

# CIMB FTSE ASEAN 40

*(Constituted under a Trust Deed in the Republic of Singapore)*

## ANNUAL REPORT

*For the financial year ended 31 December 2010*

## **CIMB FTSE ASEAN 40**

*(Constituted under a Trust Deed in the Republic of Singapore)*

## **FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2010*

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## **CIMB FTSE ASEAN 40**

*(Constituted under a Trust Deed in the Republic of Singapore)*

### **MANAGER'S INVESTMENT REPORT**

*For the financial year ended 31 December 2010*

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#### **About the CIMB FTSE ASEAN 40 (the "Fund")**

The Fund is an exchange traded fund, designed to track the performance of the FTSE/ASEAN 40 Index. Units of the Fund were listed and traded on SGX-ST since 21 September 2006.

#### **Details of the Fund**

Fund Currency	US Dollar
Listing Date on SGX-ST	21-Sep-06
Stock Code on SGX-ST	M62
Board Lot	100 units
Price as at 31 December 2010	10.23
NAV as at 31 December 2010	171.52 million
Number of units as at 31 December 2010	16,800,000
NAV per unit as at 31 December 2010	10.209
Management Fee	0.65%

#### **Performance**

Cumulative Performance (%) as at 31 December 2010:

<u>From 31/12/2010</u>	<u>Period</u>	<u>Fund's Performance</u>	<u>Index's Performance</u>
1 Month	30/11/2010 - 31/12/2010	4.11%	4.01%
3 Month	30/09/2010 - 31/12/2010	3.36%	3.13%
6 Month	30/06/2010 - 31/12/2010	20.36%	19.24%
1 Year	31/12/2009 - 31/12/2010	26.46%	24.50%
Since Inception	21/09/2006 - 31/12/2010	75.25%	62.87%

The Fund aims to mirror the performance of FTSE/ASEAN 40 Index (the "Index"), using full replication strategy, that involves investing in all index securities in substantially the same proportion or weighting as the Index. The Fund also invests in the Index Return ASEAN Access Product ("IRAAP").

The Index is a tradable index launched by FTSE in conjunction with 5 ASEAN Exchanges - PT Bursa Efek Jakarta (Jakarta Stock Exchange), Bursa Malaysia Berhad, The Philippine Stock Exchange, Inc., Singapore Exchange Securities Trading Limited (SGX-ST) and The Stock Exchange of Thailand (SET). The Fund is the first collaborative effort amongst the 5 Exchanges under the ASEAN umbrella. The Index represents the performance of the 40 largest stocks of the 5 Exchanges and is subject to rigorous ground rules such as free float adjustment and liquidity screening to ensure that these stocks are highly investable. The transparent and freely available index rules are governed and maintained by an independent committee of leading market professionals.

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#### **Performance (continued)**

The IRAAP is linked to the performance of the Index itself. The final settlement price of each IRAAP is determined by reference to the actual closing price of the Index plus any applicable accumulated dividends, less any applicable expenses.

From 1 January 2010 to 31 December 2010, the NAV of the Fund increased by 23.57%, while the Index increased by 24.50%.

The top 10 holdings of the Fund as of 31 December 2010 represented US\$72,064,161, approximately 42.02% of the Fund's net assets, while it was US\$77,689,558 as of 31 December 2009, 48.97% of the Fund.

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 till now 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. 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.

Thailand was the best performing ASEAN market in 2010. The Bangkok political protests in 1H2010 did not impact the Thai economy much, nor did it significantly affect its stock market. Economic indicators such as export numbers, manufacturing sentiment index and GDP point to strong growth. Consumer confidence was high, supported by rising minimum wage, higher agriculture price and high household saving rate.

Indonesia was also a strong performer benefiting from strong foreign fund inflows as investors focused on its strong domestic growth, commodity exposure and falling risk premiums as its credit rating was upgraded by Fitch. Ample natural resources, huge infrastructure demand, an urbanizing population and a growing middle class attracted foreign inflow of funds. Infrastructure development prospects in Indonesia were given a boost with US\$52.9bn investment commitments from Japan over the next 15 years (equivalent to US\$3.5bn p.a.). China alone invests \$7bn each year in Indonesia.

Philippines posted strong returns as confidence improved when the government unveiled a list of 10 Public-Private-Partnership projects. Economic data such as overseas worker remittances also surprised on the upside and foreign inflows into the bond market pushed 10-year government bond yields to a record low of 6.1%.

**CIMB FTSE ASEAN 40***(Constituted under a Trust Deed in the Republic of Singapore)***MANAGER'S INVESTMENT REPORT***For the financial year ended 31 December 2010***Performance** (continued)

Malaysia is set to enjoy an infrastructure boom thanks to the prime minister's ambitious Economic Transformation Program launched in September 2010. This program calls for investment of US\$444bn over the next 10 years. Unlike other ASEAN countries, inflation is still moderate and Bank Negara should be able to maintain an accommodative stance.

Singapore residential property prices continue to be strong despite policy measures. The Government came out with a series of measures to contain potential speculation including increasing seller stamp duty and lowering the Loan-to-Valuation ratio. The Monetary Authority of Singapore (MAS) surprised markets by steepening the slope and widening the Singapore Dollar Nominal Effective Exchange Rate policy band. But we think the motivation behind the MAS recent decision to tighten was more motivated by pent-up inflation pressures such as those driven by the tight labour market. Singapore's September Consumer Price Index hit a 19-month high of +3.7% YoY (August +3.3%) led by housing and transport.

**Investments at market value and as a percentage of NAV as at 31 December 2010 classified by:**

	<u>Market value</u> USD	<u>% of NAV</u>
<b>(i) Country</b>		
Thailand	17,007,599	9.92%
Singapore	62,983,611	36.72%
Philippines	995,321	0.58%
Malaysia	48,759,491	28.43%
Indonesia	23,900,356	13.93%
Luxembourg	16,363,200	9.54%
<b>(ii) Industry</b>		
Consumers	34,484,216	20.11%
Diversified	12,692,357	7.40%
Financials	68,408,166	39.88%
Industrials	3,148,664	1.83%
Energy	7,368,054	4.30%
Telecommunications	23,273,748	13.57%
Utilities	4,271,173	2.49%
Warrants	16,363,200	9.54%
<b>(iii) Asset Class</b>		
Equities	153,646,378	89.58
Warrants	16,363,200	9.54
Other net assets	1,508,652	0.88

**CIMB FTSE ASEAN 40***(Constituted under a Trust Deed in the Republic of Singapore)***MANAGER'S INVESTMENT REPORT***For the financial year ended 31 December 2010***Performance (continued)****Details of Top 10 Holdings of the Fund****As at 31 December 2010**

	<u>Cost</u> USD	<u>Market value</u> USD	<u>% of total</u> <u>assets</u>
1 Singapore Telecommunications Limited	6,645,641	8,580,167	5.00
2 Overseas-Chinese Banking Corporation Limited	4,907,256	8,484,520	4.95
3 DBS Group Holdings Limited	6,907,256	8,480,966	4.94
4 Astra International Tbk	2,670,226	8,274,806	4.82
5 United Overseas Bank Limited	5,654,835	7,545,217	4.40
6 CIMB Group Holdings Berhad	2,942,489	6,832,199	3.98
7 Public Bank Bhd (Foreign Market)	4,394,904	6,734,362	3.93
8 Malayan Banking Bhd	4,511,310	6,622,943	3.86
9 Sime Darby Bhd	4,501,471	5,812,823	3.39
10 Wilmar International Limited	4,208,643	5,001,519	2.92
	<u>47,151,489</u>	<u>72,064,161</u>	<u>42.19</u>

**As at 31 December 2009**

	<u>Cost</u> USD	<u>Market value</u> USD	<u>% of total</u> <u>assets</u>
1 DBS Group Holdings Limited	8,455,934	10,868,094	6.85
2 Singapore Telecommunications Limited	7,908,030	9,857,602	6.21
3 United Overseas Bank Limited	6,421,701	8,849,679	5.58
4 Overseas-Chinese Banking Corporation Limited	5,574,862	8,759,101	5.52
5 CIMB Group Holdings	3,925,237	7,526,250	4.74
6 Wilmar International Limited	5,122,151	6,608,994	4.17
7 Sime Darby Bhd	5,411,495	6,594,393	4.16
8 Public Bank Bhd (Foreign Market)	5,046,977	6,441,939	4.06
9 Astra International	2,325,846	6,205,761	3.91
10 Malayan Banking Bhd	5,345,014	5,977,745	3.77
	<u>55,537,247</u>	<u>77,689,558</u>	<u>48.97</u>

**CIMB FTSE ASEAN 40**

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**MANAGER'S INVESTMENT REPORT**

For the financial year ended 31 December 2010

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**Exposure to derivatives**

<u>No. of Warrants</u>	<u>Warrants on FTSE ASEAN Tradable Index Index Return ASEAN Securities Access</u>	<u>Fair value USD</u>	<u>Percentage of total net assets %</u>
1,600,000	(IRAAPs)	16,363,200	9.54
		Unrealised gain as at 31 December <u>2010</u> USD	
		<u>6,128,267</u>	
		Net gain on realisation of IRAAPs for the financial year ended 31 December <u>2010</u> USD	
		<u>-</u>	

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**CIMB FTSE ASEAN 40***(Constituted under a Trust Deed in the Republic of Singapore)***MANAGER'S INVESTMENT REPORT***For the financial year ended 31 December 2010***Index constituent's weights**

<u>Constituent name</u>	<u>As at 31.12.2010 %</u>	<u>Constituent name</u>	<u>As at 31.12.2009 %</u>
DBS Group Holdings Limited	5.62	DBS Group Holdings	7.08
Overseas-Chinese Banking Corporation Limited	5.62	Overseas-Chinese Banking Corporation Limited	5.95
Singapore Telecom	5.50	Singapore Telecom	6.64
Astra International	5.31	Astra International	4.18
United Overseas Bank Limited	4.76	United Overseas Bank Limited	6.10
CIMB Group Holdings	4.48	CIMB Group Holdings	5.05
Public Bank Bhd (Foreign Market)	4.34	Public Bank Bhd (Foreign Market)	4.37
Malayan Banking Bhd	4.26	Malayan Banking Bhd	4.01
Sime Darby Bhd	3.74	Sime Darby Bhd	4.44
Wilmar International Limited	3.26	Wilmar International Limited	4.41
Keppel Corp Limited	3.08	Keppel Corp Limited	2.62
Genting Singapore PLC	3.02	Genting Bhd	2.24
Genting Bhd	2.93	Axiata Group Bhd	2.12
Axiata Group Bhd	2.84	IOI Corporation Bhd	3.01
IOI Corporation Bhd	2.74	Capitaland Limited	3.58
Capitaland Limited	2.67	PTT Public Company Limited (NVDR)	2.38
PTT Public Company Limited (NVDR)	2.65	Telekomunikasi Indonesia	3.81
Telekomunikasi Indonesia	2.59	Bank Central Asia	2.38
Bank Central Asia	2.54	PTT Exploration & Production Public Company Limited	2.19
Noble Group	2.22	Bank Rakyat Indonesia	1.85
PTT Exploration & Production Public Company Limited	2.15	Singapore Airlines Limited	2.38
Bank Rakyat Indonesia	2.07	City Developments Limited	2.12
Singapore Airlines Limited	2.06	Siam Commercial Bank PCL	1.52
City Developments Limited	1.94	Kasikornbank PCL	1.12
Siam Commercial Bank PCL	1.56	MISC Berhad	1.39
Kasikornbank PCL	1.42	Perusahaan Gas Negara PT	1.41
MISC Berhad	1.41	Digi.com Berhad	0.75
Perusahaan Gas Negara PT	1.39	Bangkok Bank Public Company Limited	1.23
Digi.com Berhad	1.35	Singapore Technologies Engineering Limited	1.31
Bangkok Bank Public Company Limited	1.33	Siam Cement PCL	0.80
Singapore Technologies Engineering Limited	1.18	Advanced Info Service PCL	0.86
Maxis Bhd	1.13	Bank Mandiri Tbk	0.77
Siam Cement PCL	0.99	Tenaga Nasional Berhad	1.00
Advanced Info Service PCL	0.98	Plus Expressways Berhad	0.72
Bank Mandiri Tbk	0.87	Petronas Gas Berhad	0.64
Tenaga Nasional Berhad	0.85	Unilever Indonesia	0.67
Plus Expressways Berhad	0.85	Phillipine Long Distance Telephone Company	0.80
Petronas Gas Berhad	0.83	Genting Malaysia BHD	0.91
Unilever Indonesia	0.81	SembCorp Industries	0.89
Phillipine Long Distance Telephone Company	0.64	Telekom Malaysia	0.36
Genting Malaysia BHD	-		
SembCorp Industries	-		
Telekom Malaysia	-		



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### **MANAGER'S INVESTMENT REPORT**

*For the financial year ended 31 December 2010*

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#### **Creation/redemption for the financial year ended 31 December 2010**

Total subscription during the financial year under review amounted to US\$ 21,211,200 (2,400,000 units), while total redemption during the financial year under review amounted to US\$ 40,644,400 (4,800,000 units).

#### **Other information**

During the reporting period, 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.

Management expense ratio <sup>1</sup> (annualised)	<u>0.70%</u>
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Turnover ratio <sup>2</sup>	<u>8.99%</u>
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<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 10 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 10 for details.

#### **Change in investment personnel**

There are no changes in investment personnel.

#### **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 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 CIMB-Principal Asset Management Berhad in Malaysia, which has been managing discretionary and mutual funds in Malaysia for more than 10 years.

The Manager obtained its capital markets services licence on 24th April 2007 and presently manages the Fund and several other discretionary accounts, with total assets under management of about SGD932.24 million as at 31 December 2010.

## **CIMB FTSE ASEAN 40**

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### **MANAGER'S INVESTMENT REPORT**

*For the financial year ended 31 December 2010*

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#### **Directors of the Manager**

##### **John Campbell Tupling**

Mr Tupling was appointed as a director of CIMB-Principal Asset Management (S) Pte Ltd on 24 November 2009. He has been the Chief Executive Officer of CIMB-Principal Asset Management Berhad since 1 November 2008. Prior to this, he spent 9 years in various capacities with the Principal Financial Group. Mr Tupling has over 25 years of financial services experience, working in Latin America, Europe, the U.S.A. and Asia. He received his Bachelor of Arts from the University of Ontario, Canada.

##### **Datuk Noripah binti Hj Kamsu**

Datuk Noripah has been a Director of CIMB-Principal Asset Management (S) Pte Ltd since 18 May 2006, and a Director of CIMB-Principal Asset Management Berhad since 2 February 2005. She is the Chief Executive Officer of CIMB-Principal Islamic Asset Management Sdn Bhd. Prior to that, she was the Chief Executive Officer of CIMB-Principal Asset Management Berhad. She was the Executive Director/Chief Executive Officer of CIMB Futures Sdn Bhd from October 1996 to September 2004, where she was responsible in strategic direction, business plans, marketing initiative and client requisition. From January 1993 to August 2004, she was with Commerce International Merchant Bankers Berhad, and held various positions (Deputy General Manager, General Manager and Director) in the Corporate Banking Division. From March 1983 to January 1993, she was in Corporate Banking with Bank of Commerce (M) Berhad where she was responsible for managing loan portfolios. Datuk Noripah's experience in the asset management business was derived when she sat as one of the Investment Panel of Commerce Asset Fund Managers from 1997 to 2001. Datuk Noripah and the other team members of the Investment Panel of Commerce Asset Fund Managers were responsible for ensuring that the investment management of the funds is consistent with the objectives of the funds, the deeds of trusts constituting the funds, Securities Commission Guidelines and relevant securities laws, any internal investment restrictions and policies of the investment managers. She received her Bachelor in Business Administration from the Northern Illinois University, Dekalb, Illinois, USA and a Master in Business Administration from the Marshall University, Huntington, West Virginia, USA.

##### **Tang Chee Kin**

Mr Tang has been a Director of CIMB-Principal Asset Management (S) Pte Ltd since 18 May 2006. He joined CIMB-Principal Asset Management Berhad on 1 October 2004 as the Chief Investment Officer. He has 19 years of experience in the asset management business. Prior to joining the CIMB-Principal Asset Management Berhad, he was the Chief Investment Officer/Executive Director of CMS Dresdner Asset Management from 1996 to 2004 and was jointly responsible in making regional asset allocation decisions within Asia Pacific ex-Japan.

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## **MANAGER'S INVESTMENT REPORT**

*For the financial year ended 31 December 2010*

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### **Directors of the Manager (continued)**

#### **Tang Chee Kin (continued)**

He began his career as an investment officer in Rashid Hussain Asset Management in 1987 for 4 years before moving on to CIMB Securities Sdn. Bhd. as an investment executive for 1 year. In 1992, he joined SBB Asset Management as a fund manager until 1996. Mr Tang is a fellow of the Chartered Institute of Management Accountants (CIMA) United Kingdom. He obtained his fund manager's representative's license in 1992.

#### **Goh Zee Wei Ken**

Mr Goh joined CIMB-Principal Asset Management (S) Pte Ltd as Head, International Investment. Besides this functional role, he is also the CEO and a Director of CIMB-Principal Asset Management (S) Pte Ltd. Before his current appointment, Mr Goh was Director of Investment at APS Asset Management. Mr Goh has also served as Head of Investment Advisory, Asia for MeesPierson as well as Chief Investment Officer, Singapore for Allianz Dresdner Asset Management. Prior to joining Allianz Dresdner Asset Management in 2001, Mr Goh was the Executive Director of Phillip Capital Management during its start-up phase. From 1994 to 2000, Mr Goh served as an Investment Manager with the GIC (Government of Singapore Investment Corp). Mr Goh graduated from the National University of Singapore as Bachelor of Business Administration with a 1st Class Honours. He is a Chartered Financial Analyst (CFA) charter-holder since 1997.

### **Appointed Portfolio Managers of the Fund**

The appointed individuals/ portfolio managers of the Fund who will be primarily performing the investment management functions for the Fund are Mr Goh Zee Wei Ken and Ms. Zhu Yeqing, Roslin.

Ms. Zhu joined CIMB-Principal Asset Management (S) Pte Ltd as an assistant fund manager in June 2009 from Astrid Nazreen Investment Pte Ltd. Before that, she was a research analyst in Tantallon Capital Advisors working directly with fund managers since 2006. She brought with her 4 years of experience in the asset management industry. Prior to joining Tantallon Capital, she worked in Hewlett-Packard and Chartered Semiconductor as an engineer since 2003. Ms. Zhu holds a Master of Engineering from the National University of Singapore. She is also a Chartered Financial Analyst.

**CIMB FTSE ASEAN 40**

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**REPORT OF THE TRUSTEE**

*For the financial year ended 31 December 2010*

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The Trustee is under a duty to take into custody and hold the assets of CIMB FTSE ASEAN 40 (the "Fund") in trust for the unitholders. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the "laws and regulations"), 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 which shall contain the matters prescribed by the laws and regulations as well as the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore and the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the period covered by these financial statements set out on pages 13 to 28, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the Trustee  
DBS Trustee Limited

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Director

14 March 2011

**CIMB FTSE ASEAN 40**

*(Constituted under a Trust Deed in the Republic of Singapore)*

**STATEMENT BY THE MANAGER**

*For the financial year ended 31 December 2010*

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In the opinion of the directors of CIMB-Principal Asset Management (S) Pte. Ltd., the accompanying financial statements set out on pages 13 to 28, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of the Fund as at 31 December 2010 and the total return for the financial year then ended, in accordance with the recommendations of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore. 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 directors of  
CIMB-Principal Asset Management (S) Pte. Ltd

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Goh Zee Wei Ken  
Chief Executive Officer/Director

Singapore, 14 March 2011

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF  
CIMB FTSE ASEAN 40**

*(Constituted under a Trust Deed in the Republic of Singapore)*

We have audited the accompanying financial statements of CIMB FTSE Asean 40 (the "Fund") set out on pages 13 to 28, which comprise the Balance Sheet and Portfolio Statement as at 31 December 2010, the Statement of Total Return for the year ended 31 December 2010, and a summary of significant accounting policies and other explanatory information.

***Manager's Responsibility 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 Certified Public Accountants of Singapore, 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, 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 present fairly, in all material respects, the financial position of the Fund as at 31 December 2010 and the total return for the 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 Certified Public Accountants of Singapore.

PricewaterhouseCoopers LLP  
Public Accountants and Certified Public Accountants

Singapore, 14 March 2011

**CIMB FTSE ASEAN 40***(Constituted under a Trust Deed in the Republic of Singapore)***STATEMENT OF TOTAL RETURN***For the financial year ended 31 December 2010*

	Note	2010 US\$	2009 US\$
<b>INVESTMENT INCOME</b>			
Dividends		4,794,208	4,427,763
Interest		55	67
		<b>4,794,263</b>	<b>4,427,830</b>
<b>LESS: EXPENSES</b>			
Custody fees		(22,429)	(14,321)
Management fees	3	(1,039,428)	(885,668)
Others		15,805	(58,202)
		<b>(1,046,052)</b>	<b>(958,191)</b>
<b>Net investment income</b>		<b>3,748,211</b>	<b>3,469,639</b>
<b>NET GAINS/(LOSSES) ON VALUE OF INVESTMENTS</b>			
Net change in fair value of investments		17,326,286	70,422,171
Net realised gains/(losses) on investment		15,366,534	(6,503,057)
Net foreign exchange gains		47,694	23,417
<b>NET GAINS/(LOSSES) ON VALUE OF INVESTMENTS</b>		<b>32,740,514</b>	<b>63,942,531</b>
Total return for the financial year before income tax and distribution		36,488,725	67,412,170
Less: Income tax	4	(397,076)	(363,941)
Change in net assets attributable to unitholders resulting from operations	6	36,091,649	67,048,229
Less: Distribution	6	(3,772,000)	(5,376,000)
<b>TOTAL RETURN FOR THE FINANCIAL YEAR</b>		<b>32,319,649</b>	<b>61,672,229</b>

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

**CIMB FTSE ASEAN 40**

(Constituted under a Trust Deed in the Republic of Singapore)

**BALANCE SHEET**

For the financial year ended 31 December 2010

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	Note	2010 US\$	2009 US\$
<b>ASSETS</b>			
Cash and bank balances	5	1,141,751	472,967
Portfolio of investments		170,009,578	158,074,562
Net dividend receivables		777,794	437,771
Tax recoverable		11,149	11,149
<b>Total assets</b>		<b>171,940,272</b>	<b>158,996,449</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Due to the Manager		293,279	270,811
Other payables		128,763	93,857
Net assets attributable to unitholders	6	171,518,230	158,631,781
<b>Total liabilities</b>		<b>171,940,272</b>	<b>158,996,449</b>

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



**CIMB FTSE ASEAN 40***(Constituted under a Trust Deed in the Republic of Singapore)***PORTFOLIO STATEMENT***For the financial year ended 31 December 2010*

	Holdings at 31 December 2010	Fair Value at 31 December 2010 US\$	Percentage of total net assets attributable to unitholders at 31 December 2010 %
<b>Primary - by Industry</b>			
<b>Quoted</b>			
<b>EQUITIES</b>			
<b>Communications</b>			
Digi.com Berhad	262,200	2,091,818	1.22
Advanced Info Service Public Company Limited (NVDR) <sup>1</sup>	532,000	1,500,083	0.88
AXIATA Group Berhad	2,861,400	4,370,746	2.55
Philippine Long Distance Telephone Company	17,100	995,321	0.58
Singapore Telecommunications Limited	3,610,000	8,580,167	5.00
Maxis Berhad	1,010,800	1,737,389	1.01
Telekomunikasi Indonesia	4,560,000	3,998,224	2.33
		<u>23,273,748</u>	<u>13.57</u>
<b>Consumer</b>			
Astra International Tbk	1,368,000	8,274,806	4.82
Unilever Indonesia	665,000	1,214,123	0.71
Genting Berhad	1,250,200	4,508,586	2.63
IOI Corporation Berhad	2,264,800	4,260,042	2.48
Noble Group Limited	2,014,000	3,405,712	1.99
Singapore Airlines Limited	266,000	3,171,479	1.85
Genting Singapore PLC	2,736,000	4,647,949	2.71
Wilmar International Limited	1,140,000	5,001,519	2.92
		<u>34,484,216</u>	<u>20.11</u>
<b>Diversified</b>			
MISC Berhad	809,400	2,186,575	1.27
Sime Darby Berhad ORD	2,036,800	5,812,823	3.39
Keppel Corp Limited	532,000	4,692,959	2.74
		<u>12,692,357</u>	<u>7.40</u>
<b>Energy</b>			
PTT Exploration & Production Public Company Limited (NVDR) <sup>1</sup>	592,800	3,293,879	1.92
PTT Public Company Limited (NVDR) <sup>1</sup>	383,800	4,074,175	2.38
		<u>7,368,054</u>	<u>4.30</u>

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

**CIMB FTSE ASEAN 40***(Constituted under a Trust Deed in the Republic of Singapore)***PORTFOLIO STATEMENT***For the financial year ended 31 December 2010*

	Holdings at 31 December 2010	Fair Value at 31 December 2010 US\$	Percentage of total net assets attributable to unitholders at 31 December 2010 %
<b>Primary - by Industry (continued)</b>			
<b>Quoted</b>			
<b>EQUITIES</b>			
<b>Financial</b>			
PT Bank Central Asia Tbk	5,548,000	3,940,866	2.30
Bank Mandiri Tbk	1,843,000	1,319,351	0.77
Bank Rakyat Indonesia	2,736,000	3,158,091	1.84
Malayan Banking Berhad	2,405,400	6,622,943	3.86
CIMB Group Holdings Berhad	2,481,400	6,832,199	3.98
Public Bank Berhad (Foreign Market)	1,599,800	6,734,362	3.93
City Developments Limited	304,000	2,975,445	1.74
United Overseas Bank Limited	532,000	7,545,217	4.40
Overseas Chinese Banking Corporation Limited	1,102,000	8,484,520	4.95
DBS Group Holdings Limited	760,000	8,480,966	4.94
Capitaland Limited	1,444,000	4,174,744	2.43
Bangkok Bank Public company (NVDR)	418,000	2,038,348	1.19
Siam Commercial Bank Public Company Limited (NVDR)	703,000	2,402,023	1.40
Kasikornbank Public Company Limited(NVDR)	528,200	2,199,008	1.28
Siam Cement Public Company Limited(NVDR)	133,000	1,500,083	0.87
		<b>68,408,166</b>	<b>39.88</b>
<b>Industrial</b>			
Plus Expressway Berhad	904,400	1,325,730	0.77
Singapore Technologies Engineering Limited	684,000	1,822,934	1.06
		<b>3,148,664</b>	<b>1.83</b>
<b>Utilities</b>			
Perusahaan Gas Negara PT	4,085,000	1,994,895	1.16
Petronas Gas Berhad	266,000	957,548	0.56
Tenaga Nasional Berhad	486,400	1,318,730	0.77
		<b>4,271,173</b>	<b>2.49</b>
<b>WARRANTS</b>			
Citigroup Index Return ASEAN Securities Access Products (AAPs) <sup>2</sup>	1,600,000	16,363,200	9.54
		<b>16,363,200</b>	<b>9.54</b>
<b>Portfolio of Investments</b>		<b>170,009,578</b>	<b>99.12</b>
<b>Other net assets</b>		<b>1,508,652</b>	<b>0.88</b>
<b>Net assets attributable to unitholders</b>		<b>171,518,230</b>	<b>100.00</b>

<sup>1</sup> Non-Voting Depository Receipts<sup>2</sup> Index Return Access Asean Product low exercise price warrant*The accompanying notes form an integral part of these financial statements.*

**CIMB FTSE ASEAN 40**

(Constituted under a Trust Deed in the Republic of Singapore)

**PORTFOLIO STATEMENT**

For the financial year ended 31 December 2010

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	<b>Percentage of total net assets attributable to unit holders at 2010 %</b>	<b>Percentage of total net assets attributable to unit holders at 2009 %</b>
<b>Summary</b>		
<b>QUOTED EQUITIES AND WARRANTS</b>		
Telecommunications	<b>13.57</b>	14.40
Consumer	<b>20.11</b>	16.60
Diversified	<b>7.40</b>	6.66
Energy	<b>4.30</b>	4.25
Financial	<b>39.88</b>	44.03
Industrial	<b>1.84</b>	4.64
Utilities	<b>2.49</b>	2.86
Warrants	<b>9.54</b>	6.21
<b>Portfolio of investments</b>	<b>99.12</b>	99.65
<b>Other net assets</b>	<b>0.88</b>	0.35
<b>Net current assets attributable to unitholders</b>	<b>100.00</b>	100.00

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

**CIMB FTSE ASEAN 40***(Constituted under a Trust Deed in the Republic of Singapore)***PORTFOLIO STATEMENT***For the financial year ended 31 December 2010*

	Fair value at 31 December 2010	Percentage of total net asset at 31 December 2010 %	Percentage of total net asset at 31 December 2009 %
<b>Secondary - by Geography</b>			
<b><u>By Country of listing</u></b>			
Singapore	62,983,611	36.72	40.14
Malaysia	48,759,491	28.43	29.04
Indonesia	23,900,356	13.93	14.11
Thailand	17,007,599	9.92	9.39
Philippines	995,321	0.58	0.76
Luxembourg	16,363,200	9.54	6.21
<b>Portfolio of Investments</b>	<b>170,009,578</b>	<b>99.12</b>	<b>99.65</b>
<b>Other net assets</b>	<b>1,508,652</b>	<b>0.88</b>	<b>0.35</b>
<b>Net current assets attributable to unitholders</b>	<b>171,518,230</b>	<b>100.00</b>	<b>100.00</b>

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

## **CIMB FTSE ASEAN 40**

*(Constituted under a Trust Deed in the Republic of Singapore)*

### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2010*

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These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

#### **1. General**

CIMB FTSE ASEAN 40 (the "Fund") is a Singapore-domiciled fund constituted by a Trust Deed dated 6 September 2006 between CIMB-GK Securities Pte. Ltd., (the "Retired Managers"), and DBS Trustee Limited (the "Trustee"). This Trust Deed was amended by the First Supplemental Deed dated 15 June 2007 and was entered into by the Retired Managers, the Trustee and CIMB-Principal Asset Management (S) Pte. Ltd (the "Manager"). The Deed is governed by the laws of the Republic of Singapore.

The Fund was listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") on 21 September 2006.

The investment objective of the Fund is to provide investment results that, before expenses, closely correspond to the performance of the FTSE/ASEAN 40 Index.

In addition to equity securities, the Fund invests into Index Return AAPs issued by the Participating Dealer, Citigroup Global Markets Holdings Inc. The legal form of these AAPs are low strike price American style transferable call warrants linked to underlying shares which comprise of the constituent stocks from time to time of the Index. The strike price of the Index Securities is notional, being only US\$0.00001. These AAPs are transferable securities, listed on the Luxembourg Stock Exchange and settled through Euroclear and Clearstream and seek to provide the full economic benefits of the underlying shares in terms of price appreciation, corporate actions and dividends.

#### **2. Significant accounting policies**

##### **(a) Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of financial assets at fair value through profit or loss and in accordance with the Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Certified Public Accountant of Singapore ("ICPAS").

##### **(b) Recognition of income**

Dividend income is recorded gross in the financial statements in the financial year in which the security is quoted ex-dividend.

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

## **CIMB FTSE ASEAN 40**

*(Constituted under a Trust Deed in the Republic of Singapore)*

### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2010*

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#### **2. Significant accounting policies (continued)**

##### **(c) Financial assets at fair value through profit or loss**

Investments are classified as financial assets at fair value through profit or loss.

###### *(i) Initial recognition*

Purchase of investments are recognised on trade date. Investments are recorded at fair value on initial recognition.

###### *(ii) Subsequent measurement*

Investments are subsequently carried at fair value. Net change in fair value on investments are included in the Statement of Total Return in the period which they arise.

###### *(iii) Derecognition*

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sales of investments are computed on the basis of the difference between the weighted average cost and selling price net of transaction costs, and recognised in the Statement of Total Return.

##### **(d) Basis of valuation of investments**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price for these investments held by the Fund is the current market quoted bid price.

##### **(e) Foreign currency translation**

###### *(i) Functional and presentation currency*

The Fund's investors are mainly seeking returns in US Dollar term, with subscriptions and redemptions of the units denominated in United States dollars.

The performance of the Fund is measured and reported to the investors in United States dollars. The financial statements are expressed in United States dollars, which is the Fund's functional and presentation currency.

## **CIMB FTSE ASEAN 40**

*(Constituted under a Trust Deed in the Republic of Singapore)*

### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2010*

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#### **2. Significant accounting policies (continued)**

(e) Foreign currency translation (continued)

(ii) *Transactions and balances*

Foreign currency monetary assets and liabilities are translated into United States dollars at the rates of exchange prevailing at the date of the Balance Sheet. The net unrealised gain or loss is taken to the Statement of Total Return. Transactions during the year are recorded in United States dollars at the rates of exchange ruling on transaction dates. All realised gains or losses are recognised in the Statement of Total Return.

(f) Preliminary expenses

Preliminary expenses incurred by the Fund are expensed off to the Statement of Total Return in the period in which they are incurred.

(g) Receivables

Receivables are recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest methods less impairment losses.

(h) Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

(i) Distribution

The Manager may, in its absolute discretion, decide to distribute income to unitholders at such times as it may determine in each financial year. The amount to be distributed to unitholders will be derived from the net income of the Fund. Distributions will only be paid to the extent that they are available for distribution pursuant to the Trust Deed.

#### **3. Expenses**

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

Fees paid to the Trustee, Custodian, Registrar, Investment Advisor, Index Provider and Auditors are borne by the Manager.

## **CIMB FTSE ASEAN 40**

*(Constituted under a Trust Deed in the Republic of Singapore)*

### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2010*

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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 (Cap 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) distribution from foreign unit trusts derived from outside Singapore and received in Singapore.

	<b>2010 US\$</b>	2009 US\$
Overseas income tax	<u>397,076</u>	363,941

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

#### **5. Cash and bank balances**

	<b>2010 US\$</b>	2009 US\$
Cash at bank	<u>1,141,751</u>	472,967



**CIMB FTSE ASEAN 40***(Constituted under a Trust Deed in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2010***6. Net assets attributable to unitholders**

	<b>2010 US\$</b>	2009 US\$
At beginning of financial year	<b>158,631,781</b>	99,335,952
OPERATIONS		
Change in net assets attributable to unitholders resulting from operations	<b>36,091,649</b>	67,048,229
UNITHOLDERS' CONTRIBUTIONS/(WITHDRAWALS)		
Creation of units	<b>21,211,200</b>	11,709,600
Cancellation of units	<b>(40,644,400)</b>	(14,086,000)
Change in net assets attributable to unitholders resulting from creation and cancellation of units	<b>(19,433,200)</b>	(2,376,400)
DISTRIBUTION TO UNITHOLDERS	<b>(3,772,000)</b>	(5,376,000)
TOTAL INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<b>12,886,449</b>	59,295,829
At end of financial year	<b>171,518,230</b>	158,631,781
Units in issue (Note 7)	<b>16,800,000</b>	19,200,000
	<b>US\$</b>	US\$
Net assets attributable to unitholders per unit	<b>10.209</b>	8.262

Reconciliation of net assets attributable to unitholders per unit for issuance/redemption units at year end and the net assets attributable to unitholders per unit in the financial statements:

	<b>2010 US\$</b>	2009 US\$
Net assets attributable to unitholders per unit for issuance/redemption units	<b>10.223</b>	8.284
Effect of adopting bid prices as fair value	<b>(0.014)</b>	(0.022)
Net assets attributable to unitholders per unit per the financial statements	<b>10.209</b>	8.262

Quoted investments have been valued at the current bid prices in accordance with the revised Statement of Recommended Account Practice 7. For the purpose of the net assets attributable to unitholders per unit calculation for the issuance and redemption of units, quoted investments are stated at the last available transacted price, in accordance with the Code on Collective Investment Schemes.

## CIMB FTSE ASEAN 40

(Constituted under a Trust Deed in the Republic of Singapore)

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

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#### 7. Units in issue

	2010 Units	2009 Units
Beginning of financial year	19,200,000	19,200,000
Created during the financial year	2,400,000	2,000,000
Cancelled during the financial year	(4,800,000)	(2,000,000)
End of financial year	<u>16,800,000</u>	<u>19,200,000</u>

#### 8. 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) 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 FTSE/ASEAN 40 Index, therefore the exposure to market risk in the Fund will be substantially the same as the FTSE/ASEAN 40 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, is closely aligned to the FTSE/ASEAN 40 Index characteristics.

The Fund's market risk is affected by changes in actual market prices. If the FTSE ASEAN 40 index in fund currency, US Dollar (USD), had increased by 5% with all other variables held constant, this would have increased the net asset value of the Fund by approximately US\$8,575,912 for the year ended 31 December 2010 ("being 5% of the year end NAV") and US\$7,931,589 for the year ended 31 December 2009 ("being 5% of the year end NAV"). Conversely, if the FTSE ASEAN 40 Index in fund currency had increased/decreased by 5%, this would have increased/decreased the net asset value of the Fund by approximately US\$8,575,912 for the year ended 31 December 2010 ("being 5% of the year end NAV") and US\$7,931,589 for the year ended 31 December 2009 ("being 5% of the year end NAV").

##### (b) Interest rate risk

The Fund's financial assets and liabilities are largely non-interest bearing. Hence, the Fund is not subject to risk of fluctuations in the prevailing levels of market interest rates.

**CIMB FTSE ASEAN 40***(Constituted under a Trust Deed in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2010***8. Financial risk management (continued)****(c) Liquidity risk**

The Fund is exposed to daily 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. Reasonable efforts will be taken to invest in securities which are traded in a relatively active market and which can be readily disposed of.

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

The Manager may employ derivatives to implement a portfolio strategy, to reduce risk or for the purpose of efficient portfolio management. Market liquidity of complex derivatives are significantly less than traditional investment instruments and such positions may therefore require a longer time to reverse than would be typically be expected for traditional investment instruments. No such investments were held at the balance sheet date.

The tables below analyse the Fund's financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Due on <u>demand</u> US\$000	Less than <u>3 months</u> US\$000
<b>31 December 2010</b>		
Due to manager	-	293
Net assets attributable to unit holders	<u>171,518</u>	<u>-</u>
<b>31 December 2009</b>		
Due to manager	-	271
Net assets attributable to unit holders	<u>158,632</u>	<u>-</u>

**(d) Foreign currency risk**

The Fund holds assets denominated in currencies other than US dollars, 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.

**CIMB FTSE ASEAN 40***(Constituted under a Trust Deed in the Republic of Singapore)***NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2010***8. Financial risk management (continued)****(d) Foreign currency risk (continued)**

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

	<u>USD</u> US\$	<u>SGD</u> US\$	<u>THB</u> US\$	<u>PHP</u> US\$	<u>IDR</u> US\$	<u>MYR</u> US\$	<u>Total</u> US\$
<b>31 December 2010</b>							
<b>ASSETS</b>							
Portfolio of investments	16,363,200	62,983,611	17,007,599	995,321	23,900,356	48,759,491	170,009,578
Net dividend receivables	556,861	186,783	19,664	-	14,486	-	777,794
Cash and bank balances	1,064,554	-	-	-	14,371	62,826	1,141,751
Tax recoverable	11,149	-	-	-	-	-	11,149
<b>Total assets</b>	<b>17,995,764</b>	<b>63,170,394</b>	<b>17,027,263</b>	<b>995,321</b>	<b>23,929,213</b>	<b>48,822,317</b>	<b>171,940,272</b>
<b>LIABILITIES</b>							
Due to Manager	293,279	-	-	-	-	-	293,279
Other payables	128,763	-	-	-	-	-	128,763
<b>Net assets attributable to unitholders</b>	<b>171,518,230</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>171,518,230</b>
<b>Total liabilities</b>	<b>171,940,272</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>171,940,272</b>
Net currency exposure	(153,944,508)	63,170,394	17,027,263	995,321	23,929,213	48,822,317	
<b>31 December 2009</b>							
<b>ASSETS</b>							
Portfolio of investments	9,856,800	63,674,518	14,900,911	1,198,637	22,379,178	46,064,518	158,074,562
Net dividend receivables	240,570	197,201	-	-	-	-	437,771
Cash and bank balances	460,186	-	-	-	12,781	-	472,967
Tax recoverable	11,149	-	-	-	-	-	11,149
<b>Total assets</b>	<b>10,568,705</b>	<b>63,871,719</b>	<b>14,900,911</b>	<b>1,198,637</b>	<b>22,391,959</b>	<b>46,064,518</b>	<b>158,996,449</b>
<b>LIABILITIES</b>							
Due to the Manager	270,811	-	-	-	-	-	270,811
Other payables	93,857	-	-	-	-	-	93,857
<b>Net assets attributable to unitholders</b>	<b>158,631,781</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>158,631,781</b>
<b>Total liabilities</b>	<b>158,996,449</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>158,996,449</b>
Net currency exposure	(148,427,744)	63,871,719	14,900,911	1,198,637	22,391,959	46,064,518	

Portfolio of investments, which is a significant item in the balance sheet is exposed to currency risk and other price risk. The Manager has considered the impact of currency risk sensitivity on non-monetary assets as part of the price risk sensitivity analysis.

As of 31 December 2010 and 2009, the Fund does not hold substantial monetary assets/liabilities. Changes in foreign exchange rates on monetary assets/liabilities will not result in a significant change in the net asset value of the Fund. Consequently no separate sensitivity analysis on foreign currency risk has been presented.

## CIMB FTSE ASEAN 40

(Constituted under a Trust Deed in the Republic of Singapore)

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

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#### 8. Financial risk management (continued)

##### (e) 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 dealer, issuers, brokers, custodians and banks.

Concentrations of credit risk are minimised primarily by ensuring:

- counterparties, together with the respective credit limits, are approved,
- that transactions are undertaken with a large number of counterparties, and
- that the majority of 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 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 and 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 delivery of securities is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Credit risk also arises from cash and cash equivalents and derivative positions 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 31 December 2010 and 31 December 2009.

	<u>Amount</u> US\$000	<u>Credit rating</u>	<u>Source of credit rating</u>
<b>As at 31 December 2010</b>			
<u>Custodian</u>			
State Street Bank and Trust Company	1,142	AA-	Standard & Poor's
<b>As at 31 December 2009</b>			
<u>Custodian</u>			
State Street Bank and Trust Company	473	AA-	Standard & Poor's

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

Impairment provisions are provided for losses that have been incurred by the balance sheet date, if any. The Manager has in place procedures for proper credit screening and monitoring of credit risk.

## CIMB FTSE ASEAN 40

(Constituted under a Trust Deed in the Republic of Singapore)

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

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#### 8. Financial risk management (continued)

##### (f) 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 unitholder redemptions.

#### 9. Related party disclosures

The Fund is managed by CIMB-Principal Asset Management (S) Pte. Ltd, which is incorporated in Singapore. CIMB - Principal Asset Management (S) Pte. Ltd. is a wholly-owned subsidiary of CIMB-Principal Asset Management Berhad, which is incorporated in Malaysia. The Trustee of the Fund is DBS Trustee Limited, incorporated in Singapore and a wholly-owned subsidiary of DBS Group Holdings Ltd.

The Trustee has appointed State Street Bank and Trust Company ("SSBT") as the custodian of the Fund. SSBT is a subsidiary of State Street Corporation, which is incorporated in the United States of America.

Management fees paid or payable by the Fund are shown in the Statement of Total Return and on terms set out in the Trust Deed. All other fees are borne by the Manager as set out in Note 3.

#### 10. Financial ratios

	31 December 2010	31 December 2009
Expense ratio <sup>1</sup>	0.70%	0.75%
Portfolio turnover rate <sup>2</sup>	8.99%	11.08%

<sup>1</sup> The expense ratio is computed in accordance with the revised IMAS' guidelines on disclosure of expense ratios dated 25 May 2005. Brokerage and other transaction costs, interest expense, foreign exchange gains/losses, tax deducted at source or arising on income received and dividends paid to unitholders are not included in the expense ratio. The Fund does not pay any performance fees.

<sup>2</sup> The portfolio turnover ratio is calculated in accordance with the formula stated in the "Code on Collective Investment Schemes". In accordance with the Fund's Trust Deed, units are issued through a creation of an Index Basket. For each creation Unit (comprising 400,000 units), the Fund receives an Index Basket consisting of constituent shares plus or minus a cash payment as determined by the Manager on a daily basis. For the purpose of computation of the portfolio turnover rate, the value of the Index Baskets received is not considered as part of purchases or sales.