

Principal S&P Ethical Asia Pacific Dividend ETF  
(Formerly known as CIMB S&P Ethical Asia Pacific  
Dividend ETF)  
(Constituted under a Trust Deed in the Republic of Singapore)

Audited Financial Statements  
30 June 2019



**Principal S&P Ethical Asia Pacific Dividend ETF**  
**(Formerly known as CIMB S&P Ethical Asia Pacific Dividend ETF)**  
**(Constituted under a Trust Deed in the Republic of Singapore)**

**General information**

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**Manager**

Principal Asset Management (S) Pte. Ltd.  
(Formerly known as CIMB-Principal Asset Management (S) Pte. Ltd.)  
50 Raffles Place  
#22-03A&B Singapore Land Tower  
Singapore 048623

**Directors of the Manager**

Christopher Leow  
Alejandro Elias Echegorri Rodriguez  
Lum Joy Deng (Appointed on 1 July 2019)

**Trustee/Registrar**

Citicorp Trustee (Singapore) Limited  
5 Changi Business Park Crescent  
Level 5  
Singapore 486027

**Custodian**

Citibank N.A., Singapore Branch  
5 Changi Business Park Crescent  
Level 5  
Singapore 486027

**Auditor**

Ernst & Young LLP  
One Raffles Quay  
North Tower, Level 18  
Singapore 048583

**Principal S&P Ethical Asia Pacific Dividend ETF**  
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**General information**

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**Principal S&P Ethical Asia Pacific Dividend ETF**  
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**Manager's investment report**

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**About Principal S&P Ethical Asia Pacific Dividend ETF (formerly known as CIMB S&P Ethical Asia Pacific Dividend ETF):**

Principal S&P Ethical Asia Pacific Dividend ETF (formerly known as CIMB S&P Ethical Asia Pacific Dividend ETF) (the "Fund") is an exchange traded fund, designed to track the performance of the S&P Ethical Pan-Asia Select Dividend Opportunities Index. Shares of Principal S&P Ethical Asia Pacific Dividend ETF have been listed and traded on SGX-ST since 8 March 2012.

**Details of Principal S&P Ethical Asia Pacific Dividend ETF (formerly known as CIMB S&P Ethical Asia Pacific Dividend ETF):**

Fund Currency	United States dollars ("USD")
Trading Currencies	USD, Singapore dollars ("SGD")
Listing Date of USD counter on SGX-ST	8 March 2012
Listing Date of SGD counter on SGX-ST	15 June 2012
Stock Codes on SGX-ST	P5P (USD counter), QR9 (SGD counter)
Board Lot	100 units
Number of units as at 30 June 2019	13,500,000
NAV per unit as at 30 June 2019	USD0.942
Management Fee	0.65% of NAV per annum

**Performance:**

Cumulative Performance (%) as at 30 June 2019:

<u>From 30/06/2019</u>	<u>Period</u>	<u>Fund's Performance</u>	<u>Index's Performance</u>
3 months	31/3/2019 - 30/6/2019	3.87%	4.21%
6 months	31/12/2018 - 30/6/2019	12.15%	13.00%
1 year	30/6/2018 - 30/6/2019	8.05%	10.12%
3 years	30/6/2016 - 30/6/2019	41.55%	45.19%
Since inception	8/3/2012 - 30/6/2019	44.32%	46.55%

The Fund aims to mirror the performance of the S&P Ethical Pan-Asia Select Dividend Opportunities Index (the "Index"), using full replication strategy, by investing in Securities constituting the Index in substantially the same proportion or weighting as in the Index.

The Index represents the top 40 high-yielding stocks in the Asia Pacific region which meet the criteria for inclusion into the tracked index and is subject to rigorous ground rules such as free float adjustment and liquidity screening to ensure that these stocks are highly investable. The focus of the Index is on both capital growth and dividend income characteristics, thus providing yield and stability. The transparent and freely available index rules are governed and maintained by an independent committee of leading market professionals.

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**Performance (cont'd):**

From 1 January 2019 to 30 June 2019, the NAV of the Fund increased by 12.15%, while the value of the Index increased by 13%.

In the first half of 2019, Asian economic growth was pressured by the rapid slowdown in global trade growth and manufacturing sectors. The escalation of the U.S.-China trade tension continued to put downward pressure on global economic growth. With global inflation remaining subdued, central banks signaled a less hawkish stance. This provided some buffer to emerging markets, including North Asia and ASEAN.

In the first quarter of 2019, China's export growth tumbled amidst the intense trade negotiation between U.S. and China. China domestic economy was weak, with slower industry production growth at 5.3% year-on-year ("YoY"). The Official NBS Manufacturing PMI in China showed a reading of below 50, this being classified as weak and in the contraction zone. China retail sales growth remained unchanged from end-2018 levels. In Thailand, the growth of tourists' arrivals slowed down due to contraction in the number of Chinese visitors. Australia GDP growth was weak, and employment growth was soft in February with slower job growth. In Singapore, both manufacturing and services sectors saw negative impulses from weakening external demand. In Korea, weak domestic and external demand caused Korea's economy to contract in the first quarter, with GDP growth slowing sharply to 1.8% from 3.1% in the previous quarter on a YoY basis. Korean domestic demand contracted on the sharp decline in facilities investment and slowing private and public consumption growth, whilst external demand contracted as exports fell sharply due to the U.S.-China trade tension. Korean economic growth was also impacted by falling semiconductor prices. The Korean Won was the weakest Asian currency in the first quarter, depreciating 2.1% against the U.S. Dollar.

Moving to the second quarter, U.S. and China reached an agreement to restart U.S.-China trade talks. However, global economic data continued to soften. Manufacturing sectors underperformed across all Asian countries. Most Asian central banks adopted an easing monetary policy. Malaysia was facing the challenges of weakening global electronics demand and declining oil and commodity prices. In China, private business investment was weak and demand for credit was low. As the pace of the infrastructure fixed-asset investment slowed down, the China State Council started to push banks to lend to local government infrastructure projects to support economic growth. The Chinese Yuan remained soft because of weak balance of payments and the expectation that trade tension will persist. In Korea, exports of semiconductor fell 22% in April and May, on a YoY basis. Korea's nominal exports continued to contract in the second quarter, and Korean central bankers indicated a more easing-stance in the May policy meeting. The Korean Won remained the weakest currency in the second quarter.

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**Manager's investment report**

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Investments at market value and as a percentage of NAV as at 30 June 2019 classified by:

	2019		2018	
	Market value USD	% of NAV	Market value USD	% of NAV
<b>(i) Country</b>				
Australia	3,242,214	25.50	2,541,755	23.31
China	2,181,301	17.16	1,831,229	16.80
Hong Kong	2,558,062	20.12	2,831,599	25.97
Malaysia	384,452	3.02	164,446	1.51
Singapore	2,766,711	21.76	2,305,239	21.15
South Korea	649,056	5.11	789,804	7.24
Thailand	651,596	5.13	–	–
<b>(ii) Industry</b>				
Consumer discretionary	356,614	2.80	303,287	2.78
Consumer services	377,922	2.97	698,418	6.41
Energy	1,479,656	11.64	1,033,246	9.48
Financials	2,930,577	23.05	2,418,791	22.19
Industrials	304,195	2.40	405,005	3.71
Materials	1,061,757	8.35	–	–
Real estate	3,301,132	25.97	2,416,236	22.16
Technology	–	–	519,951	4.77
Communication services/ Telecommunication	1,333,730	10.49	1,359,638	12.47
Utilities	1,287,809	10.13	1,309,500	12.01
<b>(iii) Asset class</b>				
Equities	12,433,392	97.80	10,464,072	95.98
Other net assets	279,666	2.20	438,597	4.02

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**Details of top 10 holdings of the Fund:**

<b>As at 30 June 2019</b>	<b>Cost USD</b>	<b>Market value USD</b>	<b>% of total net assets</b>
Fortescue Metals Group Ltd	357,686	687,470	5.41
China Petroleum & Chemical Corp	589,903	512,815	4.03
Singapore Telecommunications Ltd	449,136	470,358	3.70
Ascendas Real Estate Investment Trust	373,677	463,341	3.64
PCCW Ltd	466,727	448,841	3.53
Mirvac Group	332,422	427,154	3.36
CapitaLand Mall Trust	334,368	423,429	3.33
APA Group	360,779	417,017	3.28
HKT Trust & HKT Ltd	335,724	414,531	3.26
China Shenhua Energy Co Ltd	433,148	397,089	3.12
	<b>4,033,570</b>	<b>4,662,045</b>	<b>36.66</b>

<b>As at 30 June 2018</b>	<b>Cost USD</b>	<b>Market value USD</b>	<b>% of total net assets</b>
China Petroleum & Chemical Corp	467,316	546,729	5.01
ComfortDelGro Corp Ltd	515,328	528,237	4.85
Lenovo Group Ltd	547,209	519,951	4.77
S-Oil Corp	512,842	486,517	4.46
Singapore Technologies Engineering Ltd	457,190	405,005	3.71
Vicinity Centres	411,563	372,237	3.41
HKT Trust & HKT Ltd	337,814	340,943	3.13
CapitaLand Mall Trust	339,585	338,647	3.11
Huaneng Power International Inc	347,239	335,318	3.08
PCCW Ltd	355,709	329,519	3.02
	<b>4,291,795</b>	<b>4,203,103</b>	<b>38.55</b>

**Exposure to derivatives**

The Fund had no exposure to derivatives for the financial year ended 30 June 2019.

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**Index constituents' weights:**

<b>Constituent name</b>	<b>As at 30 June 2019 %</b>	<b>As at 30 June 2018 %</b>
Fortescue Metals Group Ltd	5.41	–
China Petroleum & Chemical Corp	4.03	5.01
Singapore Telecommunications Ltd	3.70	1.98
Ascendas Real Estate Investment Trust	3.64	2.99
PCCW Ltd	3.53	3.02
Mirvac Group	3.36	2.50
CapitaLand Mall Trust	3.33	3.11
APA Group	3.28	3.02
HKT Trust & HKT Ltd	3.26	3.13
China Shenhua Energy Co Ltd	3.12	–
ComfortDelGro Corp Ltd	2.97	4.85
Suntec Real Estate Investment Trust	2.96	2.01
Vicinity Centres	2.95	3.41
PTT Global Chemical PCL	2.95	–
Hang Lung Properties Ltd	2.88	1.89
Hyundai Motor Co	2.81	2.78
CapitaLand Commercial Trust	2.77	–
Power Assets Holdings Ltd	2.75	1.57
Singapore Technologies Engineering Ltd	2.39	3.71
New World Development Co Ltd	2.36	2.14
S-Oil Corp	2.30	4.46
China Resources Power Holdings Co Ltd	2.27	2.62
PTT PCL	2.18	–
National Australia Bank Ltd	1.89	2.20
Westpac Banking Corp	1.86	2.00
Tenaga Nasional Bhd	1.83	–
Commonwealth Bank of Australia	1.75	1.72
Australia & New Zealand Banking Group Ltd	1.75	1.94
Sino Land Co Ltd	1.72	2.06
Bendigo & Adelaide Bank Ltd	1.66	1.95
Bank of Queensland Ltd	1.59	1.73
China Cinda Asset Management Co Ltd	1.58	1.43
China CITIC Bank Corp Ltd	1.51	–
Agricultural Bank of China Ltd	1.50	1.67
China Construction Bank Corp	1.48	1.44
Industrial & Commercial Bank of China Ltd	1.42	1.32
Bank of Communications Co Ltd	1.40	1.86
BOC Hong Kong Holdings Ltd	1.35	0.99
CIMB Group Holdings Bhd	1.19	–
China Huarong Asset Management Co Ltd	1.12	0.98
Lenovo Group Ltd	–	4.77
Huaneng Power International Inc	–	3.08
Telstra Corp Ltd	–	2.84
Link REIT	–	2.05
CLP Holdings Ltd	–	1.73
Singapore Airlines Ltd	–	1.56
DiGi.Com Bhd	–	1.51
Oversea-Chinese Banking Corp Ltd	–	0.94



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**Creation/redemption for the financial year ended 30 June 2019:**

Total subscription during the year under review amounted to USD1,281,500 (equivalent to 1,500,000 units) (2018: USD2,871,500 (equivalent to 3,000,000 units)) while there were no redemptions during the year under review (2018: USD9,546,000 (equivalent to 1,000,000 units)).

**Other information:**

During the year, the Fund had no exposure to other unit trusts, mutual funds and collective investment schemes and had no borrowings. There is no other material information that will adversely impact the valuation of the Fund:

	<b>2019</b>	<b>2018</b>
	%	%
Expense ratio <sup>(1)</sup>	1.13	1.15
Turnover ratio <sup>(2)</sup>	43.87	92.00

<sup>(1)</sup> The expense ratio is computed in accordance with the revised IMAS' guidelines on disclosure of expense ratios dated 25 May 2005. Refer to Note 9 to the financial statements for details.

<sup>(2)</sup> The portfolio turnover ratio is calculated in accordance with the formula stated in the "Code on Collective Investment Schemes". Refer to Note 9 to the financial statements for details.

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**Manager's investment report**

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**Soft dollar commissions:**

During the financial year under review, no soft dollar commissions were received from brokers.

**Information on the Manager:**

The Manager of the Fund is Principal Asset Management (S) Pte. Ltd. (formerly known as CIMB-Principal Asset Management (S) Pte. Ltd.) (Company Registration Number 200607208K), a private limited company, incorporated in Singapore on 18 May 2006. The Manager is wholly-owned by Principal Asset Management Berhad (formerly known as CIMB-Principal Asset Management Berhad) in Malaysia, which has been managing discretionary and mutual funds in Malaysia for more than 20 years.

The Manager obtained its capital markets services licence on 24 April 2007 and presently manages the Fund and several other discretionary accounts, with total assets under management of about S\$4.1 billion as at 30 June 2019.

**Directors of the Manager:**

*Christopher Leow*

Mr Leow, of 50 Raffles Place, #22-03A & B Singapore Land Tower, Singapore 048623, is the Chief Executive Officer and a Director of the Manager, and is responsible for leading the International Investment team based in Singapore. He joined Principal Asset Management Berhad in December 2003 and was transferred to the Manager in May 2007. He has more than 20 years of experience in the equities and fund management industry. Mr Leow is a Chartered Financial Analyst ("CFA") and a Certified Financial Planner. He has been registered with the Monetary Authority of Singapore under the Securities and Futures Act (Cap. 289) as a Representative of the Manager in fund management since September 2007. Mr Leow holds a Bachelor of Commerce in Accounting and Finance (Hons) from the University of Western Australia.

*Alejandro Elias Echegorri Rodriguez*

Mr Echegorri, of One Raffles Quay, North Tower #19-01/04, Singapore 048583, is the Chief Investment Officer for Asia, Principal International. He is a Director of the Manager, and was previously the Chief Executive Officer, ASEAN Region, of the Principal Asset Management Berhad (formerly known as the CIMB-Principal Asset Management Group). He was appointed as Executive Director of the Principal Asset Management Berhad on 28 March 2016 and Director of the Manager on 4 April 2016. He joined the Principal Asset Management Berhad on 1 March 2015. Previously he was the Chief Investment Officer for Principal International in Latin America, where he was responsible for the overall investment strategy and the investment process for the group and for overseeing the management of pension, mutual funds and general accounts in the region as well as for supporting the overall development of the asset management business in the region. He joined Principal International in 2003 as Head of Institutional Asset Management and Chief Investment Officer for Principal Financial Group in Mexico. Prior to that, he was the Senior Investment Officer for Citibank's Pension Fund Business in Latin America. He also held different positions in the investment area in countries such as Uruguay, Argentina, Chile, Mexico and the United Kingdom. Mr Echegorri holds a degree in Economics from the Universidad Mayor de la Republica, Uruguay, and a Master in Economics from Universidad Centro de Estudios Macroeconomicos de Argentina.

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**Manager's investment report**

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**Directors of the Manager (cont'd):**

*Lum Joy Deng*

Ms Lum, of 10th Floor, Bangunan CIMB, Jalan Semantan, 50490 Damansara Heights, Kuala Lumpur, Malaysia, is a Director of the Manager and Head of the Investment unit of Group Ventures and Partnerships ("GVP") in CIMB Group, and is primarily responsible for managing CIMB Group's private markets portfolio of investments including CIMB Group's exposure to private equity funds and direct strategic investments. She has extensive transactional experience, having spent 8 years in Corporate Finance in the Investment Banking department of CIMB Group, focusing on cross-border M&As, divestments, IPOs, fund raising, and corporate restructuring advisory work for clients across Asia Pacific markets covering various industries. Prior to her existing role, she was in CIMB Group's agribusiness sector team for 2 years, where she advised capital markets-related deals on market trends, financial valuations, competitive analyses, and market positioning within the sector. She sits on the board of various investee companies as non-executive director and is also an active member of the investment committee at various private equity funds managed by CIMB. Ms Lum graduated with Honours in Accounting and Finance from the University of Nottingham, England.

**Appointed Portfolio Managers of the Fund:**

The appointed individual/principal portfolio manager of the Fund who primarily performs the investment management functions for the Fund is Mr Christopher Leow (who is also one of the directors of the Manager), who is assisted by Mr James Gan Seng Chen, Mr Shawn Ho Jian Hong, and Ms Zhang Yuzheng.

Please see the write-up above for more information on Mr Christopher Leow's qualifications, experience and employment history.

Mr James Gan Seng Chen joined the Manager in November 2012 and has 9 years of experience in the fund management industry as a research analyst and portfolio manager. Before joining the Manager, Mr James Gan Seng Chen was an investment analyst with the Manager's parent company, Principal Asset Management Berhad. Mr James Gan Seng Chen holds a Bachelor of Science in Mathematics and Economics from the University of Warwick in the United Kingdom and is a CFA charter-holder.

Mr Shawn Ho Jian Hong joined the Manager in 2015 and focuses primarily on the Singapore and China equity markets, where he covers a range of sectors. Mr Shawn Ho Jian Hong holds a Masters in Real Estate Finance from the University of Cambridge.

Ms Zhang Yuzheng joined the Manager in 2017 and focuses primarily on asset allocation models. Ms Zhang Yuzheng holds a Masters of Economics from Columbia University.

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**Report of the Trustee**  
**For the financial year ended 30 June 2019**

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The Trustee is under a duty to take into custody and hold the assets of Principal S&P Ethical Asia Pacific Dividend ETF (formerly known as CIMB S&P Ethical Asia Pacific Dividend ETF) (the "Fund") in trust for the unitholders. In accordance with the Securities and Futures Act (Chapter 289), its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each financial year and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the financial year covered by these financial statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,  
Citicorp Trustee (Singapore) Limited:



Authorised signatories



Gan Lai Chun  
Director  
Citicorp Trustee (Singapore) Limited

27 September 2019

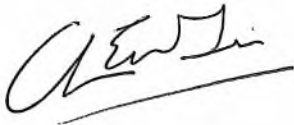
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**Statement by the Manager**  
**For the financial year ended 30 June 2019**

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In the opinion of the directors of Principal Asset Management (S) Pte. Ltd. (*formerly known as CIMB-Principal Asset Management (S) Pte. Ltd.*), the accompanying financial statements, comprising the statement of total return, statement of financial position, statement of movements of unitholders' funds, statement of portfolio and notes to the financial statements are drawn up so as to present fairly, in all material respects, the financial position and the portfolio holdings of Principal S&P Ethical Asia Pacific Dividend ETF (*formerly known as CIMB S&P Ethical Asia Pacific Dividend ETF*) (the "Fund") as at 30 June 2019 and the financial performance and movements in unitholders' funds for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of the directors of Principal Asset Management (S) Pte. Ltd.:



Christopher Leow  
Director/Chief Executive Officer

27 September 2019

**Principal S&P Ethical Asia Pacific Dividend ETF  
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**Independent auditor's report  
For the financial year ended 30 June 2019**

**To the Unitholders of Principal S&P Ethical Asia Pacific Dividend ETF**

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

**Opinion**

We have audited the financial statements of Principal S&P Ethical Asia Pacific Dividend ETF (formerly known as CIMB S&P Ethical Asia Pacific Dividend ETF) (the "Fund"), which comprise the statement of financial position and statement of portfolio as at 30 June 2019, and the statement of total return and statement of movements of unitholders' funds for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Fund are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants so as to present fairly, in all material aspects, the financial position and portfolio holdings of the Fund as at 30 June 2019 and of the financial performance and movements of unitholders' funds of the Fund for the financial year ended on that date.

**Basis for opinion**

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to report.

**Other information**

Management is responsible for other information. The other information comprises the General information, Manager's investment report, Report of the trustee and Statement by the manager, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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**Independent auditor's report  
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**To the Unitholders of Principal S&P Ethical Asia Pacific Dividend ETF**

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**Responsibilities of the Manager for the financial statements**

The Fund's Manager (the "Manager") is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Manager's responsibilities include overseeing the Fund's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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**Independent auditor's report**  
**For the financial year ended 30 June 2019**

**To the Unitholders of Principal S&P Ethical Asia Pacific Dividend ETF**

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**Auditor's responsibilities for the audit of the financial statements (cont'd)**

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yap Swee Gek.

*Ernst & Young LLP*

Ernst & Young LLP

Public Accountants and  
Chartered Accountants  
Singapore

27 September 2019



**Principal S&P Ethical Asia Pacific Dividend ETF**  
**(Formerly known as CIMB S&P Ethical Asia Pacific Dividend ETF)**  
**(Constituted under a Trust Deed in the Republic of Singapore)**

**Statement of total return**  
**For the financial year ended 30 June 2019**

	Note	2019 USD	2018 USD
<b>Investment income</b>			
Dividends		668,774	828,762
Interest		3,882	3,220
<b>Total income</b>		<b>672,656</b>	<b>831,982</b>
<b>Expenses</b>			
Management fee	3	(74,440)	(103,837)
Administration fee		(18,001)	(18,001)
Custodian fee	8	(11,615)	(15,498)
Other operating expenses		(38,151)	(90,215)
<b>Total expenses</b>		<b>(142,207)</b>	<b>(227,551)</b>
<b>Net investment income</b>		<b>530,449</b>	<b>604,431</b>
<b>Net gains on value of investments</b>			
Net realised (losses)/gains on investments		(268,817)	2,028,475
Net change in unrealised gains/(losses) on fair value of investments		731,968	(1,686,204)
Net foreign exchange losses		(19,720)	(48,128)
		<b>443,431</b>	<b>294,143</b>
<b>Total return for the financial year before income tax and distribution</b>		<b>973,880</b>	<b>898,574</b>
Less: Income tax	4	(36,991)	(44,751)
<b>Total return for the financial year after income tax before distribution</b>		<b>936,889</b>	<b>853,823</b>
Less: Distribution	5	(408,000)	(604,500)
<b>Total return for the financial year after income tax and distribution</b>		<b>528,889</b>	<b>249,323</b>

*The accompanying accounting policies and explanatory information form an integral part of the financial statements*

**Principal S&P Ethical Asia Pacific Dividend ETF**  
**(Formerly known as CIMB S&P Ethical Asia Pacific Dividend ETF)**  
**(Constituted under a Trust Deed in the Republic of Singapore)**

**Statement of financial position**  
**As at 30 June 2019**

	Note	2019 USD	2018 USD
<b>Assets</b>			
Portfolio of investments (cost: USD12,465,433; 2018: USD11,228,081)		12,433,392	10,464,072
Dividend and other receivables		116,048	79,594
Cash and cash equivalents	6	238,060	437,117
<b>Total assets</b>		<b>12,787,500</b>	<b>10,980,783</b>
<b>Liabilities</b>			
Other payables		74,442	78,114
<b>Total liabilities</b>		<b>74,442</b>	<b>78,114</b>
<b>Equity</b>			
Net assets attributable to unitholders	7	12,713,058	10,902,669

*The accompanying accounting policies and explanatory information form an integral part of the financial statements.*

**Principal S&P Ethical Asia Pacific Dividend ETF**  
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**Statement of movements of unitholders' funds**  
**For the financial year ended 30 June 2019**

	Note	2019 USD	2018 USD
<b>Net assets attributable to unitholders at beginning of financial year</b>		10,902,669	17,327,846
<b>Operations</b>			
Change in net assets attributable to unitholders resulting from operations		936,889	853,823
<b>Unitholders' contributions/(withdrawals)</b>			
Creation of units		1,281,500	2,871,500
Cancellation of units		–	(9,546,000)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		1,281,500	(6,674,500)
Distribution	5	(408,000)	(604,500)
Total increase/(decrease) in net assets attributable to unitholders		1,810,389	(6,425,177)
<b>Net assets attributable to unitholders at end of financial year</b>	7	12,713,058	10,902,669

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**Principal S&P Ethical Asia Pacific Dividend ETF**  
**(Formerly known as CIMB S&P Ethical Asia Pacific Dividend ETF)**  
**(Constituted under a Trust Deed in the Republic of Singapore)**

**Statement of portfolio**  
**As at 30 June 2019**

Primary	Holdings at 30 June 2019	Fair value at 30 June 2019 USD	Percentage of total net assets attributable to unitholders at 30 June 2019 %
<b>By geography</b>			
<b>Equities</b>			
<b>Quoted</b>			
<b>Australia</b>			
APA Group	55,098	417,017	3.28
Australia & New Zealand Banking Group Ltd	11,257	222,546	1.75
Bank of Queensland Ltd	30,258	202,082	1.59
Bendigo & Adelaide Bank Ltd	26,050	211,403	1.66
Commonwealth Bank of Australia	3,839	222,709	1.75
Fortescue Metals Group Ltd	108,756	687,470	5.41
Mirvac Group	194,736	427,154	3.36
National Australia Bank Ltd	12,821	240,078	1.89
Vicinity Centres	218,182	374,610	2.95
Westpac Banking Corp	11,932	237,145	1.86
<b>Total Australia</b>		3,242,214	25.50
<b>China</b>			
Agricultural Bank of China Ltd	454,000	190,151	1.50
Bank of Communications Co Ltd	234,000	177,732	1.40
China Cinda Asset Management Co Ltd	869,000	200,349	1.58
China CITIC Bank Corp Ltd	337,000	192,081	1.51
China Construction Bank Corp	219,000	188,779	1.48
China Huarong Asset Management Co Ltd	815,040	141,975	1.12
China Petroleum & Chemical Corp	754,000	512,815	4.03
China Shenhua Energy Co Ltd	189,500	397,089	3.12
Industrial & Commercial Bank of China Ltd	247,000	180,330	1.42
<b>Total China</b>		2,181,301	17.16

**Principal S&P Ethical Asia Pacific Dividend ETF**  
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**Statement of portfolio**  
**As at 30 June 2019**

Primary (cont'd)	Holdings at 30 June 2019	Fair value at 30 June 2019 USD	Percentage of total net assets attributable to unitholders at 30 June 2019 %
<b>By geography (cont'd)</b>			
<b>Equities (cont'd)</b>			
<b>Quoted (cont'd)</b>			
<b>Hong Kong</b>			
BOC Hong Kong Holdings Ltd	43,500	171,328	1.35
China Resources Power Holdings Co Ltd	198,000	289,111	2.27
Hang Lung Properties Ltd	154,000	366,489	2.88
HKT Trust & HKT Ltd	261,000	414,531	3.26
New World Development Co Ltd	192,000	300,516	2.36
PCCW Ltd	777,000	448,841	3.53
Power Assets Holdings Ltd	48,500	349,119	2.75
Sino Land Co Ltd	130,000	218,127	1.72
<b>Total Hong Kong</b>		2,558,062	20.12
<b>Malaysia</b>			
CIMB Group Holdings Bhd	116,769	151,890	1.19
Tenaga Nasional Bhd	69,500	232,562	1.83
<b>Total Malaysia</b>		384,452	3.02
<b>Singapore</b>			
Ascendas Real Estate Investment Trust	200,900	463,341	3.64
CapitalLand Commercial Trust	219,100	351,454	2.77
CapitalLand Mall Trust	217,800	423,429	3.33
ComfortDelGro Corp Ltd	192,200	377,922	2.97
Singapore Technologies Engineering Ltd	99,400	304,196	2.39
Singapore Telecommunications Ltd	181,800	470,358	3.70
Suntec Real Estate Investment Trust	262,200	376,011	2.96
<b>Total Singapore</b>		2,766,711	21.76

**Principal S&P Ethical Asia Pacific Dividend ETF**  
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**Statement of portfolio**  
**As at 30 June 2019**

Primary (cont'd)	Holdings at 30 June 2019	Fair value at 30 June 2019 USD	Percentage of total net assets attributable to unitholders at 30 June 2019 %
<b>By geography (cont'd)</b>			
<b>Equities (cont'd)</b>			
<b>Quoted (cont'd)</b>			
<b>South Korea</b>			
Hyundai Motor Co	4,771	356,614	2.81
S-Oil Corp	4,034	292,442	2.30
<b>Total South Korea</b>		649,056	5.11
<b>Thailand</b>			
PTT Global Chemical PCL (NVDR) <sup>(1)</sup>	179,300	374,286	2.95
PTT PCL (NVDR) <sup>(1)</sup>	174,400	277,310	2.18
<b>Total Thailand</b>		651,596	5.13
<b>Portfolio of investments</b>		12,433,392	97.80
Other net assets		279,666	2.20
<b>Net assets attributable to unitholders</b>		12,713,058	100.00

<sup>(1)</sup> Non-voting Depository Receipts

**Principal S&P Ethical Asia Pacific Dividend ETF**  
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**Statement of portfolio**  
**As at 30 June 2019**

<b>Primary (cont'd)</b>		<b>Percentage of total net assets attributable to unitholders at 30 June 2019 %</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2018 %</b>
<b>By geography (Summary)</b>			
<b>Quoted equities</b>			
Australia		25.50	23.31
China		17.16	16.80
Hong Kong		20.12	25.97
Malaysia		3.02	1.51
Singapore		21.76	21.15
South Korea		5.11	7.24
Thailand		5.13	–
<b>Portfolio of investments</b>		97.80	95.98
Other net assets		2.20	4.02
<b>Net assets attributable to unitholders</b>		100.00	100.00
<b>Secondary</b>			
	<b>Fair value at 30 June 2019 USD</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2019 %</b>	<b>Percentage of total net assets attributable to unitholders at 30 June 2018 %</b>
<b>By industry</b>			
Consumer discretionary	356,614	2.80	2.78
Consumer services	377,922	2.97	6.41
Energy	1,479,656	11.64	9.48
Financials	2,930,577	23.05	22.19
Industrials	304,195	2.40	3.71
Materials	1,061,757	8.35	–
Real estate	3,301,132	25.97	22.16
Technology	–	–	4.77
Communication services/ Telecommunication	1,333,730	10.49	12.47
Utilities	1,287,809	10.13	12.01
<b>Portfolio of investments</b>	12,433,392	97.80	95.98
Other net assets	279,666	2.20	4.02
<b>Net assets attributable to unitholders</b>	12,713,058	100.00	100.00

*The accompanying accounting policies and explanatory information form an integral part of the financial statements.*

**Principal S&P Ethical Asia Pacific Dividend ETF**  
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**Notes to the financial statements**  
**For the financial year ended 30 June 2019**

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**1. Corporate information**

Principal S&P Ethical Asia Pacific Dividend ETF (formerly known as CIMB S&P Ethical Asia Pacific Dividend ETF) (the “Fund”) is a unit trust constituted by a Trust Deed dated 21 February 2012, and the various Supplemental Deeds of Trust between Principal Asset Management (S) Pte. Ltd. (formerly known as CIMB-Principal Asset Management (S) Pte. Ltd.) (the “Manager”) and Citicorp Trustee (Singapore) Limited (the “Trustee/Registrar”). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee appointed Citibank N.A., Singapore Branch (the “Custodian”) as the Custodian of the Fund.

The Fund was listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 8 March 2012.

The investment objective of the Fund is to provide investment results that, before expenses, closely correspond to the performance of the S&P Ethical Pan Asia Select Dividend Opportunities Index (the “Index”).

The Manager will generally invest the Fund’s assets in all of the Index securities in the same approximate proportion as their weightings within the Index. However, various circumstances may make it impossible or impracticable to purchase each component index security in such weightings. In those circumstances, the Manager may employ, alone or in combination with, other investment techniques in seeking to closely track the performance of the Index.

There is no change in the principal activity of the Fund during the year.

The Manager is a private limited company incorporated in Singapore and its immediate holding company is Principal Asset Management Berhad (formerly known as CIMB-Principal Asset Management Berhad), a company incorporated in Malaysia. The Manager is principally engaged in the business of fund management and investment advisory.

**2. Summary of significant accounting policies**

**2.1 Basis of preparation**

The financial statements of the Fund which are expressed in United States dollar (“USD” or “US\$”), have been prepared under the historical cost basis, as modified by the revaluation of financial investments at fair value, and in accordance with the Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” (“RAP 7”) revised and issued by the Institute of Singapore Chartered Accountants.

**2.2 Income recognition**

Dividend income is recognised and credited to income when the right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.



**Principal S&P Ethical Asia Pacific Dividend ETF**  
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**Notes to the financial statements**  
**For the financial year ended 30 June 2019**

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**2. Summary of significant accounting policies (cont'd)**

**2.3 *Distribution policy***

The Manager on behalf of the Trustee shall determine whether a distribution is to be made. In such an event, an appropriate amount will be transferred to a distribution account to be paid out on the distribution date. This amount shall not be treated as part of the property of the Fund.

**2.4 *Financial assets and financial liabilities***

*Classification*

(a) Financial assets and financial liabilities at fair value through profit or loss

The Fund classifies its portfolio of investments as financial assets or liabilities at fair value through profit or loss. These financial assets and financial liabilities are classified as held-for-trading or designated by the Manager at fair value through profit or loss at inception.

A financial asset or financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets and liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Manager to evaluate the information on these financial assets on a fair value basis together with other related financial information.

(b) Financial assets carried at amortised cost

Non-derivative financial assets carried at amortised cost that are not quoted in an active market include cash and cash equivalents, dividend and other receivables.

*Recognition/derecognition*

Purchases and sales of investments in the Fund are recognised at fair value on the trade date - the date on which the Fund commits to purchase or sell the investments. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

**Principal S&P Ethical Asia Pacific Dividend ETF**  
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**Notes to the financial statements**  
**For the financial year ended 30 June 2019**

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**2. Summary of significant accounting policies (cont'd)**

**2.4 *Financial assets and financial liabilities (cont'd)***

*Measurement*

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are recognised in profit or loss. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains or losses arising from changes in the fair value of the financial assets and financial liabilities at fair value through profit or loss category are included in profit or loss in the period in which they arise.

*Fair value estimation*

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets is the last traded price, where it falls within the bid-ask spread.

**2.5 *Investments***

Investment transactions are accounted for on a trade date basis. Unrealised gains or losses on quoted investments are taken to the statement of total return. The realised gains or losses are taken to the statement of total return upon the disposal of investments and are computed using the weighted average cost method.

**2.6 *Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments, if any, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**2.7 *Foreign currencies***

Monetary assets and liabilities denominated in foreign currencies are translated into USD at exchange rates ruling at the end of the reporting period. Transactions arising in foreign currencies during the year are translated at exchange rates prevailing at transaction dates. All exchange differences are taken to the statement of total return.

**3. Expenses**

The management fee for the Fund is currently set at 0.65% of its net asset value per annum (maximum 1.00% per annum).

Fees paid to the Trustee, index providers and auditors are borne by the Manager.

**Principal S&P Ethical Asia Pacific Dividend ETF**  
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**Notes to the financial statements**  
**For the financial year ended 30 June 2019**

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**4. Income tax**

The Fund was granted the status of a Designated Unit Trust by the Inland Revenue of Singapore. In accordance to Section 35(12) and (12A) of the Income Tax Act (Chapter 134) of Singapore, subject to certain conditions, the following income shall not form part of the statutory income of the Fund and is thus not taxable for the year of assessment:

- (a) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (b) interest (other than interest for which tax has been deducted under Section 45 of the Income Tax Act);
- (c) dividends derived from outside Singapore and received in Singapore;
- (d) gains or profits derived from foreign exchange transactions; transactions in future contracts, transactions in interest rate or currency forwards, swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities of financial index, and
- (e) distributions from foreign unit trusts derived from outside Singapore and received in Singapore.

	<b>2019</b>	<b>2018</b>
	USD	USD
Overseas income tax	36,991	44,751

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The overseas income tax represents tax deducted at source on dividends and interests derived from outside Singapore.

**5. Distribution**

	<b>2019</b>	<b>2018</b>
	USD	USD
Final USD0.034 (2018: USD0.031) per unit	408,000	604,500

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**Principal S&P Ethical Asia Pacific Dividend ETF**  
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**Notes to the financial statements**  
**For the financial year ended 30 June 2019**

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**6. Cash and cash equivalents**

Cash and cash equivalents comprise of:

	<b>2019</b> USD	<b>2018</b> USD
Bank balances	238,060	437,117

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The bank balances are placed with a financial institution that is related to the Trustee.

**7. Units in issue**

During the financial year ended 30 June, the numbers of units created, cancelled and outstanding were as follows:

	<b>2019</b>	<b>2018</b>
Units at beginning of financial year	12,000,000	19,000,000
Units created	1,500,000	3,000,000
Units cancelled	–	(10,000,000)
Units at end of financial year	13,500,000	12,000,000
Net assets attributable to unitholders - USD	12,713,058	10,902,669
Net asset value (“NAV”) per unit - USD	0.942	0.909

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**8. Related party transactions**

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions took place during the financial year between the Fund and its related parties on terms agreed between the parties concerned and were written in the provisions of the Trust Deed:

	<b>2019</b> USD	<b>2018</b> USD
Management fee paid and payable to the Manager	74,440	103,837
Custodian fee paid and payable to the Custodian	11,615	15,498
Brokerage fee paid and payable to affiliated parties of the Manager	5,498	17,976

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Fees that are borne by the Manager are set out in Note 3 to the financial statements.

**Principal S&P Ethical Asia Pacific Dividend ETF**  
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**Notes to the financial statements**  
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**9. Financial ratios**

	<b>2019</b>	<b>2018</b>
	%	%
Expense ratio <sup>(1)</sup>	1.13	1.15
Turnover ratio <sup>(2)</sup>	43.87	92.00

(1) The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio was based on total operating expenses of USD129,662 (2018: USD183,510) divided by the average daily NAV of USD11,445,730 (2018: USD15,992,677) for the financial year. The total operating expenses do not include (where applicable) brokerage and other transaction costs, interest expense, distribution paid out to unitholders, foreign exchange gains/losses and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average NAV is based on the daily balances.

(2) The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of purchases or sales of the underlying investments, being sales of USD5,020,772 (2018: sales of USD14,713,698) divided by the average daily NAV of USD11,445,730 (2018: USD15,992,677).

**10. Financial risk management**

The Manager continually monitors the Fund's exposure to risk and that appropriate procedures are in place to manage the risks.

(a) ***Liquidity risk***

The Fund is exposed to cash redemptions and disbursements for the settlements of purchases. The Manager therefore ensures that the Fund maintains sufficient cash and cash equivalents and that it is able to obtain cash from the sale of investments held to meet its liquidity requirements.

The Fund's investments in listed securities are considered to be readily realisable as they are listed on recognised regional stock exchanges.

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**Notes to the financial statements**  
**For the financial year ended 30 June 2019**

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**10. Financial risk management (cont'd)**

(a) **Liquidity risk (cont'd)**

The tables below analyse the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant:

	<b>Due on demand USD</b>	<b>Less than 3 months USD</b>
<b>30 June 2019</b>		
Payables and accrued expenses	–	74,442
Net assets attributable to unitholders	12,713,058	–
<hr/>		
<b>30 June 2018</b>		
Payables and accrued expenses	–	78,114
Net assets attributable to unitholders	10,902,669	–
<hr/>		

(b) **Market risk**

Market risk is the risk of potential adverse changes to the value of investments because of changes in market conditions like interest and currency rate movements and volatility in security prices. The Fund is designated to track the performance of the Index, therefore the exposure to market risk in the Fund will be substantially the same as the Index. As an indexed fund, the Manager manages the Fund's exposure to market risk by ensuring that the key characteristics of the portfolio, such as security weight and industry weight, are closely aligned to the Index characteristics.

(i) **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Fund's financial assets and liabilities are largely non-interest bearing. Hence, the Fund is not subject to significant risk of fluctuations in the prevailing levels of market interest rates.

(ii) **Market price risk**

The Fund's market risk is affected by changes in actual market prices. If the Index in fund currency ("USD") had increased/decreased by 5% (2018: 5%) with all other variables held constant, this would have increased/decreased the NAV of the Fund by approximately USD636,000 (2018: USD545,000) for the financial year ended 30 June 2019 ("being 5% of the year end NAV").

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**Notes to the financial statements**  
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**10. Financial risk management (cont'd)**

(b) **Market risk (cont'd)**

(iii) *Foreign currency risk*

The Fund holds assets denominated in currencies other than USD, the functional currency. The Fund is therefore exposed to currency risk, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The Fund's policy is not to enter into any currency hedging transactions.

The table below summarises the Fund's exposure to currency risks:

30 June 2019	USD USD	AUD USD	CNY USD	HKD USD	KRW USD	MYR USD	SGD USD	THB USD	Total USD
<b>ASSETS</b>									
Portfolio of investments	-	3,242,214	-	4,739,363	649,056	384,452	2,766,711	651,596	12,433,392
Dividend and other receivables	-	44,281	31,277	40,490	-	-	-	-	116,048
Cash and cash equivalents	183,846	28,621	-	5,555	-	-	20,038	-	238,060
<b>Total assets</b>	<b>183,846</b>	<b>3,315,116</b>	<b>31,277</b>	<b>4,785,408</b>	<b>649,056</b>	<b>384,452</b>	<b>2,786,749</b>	<b>651,596</b>	<b>12,787,500</b>
<b>LIABILITIES</b>									
Payables and accrued expenses	74,442	-	-	-	-	-	-	-	74,442
Net assets attributable to unitholders	12,713,058	-	-	-	-	-	-	-	12,713,058
<b>Total liabilities</b>	<b>12,787,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,787,500</b>

**Principal S&P Ethical Asia Pacific Dividend ETF  
(Formerly known as CIMB S&P Ethical Asia Pacific Dividend ETF)  
(Constituted under a Trust Deed in the Republic of Singapore)**

**Notes to the financial statements  
For the financial year ended 30 June 2019**

**10. Financial risk management (cont'd)**

**(b) Market risk (cont'd)**

**(iii) Foreign currency risk (cont'd)**

30 June 2018	USD USD	AUD USD	HKD USD	KRW USD	MYR USD	SGD USD	Total USD
<b>ASSETS</b>							
Portfolio of investments	–	2,541,755	4,662,828	789,804	164,446	2,305,239	10,464,072
Dividend and other receivables	–	48,999	28,653	–	1,942	–	79,594
Cash and cash equivalents	389,086	29,920	5,527	–	–	12,584	437,117
<b>Total assets</b>	<b>389,086</b>	<b>2,620,674</b>	<b>4,697,008</b>	<b>789,804</b>	<b>166,388</b>	<b>2,317,823</b>	<b>10,980,783</b>

**LIABILITIES**

Payables and accrued expenses	78,114	–	–	–	–	–	78,114
Net assets attributable to unitholders	10,902,669	–	–	–	–	–	10,902,669
<b>Total liabilities</b>	<b>10,980,783</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>10,980,783</b>

“Portfolio of investments”, which is a significant item in the statement of financial position, is exposed to currency risk. The Manager has considered the impact of currency risk sensitivity on non-monetary assets as part of the price risk sensitivity analysis.



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**10. Financial risk management (cont'd)**

(b) **Market risk (cont'd)**

(iii) *Foreign currency risk (cont'd)*

The analysis below calculates the effect of a reasonably possible movement of the currency rate against the USD on the net assets attributable to unitholders, with all other variables held constant:

<b>Foreign exchange ("FX") position</b>	<b>Net assets attributable to unitholders impact of a 5% increase/(decrease) in FX rate %</b>
<b>2019</b>	
AUD/USD	±1.30
HKD/USD	±1.88
KRW/USD	±0.26
MYR/USD	±0.15
SGD/USD	±1.10
THB/USD	±0.26
<b>2018</b>	
AUD/USD	±1.20
HKD/USD	±2.15
KRW/USD	±0.36
MYR/USD	±0.08
SGD/USD	±1.06

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**10. Financial risk management (cont'd)**

**(c) Credit risk**

The Fund takes on credit risk, which is the risk that the counterparty will be unable to pay amounts in full when due, including transactions with counterparties such as participating dealers, brokers, custodians and banks.

Concentrations of credit risk are minimised primarily by ensuring that:

- counterparties, together with the respective credit limits, are approved; and
- the securities transactions are undertaken on recognised exchanges.

As such, the Fund does not have a concentration of credit risk that arises from an exposure to a single counterparty. Furthermore, the Fund does not have a material exposure to a group of counterparties which are expected to be affected similarly by changes in economic or other conditions.

The Fund invests in financial assets, which have an investment grade as rated by Standard & Poor's or Moody's. The credit ratings are reviewed regularly.

All transactions in listed securities are settled/paid upon delivery using approved brokers. The risk of default is considered minimal, as for sales transaction, delivery of securities is only made once the broker has made payment. Payment is made on a purchase once the securities have been received from the broker. The trade will fail if either party fails to meet its obligation.

Credit risk also arises from cash and cash equivalents and investments held with financial institutions. The tables below summarise the credit rating of banks and custodians in which the Fund's assets are held as at 30 June 2019 and 2018:

	<b>Amount USD</b>	<b>Credit rating</b>	<b>Source of credit rating</b>
<b>As at 30 June 2019</b>			
<u>Custodian</u>			
Citibank N.A., Singapore Branch	12,671,452	A+	Standard & Poor's
<b>As at 30 June 2018</b>			
<u>Custodian</u>			
Citibank N.A., Singapore Branch	10,901,189	A+	Standard & Poor's

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets. The Manager has in place procedures for proper credit screening and monitoring of credit risk.

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**10. Financial risk management (cont'd)**

(d) ***Fair value estimation***

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - Inputs for the assets or liabilities that are not based on observable market data (i.e., unobservable inputs).

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 30 June 2019 and 2018:

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<b>30 June 2019</b>				
<b>Assets</b>				
Equity securities	12,433,392	-	-	12,433,392
<b>30 June 2018</b>				
<b>Assets</b>				
Equity securities	10,464,072	-	-	10,464,072

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include active listed equities and exchange traded derivatives. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently.

The Fund does not invest in any Level 2 and 3 investments.

(e) ***Capital management***

The Fund's capital is represented by the net assets attributable to unitholders. The Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholders' redemptions.

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**11. Authorisation on financial statements**

The financial statements of the Fund for the financial year ended 30 June 2019 were authorised for issue by the Trustee on 27 September 2019.

**About EY**

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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