

Principal Global Preferred Securities Fund

(formerly known as CIMB-Principal Preferred Securities Fund)

Annual Report

For the Financial Year Ended 31 October 2020

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as CIMB-Principal Preferred Securities Fund)

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2020

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as CIMB-Principal Preferred Securities Fund)

CONTENTS	PAGE(S)
INVESTORS' LETTER	1
MANAGER'S REPORT	2 - 13
Fund Objective and Policy	
Performance Data	
Market Review	
Fund Performance	
Portfolio Structure	
Market Outlook	
Investment Strategy	
Unit Holdings Statistics	
Soft Commissions and Rebates	
STATEMENT BY MANAGER	14
TRUSTEE'S REPORT	15
INDEPENDENT AUDITORS' REPORT	16 - 19
STATEMENT OF COMPREHENSIVE INCOME	20
STATEMENT OF FINANCIAL POSITION	21 - 22
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	23
STATEMENT OF CASH FLOWS	24
NOTES TO THE FINANCIAL STATEMENTS	25 - 47
DIRECTORY	48

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as CIMB-Principal Preferred Securities Fund)

INVESTORS' LETTER

Dear Valued Investor,

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

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

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

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

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

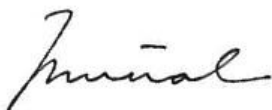
- **Conservative investors, we recommend:** Malaysia focus bond funds and regional balanced funds that are income focussed.
- **More aggressive investors, we recommend:** Growth-oriented funds that offer exposure to growth areas in China, Asia-Pacific, ASEAN, Global Technology and Malaysian aggressive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

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

Please be informed that effective 31 December 2019, the Fund has been renamed as Principal Global Preferred Securities Fund following the issuance of the Replacement Information Memorandum Issue No. 2.

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

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



Munirah Khairuddin
Chief Executive Officer

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as CIMB-Principal Preferred Securities Fund)

MANAGER’S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to achieve income and capital appreciation primarily through investment in preferred securities.

Has the Fund achieved its objective?

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

What are the Fund investment policy and principal investment strategy?

The Fund is a feeder fund and it invests in a single collective investment scheme, i.e. Principal Global Investors Fund – Preferred Securities Fund (the “Target Fund”). The Manager will monitor the investment objective of the Target Fund to ensure that it is in line with the investment objective of the Fund.

In order to achieve its investment objective, the Fund will invest at least 95% of its Net Asset Value (“NAV”) in the Target Fund; a Undertakings for Collective Investment in Transferable Securities (“UCITS”) domiciled in Ireland and established on 22 April 2003. The Fund will invest in Class I Income United States Dollar (“USD”) of the Target Fund, which is a share class denominated in USD with income distribution established on 15 January 2013. The Fund will also maintain up to 5% of its NAV in liquid assets.

Information on the Target Fund:

Target Fund Manager : Principal Global Investors (Ireland) Limited
Investment Adviser : Principal Global Investors, LLC
Sub Investment Adviser : Spectrum Asset Management, Inc
Regulatory authority : Central Bank of Ireland

The Target Fund is a Dublin based UCITS that invest primarily in a portfolio of USD denominated preferred securities and debt securities.

Base Currency

USD

Fund category/type

Wholesale Fund (Feeder Fund)/Income.

When was the Fund launched?

Name of Class	Launch Date
Class MYR	11 January 2017
Class MYR-Hedged (“MYR-H”)	30 March 2017
Class USD	11 January 2017

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
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FUND OBJECTIVE AND POLICY (CONTINUED)

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

USD4.69 million (10.01 million units)

What is the Fund's benchmark?

The Fund adheres to the benchmark of the Target Fund for performance comparison. The Target Fund is managed without reference to a particular benchmark.

Currently, the performance comparator index of the Target Fund for performance comparison is Bloomberg Barclays Global Aggregate Corporate Index.

What is the Fund distribution policy?

Quarterly, depending on the availability of realised income and/or realised gains and at the Manager's discretion. The Manager has the right to make provisions for reserves in respect of distribution of the Class. If the income available is too small or insignificant, any distribution may not be of benefit to unit holders as the total cost to be incurred in any such distribution may be higher than the amount for distribution. The Manager has the discretion to decide on the amount to be distributed to the unit holders. The Manager also has the discretion to make income distribution on an ad-hoc basis, taking into consideration the level of its realised income and/or realised gains, as well as the performance of the Fund.

What was the net income distribution for the financial year ended 31 October 2020?

The Fund distributed a total net income of USD0.19 million to unit holders for the financial year ended 31 October 2020.

The Fund's NAV per unit are as follows:

Date	NAV per unit (before distribution) USD	NAV per unit (after distribution) USD
23.12.2019		
Class MYR	0.2480	0.2459
Class MYR-H	0.2357	0.2334
Class USD	1.0927	1.0753
23.03.2020		
Class MYR	0.1999	0.1977
Class MYR-H	0.1754	0.1732
Class USD	0.8739	0.8640
23.06.2020		
Class MYR	0.2320	0.2299
Class MYR-H	0.2131	0.2111
Class USD	1.0141	1.0048
17.09.2020		
Class MYR	0.2397	0.2376
Class MYR-H	0.2278	0.2260
Class USD	1.0474	1.0388

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as *CIMB-Principal Preferred Securities Fund*)

PERFORMANCE DATA

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

	31.10.2020	31.10.2019	31.10.2018
	%	%	%
Collective investment scheme	98.14	98.61	99.97
Cash and other net assets	1.86	1.39	0.03
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	31.10.2020	31.10.2019	31.10.2018
NAV (USD Million)			
- Class MYR	0.81	0.87	1.10
- Class MYR-H	0.82	1.83	1.45
- Class USD	3.06	4.46	7.42
Units in circulation (Million)			
- Class MYR	3.39	3.57	4.84
- Class MYR-H	3.67	7.93	6.88
- Class USD	2.95	4.12	7.45
NAV per unit (USD)			
- Class MYR	0.2371	0.2453	0.2261
- Class MYR-H	0.2245	0.2309	0.2106
- Class USD	1.0363	1.0806	0.9967
	01.11.2019	01.11.2018	01.11.2017
	to 31.10.2020	to 31.10.2019	to 31.10.2018
Highest NAV per unit (USD)			
- Class MYR	0.2518	0.2456	0.2406
- Class MYR-H	0.2409	0.2309	0.2673
- Class USD	1.1009	1.0816	1.0676
Lowest NAV per unit (USD)			
- Class MYR	0.1944	0.2199	0.2261
- Class MYR-H	0.1714	0.2065	0.2107
- Class USD	0.8498	0.9688	0.9968
Total return (%)			
- Class MYR	(0.28)	11.53	(3.70)
- Class MYR-H	0.44	12.36	(1.81)
- Class USD	0.28	11.53	(3.69)
Capital growth (%)			
- Class MYR	(3.91)	8.49	(5.77)
- Class MYR-H	(3.34)	9.59	(13.45)
- Class USD	(4.10)	8.41	(6.36)
Income distribution (%)			
- Class MYR	3.79	2.79	2.18
- Class MYR-H	3.92	2.52	13.43
- Class USD	4.57	2.87	2.85

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
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PERFORMANCE DATA (CONTINUED)

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

	01.11.2019 to 31.10.2020	01.11.2018 to 31.10.2019	01.11.2017 to 31.10.2018
Management Expense Ratio ("MER") (%) ^	1.65	1.59	1.63
Portfolio Turnover Ratio ("PTR") (times) #	0.50	0.29	0.29

^ The Fund's MER increased from 1.59% to 1.65% due to decrease in average NAV during the financial year under review.

For the financial year under review, the Fund's PTR increased from 0.29 times to 0.50 times. As a feeder fund, the turnover reflects investments and withdrawals in the Target Fund.

	01.11.2019 to 31.10.2020	01.11.2018 to 31.10.2019	01.11.2017 to 31.10.2018
Gross/Net distribution per unit (cent)			
Distribution on 23 December 2019			
- Class MYR	0.21	-	-
- Class MYR-H	0.22	-	-
- Class USD	1.73	-	-
Distribution on 23 March 2020			
- Class MYR	0.22	-	-
- Class MYR-H	0.22	-	-
- Class USD	0.98	-	-
Distribution on 23 June 2020			
- Class MYR	0.21	-	-
- Class MYR-H	0.19	-	-
- Class USD	0.93	-	-
Distribution on 17 September 2020			
- Class MYR	0.20	-	-
- Class MYR-H	0.17	-	-
- Class USD	0.86	-	-
Distribution on 27 December 2018			
- Class MYR	-	0.11	-
- Class USD	-	0.54	-
Distribution on 28 March 2019			
- Class MYR	-	0.15	-
- Class MYR-H	-	0.25	-
- Class USD	-	0.66	-
Distribution on 26 June 2019			
- Class MYR	-	0.09	-
- Class MYR-H	-	0.09	-
- Class USD	-	0.42	-

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
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PERFORMANCE DATA (CONTINUED)

	01.11.2019 to 31.10.2020	01.11.2018 to 31.10.2019	01.11.2017 to 31.10.2018
Distribution on 27 September 2019			
- Class MYR	-	0.30	-
- Class MYR-H	-	0.22	-
- Class USD	-	1.33	-
Distribution on 5 February 2018			
- Class MYR	-	-	0.14
- Class MYR-H	-	-	1.20
- Class USD	-	-	1.04
Distribution on 22 June 2018			
- Class MYR	-	-	0.32
- Class MYR-H	-	-	1.83
- Class USD	-	-	1.69
Distribution on 24 September 2018			
- Class MYR	-	-	0.04
- Class USD	-	-	0.17

PERFORMANCE DATA (CONTINUED)

	31.10.2020	31.10.2019	31.10.2018 to	Since inception 31.10.2017
	%	%	%	%
Annual total return				
- Class MYR	(0.28)	11.53	(3.70)	7.24
- Class USD	0.28	11.53	(3.69)	6.45

(Launch date: 11 January 2017)

	31.10.2020	31.10.2019	31.10.2018 to	Since inception 31.10.2017
	%	%	%	%
Annual total return				
- Class MYR-H	0.44	12.36	(1.81)	7.56

(Launch date: 30 March 2017)

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up. All performance figures for the financial year have been extracted from Lipper.

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
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MARKET REVIEW (1 NOVEMBER 2019 TO 31 OCTOBER 2020)

US Treasury (“UST”) rates rose across the curve in November 2019. The US equity market continued to rally (Standard & Poor’s (“S&P”) 500 returning 3.61%) on optimism that a Phase One deal between the US and China was around the corner. There was a divergence in performance between the institutional USD1,000 par sector relative to the retail USD25 par sector with the ICE Bank of America (“BofA”) Merrill Lynch (“BofAML”) US Investment Grade Institutional Capital Securities Index (“CIPS”) returning 0.70% and the USD25 par Merrill Lynch Fixed Rate Preferred Securities Index (“P0P2”) returning -0.88%. Meanwhile, the USD25 par sector underperformed. The Merrill Lynch US All Capital Securities Index (“i0CS”) that includes below investment-grade Preferreds returned 0.01%. The best performing sector was Additional Tier 1 (“AT1”) contingent convertibles (“Cocos”) that returned 1.42% (Markit iBoxx USD Contingent Convertible Liquid Developed Market AT1IBXXC1D1 Index).

In December 2019, UST rates continued on an upward trajectory with 5-years, 7-years, 10-years and 30-years increasing by 6 basis points (“bps”), 10 bps, 14 bps and 18 bps respectively. The US equity market capped off a strong 2019 by returning 2.86% (S&P 500) in December 2019 as the lack of any negative headlines propelled the markets to new highs. Central Banks continue to be accommodative with the US Federal Reserve (the “Fed”) on pause and the European Central Bank (“ECB”) in Quantitative Easing (“QE”) mode. The United Kingdom (“UK”) elections came and went with the result being construed to be positive for UK risk as it now seems that Boris Johnson has the wherewithal to push through a Brexit. Preferreds and Jr. Subordinated Capital Securities ended the year strongly with the ICE BofAML US Investment Grade CIPS returning 0.61% and the USD25 par P0P2 returning 1.93%. The i0CS that includes below investment grade Preferreds returned 1.24%. The AT1 Cocos sector continued to perform returning 1.19% (Markit iBoxx USD Contingent Convertible Liquid Developed Market AT1 Index).

January 2020 was defined by a significant rally in UST as investors were pricing in slower global growth due to concerns around the spread of the Coronavirus-2019 (“COVID-19”). Tens and Thirties rallied. Equities worldwide and more specifically in China came under pressure as investors were nervous about implications of the COVID-19. While equities were weak, Preferreds and Jr. Subordinated Capital Securities continued to be strong given the collapse in interest rates, favorable credit, financial conditions, and accommodative Central Banks. The ICE BofAML US Investment Grade CIPS returned 1.34% and the USD25 par P0P2 0.72%. The i0CS that includes below investment-grade Preferreds returned 1.21%.

February 2020 was a historic month for risk markets. The S&P 500 Index lost 12.76% in a week as it became apparent that the COVID-19 virus was causing real global economic disruptions along with the associated human toll and tragedy. The action in UST was equally impressive as 10-year rates made a historic low. This extreme risk aversion led to spreads blowing out in Preferreds and Jr. Subordinated Capital securities. The ICE BofAML US Investment Grade CIPS returned -0.63% and the USD25 par P0P2 -3.21%. The i0CS that includes below investment-grade Preferreds returned -2.14%. The AT1 Cocos sector also sold off returning -1.61%. Lastly, the USD25 par sector was overvalued relative to the USD1,000 par sector and this imbalance corrected violently as USD25 pars performed poorly relative to the USD1,000 par sector.

In March 2020, we witnessed a historic period of volatility in the annals of risk markets as the economic and human toll from COVID-19 disrupted markets. In the midst of this volatility we had oil prices collapse. There was a classic liquidity squeeze in risk assets and more specifically in credit. Spreads blew out and prices fell as investors needed cash. Levered vehicles had to de-lever, which fed the sell spiral. Investors’ outflows exacerbated a tenuous situation in credit. The poor liquidity began to hit Treasuries and the Fed and other Central Banks to provide liquidity where it was most needed. Once the monetary and fiscal stimulus actions were provided, the panic selling stopped and markets recovered some losses. Extreme risk aversion and need for liquidity led to spreads blowing out in Preferreds and Jr. Subordinated Capital securities. The ICE BofAML US Investment Grade CIPS returned -10.19% and the USD25 par P0P2 -6.21%. The i0CS that includes below investment-grade Preferreds returned -10.61%. The AT1 Cocos sector was used as an avenue for cash by investors returning -13.23% as European Bank equities sold off by 35%.

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

In April 2020, there was a massive monetary and fiscal response to the COVID-19 crisis. Central Banks have taken actions reminiscent of the Global Financial crisis and in some cases even beyond that response providing significant liquidity to the Financial system. This has resulted in a strong recovery in asset prices as the S&P 500 rallied 31.5% from 23 March 2020 to 29 April 2020. Similarly, Preferred Securities had a strong period of performance this month with the ICE BofAML US Investment Grade CIPS returning 6.58% and the USD25 par P0P2 6.84%. The i0CS that includes below investment grade Preferreds returned 7.72%. The AT1 Cocos sector also bounced back strongly returning 7.82% and is now down 6.49% for the year. The USD25 par sector had more volatility than the USD1,000 par sector during the past couple of months and correlated strongly with equity being down 22% before recovering along with equity on the back of monetary and fiscal stimulus.

Preferred Securities continued to recover in May 2020 with the ICE BofAML US Investment Grade CIPS returning 1.57% (-2.11% year-to-date ("YTD")) and the USD25 par P0P2 1.37% (-0.88% YTD). The i0CS that includes below investment grade Preferreds returned 1.90% (-2.81% YTD). The AT1 Cocos sector was the best performing sector returning 3.29% (ICE USD Contingent Capital Index ("CDLR")) and is now down 3.42% for the year. One of the most significant events this month was the proposal from the European Commission to allocate up to 1.85 trillion Euros (750 million to a recovery plan and 1.1 trillion of spending over seven years) towards a response to the COVID-19 crisis. This is in addition to the 540 billion Euro emergency response program that the European Union has already put in place.

Performance within the USD1,000 par and USD25 par sectors diverged in June 2020 with the ICE BofAML US Investment Grade CIPS returning 1.36% (-0.78% YTD) and the USD25 par P0P2 -1.01% (-1.89% YTD). The i0CS that includes below investment grade Preferreds returned 0.16% (-2.65% YTD). The AT1 Cocos sector was the best performing sector returning 1.73% (CDLR Index) and is now only down -1.75% for the year. Spreads on the CIPS Index tightened by 21 bps, from 318 bps to 297 bps. The USD25 par P0P2 widened by 114 bps going from 193 bps to 307 bps and Cocos (CDLR Index) from 451 bps to 397 bps or 54 bps. Given the divergence in performance between USD25s and USD1,000s, the USD25 par sector now looks attractive relative to the USD1,000 par sector.

Markets continue to grind higher and tighter in July 2020 as the Fed continues to be extraordinarily accommodative and risk-free rates continue to trend lower. The S&P 500 continues to recover in price with gains driven by strong tech performance. The S&P 500 is becoming less useful as a gauge for the broader economy given the tech sector weight and dominance within the index. The ICE Investment grade US Corporate Index ("C0A0") has returned 8.15% YTD with a return of 3.15% in July 2020. The yield on this index is 1.92% as of the end of July 2020. Performance in Preferred Securities was strong this month with the ICE BofAML US Investment Grade CIPS returning 3.43% (2.62% YTD) and the USD25 par P0P2 4.00% (2.04% YTD). The i0CS that includes below investment grade Preferreds returned 4.08% (1.32% YTD). The AT1 Cocos sector continued its recovery returning 1.94% (CDLR Index) and is now up 0.16% for the year.

In August 2020, equities continue to rally and fixed-income spreads tighten. The fuel for this continues to be extraordinary monetary policy accommodation from Central Banks and associated fiscal policy support from Governments. Performance in Preferred Securities was strong this month with the ICE BofAML US Investment Grade CIPS returning 1.70% (4.37% YTD) and the USD25 par P0P2 1.18% (3.24% YTD). The i0CS that includes below investment grade Preferreds returned 1.78% (3.12% YTD). The AT1 Cocos sector continued to perform returning 2.63% (CDLR Index) and is now up 2.79% for the year. Spreads on the CIPS Index tightened by 28 bps, from 279 bps to 251 bps.

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
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MARKET REVIEW (1 NOVEMBER 2019 TO 31 OCTOBER 2020) (CONTINUED)

We continued to see a strong recovery in valuations in the September 2020. Expectations for recovery in economic growth and rebound in consumer demand, fiscal and monetary support and optimism around a vaccine for COVID-19 has contributed towards higher equity valuations and tighter credit spreads. The ICE BofAML US Investment Grade CIPS returned 4.38% and the USD25 par POP2 4.56%. The i0CS that includes below investment grade Preferreds returned 5.07%. The AT1 Cocos Index returned 3.9% (CDLR Index). Yields across the treasury curve remained relatively the same this period. Spreads on the CIPS Index tightened by 38 bps, from 297 bps to 259 bps. The USD25 par POP2 tightened by 139 bps going from 307 bps to 168 bps and Cocos (CDLR Index) from 397 bps to 372 bps or 25 bps.

In October 2020, credit prices improved modestly as the United States economy continued to rebound but weigh on UST prices. Yields in junior subordination edged lower and spreads tightened against higher Treasury yields. The UST 10-year note closed the month yielding 0.86% (18 bps higher). The yield differential between these two longer UST terms closed at 78 bps (1 bp higher than last month; 30 bps steeper on the year). The S&P 500 declined 2.78% this month after falling 3.92% last month and the Chicago Board Options Exchange (“CBOE”) Volatility Index (“VIX”) vaulted up by 44% to close at 38.02 the highest level since June 2020, which was the last time UST yields were this high. Equity appears to be showing increasing concern that the election outcomes this week will be unclear (contested) and that more COVID-19 based lockdowns could be coming to the US Risk of election outcomes being uncertain for days, weeks, or even months after Election Day because of mass mail-in balloting and inconsistent state rules to count them.

FUND PERFORMANCE

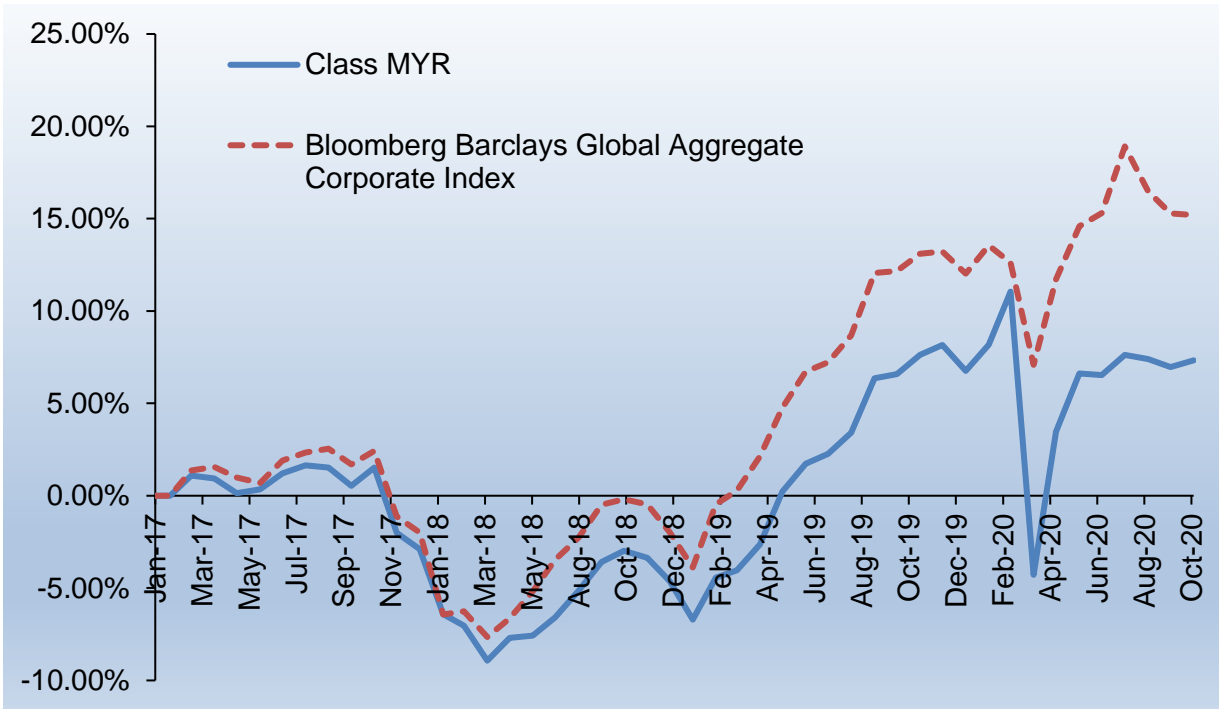
	1 year to 31.10.2020			3 years to 31.10.2020		
	Class MYR	Class MYR-H	Class USD	Class MYR	Class MYR-H	Class USD
	%	%	%	%	%	%
Income Distribution	3.79	3.92	4.57	9.03	20.84	10.64
Capital Growth	(3.91)	(3.34)	(4.10)	(3.02)	(9.49)	(2.65)
Total Return	(0.28)	0.44	0.28	5.71	9.37	7.72
Benchmark	5.84	6.44	6.44	13.17	15.31	15.31
Average Total Return	(0.28)	0.44	0.28	1.87	3.03	2.51
	Since inception to 31.10.2020					
	Class MYR	Class MYR-H	Class USD			
	%	%	%			
Income Distribution	9.03	20.84	10.64			
Capital Growth	(1.53)	(6.77)	2.74			
Total Return	7.33	12.66	14.67			
Benchmark	15.20	23.97	23.97			
Average Total Return	1.87	3.37	3.66			

For the financial year under review, Class MYR-H and Class USD gained 0.44% and 0.28% respectively while the benchmark gained 6.44%. Meanwhile Class MYR loss 0.28% against its benchmark at 5.84%.

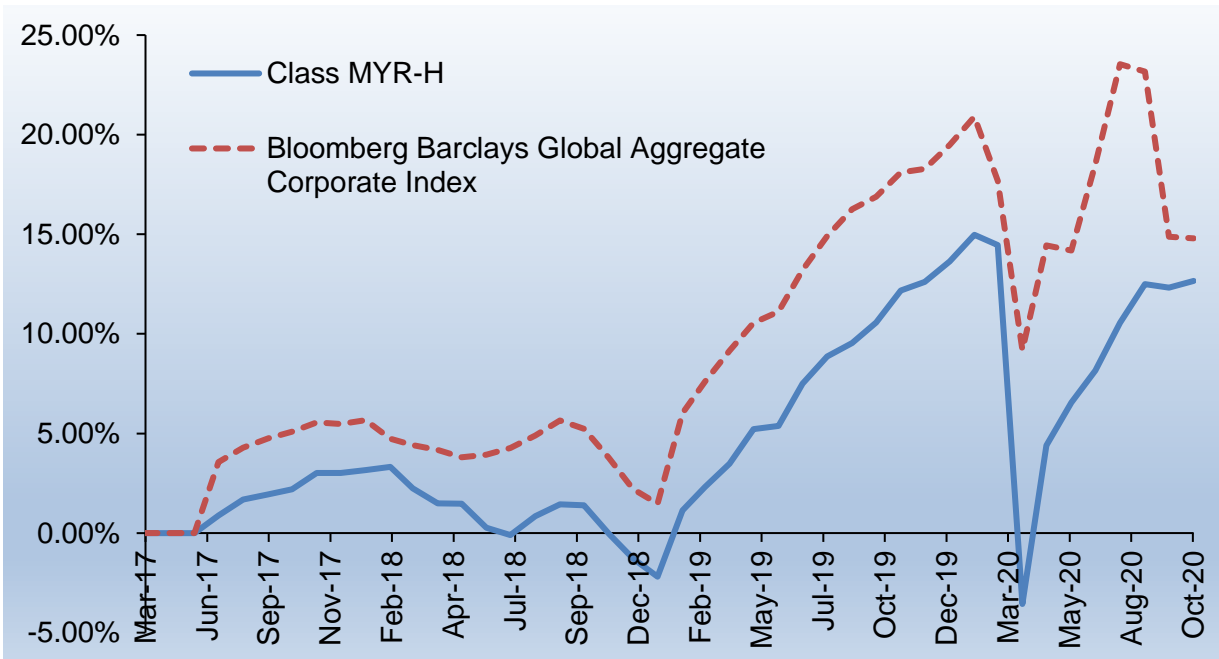
PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
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FUND PERFORMANCE (CONTINUED)

CLASS MYR



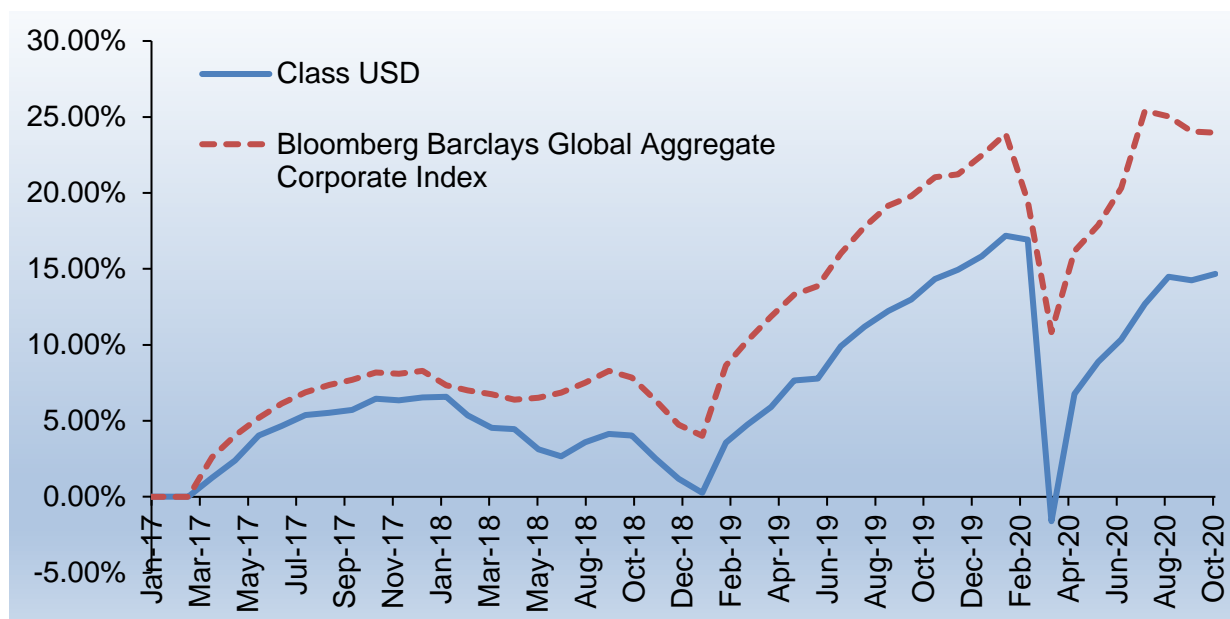
CLASS MYR-H



PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
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FUND PERFORMANCE (CONTINUED)

CLASS USD



Changes in NAV

CLASS MYR

	31.10.2020	31.10.2019	Changes %
NAV (USD Million)	0.80	0.87	(8.05)
NAV/Unit (USD)	0.2371	0.2453	(3.34)

CLASS MYR-H

	31.10.2020	31.10.2019	Changes %
NAV (USD Million)	0.82	1.83	(55.19)
NAV/Unit (USD)	0.2245	0.2309	(2.77)

CLASS USD

	31.10.2020	31.10.2019	Changes %
NAV (USD Million)	3.07	4.46	(31.17)
NAV/Unit (USD)	1.0363	1.0806	(4.10)

For the 1-year period, the Fund's total NAV for all three classes - Class MYR, Class MYR-H, and Class USD declined by 8.05%, 55.19%, and 31.17% respectively.

Meanwhile the NAV per unit of Class MYR, Class MYR-H, and Class USD also declined by 3.34%, 2.77%, and 4.10% respectively due to redemptions during the reporting period.

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
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FUND PERFORMANCE (CONTINUED)

Changes in NAV (continued)

Performance data represents the combined income and capital return as a result of holding units in the Fund for the specified length of time, based on NAV to NAV price. The performance data assumes that all earnings from the Fund are reinvested and are net of management and trustee fees. Past performance is not reflective of future performance and income distributions are not guaranteed. Unit prices and income distributions, if any, may fall and rise. All performance figures for the financial year have been extracted from Lipper.

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	31.10.2020	31.10.2019
Collective investment scheme	98.14	98.61
Cash and other net assets	1.86	1.39
Total	100.00	100.00

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

MARKET OUTLOOK*

We expect already elevated market volatility to last well beyond the 3 November 2020, US Election Day and it could extend into 2021 if the courts come into play. It is impossible to tell which way this election will go; and the process will be far from unremarkable. Metropolitan area business owners in Los Angeles and New York City are using plywood as window barricades to protect their merchandise and major boulevards will be closed to protect against riots by emboldened anarchists. Big Tech is under congressional investigation for censorship and election interference. It is impossible to get a clear view of the horizon except to know that there is a landing somewhere. We will wait until the smoke clears to suggest to you how the landscape looks before forming our 2021 outlook later this month.

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

INVESTMENT STRATEGY

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

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as *CIMB-Principal Preferred Securities Fund*)

UNIT HOLDINGS STATISTICS

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

CLASS MYR

Size of unit holdings (units)	No. of members	No. of units held (million)	% of units held
5,000 and below	2	0.00*	0.16
5,001-10,000	-	-	-
10,001-50,000	-	-	-
50,001-500,000	1	0.13	3.80
500,001 and above	1	3.26	96.04
Total	3	3.39	100.00

CLASS MYR-H

Size of unit holdings (units)	No. of members	No. of units held (million)	% of units held
5,000 and below	1	0.01	0.13
5,001-10,000	-	-	-
10,001-50,000	-	-	-
50,001-500,000	-	-	-
500,001 and above	3	3.66	99.87
Total	4	3.67	100.00

CLASS USD

Size of unit holdings (units)	No. of members	No. of units held (million)	% of units held
5,000 and below	2	0.00*	0.00*
5,001-10,000	-	-	-
10,001-50,000	-	-	-
50,001-500,000	2	0.38	13.07
500,001 and above	2	2.57	86.93
Total	6	2.95	100.00

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

SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (the “Manager”), and the Trustee will not retain any form of rebate or soft commission from, or otherwise share in any commission with, any broker in consideration for directing dealings in the investments of the Principal Malaysia Funds (“Funds”) unless the soft commission received is retained in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds. All dealings with brokers are executed on best available terms.

During the financial year under review, the Manager and the Trustee did not receive any rebates from the brokers or the dealers but the Manager has retained soft commission in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds.

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as CIMB-Principal Preferred Securities Fund)

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
PRINCIPAL GLOBAL PREFERRED SECURITIES FUND**
(formerly known as CIMB-Principal Preferred Securities Fund)

We, being the Directors of Principal Asset Management Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 20 to 47 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 October 2020 and of its financial performance, changes in net assets attributable to unit holders and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

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

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
17 December 2020

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as CIMB-Principal Preferred Securities Fund)

TRUSTEE'S REPORT TO THE UNITHOLDERS OF
PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as CIMB-Principal Preferred Securities Fund)

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

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

During this financial year, a total distribution of 0.84 cent per unit (gross) for Class MYR, 0.80 cent per unit (gross) for Class MYR-Hedged and 4.50 cent per unit (gross) for Class USD have been distributed to the unitholders of the Fund respectively. We are of the view that the distributions are not inconsistent with the objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie
Senior Manager, Investment Compliance Monitoring

Kuala Lumpur
14 December 2020

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL GLOBAL PREFERRED SECURITIES FUND**
(formerly known as CIMB-Principal Preferred Securities Fund)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Principal Global Preferred Securities Fund (*formerly known as CIMB-Principal Preferred Securities Fund*) (the "Fund"), which comprise the statement of financial position as at 31 October 2020, and statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 20 to 47.

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

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as CIMB-Principal Preferred Securities Fund)

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL GLOBAL PREFERRED SECURITIES FUND (CONTINUED)**
(formerly known as CIMB-Principal Preferred Securities Fund)

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

Information other than the financial statements and auditors' report thereon

The Manager of the Fund (the "Manager") is responsible for the other information. The other information comprises the information included in the annual report of the Fund, but does not include the financial statements of the Fund and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL GLOBAL PREFERRED SECURITIES FUND (CONTINUED)**
(formerly known as CIMB-Principal Preferred Securities Fund)

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

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as CIMB-Principal Preferred Securities Fund)

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL GLOBAL PREFERRED SECURITIES FUND (CONTINUED)**
(formerly known as CIMB-Principal Preferred Securities Fund)

Other matters

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

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

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

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

Kuala Lumpur, Malaysia
17 December 2020

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as *CIMB-Principal Preferred Securities Fund*)

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

	Note	2020 USD	2019 USD
INCOME			
Dividend income		225,700	496,448
Interest income		4	-
Net (loss)/gain on financial assets at fair value through profit or loss	8	(199,749)	658,718
Net gain on derivatives at fair value through profit or loss	9	2,796	10,406
Net gain/(loss) on foreign exchange		6,755	(2,445)
		35,506	1,163,127
EXPENSES			
Management fee	4	72,391	139,287
Trustee fee	5	1,930	3,714
Audit fee		3,034	2,086
Tax agent's fee		900	1,099
Other expenses		1,184	1,445
		79,439	147,631
(LOSS)/PROFIT BEFORE FINANCE COST AND TAXATION		(43,933)	1,015,496
Finance cost (excluding increase in net assets attributable to unit holders):			
- Class MYR		(31,165)	(28,204)
- Class MYR-H		(47,048)	(44,721)
- Class USD		(112,212)	(171,746)
	6	(190,425)	(244,671)
(LOSS)/PROFIT BEFORE TAXATION		(234,358)	770,825
Taxation	7	-	-
(DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		(234,358)	770,825
(Decrease)/Increase in net assets attributable to unit holders is made up as follows:			
Realised amount		(136,168)	39,789
Unrealised amount		(98,190)	731,036
		(234,358)	770,825

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

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as *CIMB-Principal Preferred Securities Fund*)

STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2020

	Note	2020 USD	2019 USD
ASSETS			
Cash and cash equivalents	10	104,929	189,581
Financial assets at fair value through profit or loss	8	4,598,362	7,062,210
Derivative assets at fair value through profit or loss	9	-	6,261
Amount due from dealer		6,094	27,891
Amount due from Manager		7,395	27,926
Amount due from the Manager of collective investment scheme			
- Management fee rebate		14,063	12,446
TOTAL ASSETS		<u>4,730,843</u>	<u>7,326,315</u>
LIABILITIES			
Derivative liabilities at fair value through profit or loss		1,518	-
Amount due to dealer		6,104	27,926
Amount due to Manager		27,304	124,282
Accrued management fee		6,216	9,407
Amount due to Trustee		166	251
Other payables and accruals		3,818	2,879
TOTAL LIABILITIES (EXCLUDING NET ASSETS)		<u>45,126</u>	<u>164,745</u>
NET ASSET VALUE OF THE FUND		<u>4,685,717</u>	<u>7,161,570</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>4,685,717</u>	<u>7,161,570</u>
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDING UNITS			
- Class MYR		804,048	874,490
- Class MYR-H		822,560	1,831,552
- Class USD		3,059,109	4,455,528
		<u>4,685,717</u>	<u>7,161,570</u>

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

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as CIMB-Principal Preferred Securities Fund)

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

	2020	2019
	USD	USD
NUMBER OF UNITS IN CIRCULATION (UNITS)		
- Class MYR	3,391,186	3,564,388
- Class MYR-H	3,664,019	7,933,233
- Class USD	2,952,070	4,123,332
11	<u>10,007,275</u>	<u>15,620,953</u>
 NET ASSET VALUE PER UNIT (USD)		
- Class MYR	0.2371	0.2453
- Class MYR-H	0.2245	0.2309
- Class USD	<u>1.0363</u>	<u>1.0806</u>
 NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- Class MYR	RM0.9847	RM1.0247
- Class MYR-H	RM0.9323	RM0.9646
- Class USD	<u>USD1.0363</u>	<u>USD1.0806</u>

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

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as CIMB-Principal Preferred Securities Fund)

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

	2020	2019
	USD	USD
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR	<u>7,161,570</u>	<u>9,968,995</u>
Movement due to units created and cancelled during the financial year:		
Creation of units from applications		
- Class MYR	649,870	156,090
- Class MYR-H	469,734	787,866
- Class USD	781,444	5,692
	<u>1,901,048</u>	<u>949,648</u>
Creation of units from distributions		
- Class MYR	31,165	26,293
- Class MYR-H	47,047	44,721
- Class USD	103,742	155,497
	<u>181,954</u>	<u>226,511</u>
Cancellation of units		
- Class MYR	(711,127)	(490,939)
- Class MYR-H	(1,481,185)	(609,510)
- Class USD	(2,132,185)	(3,653,960)
	<u>(4,324,497)</u>	<u>(4,754,409)</u>
(Decrease)/Increase in net assets attributable to unit holders during the financial year	<u>(234,358)</u>	<u>770,825</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR	<u>4,685,717</u>	<u>7,161,570</u>

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

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as *CIMB-Principal Preferred Securities Fund*)

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

	Note	2020 USD	2019 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of collective investment scheme		3,529,000	4,445,109
Purchase of collective investment scheme		(1,283,614)	(919,618)
Dividend income received		225,700	496,448
Interest income received from current account		4	-
Management fee paid		(75,582)	(142,713)
Management fee rebate received		17,096	32,817
Trustee fee paid		(2,015)	(3,805)
Payments for other fees and expenses		(4,179)	(5,422)
Net realised gain/(loss) on forward foreign currency contracts		10,551	(3,287)
Net realised foreign exchange (loss)/gain		(3,288)	1,464
Net cash generated from operating activities		2,413,673	3,900,993
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from units created		1,921,578	921,722
Payments for cancellation of units		(4,421,475)	(4,651,812)
Distributions paid		(8,471)	(18,160)
Net cash used in financing activities		(2,508,368)	(3,748,250)
Net (decrease)/increase in cash and cash equivalents		(94,695)	152,743
Effects of foreign exchange differences		10,043	(3,908)
Cash and cash equivalents at the beginning of the financial year		189,581	40,746
Cash and cash equivalents at the end of the financial year	10	104,929	189,581
<u>Cash and cash equivalents comprised of:</u>			
Bank balances		104,929	189,581
Cash and cash equivalents at the end of financial year	10	104,929	189,581

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

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as CIMB-Principal Preferred Securities Fund)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2020

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal Global Preferred Securities Fund (*formerly known as CIMB-Principal Preferred Securities Fund*) (the “Fund”) is governed by Principal Deed dated 21 November 2016 and a First Supplemental Deed dated 30 December 2019 (collectively referred to as the “Deeds”), made between Principal Asset Management Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

The Fund is a feeder fund and it invests in a single collective investment scheme, i.e. the Target Fund. The Manager will monitor the investment objective of the Target Fund to ensure that it is in line with the investment objective of the Fund.

In order to achieve its investment objective, the Fund will invest at least 95% of its NAV in the Target Fund; a UCITS domiciled in Ireland and established on 22 April 2003. The Fund will invest in Class I Income USD of the Target Fund, which is a share class denominated in USD with income distribution established on 15 January 2013. The Fund will also maintain up to 5% of its NAV in liquid assets.

Information on the Target Fund:

Target Fund Manager	:	Principal Global Investors (Ireland) Limited
Investment Adviser	:	Principal Global Investors, LLC
Sub Investment Adviser	:	Spectrum Asset Management, Inc
Regulatory authority	:	Central Bank of Ireland

The Target Fund is a Dublin based UCITS that invest primarily in a portfolio of USD denominated preferred securities and debt securities.

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

The Fund has changed its name from CIMB-Principal Preferred Securities Fund to Principal Global Preferred Securities Fund following the issuance of the Replacement Information Memorandum Issue No. 2 dated 31 December 2019.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

The financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported year.

It also requires the Manager to exercise their judgement in the process of applying the Fund’s accounting policies. Although these estimates and assumptions are based on the Manager’s best knowledge of current events and actions, actual results may differ.

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities

Classification

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

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

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

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

Investment in collective investment schemes have debt instrument with contractual cash flow that do not represent SPPI and therefore are classified as fair value through profit or loss.

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

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

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

Recognition and measurement

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

Financial liabilities are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Recognition and measurement (continued)

Financial liabilities are derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income within net gain or loss on financial assets at fair value through profit or loss in the financial year which they arise.

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

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

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

Impairment for assets carried at amortised costs

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income recognition

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

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

(d) Cash and cash equivalents

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

(e) Distributions

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

(f) Taxation

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

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

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

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

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

The analysis of realised and unrealised portions of increase/decrease in net assets attributable to unit holders as presented on the statement of comprehensive income is guided by SC Guidelines on Unit Trust Funds¹.

(i) Management fee rebate

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Functional and presentation currency

Functional and presentation currency

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

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

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

Transactions and balances

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

(k) Unit holders’ contributions

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Amount due from/to dealer

Amounts due from and amount due to dealer represents receivables for Spot FX sold and payables for Spot FX purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund measure the loss allowance on amounts due from dealers at an amount equal to the lifetime ECL if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month ECL. Significant financial difficulties of the dealer, probability that the dealer will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

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

(m) Derivative financial instruments

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

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

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

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

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

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

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as *CIMB-Principal Preferred Securities Fund*)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Funds' results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgements are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss USD	Financial assets at amortised cost USD	Total USD
2020			
Cash and cash equivalents (Note 10)	-	104,929	104,929
Collective investment scheme (Note 8)	4,598,362	-	4,598,362
Amount due from dealer	-	6,094	6,094
Amount due from Manager	-	7,395	7,395
Amount due from Manager of collective investment scheme			
- Management fee rebate	-	14,063	14,063
	<u>4,598,362</u>	<u>132,481</u>	<u>4,730,843</u>
2019			
Cash and cash equivalents (Note 10)	-	189,581	189,581
Collective investment scheme (Note 8)	7,062,210	-	7,062,210
Derivative assets at fair value through profit or loss (Note 9)	6,261	-	6,261
Amount due from dealer	-	27,891	27,891
Amount due from Manager	-	27,926	27,926
Amount due from Manager of collective investment scheme			
- Management fee rebate	-	12,446	12,446
	<u>7,068,471</u>	<u>257,844</u>	<u>7,326,315</u>

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as CIMB-Principal Preferred Securities Fund)

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

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

The Fund aims to achieve income and capital appreciation primarily through investment in preferred securities.

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

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

(a) Market risk

(i) Price risk

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

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

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

	2020	2019
	USD	USD
Financial assets at fair value through profit or loss:		
- Collective investment scheme	<u>4,598,362</u>	<u>7,062,210</u>

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

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as *CIMB-Principal Preferred Securities Fund*)

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

(a) Market risk (continued)

(i) Price risk (continued)

% Change in price of collective investment scheme	Market value USD	Impact on profit or loss/NAV USD
2020		
-5%	4,368,444	(229,918)
0%	4,598,362	-
5%	4,828,280	229,918
2019		
-5%	6,709,100	(498,290)
0%	7,062,210	-
5%	7,415,321	498,290

(ii) Currency risk

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

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

Financial assets	Cash and cash equivalents USD	Amount due from Manager USD	Derivative assets at fair value through profit or loss USD	Total USD
2020				
MYR	42,738	7,395	-	50,133
2019				
MYR	61,900	27,926	6,261	96,087

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as *CIMB-Principal Preferred Securities Fund*)

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

(a) Market risk (continued)

(ii) Currency risk (continued)

Financial liabilities	Derivative liabilities at fair value through profit or loss USD	Amount due to Manager USD	Amount due to dealer USD	Net assets attributable to unit holders USD	Total USD
2020					
MYR	1,451	1,291	6,104	1,626,608	1,635,454
2019					
MYR	-	-	-	2,706,042	2,706,042

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

	Change in foreign exchange rate	Impact on profit or loss/NAV	
		2020 USD	2019 USD
MYR	+/-5 %	+/-79,266	+/-130,498

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligation resulting in financial loss to the Fund.

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

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

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

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as *CIMB-Principal Preferred Securities Fund*)

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

(b) Credit risk (continued)

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

	Cash and cash equivalents USD	Amount due from dealer USD	Amount due from Manager USD	Amount due from Manager of collective investment scheme USD	Derivative assets at fair value through profit or loss USD	Total USD
2020						
- AAA	104,929	-	-	-	-	104,929
- Not rated	-	6,094	7,395	14,063	-	27,552
	<u>104,929</u>	<u>6,094</u>	<u>7,395</u>	<u>14,063</u>	<u>-</u>	<u>132,481</u>
2019						
- AAA	189,581	-	-	-	-	189,581
- Not rated	-	27,891	27,926	12,446	6,261	74,524
	<u>189,581</u>	<u>27,891</u>	<u>27,926</u>	<u>12,446</u>	<u>6,261</u>	<u>261,105</u>

(c) Liquidity risk

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

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balances and other instruments, which are capable of being converted into cash within 7 business days. The Fund's investments in collective investment scheme are realisable which are capable of being converted into cash within 10 business days. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

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

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as *CIMB-Principal Preferred Securities Fund*)

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

(c) Liquidity risk (continued)

	Less than 1 month USD	Between 1 month to 1 year USD	Total USD
2020			
Derivative liabilities at fair value through profit or loss	1,518	-	1,518
Amount due to dealer	6,104	-	6,104
Amount due to Manager	27,304	-	27,304
Accrued management fee	6,216	-	6,216
Amount due to Trustee	166	-	166
Other payables and accruals	-	3,818	3,818
Net assets attributable to unit holders*	4,685,717	-	4,685,717
Contractual undiscounted cash flows	<u>4,727,025</u>	<u>3,818</u>	<u>4,730,843</u>
2019			
Amount due to dealer	27,926	-	27,926
Amount due to Manager	124,282	-	124,282
Accrued management fee	9,407	-	9,407
Amount due to Trustee	251	-	251
Other payables and accruals	-	2,879	2,879
Net assets attributable to unit holders*	7,161,570	-	7,161,570
Contractual undiscounted cash flows	<u>7,323,436</u>	<u>2,879</u>	<u>7,326,315</u>

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

(d) Capital risk management

The capital of the Fund is represented by net assets attributable to unit holders of USD4,685,717 (2019: USD7,161,570). The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

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

(e) Fair value estimation

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

The fair value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial year end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques.

(i) Fair value hierarchy

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

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

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as *CIMB-Principal Preferred Securities Fund*)

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
2020				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	<u>4,598,362</u>	<u>-</u>	<u>-</u>	<u>4,598,362</u>
Derivative liabilities at fair value through profit or loss:				
- Forward foreign currency contracts	<u>-</u>	<u>(1,518)</u>	<u>-</u>	<u>(1,518)</u>
2019				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	<u>7,062,210</u>	<u>-</u>	<u>-</u>	<u>7,062,210</u>
Derivative assets at fair value through profit or loss:				
- Forward foreign currency contracts	<u>-</u>	<u>6,261</u>	<u>-</u>	<u>6,261</u>

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

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

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as *CIMB-Principal Preferred Securities Fund*)

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

(e) Fair value estimation (continued)

- (ii) The carrying values of cash and cash equivalents, amount due from dealer, amount due from Manager, amount due from Manager of collective investment scheme - management fee rebate and all other liabilities are a reasonable approximation of their fair values due to their short term nature.

4. MANAGEMENT FEE

In accordance with the Deeds, the Manager is entitled to a maximum management fee of 3.00% per annum for each class, calculated daily based on the NAV of the Fund.

For the financial year ended 31 October 2020 and 31 October 2019, the management fee is recognised at the following rates:

Class MYR	Class MYR-H	Class USD
1.50%	1.50%	1.50%

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

5. TRUSTEE FEE

In accordance with the Deeds, the Trustee is entitled to a fee up to 0.08% per annum, calculated daily based on the NAV of the Fund. The Trustee fee includes local custodian fees and charges but excludes foreign sub-custodian fees and charges.

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

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

6. FINANCE COST

Distributions to unit holders are derived from the following sources:

	2020	2019
	USD	USD
Dividend income	190,425	119,613
Net realised gain on disposal of collective investment scheme	-	158,709
Net gain on derivative assets at fair value through profit or loss	-	2,508
Net foreign exchange loss	-	(589)
	<u>190,425</u>	<u>280,241</u>
Less:		
Expenses	-	(35,570)
Net distribution amount	<u>190,425</u>	<u>244,671</u>

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as *CIMB-Principal Preferred Securities Fund*)

6. FINANCE COST (CONTINUED)

	2020	2019
	USD	USD
Gross/Net distribution per unit (cent)		
Distribution on 23 December 2019		
- Class MYR	0.21	-
- Class MYR-H	0.22	-
- Class USD	1.73	-
Distribution on 23 March 2020		
- Class MYR	0.22	-
- Class MYR-H	0.22	-
- Class USD	0.98	-
Distribution on 23 June 2020		
- Class MYR	0.21	-
- Class MYR-H	0.19	-
- Class USD	0.93	-
Distribution on 17 September 2020		
- Class MYR	0.20	-
- Class MYR-H	0.17	-
- Class USD	0.86	-
Distribution on 27 December 2018		
- Class MYR	-	0.11
- Class USD	-	0.54
Distribution on 28 March 2019		
- Class MYR	-	0.15
- Class MYR-H	-	0.25
- Class USD	-	0.66
Distribution on 26 June 2019		
- Class MYR	-	0.09
- Class MYR-H	-	0.09
- Class USD	-	0.42
Distribution on 27 September 2019		
- Class MYR	-	0.30
- Class MYR-H	-	0.22
- Class USD	-	1.33
	<u>6.14</u>	<u>4.16</u>

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

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

During the financial year ended 31 October 2020, the Fund incurred unrealised losses of USD98,190.

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as *CIMB-Principal Preferred Securities Fund*)

7. TAXATION

	2020	2019
	USD	USD
Tax charged for the financial year:		
- Current taxation	-	-

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

	2020	2019
	USD	USD
(Loss)/Profit before taxation	(234,358)	770,825
Taxation at Malaysian statutory rate of 24% (2019: 24%)	(56,246)	184,998
Tax effects of:		
- Investment income not subject to tax	(8,521)	(279,150)
- Expenses not deductible for tax purposes	46,619	59,934
- Restriction on tax deductible expenses for Wholesale Funds	18,148	34,218
Taxation	-	-

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	USD	USD
At fair value through profit or loss:		
- Collective investment scheme	4,598,362	7,062,210
Net (loss)/gain on financial assets at fair value through profit or loss:		
- Realised loss on disposals	(118,007)	(99,380)
- Unrealised fair value (loss)/gain	(100,455)	721,251
- Management fee rebate #	18,713	36,847
	(199,749)	658,718

Management fee rebate is derived from the Fund's investment in collective investment scheme on an accruals basis to ensure no double charging of management fee. It is accrued daily based on the fair value of the collective investment scheme held.

For the financial year ended 31 October 2020, other income is recognised at a rate of 0.35% per annum (2019: 0.35% per annum) for each class.

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as CIMB-Principal Preferred Securities Fund)

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

Name of counter	Quantity Units	Aggregate cost USD	Market value USD	Percentage of NAV %
2020				
COLLECTIVE INVESTMENT SCHEME				
PGI Preferred Securities Fund	446,877	4,649,724	4,598,362	98.14
TOTAL COLLECTIVE INVESTMENT SCHEME	446,877	4,649,724	4,598,362	98.14
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		(51,362)		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		4,598,362		
2019				
COLLECTIVE INVESTMENT SCHEME				
PGI Preferred Securities Fund	674,519	7,013,117	7,062,210	98.61
TOTAL COLLECTIVE INVESTMENT SCHEME	674,519	7,013,117	7,062,210	98.61
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		49,093		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		7,062,210		

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as CIMB-Principal Preferred Securities Fund)

9. DERIVATIVE ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	USD	USD
Forward foreign currency contracts	<u>(1,518)</u>	<u>6,261</u>
Net gain on derivative assets/liabilities at fair value through profit or loss:		
- Realised gain/(loss) on forward foreign currency contracts	10,576	(3,287)
- Unrealised fair value (loss)/gain on forward foreign currency contracts	<u>(7,780)</u>	<u>13,693</u>
	<u>2,796</u>	<u>10,406</u>

As at 31 October 2020, there are four (4) (2019: two (2)) outstanding USD/Malaysian Ringgit (“MYR”) forward foreign currency contracts. The notional principal amount of the outstanding forward foreign currency contracts amounted to USD868,257 (2019: USD1,826,380).

The USD/MYR forward foreign currency contracts are entered into during the financial year to minimise the risk of foreign currency exposure between the USD and the MYR for the Fund.

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

10. CASH AND CASH EQUIVALENTS

	2020	2019
	USD	USD
Bank balances	<u>104,929</u>	<u>189,581</u>

11. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2020	2019
	No. of units	No. of units
Class MYR (i)	3,391,186	3,564,388
Class MYR-H (ii)	3,664,019	7,933,233
Class USD (iii)	<u>2,952,070</u>	<u>4,123,332</u>
	<u>10,007,275</u>	<u>15,620,953</u>

(i) Class MYR

	2020	2019
	No. of units	No. of units
At the beginning of the financial year	3,564,388	4,844,929
Add : Creation of units from applications	2,645,766	642,321
Add : Creation of units from distributions	136,616	112,067
Less : Cancellation of units	<u>(2,955,584)</u>	<u>(2,034,929)</u>
At the end of the financial year	<u>3,391,186</u>	<u>3,564,388</u>

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as *CIMB-Principal Preferred Securities Fund*)

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

(ii) Class MYR-H

	2020	2019
	No. of units	No. of units
At the beginning of the financial year	7,933,233	6,879,009
Add : Creation of units from applications	2,030,446	3,575,035
Add : Creation of units from distributions	225,493	199,520
Less : Cancellation of units	(6,525,153)	(2,720,331)
At the end of the financial year	3,664,019	7,933,233

(iii) Class USD

	2020	2019
	No. of units	No. of units
At the beginning of the financial year	4,123,332	7,448,507
Add : Creation of units from applications	746,826	5,353
Add : Creation of units from distributions	103,052	151,535
Less : Cancellation of units	(2,021,140)	(3,482,063)
At the end of the financial year	2,952,070	4,123,332

12. MANAGEMENT EXPENSE RATIO (“MER”)

	2020	2019
	%	%
MER	1.65	1.59

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial year calculated on a daily basis is USD4,813,951 (2019: USD9,291,318).

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as *CIMB-Principal Preferred Securities Fund*)

13. PORTFOLIO TURNOVER RATIO (“PTR”)

	2020	2019
PTR (times)	0.50	0.29

PTR is derived based on the following calculation:

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

where:

total acquisition for the financial year = USD1,283,614 (2019: USD947,544)
total disposal for the financial year = USD3,529,000 (2019: USD4,473,000)

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

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

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

Units held by the Manager and parties related to the Manager

	2020	2019
	No. of units	USD
Manager		
Principal Asset Management Berhad		
- Class MYR	441	105
- Class MYR-H	4,871	1,094
- Class USD	2	2
	2	2

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as CIMB-Principal Preferred Securities Fund)

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

In the opinion of the Manager, the above units were transacted at the prevailing market price.

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

Other than those disclosed elsewhere in the financial statements, there were no significant related party transactions and balances during the financial year.

15. TRANSACTIONS WITH BROKER/DEALER

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

Broker/Dealer	Value of trades USD	Percentage of total trades %
BNY Mellon Fund Services (Ireland)	<u>4,812,614</u>	<u>100.00</u>

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

Broker/Dealer	Value of trades USD	Percentage of total trades %
BNY Mellon Fund Services (Ireland)	<u>5,420,544</u>	<u>100.00</u>

16. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

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

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

17. APPROVAL OF FINANCIAL STATEMENTS

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

PRINCIPAL GLOBAL PREFERRED SECURITIES FUND
(formerly known as CIMB-Principal Preferred Securities Fund)

DIRECTORY

Head Office of the Manager

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(formerly known as CIMB-Principal Preferred Securities Fund)

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