8,985,555</u>	<u>55,063,714</u>	<u>61,856,117</u>	<u>19.16</u>
Industrial Products				
Lion Industries Corporation	1,235,000	1,935,731	1,926,600	0.60
Parkson Holdings Berhad	370,000	1,552,669	1,972,100	0.61

9. QUOTED INVESTMENTS (CONTINUED)

Name of counter	Quantity (unit)	Aggregate cost RM	Market value RM	Percentage of net asset value %
As at 31 August 2009				
EQUITY SECURITIES				
Industrial Products (continued)				
Supermax Corporation Berhad	920,000	2,703,895	2,346,000	0.73
UEM Land Berhad	571,000	936,522	919,310	0.28
	<u>3,096,000</u>	<u>7,128,817</u>	<u>7,164,010</u>	<u>2.22</u>
Infrastructure Project Companies				
Digi.Com Bhd	45,000	972,913	994,500	0.31
Lingkar Trans Kota Holdings Bhd	195,000	404,304	526,500	0.16
YTL Power International Bhd	439,947	867,532	972,283	0.30
	<u>679,947</u>	<u>2,244,749</u>	<u>2,493,283</u>	<u>0.77</u>
Plantations				
Genting Plantations Berhad	645,700	3,012,629	3,809,630	1.18
IOI Corporation Bhd	2,117,170	7,956,144	10,818,739	3.35
Kuala Lumpur Kepong Bhd	352,300	3,861,873	4,685,590	1.45
Sime Darby Berhad	2,157,467	15,999,437	17,799,103	5.52
	<u>5,272,637</u>	<u>30,830,083</u>	<u>37,113,062</u>	<u>11.50</u>
Properties				
Eastern and Oriental Berhad	2,217,500	2,330,732	2,860,575	0.89
IJM Land Berhad	1,512,900	2,727,780	2,980,413	0.92
	<u>3,730,400</u>	<u>5,058,512</u>	<u>5,840,988</u>	<u>1.81</u>
Trading Services				
Axiata Group Berhad	3,375,025	9,110,517	10,631,328	3.29
Berjaya Sport Toto Berhad	33,392	148,401	143,252	0.04
Dialog Group Berhad	4,150,000	5,229,703	4,980,000	1.54
Genting Berhad	1,485,000	7,697,405	9,919,800	3.07
Genting Malaysia Berhad	1,676,600	4,734,153	4,677,714	1.45
Kencana Petroleum Berhad	1,817,900	3,463,913	3,454,010	1.07
Malaysia Mining Corporation Berhad	1,257,500	2,706,912	2,955,125	0.92
Sapura Crest Petroleum Berhad	2,347,500	3,978,629	3,943,800	1.22
Tanjong PLC – U	132,500	1,952,850	2,029,900	0.63
Telekom Malaysia Bhd	247,500	598,250	772,200	0.24
Tenaga Nasional Bhd	1,278,000	10,184,927	10,249,560	3.18
	<u>17,800,917</u>	<u>49,805,660</u>	<u>53,756,689</u>	<u>16.65</u>
TOTAL QUOTED INVESTMENTS	45,503,156	166,129,939	188,278,258	58.33
FAIR VALUE RESERVE		22,148,319		
TOTAL MARKET VALUE OF QUOTED INVESTMENTS		188,278,258		

10. UNQUOTED FIXED INCOME SECURITIES

Name of issuer	Nominal value RM	Carrying cost RM'000	Fair value RM'000	Percentage of net asset value %
As at 31 August 2010				
UNQUOTED FIXED INCOME SECURITIES				
AmBank Berhad 4.95% 25/03/2015 (AA3)	2,000,000	2,000,000	2,055,000	0.61
AmBank Berhad 8.25% 19/08/2019 (A2)	2,500,000	2,500,000	2,729,750	0.82
AmInvestment Bank Berhad 4.75% 29/10/2010 (A1)	2,000,000	2,001,776	2,004,800	0.60
AmIslamic Bank Berhad 4.80% 21/12/2011 (A1)	2,000,000	1,994,070	2,015,000	0.60
Anjung Bahasa Sdn Berhad 8.75% 18/06/2015 (AA1)	9,000,000	10,040,123	10,665,900	3.19
Bandar Raya Developments Berhad 0% 12/11/2010 (P1)	2,000,000	1,985,036	1,984,916	0.59
CIMB Bank Berhad 4.90% 28/03/2013 (AA+)	1,000,000	1,003,089	1,024,200	0.31
Digi.com Berhad 4.85% 17/07/2014 (AA1)	2,000,000	2,023,047	2,057,400	0.62
EON Bank Berhad 5.75% 27/02/2019 (A2)	3,500,000	3,545,999	3,558,450	1.06
EON Bank Berhad 8.25% 09/09/2019 (A3)	1,500,000	1,682,455	1,679,250	0.50
Gamuda Berhad 4.59% 24/01/2013 (AA3)	1,000,000	988,152	1,010,600	0.30
Hyundai Capital Services 4.40% 02/08/2011 (AA1)	6,000,000	6,007,044	6,012,600	1.80
Hyundai Capital Services 5.50% 20/05/2011 (AA1)	8,000,000	7,951,736	8,079,200	2.42
Jimah Energy Ventures Sdn Bhd 7.80% 12/05/2014 (AA3)	1,000,000	1,102,064	1,107,900	0.33
Jimah Energy Ventures Sdn Bhd 8.30% 11/11/2016 (AA3)	2,500,000	2,781,380	2,917,000	0.87
Jimah Energy Ventures Sdn Bhd 8.40% 12/05/2017 (AA3)	5,000,000	5,619,628	5,885,000	1.76
Jimah Energy Ventures Sdn Bhd 8.55% 12/05/2017 (AA3)	2,000,000	2,228,168	2,370,800	0.71
Kesas Sdn Berhad 7.15% 11/10/2010 (AA3)	1,000,000	1,002,930	1,003,700	0.30
Kesas Sdn Berhad 7.70% 11/10/2012 (AA3)	5,000,000	5,309,971	5,312,000	1.59
Konsortium Lebuh Utara Timur (KL) Sdn Bhd 7.25% 18/10/2013 (A+)	3,000,000	3,041,335	3,059,100	0.91
Konsortium Lebuh Utara Timur (KL) Sdn Bhd 7.55% 17/10/2014 (A+)	1,000,000	983,353	1,022,900	0.31
Lebuhraya Kajang-Seremban Sdn Bhd 5.35% 10/06/2016 (AA3)	3,500,000	3,348,986	3,360,350	1.00
Lebuhraya Kajang-Seremban Sdn Bhd 5.60% 12/06/2017 (AA3)	2,000,000	2,044,892	1,908,600	0.57

10. UNQUOTED FIXED INCOME SECURITIES (CONTINUED)

Name of issuer	Nominal value RM	Carrying cost RM'000	Fair value RM'000	Percentage of net asset value %
As at 31 August 2010				
UNQUOTED FIXED INCOME SECURITIES				
Malakoff Corporation Berhad 28/04/2017 (AA3)	3,000,000	2,980,913	3,150,000	0.94
Malakoff Corporation Berhad 29/04/2022 (AA3)	1,000,000	910,266	1,043,700	0.31
Malayan Banking Berhad 4.00% 13/04/2012 (AA1)	2,500,000	2,482,319	2,506,250	0.75
National Agricultural Coop 3.80% 08/09/2010 (AAA)	2,000,000	1,999,748	2,000,200	0.60
OCBC Limited 4.60% 27/03/2013 (AAA)	1,000,000	1,012,397	1,014,700	0.30
Powertek Berhad 6.80% 30/08/2011 (AA1)	1,000,000	1,027,865	1,031,700	0.31
Ranhill Powertron Sdn Berhad 6.60% 27/06/2013 (AA2)	750,000	686,775	793,875	0.24
RHB Bank Berhad 5.00% 30/11/2017 (AA2)	1,500,000	3,526,149	3,553,900	1.06
RHB Bank Berhad 8.00% 29/03/2019 (A1)	3,500,000	1,677,450	1,688,100	0.50
Road Builder M Sdn Berhad 6.30% 23/03/2012 (A1)	4,000,000	4,061,977	4,083,200	1.22
Sabah Credit Corp 4.75% 02/11/2012 (AA1)	3,000,000	2,997,614	3,002,400	0.90
Sabah Credit Corp 4.90% 24/09/2012 (AA1)	3,000,000	2,996,343	3,011,700	0.90
SP Setia Berhad 2.00% 23/11/2012 (AA3)	1,000,000	949,152	959,900	0.29
Sports Toto Malaysia Sdn Berhad 6.00% 30/06/2017 (AA-)	2,000,000	2,095,522	2,110,800	0.63
Syarikat Pengeluar Air Sungai 5.65% 28/11/2014 (AA)	2,000,000	2,086,275	2,070,600	0.62
Talam Corporation Berhad 0% 28/06/2019 (B+)	5,650,974	273,992	1,821,309	0.54
Tanjung Bin Power Sdn Berhad 7.00% 11/11/2010 (AA3)	3,000,000	3,013,905	3,021,300	0.90
Teknologi Tenaga Perlis 9.00% 11/09/2015 (AA1)	1,000,000	1,183,119	1,212,500	0.36
Tesco Stores M Sdn Berhad 5.10% 02/09/2014 (AAA)	3,000,000	3,028,154	3,097,200	0.93
TOTAL UNQUOTED FIXED INCOME SECURITIES	112,400,974	110,175,169	113,997,750	34.07
FAIR VALUE RESERVE		3,822,581		
TOTAL FAIR VALUE OF UNQUOTED FIXED INCOME SECURITIES		113,997,750		

10. UNQUOTED FIXED INCOME SECURITIES (CONTINUED)

Name of issuer	Nominal value RM	Carrying cost RM'000	Fair value RM'000	Percentage of net asset value %
As at 31 August 2009				
UNQUOTED FIXED INCOME SECURITIES				
Alam Maritim Resources Berhad 4.97% 08/07/2013 (AA-)	2,000,000	1,962,733	1,969,600	0.61
AmBank Berhad 5.23% 04/02/2013 (A2)	3,000,000	2,944,879	2,956,500	0.92
AmBank Berhad 8.25% 19/08/2019 (A3)	2,500,000	2,500,000	2,499,750	0.78
AmInvestment Bank Berhad 4.8% 30/10/2010 (A1)	2,000,000	2,013,221	2,008,600	0.62
AmIslamic Bank Berhad 4.8% 21/12/2011 (A2)	2,000,000	1,990,509	2,001,200	0.62
Anjung Bahasa Sdn Berhad 8.75% 18/06/2015 (AA2)	9,000,000	10,223,058	10,476,900	3.25
Bank Muamalat Sdn Berhad 6.25% 05/09/2011 (A3)	2,000,000	2,029,199	2,026,800	0.63
Binariang GSM Sdn Bhd 5.55% 27/12/2013 (AA3)	1,000,000	993,515	1,030,800	0.32
Binariang GSM Sdn Bhd 5.565% 26/12/2014 (AA3)	2,000,000	2,013,496	2,059,000	0.64
British American Tobacco (M) Bhd 4.05% 21/09/2012 (AAA)	3,000,000	3,001,856	3,033,300	0.94
CIMB Bank 4.9% 28/03/2013 (AA)	1,000,000	1,004,218	1,007,500	0.31
Digi.com Berhad 4.85% 17/07/2014 (AA1)	1,000,000	1,000,000	1,017,300	0.32
Gamuda Berhad 4.59% 24/01/2013 (AA3)	1,000,000	983,633	986,700	0.31
Harum Intisari Sdn Berhad 4.5% 28/09/2010 (AA)	1,000,000	1,005,859	1,010,500	0.31
Hyundai Capital Services 5.5% 20/05/2011 (AA1)	5,000,000	4,811,963	5,000,500	1.55
IJM Corporation Bhd 5.50% 24/02/2010 (AA-)	3,000,000	3,016,689	3,026,100	0.94
Jimah Energy Ventures Sdn Bhd 8.30% 11/11/2016 (AA3)	2,500,000	2,817,957	2,814,500	0.87
Jimah Energy Ventures Sdn Bhd 8.40% 12/05/2017 (AA3)	5,000,000	5,691,755	5,661,000	1.76
Jimah Energy Ventures Sdn Bhd 8.55% 12/05/2017 (AA3)	2,000,000	2,254,475	2,284,000	0.71
Kesas Sdn Bhd 7.15% 11/10/2010 (AA3)	1,000,000	1,030,386	1,023,600	0.32
Kesas Sdn Bhd 7.70% 11/10/2012 (AA3)	5,000,000	5,449,868	5,302,500	1.64
Konsortium Lebuh raya Utara-Timur (KL) Sdn Bhd 7.25% 18/10/2013 (A+)	3,000,000	2,989,513	2,973,300	0.92
Konsortium Lebuh raya Utara-Timur (KL) Sdn Bhd 7.55% 17/10/2014 (A+)	1,000,000	980,295	986,200	0.31

10. UNQUOTED FIXED INCOME SECURITIES (CONTINUED)

Name of issuer	Nominal value RM	Carrying cost RM'000	Fair value RM'000	Percentage of net asset value %
As at 31 August 2009				
UNQUOTED FIXED INCOME SECURITIES				
Kuala Lumpur Kepong Bhd 4.00% 10/05/2012 (AA2)	2,000,000	1,992,369	2,011,000	0.62
Lebuhraya Kajang-Seremban Sdn Bhd 5.35% 10/06/2016 (AA3)	3,500,000	3,331,188	3,271,100	1.01
Lebuhraya Kajang-Seremban Sdn Bhd 5.60% 12/06/2017 (AA3)	2,000,000	2,050,313	1,856,600	0.58
Malakoff Corporation Berhad 6.182% 28/04/2017 (AA3)	3,000,000	2,978,866	2,943,000	0.91
Malakoff Corporation Berhad 6.682% 29/04/2022 (AA3)	1,000,000	905,713	933,000	0.29
Malayan Banking Berhad 4% 13/04/2012 (AA1)	500,000	476,015	496,450	0.15
Malaysian Government 5.094% 30/04/2014 (NR)	7,700,000	8,397,531	8,216,670	2.55
Maxis Communication Berhad 4.43% 17/03/2017 (AAA)	2,000,000	1,932,802	1,969,800	0.61
Powertek Berhad 6.8% 30/08/2011 (AA1)	1,000,000	1,054,814	1,057,100	0.33
Ranhill Powertron Sdn Berhad 6.6% 27/06/2013 (A2)	750,000	668,366	751,650	0.23
Road Builder (M) Sdn Berhad 6.30% 23/03/2012 (A1)	4,000,000	4,099,280	4,087,600	1.27
Sarawak Electricity Supply Corporation 6.40% 29/06/2011 (AAA)	2,000,000	2,105,194	2,109,200	0.65
Sejingkat Power Corporation Sdn Bhd 8.25% 15/12/2009 (AA1)	1,000,000	1,011,844	1,016,000	0.32
SP Setia Bhd 2.00% 23/11/2012 (AA3)	2,000,000	1,841,584	1,844,600	0.57
Syarikat Pengeluar Air Sungai Selangor Sdn Bhd 5.65% 28/11/2014 (AAID)	2,000,000	2,104,134	2,070,200	0.64
Talam Corporation Berhad 0% 28/06/2019 (B+)	5,650,974	235,868	1,390,705	0.43
Tanjung Bin Power Sdn Bhd 7.00% 11/05/2010 (AA3)	5,000,000	5,084,906	5,112,000	0.96
Tanjung Bin Power Sdn Bhd 7.00% 11/11/2010 (AA3)	3,000,000	3,086,510	3,109,200	1.59
Teknologi Tenaga Perlis 9% 11/09/2015 (AA1)	1,000,000	1,219,353	1,216,400	0.38
YTL Power International Bhd 3.00% 18/04/2013 (AA1)	8,000,000	7,577,258	7,664,000	2.38

10. UNQUOTED FIXED INCOME SECURITIES (CONTINUED)

Name of issuer	Nominal value RM	Carrying cost RM'000	Fair value RM'000	Percentage of net asset value %
As at 31 August 2009				
UNQUOTED FIXED INCOME SECURITIES				
YTL Power International Berhad 4.55% 28/09/2009 (AA1)	5,000,000	5,006,593	5,007,000	1.55
TOTAL UNQUOTED FIXED INCOME SECURITIES	122,100,974	119,869,578	121,289,425	37.62
FAIR VALUE RESERVE		1,419,847		
TOTAL FAIR VALUE OF UNQUOTED FIXED INCOME SECURITIES		121,289,425		

The effective weighted average interest rates per annum of unquoted fixed income securities are as follows:

	2010 %	2009 %
Unquoted fixed incomes securities	5.48	6.04

11. CASH AND CASH EQUIVALENTS

	2010 RM	2009 RM
Deposits with licensed financial institutions	20,492,000	14,912,000
Bank balances in a licensed bank	127,813	89,233
	20,619,813	15,001,233

The effective weighted average effective interest rates per annum are as follows:

	2010 %	2009 %
Deposits with licensed financial institutions	2.74	1.64

Deposits with licensed financial institutions of the Fund have an average maturity of 5 days (2009: 7 days).

12. INTEREST RECEIVABLE

	2010	2009
	RM	RM
Interest receivable from unquoted fixed income securities	1,876,841	2,008,422
Interest receivable from deposits with licensed financial institutions	6,108	4,394
	<u>1,882,949</u>	<u>2,012,816</u>

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

	2010		2009	
	No. of units	RM	No. of units	RM
At the beginning of the financial year	497,241,000	322,468,043	358,064,000	211,601,594
Add: Creation arising from application	57,987,701	41,740,827	168,119,402	101,133,304
Less: Cancellation of units	(113,463,164)	(80,573,956)	(28,942,402)	(17,055,570)
Net increase/(decrease) in net assets attributable to unit holders	-	26,612,681	-	(10,247,507)
Net change in fair value reserve	-	24,166,086	-	37,036,222
At the end of the financial year	<u>441,765,537</u>	<u>334,413,681</u>	<u>497,241,000</u>	<u>322,468,043</u>
Approved size of Fund	<u>700,000,000</u>		<u>700,000,000</u>	

As at 31 August 2010, the number of units not yet issued is 258,234,463 (2009: 202,759,000).

14. MANAGEMENT EXPENSE RATIO (“MER”)

	2010	2009
	%	%
MER	<u>1.58</u>	<u>1.61</u>

MER is derived from the following calculation:

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

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

The average net asset value of the Fund for the financial year calculated on daily basis is RM328,547,444 (2009: RM208,206,304).

15. PORTFOLIO TURNOVER RATIO (“PTR”)

	2010	2009
PTR (times)	0.45	0.81

PTR is derived from the following calculation:

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

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

where:

total acquisition for the financial year = RM141,713,870 (2009: RM212,728,430)

total disposal for the financial year = RM151,486,618 (2009: RM126,116,691)

16. 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
Bumiputra-Commerce Holdings Berhad (“BCHB”)	Ultimate holding company of the Manager
Subsidiaries and associates of BCHB as disclosed in its financial statements	Subsidiary and associated companies of the ultimate holding company of the Manager

Units held by the Manager and parties related to the Manager

	2010		2009	
Manager	No. of units	RM	No. of units	RM
CIMB-Principal Asset Management Berhad	85,465	64,688	23,811	46,652

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 other parties related to the manager.

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.

	2010	2009
	RM	RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institutions:		
- CIMB Bank Berhad	60,930	43,932

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

	2010 RM	2009 RM
<u>Significant related party balances</u>		
Deposits with licensed financial institutions:		
- CIMB Bank Berhad	8,000,000	-

17. TRANSACTIONS WITH BROKERS/DEALERS

Details of transaction with brokers/dealers for the financial year ended 31 August 2010 are as follows:

Brokers/dealers	Values of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
CIMB Investment Bank Berhad#	91,030,396	29.34	197,575	39.31
OSK Investment Bank Berhad	37,590,118	12.11	24,762	4.93
AmInvestment Bank Berhad	36,111,547	11.64	49,510	9.85
Maybank Securities	35,657,291	11.49	76,986	15.32
RHB Investment Bank Berhad	22,663,931	7.30	50,732	10.09
Credit Suisse Securities (M) Sdn Bhd	15,677,969	5.05	34,879	6.94
JP Morgan Securities (M) Sdn Berhad	14,266,639	4.60	31,477	6.26
Standard Chartered Bank Berhad	12,737,000	4.10	-	-
Macquarie Malaysia Sdn Berhad	9,896,360	3.19	22,312	4.44
Others	34,673,505	11.18	14,335	2.86
	<u>310,304,756</u>	<u>100.00</u>	<u>502,568</u>	<u>100.00</u>

17. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

Details of transactions with brokers/dealers for the financial year ended 31 August 2009 are as follows:

Brokers/dealers	Values of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
CIMB Investment Bank Berhad#	65,657,256	21.60	135,175	42.45
Credit Suisse Securities (M) Sdn Bhd	58,902,029	19.38	34,447	10.82
OSK Investment Bank Berhad	40,532,327	13.34	8,448	2.65
CIMB Bank Berhad - Treasury#	27,621,725	9.09	-	-
Maybank Investment Bank Berhad	17,431,928	5.74	16,193	5.09
AmBank Berhad	17,077,300	5.62	-	-
JP Morgan Securities (M) Sdn Berhad	15,284,856	5.03	34,436	10.81
AmInvestment Bank Berhad	13,360,188	4.40	22,190	6.97
CLSA Securities (M) Sdn Berhad	11,392,155	3.75	25,678	8.06
Macquarie Malaysia Sdn Berhad	7,550,103	2.48	17,082	5.36
Others	29,121,132	9.57	24,803	7.79
	<u>303,930,999</u>	<u>100.00</u>	<u>318,452</u>	<u>100.00</u>

Included in transactions by the Fund are trades conducted on normal terms with CIMB Investment Bank Berhad, a company related to the Manager amounting to RM91,030,396 (2009: RM65,657,256). For financial year ended 31 August 2010, there is no trade conducted with CIMB Bank Berhad, a company related to the Manager (2009:RM27,621,725).

18. 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-portfolios. These sub-portfolios consist of quoted investments and unquoted fixed income securities portfolio.

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

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

The segment information provided to the Investment Committee for the reportable operating segment is as follows:

18. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 August 2010:

	Quoted investments portfolio RM	Unquoted fixed income securities portfolio RM	Total RM
Dividend income	4,552,669	-	4,552,669
Interest income	-	6,698,754	6,698,754
Net realised gain on sales of investments	20,840,130	298,730	21,138,860
Net amortisation of premiums	-	(573,911)	(573,911)
	<u>25,392,799</u>	<u>6,423,573</u>	<u>31,816,372</u>

	Quoted investments portfolio RM	Unquoted fixed income securities portfolio RM	Total RM
Financial assets at fair value	197,243,284	113,997,750	311,241,034
Dividend receivable	37,030	-	37,030
Interest receivable from fixed income securities	-	1,876,841	1,876,841
	<u>197,280,314</u>	<u>115,874,591</u>	<u>313,154,905</u>

For the year ended 31 August 2009:

	Quoted investments portfolio RM	Unquoted fixed income securities portfolio RM	Total RM
Dividend income	4,018,677	-	4,018,677
Interest income	-	5,436,211	5,436,211
Net realised (loss)/gain on sales of investments	(15,213,919)	361,176	(14,852,743)
Net amortisation of premiums	-	(1,172,285)	(1,172,285)
	<u>(11,195,242)</u>	<u>4,625,102</u>	<u>(6,570,140)</u>

18. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 August 2009: (continued)

	Quoted investments portfolio RM	Unquoted fixed income securities portfolio RM	Total RM
Financial assets at fair value	188,278,258	121,289,425	309,567,683
Amount due from broker	726,881	-	726,881
Dividend receivable	114,398	-	114,398
Interest receivable from fixed income securities	-	2,008,422	2,008,422
Total segment assets	189,119,537	123,297,847	312,417,384

The Fund's administration and trustee fee are not considered to be segment expenses.

A reconciliation of total segmental income to the net income is provided as follows:

	2010 RM	2009 RM
Total net segmental income/(loss)	31,816,372	(6,570,140)
Interest income from deposits with licensed financial institutions	322,021	341,186
Other income	426	1,648
Other fees and expenses	(5,191,706)	(3,353,941)
Net income/(loss) before taxation	26,947,113	(9,581,247)
Taxation	(334,432)	(666,260)
Net income/(loss) after taxation	26,612,681	(10,247,507)

Reportable operating segment's assets and liabilities are reconciled to total assets and total liabilities as follows:

	2010 RM	2009 RM
Total segment assets	313,154,905	312,417,384
Cash and deposits	20,619,813	15,001,233
Other receivables	2,789,411	497,270
Total assets	336,564,129	327,915,887
Total segmental liabilities	-	4,535,592
Other payables and accrued expenses	2,150,448	912,252
Total liabilities	2,150,448	5,447,844

18. SEGMENT INFORMATION (CONTINUED)

The Fund's other receivables and other payables and accrued expenses are not considered to be segment assets and segment liabilities respectively and are managed by the administration function.

DIRECTORY

Head office of the Manager

CIMB-Principal Asset Management Berhad (Company No.: 304078-K)
Level 5, Menara Milenium,
8, Jalan Damanela,
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 Balanced Income Fund

Universal Trustee (Malaysia) Berhad (Company No.:17540-D)
No. 1 Jalan Ampang (3rd Floor),
50450 Kuala Lumpur, MALAYSIA.

Auditors of the Trusts and of the Manager

PricewaterhouseCoopers (Company No. AF: 1146)
Level 10, 1 Sentral,
Jalan Travers, Kuala Lumpur Sentral,
PO Box 10192, 50706 Kuala Lumpur, MALAYSIA.

Consulting Actuaries

Mercer Zainal Consulting Sdn. Bhd. (Company No.:35090-H)
1702 Kenanga International,
Jalan Sultan Ismail,
50250 Kuala Lumpur, MALAYSIA.

CIMB-Principal Balanced Income Fund is also available from CIMB Wealth Advisors Berhad's Offices

ADDRESS TELEPHONE

HEAD OFFICE

- 46, Jalan SS21/39, Damansara Utama, 47400 Petaling Jaya, Selangor. 03-77182888

FINANCIAL CARE CENTER

- 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
- 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. 09-747 1172
09-747 1190
- 30A, 1ST Floor & 30C 3RD Floor, Persiaran Greentown 1, Greentown Business Centre, 30450 Ipoh, Perak. 05-243 9001
05-243 9002
- No 13B, 2ND Floor, Jalan Mamanda 7/1, Off Jalan Ampang, 68000 Ampang, Selangor. 03-4270 2970
- 39-3 & 41-3, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur. 03-9059 2333
- 61, Jalan Melaka Raya 24, Taman Melaka Raya, 75000 Melaka. 06-281 1111
- Lot 228, 1ST Floor, Beautiful Jade Centre, Jalan Maju, 98000 Miri, Sarawak. 085-432 525

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, 2 ND 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, 3 RD Floor, Jalan 1/27F, KL 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 Sibu, Sarawak.	084-325 515
• Lot No.35-2, 2 ND Floor, Jalan Sepah Puteri 5/1B, Pusat Dagangan Seri Utama, PJU 5 Kota Damansara, 47410 Selangor.	03-6140 3046