

**PRINCIPAL HERITAGE BALANCED FUND**  
**ANNUAL REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

<b>CONTENTS</b>	<b>PAGE(S)</b>
INVESTORS' LETTER	i
MANAGER'S REPORT	ii - xvi
Fund Objective and Policy	
Performance Data	
Market Review	
Fund Performance	
Portfolio Structure	
Market Outlook	
Investment Strategy	
Unit Holdings Statistics	
Soft Commissions and Rebates	
Securities Financing Transactions	
State of Affair of the Fund	
Circumstances That Materially Affect Any Interest of Unit Holders	
Cross Trade	
STATEMENT BY MANAGER	1
TRUSTEE'S REPORT	2
INDEPENDENT AUDITORS' REPORT	4 - 6
STATEMENT OF COMPREHENSIVE INCOME	7
STATEMENT OF FINANCIAL POSITION	8 - 9
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	10
STATEMENT OF CASH FLOWS	11
NOTES TO THE FINANCIAL STATEMENTS	12 - 34
DIRECTORY	35

## INVESTORS' LETTER

Dear Valued Investor,

Greetings from Principal Asset Management Berhad and thank you for investing with us!

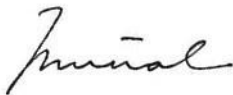
We are pleased to bring you a copy of the Annual Fund Report of the Principal Heritage Balanced Fund for the financial year ended 30 June 2022. You may also download this report from our website at [www.principal.com.my](http://www.principal.com.my).

We are happy to share that Principal Asset Management Berhad won three accolades at Alpha Southeast Asia's 13<sup>th</sup> Annual Fund Management Awards 2022. The awards were for Best Online & Mobile Platform (Asset Manager), Best Fund with the optimal Sharpe ratio and Best Absolute Return Strategy. Principal Asset Management Berhad was also honoured with multiple awards at the iFast Awards Night 2022 and FSMOne Recommended Unit Trusts Awards 2022/23 including Top Fund House 2021 and Investors' Choice Fund House of the year 2022.

Digital innovation is central to our strategy, as we use data and technology to develop the right solutions for you. We will continue to advance our digital capabilities to provide easy access to your investment portfolio and enable you to carry out transactions seamlessly. Please continue to check out our website ([www.principal.com.my](http://www.principal.com.my)), like our Facebook page (@PrincipalAssetMY), follow us on our Instagram account (@principalassetmanagement\_my), and LinkedIn page (Principal Asset Management Berhad) for the latest updates, market insights and investment articles.

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

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



**Munirah Khairuddin**  
Chief Executive Officer

## MANAGER'S REPORT

### FUND OBJECTIVE AND POLICY

#### What is the investment objective of the Fund?

The Fund aims to provide income and capital growth through investments in one (1) collective investment scheme, which invests in a diversified portfolio of mixed asset.

#### Has the Fund achieved its objective?

The Fund is in line to achieve its long-term objectives as stated under the Fund investment policy.

#### 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. Fullerton Singapore Dollar ("SGD") Heritage Balanced ("FSH-Balanced"). The Fund may also invest in liquid assets for liquidity purpose.

In order to achieve its investment objective, the Fund will invest at least 95% of its Net Asset Value ("NAV") in FSH-Balanced and may also invest up to 5% of its NAV in liquid assets for liquidity purpose. FSH-Balanced was established on 21 May 2019 under the Fullerton Fund; a Singapore-constituted umbrella unit trust.

The asset allocation strategy for this Fund is as follows:

- at least 95% of the Fund's NAV will be invested in FSH-Balanced; and
- up to 5% of the Fund's NAV will be invested in liquid assets for liquidity purposes.

#### Information on the Target Fund

Target Fund	: FSH-Balanced
Share Class	: Class B
Currency denomination	: SGD
Target Fund Manager	: Fullerton Fund Management Company Ltd.
Regulatory Authority	: Monetary Authority of Singapore

#### Base Currency

SGD

#### Fund category/ type

Feeder fund/ Income & Growth

#### When was the Fund launched?

Name of Class	Launch Date
Class AUD-Hedged ("AUD-H")	17 November 2021
Class GBP-Hedged ("GBP-H")	15 October 2020
Class MYR-Hedged ("MYR-H")	10 July 2020
Class SGD	10 July 2020
Class USD-Hedged (USD-H")	2 April 2021

#### What was the size of the Fund as at 30 June 2022?

SGD83.25 million (184.20 million units)

#### What is the Fund's benchmark?

The Fund adheres to the benchmark of the Target Fund for performance comparison. Currently, FSH-Balanced has no benchmark.

**FUND OBJECTIVE AND POLICY (CONTINUED)**

**What is the Fund distribution policy?**

Monthly, depending on the availability of realised income and/or realised gains and at the Manager's discretion.

**What was the net income distribution for the financial year ended 30 June 2022?**

The Fund distributed a total net income of SGD4.40 million to unit holders for the financial year ended 30 June 2022.

The Fund's NAV per unit before and after distributions were as follows:

Date	NAV per unit	NAV per unit
	(before distribution)	(after distribution)
	SGD	SGD
16.07.2021		
- Class GBP-H	1.9239	1.9184
- Class MYR-H	0.3414	0.3404
- Class SGD	1.0566	1.0535
- Class USD-H	1.3865	1.3825
16.08.2021		
- Class GBP-H	1.9122	1.9066
- Class MYR-H	0.3367	0.3357
- Class SGD	1.0462	1.0431
- Class USD-H	1.3712	1.3672
20.09.2021		
- Class GBP-H	1.8635	1.8580
- Class MYR-H	0.3339	0.3329
- Class SGD	1.0341	1.0310
- Class USD-H	1.3435	1.3396
20.10.2021		
- Class GBP-H	1.8283	1.8101
- Class MYR-H	0.3268	0.3235
- Class SGD	1.0106	1.0005
- Class USD-H	1.3037	1.2906
17.11.2021		
- Class GBP-H	1.8098	1.7917
- Class MYR-H	0.3308	0.3275
- Class SGD	1.0154	1.0052
- Class USD-H	1.3239	1.3107
17.12.2021		
- Class GBP-H	1.7698	1.7522
- Class MYR-H	0.3256	0.3224
- Class SGD	1.0029	0.9929
- Class USD-H	1.3140	1.3009
19.01.2022		
- Class GBP-H	1.7323	1.7271
- Class MYR-H	0.3126	0.3117
- Class SGD	0.9690	0.9661
- Class USD-H	1.2519	1.2484

FUND OBJECTIVE AND POLICY (CONTINUED)

Date	NAV per unit	NAV per unit
	(before distribution)	(after distribution)
	SGD	SGD
17.02.2022		
- Class GBP-H	1.6928	1.6902
- Class MYR-H	0.3080	0.3052
- Class SGD	0.9543	0.9515
- Class USD-H	1.2295	1.2268
17.03.2022		
- Class AUD-H	0.8891	0.8864
- Class GBP-H	1.6071	1.6022
- Class MYR-H	0.2996	0.2910
- Class SGD	0.9277	0.9249
- Class USD-H	1.2025	1.1990
20.04.2022		
- Class AUD-H	0.9269	0.9241
- Class GBP-H	1.6036	1.5988
- Class MYR-H	0.2970	0.2961
- Class SGD	0.9278	0.925
- Class USD-H	1.2100	1.2064
18.05.2022		
- Class AUD-H	0.8657	0.8631
- Class GBP-H	1.5178	1.5133
- Class MYR-H	0.2880	0.2871
- Class SGD	0.9084	0.9057
- Class USD-H	1.2050	1.2014
17.06.2022		
- Class AUD-H	0.8491	0.8465
- Class GBP-H	1.4653	1.4609
- Class MYR-H	0.2828	0.2820
- Class SGD	0.8908	0.8882
- Class USD-H	1.1845	1.1810

PERFORMANCE DATA

Details of portfolio composition of the Fund for the financial year were as follows:

	30.06.2022	30.06.2021
	%	%
Collective investment scheme	98.24	98.06
Cash and other assets	2.41	3.65
Liabilities	(0.65)	(1.71)
	<u>100.00</u>	<u>100.00</u>

**PERFORMANCE DATA (CONTINUED)**

Performance details of the Fund for the financial year were as follows:

	<b>30.06.2022</b>	<b>30.06.2021</b>
NAV (SGD Million)		
- Class AUD-H	0.69	-
- Class GBP-H	13.11	13.25
- Class MYR-H	41.22	29.29
- Class SGD	17.83	18.06
- Class USD-H	10.40	2.09
Units in circulation (Million)		
- Class AUD-H	0.83	-
- Class GBP-H	8.96	6.95
- Class MYR-H	145.67	86.03
- Class SGD	19.98	17.18
- Class USD-H	8.76	1.53
NAV per unit (SGD)		
- Class AUD-H	0.8359	-
- Class GBP-H	1.4634	1.9075
- Class MYR-H	0.2830	0.3404
- Class SGD	0.8923	1.0515
- Class USD-H	1.1867	1.3622
Highest NAV per unit (SGD)		
- Class AUD-H	1.0037	-
- Class GBP-H	1.0371	2.0009
- Class MYR-H	1.0615	0.3628
- Class SGD	1.0614	1.1060
- Class USD-H	1.0219	1.3636
Lowest NAV per unit (SGD)		
- Class AUD-H	0.8683	-
- Class GBP-H	0.8610	1.7139
- Class MYR-H	0.8904	0.3250
- Class SGD	0.8869	0.9958
- Class USD-H	0.8477	1.3099
Total return (%)		
- Class GBP-H	(12.64)	4.54
- Class MYR-H	(11.71)	7.58
- Class SGD	(12.07)	7.64
- Class USD-H	(12.83)	1.35
Capital growth (%)		
- Class GBP-H	(15.68)	2.73
- Class MYR-H	(14.79)	5.10
- Class SGD	(15.14)	5.15
- Class USD-H	(15.84)	1.35
Income distribution (%)		
- Class GBP-H	3.60	1.76
- Class MYR-H	3.61	2.35
- Class SGD	3.62	2.37
- Class USD-H	3.57	-
Total Expense Ratio ("TER") (%) ^	0.44	0.53
Portfolio Turnover Ratio ("PTR") (times) #	0.34	1.27

^ The Fund's TER dropped from 0.53% to 0.44% due to the increase in the average NAV for the financial year under review.

# For the financial year under review, the PTR fell from 1.27 times to 0.34 times. As a feeder fund, the turnover reflects investments and withdrawals in the target funds.

## PERFORMANCE DATA (CONTINUED)

<b>Gross/ Net distribution per unit (cent)</b>	<b>30.06.2022</b>	<b>10.07.2020 (date of launch) to 30.06.2021</b>
Distribution on 19.07.2021		
- Class GBP-H	0.56	-
- Class MYR-H	0.10	-
- Class SGD	0.31	-
- Class USD-H	0.40	-
Distribution on 17.08.2021		
- Class GBP-H	0.56	-
- Class MYR-H	0.10	-
- Class SGD	0.31	-
- Class USD-H	0.40	-
Distribution on 20.09.2021		
- Class GBP-H	0.55	-
- Class MYR-H	0.10	-
- Class SGD	0.31	-
- Class USD-H	0.39	-
Distribution on 20.10.2021		
- Class GBP-H	0.53	-
- Class MYR-H	0.10	-
- Class SGD	0.30	-
- Class USD-H	0.39	-
Distribution on 17.11.2021		
- Class GBP-H	0.53	-
- Class MYR-H	0.10	-
- Class SGD	0.30	-
- Class USD-H	0.38	-
Distribution on 17.12.2021		
- Class GBP-H	0.52	-
- Class MYR-H	0.09	-
- Class SGD	0.29	-
- Class USD-H	0.38	-
Distribution on 19.01.2022		
- Class GBP-H	0.52	-
- Class MYR-H	0.09	-
- Class SGD	0.29	-
- Class USD-H	0.35	-
Distribution on 17.02.2022		
- Class GBP-H	0.27	-
- Class MYR-H	0.28	-
- Class SGD	0.28	-
- Class USD-H	0.27	-
Distribution on 17.03.2022		
- Class AUD-H	0.27	-
- Class GBP-H	0.49	-
- Class MYR-H	0.86	-
- Class SGD	0.28	-
- Class USD-H	0.36	-



PERFORMANCE DATA (CONTINUED)

Gross/ Net distribution per unit (cent)	30.06.2022	10.07.2020 (date of launch) to 30.06.2021
Distribution on 20.04.2022		
- Class AUD-H	0.28	-
- Class GBP-H	0.48	-
- Class MYR-H	0.09	-
- Class SGD	0.28	-
- Class USD-H	0.36	-
Distribution on 18.05.2022		
- Class AUD-H	0.26	-
- Class GBP-H	0.45	-
- Class MYR-H	0.09	-
- Class SGD	0.27	-
- Class USD-H	0.36	-
Distribution on 17.06.2022		
- Class AUD-H	0.26	-
- Class GBP-H	0.44	-
- Class MYR-H	0.08	-
- Class SGD	0.26	-
- Class USD-H	0.35	-
Distribution on 16.11.2020		
- Class MYR-H	-	0.10
- Class SGD	-	0.30
Distribution on 16.12.2020		
- Class MYR-H	-	0.10
- Class SGD	-	0.30
Distribution on 14.01.2021		
- Class GBP-H	-	0.55
- Class MYR-H	-	0.10
- Class SGD	-	0.31
Distribution on 15.02.2021		
- Class GBP-H	-	0.56
- Class MYR-H	-	0.10
- Class SGD	-	0.32
Distribution on 16.03.2021		
- Class GBP-H	-	0.56
- Class MYR-H	-	0.10
- Class SGD	-	0.31
Distribution on 16.04.2021		
- Class GBP-H	-	0.57
- Class MYR-H	-	0.10
- Class SGD	-	0.30
Distribution on 17.05.2021		
- Class GBP-H	-	0.56
- Class MYR-H	-	0.10
- Class SGD	-	0.31
Distribution on 16.06.2021		
- Class GBP-H	-	0.56
- Class MYR-H	-	0.10
- Class SGD	-	0.31

**PERFORMANCE DATA (CONTINUED)**

Performance details of the Fund for the financial year were as follows (continued)

	<b>30.06.2022</b>	<b>Since inception to 30.06.2021 %</b>
Annual total return		
- Class AUD-H (Launch date: 17 November 2021)	-	-
- Class GBP-H (Launch date: 15 October 2020)	(12.64)	4.54
- Class MYR-H	(11.71)	7.58
- Class SGD (Launch date: 10 July 2020)	(12.07)	7.64
- Class USD-H (Launch date: 2 April 2021)	(12.83)	1.35

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.

**MARKET REVIEW (1 JULY 2021 TO 30 JUNE 2022)**

Developed Market (“DM”) equities posted positive returns in July 2021, outperforming Asia equities which was down in July as the Asian stock market fell with investors cautious on the regulatory headwinds emanating from China. Singapore Real Estate Investment Trusts (“REIT”) was resilient in July 2021 and was one of the better performing markets in Asia. During the month, US Treasury (“UST”) bond yields fell despite elevated inflation figures. The fall in UST nominal bond yields was driven by the significant fall in real yields while inflation expectations remained anchored.

Both the 10-year UST and German Bund yield increased in August 2021. In the case of US Treasury, the higher yield came after four consecutive months of lower yield. Both the dollar denominated J.P. Morgan Asia Credit Index (“JACI”) Asia Investment Grade Index and JACI Asian High Yield Index delivered positive returns in August, with High Yield outperforming Investment Grade. Despite the spread tightening in Asia High Yield in August, High Yield spreads remain wider than the 5-Years historical average and this is caused by investors concern over regulatory controls in China as well as uncertainty revolving around Evergrande. Both developed market and Asia equities delivered positive returns in August. Asia equities bounced back in August after 2 consecutive months of negative returns.

Global equities endured a difficult September 2021. US Equities broke its streak of 7 consecutive months of positive returns and was down in September. Developed market equities were impacted by worries over tightening liquidity as the Federal Reserve (“Fed”) signal led that tapering was on the cards and bond yields consequently rose. Asia equities was down in September 2021 as risk sentiment was impacted by a combination of a strengthening US dollar as well as higher bond yields. Both Asia Investment Grade corporate bonds and Asia High Yield corporate bonds were down in September. Asia High Yield corporate bonds were under pressure due to concerns on China’s property sector.

Equities bounced back in October 2021 after a difficult September. Equities were supported by earnings growth and expectations of continued cyclical recovery. Within equities, DM equities outperformed Asia equities. Within DM equities, US equities led the rally as the earnings picture remained robust in the US, and earnings growth continued to surprise on the upside. Asia equities delivered positive returns in October, albeit less than DM equities. The more modest gains in Asia equities suggests investors remain guarded in view of declining growth momentum and offshore funding uncertainties of Chinese property developers. Turning to the US government bond market, over the month of October 2021, US Treasury yield rose on the back of stronger growth prospects coupled with expectations of the Fed reducing monetary accommodation.

**MARKET REVIEW (1 JULY 2021 TO 30 JUNE 2022) (CONTINUED)**

In November 2021, global equities closed in the red with the more defensive US large cap stocks and China onshore equities outperforming other major Developed Market and Asia ex-Japan equities. Until the emergence of Omicron, equity markets were largely resilient despite the noticeable shift to a more fragile growth-inflation-policy mix. In the US, strong October job gains and relatively elevated Consumer Price Index (“CPI”) print spurred various Federal Open Market Committee (“FOMC”) members to highlight the likely need for accelerated tapering, which led to markets re-pricing an earlier Fed lift-off. Global investment grade bonds and the broad USD saw positive returns, both benefiting from the flight to safety. Notably, UST rallied less than UK gilts and German bunds, given a more hawkish Fed compared to the Bank of England (“BoE”) and European Central Bank (“ECB”) respectively.

2021 saw stock markets close near their all-time highs, with December 2021 delivering the much-anticipated “Santa Claus rally”. Trading volumes were lower during the festive season, and investors generally turned risk-seeking in the second half of the month, shrugging off fears of the new Omicron variant and looming Fed rate hikes. For the full month of December, global equities posted positive returns, while global investment-grade bonds, UST as well as Asia credit posted negative returns. Oil prices rebounded from their previous month’s sell-off, spot gold rose by 3.0%, while the broad dollar retreated slightly. Global equities closed the month higher, driven largely by strong gains in US and Europe. While the highly transmissible Omicron variant had caused a surge in new cases, preliminary findings also suggested that this new variant was less threatening with fewer hospitalisations and fatalities. This led to some heralding a ‘beginning of the end of the pandemic’. Optimism over the further re-opening of economies overtook a tighter Fed monetary outlook and waning hopes for more US fiscal stimulus.

Risk assets came under pressure in January 2022, with global equity markets posting their worst monthly decline since the March 2020 COVID-19 pandemic sell-off. Markets were volatile after the Fed communicated a significantly more hawkish tone than what markets expected, causing a surge in real rates and a sell-off in US Treasuries. The broad USD also ended the month higher, supported by wider interest rate differentials in favour of the US, while gold spot was down in January 2022 on the back of higher real rates.

The global equity market rout that started in January continued in February 2022, with the Morgan Stanley Capital International (“MSCI”) All Country World Equity Index down -2.5% in USD. Investor concerns shifted from more aggressive central bank policy tightening in the first half of the month to escalating geopolitical tensions between Russia and the West over Ukraine in the second half. Market sentiment plummeted after Russia invaded Ukraine, pressuring the West to impose severe sanctions on Russia. As a result, risk assets – equities and credits - sold off sharply, while commodity prices spiked higher.

March 2022 was a volatile month of two halves, with global equities ending the month higher and bonds lower. Commodities including oil prices rose sharply, while the broad dollar was moderately higher. The key developments were the Russia-Ukraine war and the Fed lift off. Equity markets sold off sharply in the earlier half of the month on the back of global growth and inflation concerns as the Russia-Ukraine war continued to escalate and commodity prices surged. However, they managed to recover much ground in the second half after news of apparent progress in the Russia-Ukraine negotiations.

The return of financial assets in April 2022 this year bucked the historical trend as the reality of potential rate hikes led by the US Federal Reserve took a toll on markets. To recap, Fed started hiking in March 2022 after swiftly winding down its quantitative easing (“QE”) program. For the time being, the market believe the Fed will hike aggressively given how far it is “behind the curve” in view of record high inflation in US despite the absence of positive recession markers

Weakness in equity markets after a bounce in March resumed in April and into May 2022 before market technical prompted a short cover rally. MSCI AC World and Standard & Poor’s (“S&P”) 500 indices managed to close the month flat while MSCI Asia and MSCI Europe recovered from short term oversold positions to return 0.5% and 0.8% respectively in USD terms.

**MARKET REVIEW (1 JULY 2021 TO 30 JUNE 2022) (CONTINUED)**

In June 2022, the relative calm in equity market was shattered when higher than expect CPI inflation data of US for the month of May was announced – the year-on-year inflation of 8.6% is the highest since December 1981. UST yields, which had been escalating higher since August last year, surged further and the March 2023 contract of Fed fund futures priced in a 4% Fed fund rate. The concern for central bank policy mistakes soon took over the narrative and investors piled to take advantage of the attractive yield, resulting in 10-year Treasury yield ended some 15 bps higher, and Bund yield some 22 bps higher, on the month.

**FUND PERFORMANCE**

**1 year to 30.06.2022**

	<b>Class AUD-H</b>	<b>Class GBP-H</b>	<b>Class MYR-H</b>	<b>Class SGD</b>	<b>Class USD-H</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Income Distribution	-	3.60	3.61	3.62	3.57
Capital Growth	-	(15.68)	(14.79)	(15.14)	(15.84)
Total Return	-	(12.64)	(11.71)	(12.07)	(12.83)
Benchmark	-	-	-	-	-
Average Total Return	-	(12.64)	(11.71)	(12.07)	(12.83)

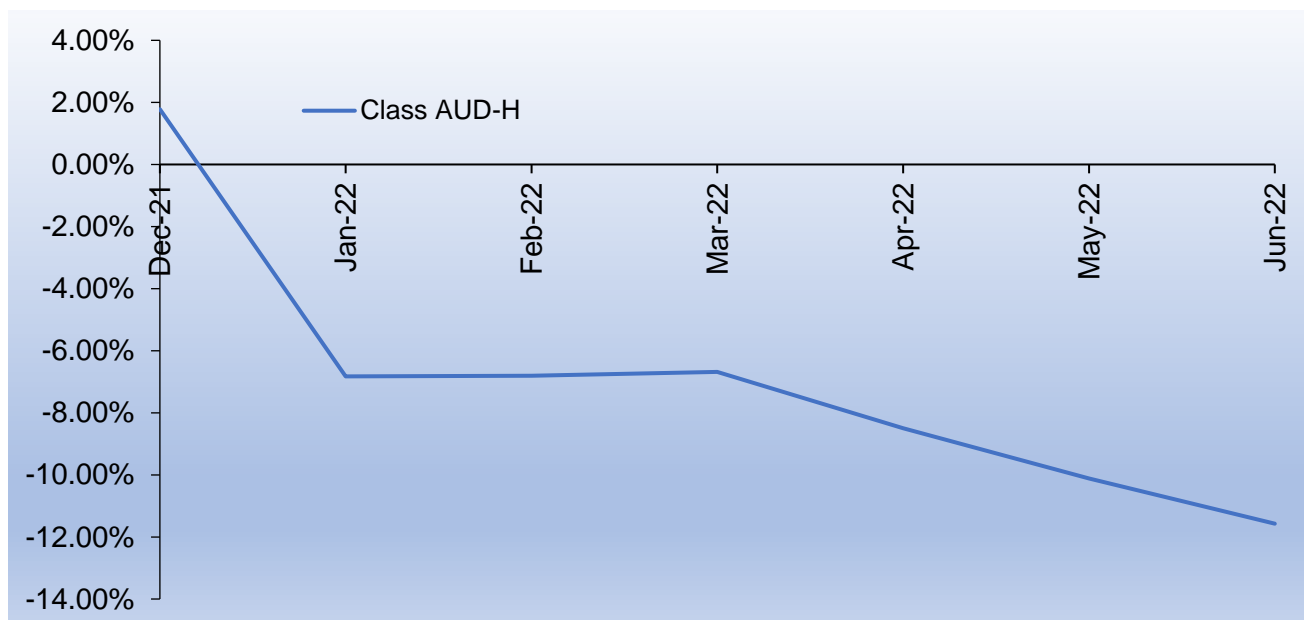
**Since inception to 30.06.2022**

	<b>Class AUD-H</b>	<b>Class GBP-H</b>	<b>Class MYR-H</b>	<b>Class SGD</b>	<b>Class USD-H</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Income Distribution	1.22	5.43	6.05	6.07	3.57
Capital Growth	(12.64)	(13.38)	(10.44)	(10.77)	(14.70)
Total Return	(11.57)	(8.68)	(5.02)	(5.35)	(11.65)
Benchmark	-	-	-	-	-
Average Total Return	(18.02)	(5.17)	(2.57)	(2.75)	(9.46)

During the financial year under review, all classes of the fund posted negative returns as Class GBP-H, Class MYR-H, Class SGD, and Class USD-H decreased by 12.64%, 11.71%, 12.07% and 12.83% respectively. The Fund does not have a benchmark for comparison.

**Since Inception**

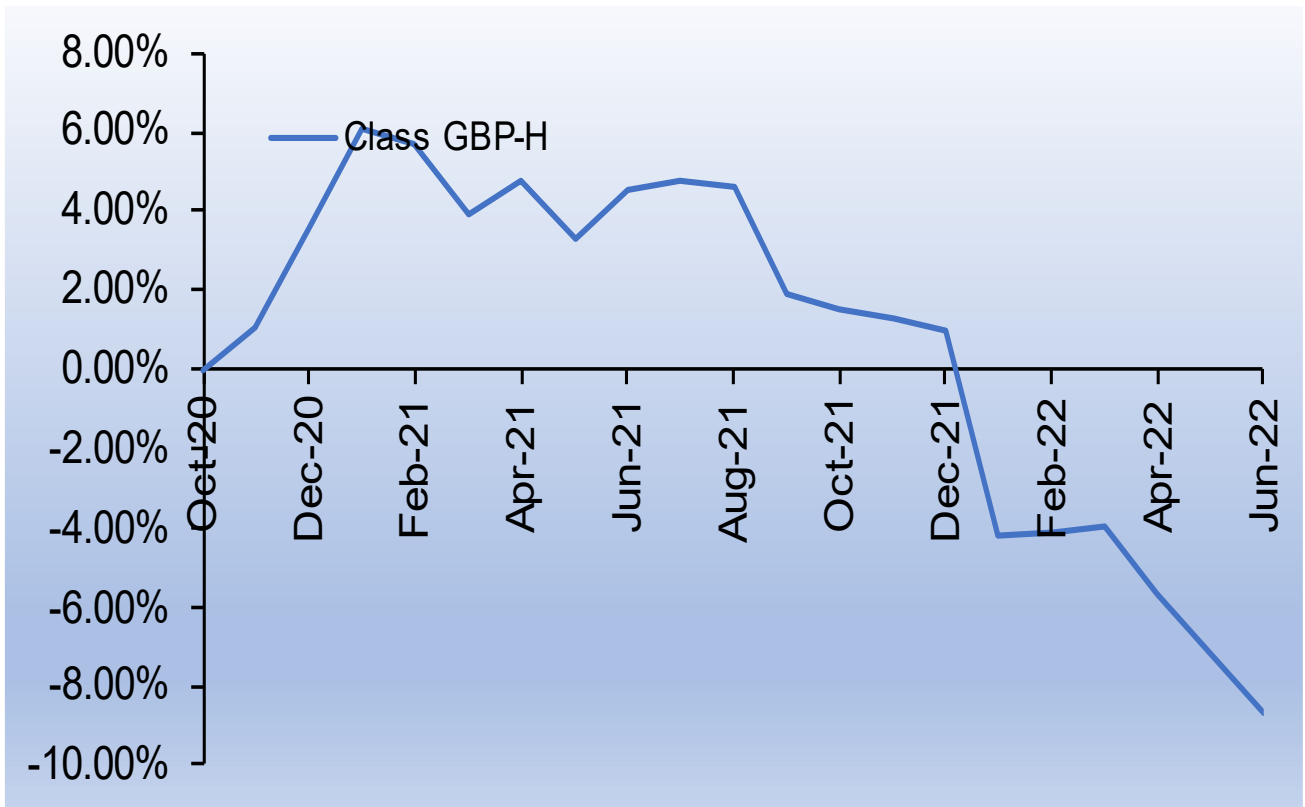
**CLASS AUD-H**



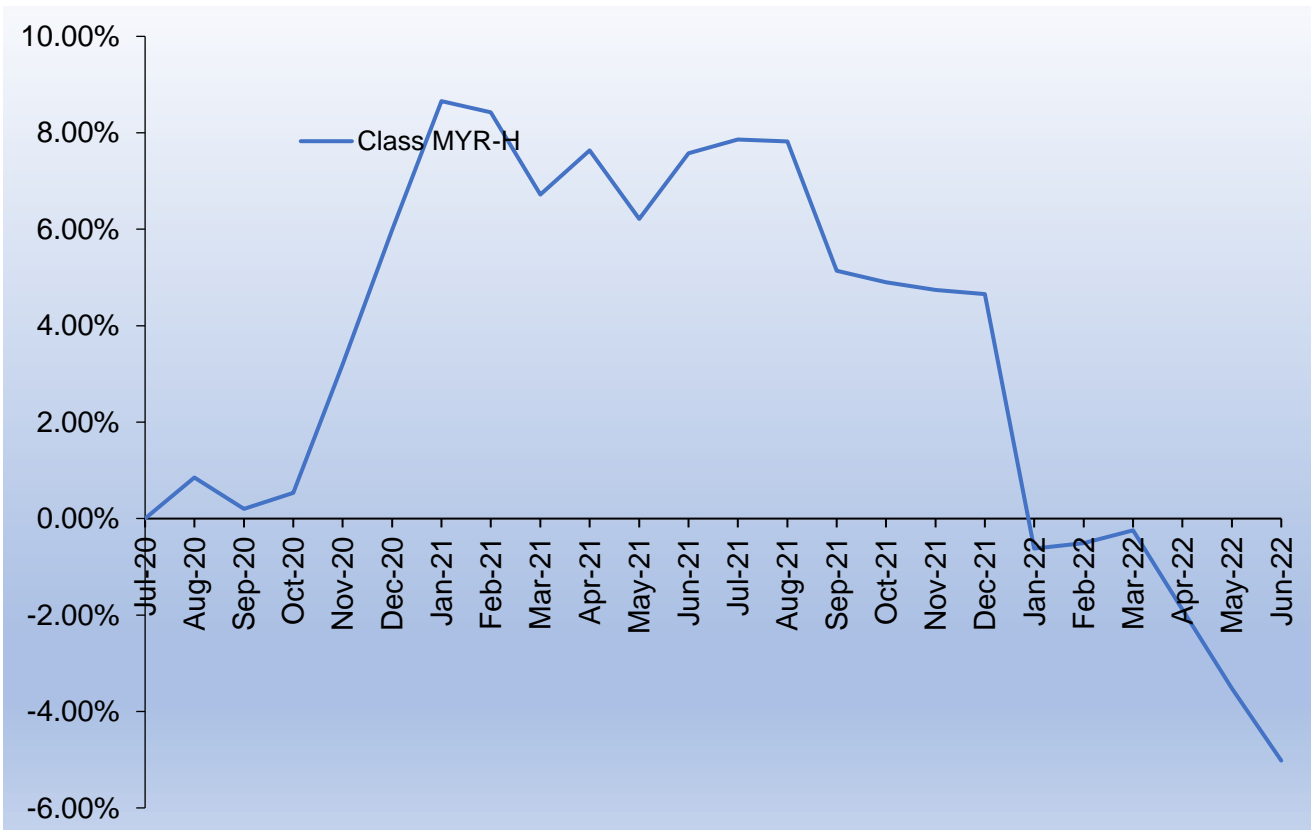
FUND PERFORMANCE (CONTINUED)

Since Inception

CLASS GBP-H



CLASS MYR-H



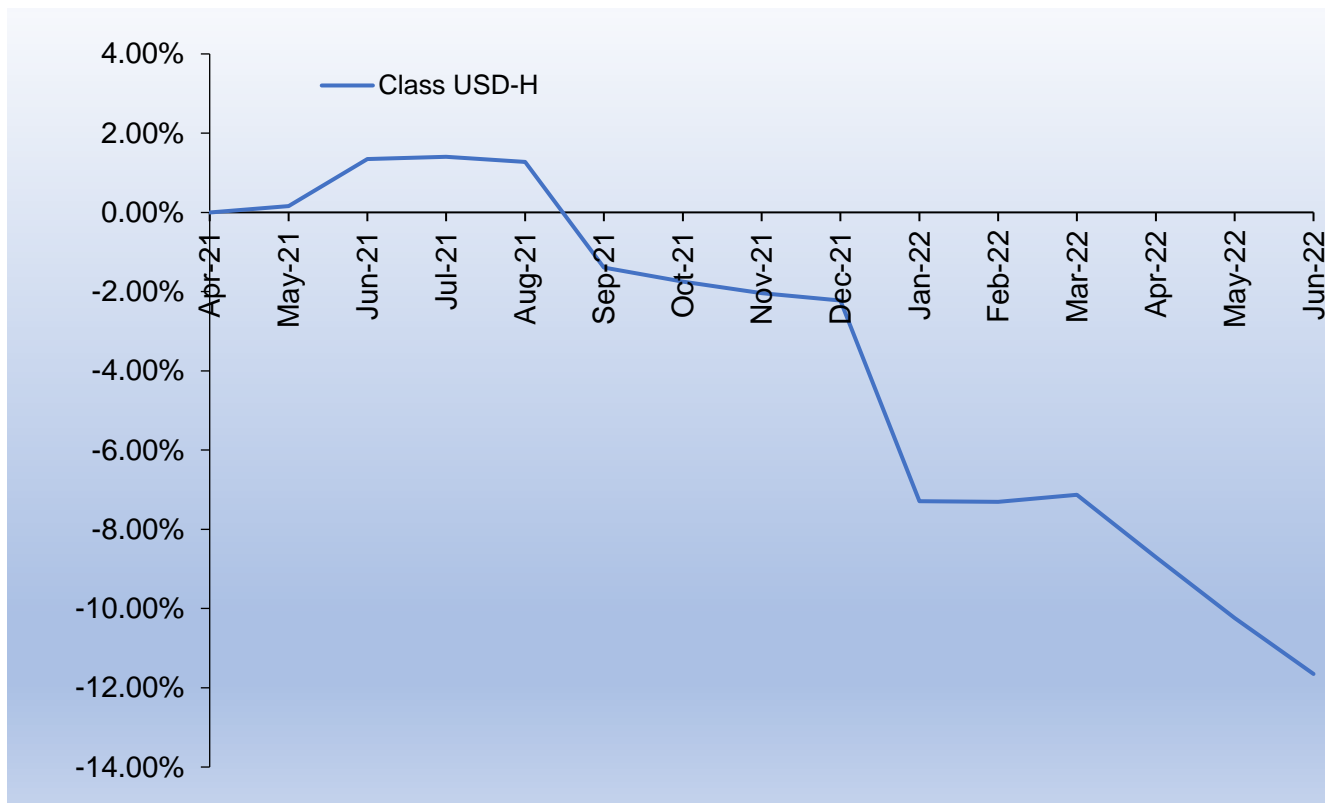
FUND PERFORMANCE (CONTINUED)

Since Inception

Class SGD



Class USD-H



**Changes in NAV**

**CLASS AUD-H**

	<b>30.06.2022</b>	<b>30.06.2021</b>	<b>Changes %</b>
NAV (SGD Million)	0.69	-	100
NAV/Unit (SGD)	0.8359	-	100

**CLASS GBP-H**

NAV (SGD Million)	13.11	13.25	(1.06)
NAV/Unit (SGD)	1.4634	1.9075	(23.28)

**CLASS MYR-H**

NAV (SGD Million)	41.22	29.29	40.73
NAV/Unit (SGD)	0.2830	0.3404	(16.86)

**CLASS SGD**

NAV (SGD Million)	17.83	18.06	(1.27)
NAV/Unit (SGD)	0.8923	1.0515	(15.14)

**CLASS USD-H**

NAV (SGD Million)	10.40	2.09	>100
NAV/Unit (SGD)	1.1867	1.3622	(12.88)

During the financial year under review, the Fund's NAV for Class GBP-H and Class SGD decreased 1.06% and 1.27% respectively. Meanwhile Class MYR-H and Class USD-H increased by 40.73% and >100% respectively. Class AUD-H's NAV stood at SGD 0.69 million as of 30 June 2022.

In addition, the Fund's NAV per Unit for Class GBP-H, Class MYR-H, Class SGD, and Class USD-H decreased by 23.28%, 16.86%, 15.14%, and 12.88% respectively during the financial year under review. Meanwhile, Class AUD-H's NAV per unit stood at SGD 0.8359 as of 30 June 2022.

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 period have been extracted from Lipper.

**PORTFOLIO STRUCTURE**

**Asset allocation**

<b>(% of NAV)</b>	<b>30.06.2022</b>	<b>30.06.2021</b>
Collective investment scheme	98.24	98.06
Cash and other assets	2.41	3.65
Liabilities	(0.65)	(1.71)
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

The Fund was fully invested during the financial year under review. A minimal level of liquid assets was maintained primarily for redemption purposes.

## MARKET OUTLOOK\*

In the US, without further stimulus, signs of exhaustion are now starting to spread. The confirmation of first quarter's -1.6% contraction in US Gross Domestic Product ("GDP") certainly brought markets back to reality. The continued decline of new orders within Institute for Supply Management ("ISM") Manufacturing Index, which remains above the critical level of 50, is another indicator. US high yield credit spread surged some 150 bps in June 2022 (to circa 600 bps) and looks likely to escalate higher on the Fed's balance sheet asset reduction exercise. Without a resolution to the Russia-Ukraine conflict, we are already seeing higher energy prices due to shortages. Nonetheless, the market sold off energy and materials related stocks in June in anticipation of a further moderation in activities. Fullerton favours China equities on a relative basis but consider the equity market's risk-reward to be asymmetrical with greater risk to the downside, given the new paradigm of liquidity tightening by central banks.

\* 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. Our asset allocation decision will continue to be subject to market conditions.

## UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 30 June 2022 were as follows:

### Class AUD-H

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	0.12
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	1	0.13	14.62
500,001 and above	1	0.70	85.26
<b>Total</b>	<b>3</b>	<b>0.83</b>	<b>100.00</b>

### Class GBP-H

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	0.00
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	-	-	-
500,001 and above	2	8.96	100.00
<b>Total</b>	<b>3</b>	<b>8.96</b>	<b>100.00</b>

Note: 0.00\* denotes unit count less than 0.01 million.



**UNIT HOLDINGS STATISTICS (CONTINUED)**

Breakdown of unit holdings by size as at 30 June 2022 were as follows: (continued)

**Class MYR-H**

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	0.00
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	-	-	-
500,001 and above	2	145.67	100.00
<b>Total</b>	<b>3</b>	<b>145.67</b>	<b>100.00</b>

**Class SGD**

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	0.00
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	-	-	-
500,001 and above	2	19.98	100.00
<b>Total</b>	<b>3</b>	<b>19.98</b>	<b>100.00</b>

**Class USD-H**

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	0.01
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	1	0.50	5.71
500,001 and above	1	8.26	94.28
<b>Total</b>	<b>3</b>	<b>8.76</b>	<b>100.00</b>

Note: 0.00\* denotes unit count 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 research and advisory services that assist in the decision making process relating to the Fund’s investments. All dealings with brokers are executed on most favourable terms available for the Fund. Any rebates will be directed to the account of the Fund.

During the financial year under review, the Manager and the Trustee did not receive any rebates from the brokers or dealers, but the Manager has retained soft commissions in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds. The Manager confirms that the goods and services received were for the benefit of the Fund, the trades were made on a best execution basis and there was no churning of trades.

**SECURITIES FINANCING TRANSACTIONS**

The Fund has not undertaken any securities lending or repurchase transactions during the financial year under review.

**STATE OF AFFAIR OF THE FUND**

Please find the latest changes to the Manager's signatory as follows:

Mr. Juan Ignacio Eyzaguirre Baraona (retired on 30 June 2022)

Mr. Uday Jayaram (appointed on 30 June 2022) ^

There were no other significant changes in the state of affairs of the Fund during the year and up to the date of Manager's report, not otherwise disclosed in the financial statements.

**CIRCUMSTANCES THAT MATERIALLY AFFECT ANY INTEREST OF UNIT HOLDERS**

There were no circumstances that had materially affected the interest of the unit holders during the financial year under review.

**CROSS TRADE**

No cross-trade transactions have been carried out during the financial year under review.

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF  
PRINCIPAL HERITAGE BALANCED 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 7 to 34 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 30 June 2022 and of its financial performance, changes in net assets attributable to unit holders and cash flows for the financial year ended 30 June 2022 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

**UDAY JAYARAM**  
Director

Kuala Lumpur  
17 August 2022

**TRUSTEE'S REPORT**

**TO THE UNIT HOLDERS OF PRINCIPAL HERITAGE BALANCED FUND**

We have acted as Trustee for Principal Heritage Balanced Fund (the "Fund") for the financial year ended 30 June 2022. To the best of our knowledge, for the financial year under review, 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 under the Deed(s), 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 and pricing for the Fund is carried out in accordance with the Deed(s) of the Fund and any regulatory requirements; and
- (c) creation and cancellation of units for the Fund are carried out in accordance with the Deed(s) of the Fund and any regulatory requirements.

We are of the view that the distributions made during for the financial year ended 30 June 2022 by the Manager are not inconsistent with the objectives of the Fund.

For Deutsche Trustees Malaysia Berhad

**Soon Lai Ching**  
Senior Manager, Trustee Operations

**Gerard Ang**  
Chief Executive Officer

Kuala Lumpur  
17 August 2022

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
PRINCIPAL HERITAGE BALANCED FUND**

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

*Opinion*

We have audited the financial statements of Principal Heritage Balanced Fund (the "Fund"), which comprise the statement of financial position as at 30 June 2022, 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 financial year ended 30 June 2022, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 34.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2022, and of its financial performance and cash flows for the financial year ended 30 June 2022 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.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
PRINCIPAL HERITAGE BALANCED FUND (CONTINUED)**

**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 HERITAGE BALANCED FUND (CONTINUED)**

**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 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 are 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.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
PRINCIPAL HERITAGE BALANCED FUND (CONTINUED)**

**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, the Capital Markets and Services Act 2007 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.

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

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

Kuala Lumpur, Malaysia  
17 August 2022



STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Note	30.06.2022 SGD	10.07.2020 (date of launch) to 30.06.2021 SGD
<b>(LOSS)/ INCOME</b>			
Dividend income		3,272,824	808,855
Net (loss)/ gain on financial assets at fair value through profit or loss	8	(13,630,511)	767,380
Net loss on derivative assets at fair value through profit or loss	9	(2,180,237)	(104,290)
Net foreign exchange gain/ (loss)		1,386,422	(19,497)
		<u>(11,151,502)</u>	<u>1,452,448</u>
<b>EXPENSES</b>			
Management fee	4	1,061,304	295,412
Trustee and custodian fees	5	33,974	9,453
Audit fee		3,534	10,000
Tax agent's fee		1,621	5,000
Other expenses		9,966	9,425
		<u>1,110,399</u>	<u>329,290</u>
<b>(LOSS)/ PROFIT BEFORE DISTRIBUTION AND TAXATION</b>		(12,261,901)	1,123,158
Distribution:			
- Class AUD-H		7,386	-
- Class GBP-H		530,325	119,308
- Class MYR-H		2,937,490	314,406
- Class SGD		647,332	304,663
- Class USD-H		279,124	-
	6	<u>4,401,657</u>	<u>738,377</u>
<b>(LOSS)/ PROFIT BEFORE TAXATION</b>		(16,663,558)	384,781
Taxation	7	-	-
<b>(LOSS)/ PROFIT AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR</b>		<u>(16,663,558)</u>	<u>384,781</u>
(Loss)/ profit after taxation is made up as follows:			
Realised amount		(3,405,513)	(90,125)
Unrealised amount		(13,258,045)	474,906
		<u>(16,663,558)</u>	<u>384,781</u>

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

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2022**

	Note	30.06.2022 SGD	30.06.2021 SGD
<b>ASSETS</b>			
Cash and cash equivalents	10	1,092,415	1,380,747
Financial assets at fair value through profit or loss	8	81,791,320	61,467,116
Amount due from Manager		780,734	833,535
Amount due from Manager of collective investment scheme			
- management fee rebate		130,311	76,196
<b>TOTAL ASSETS</b>		<b>83,794,780</b>	<b>63,757,594</b>
<b>LIABILITIES</b>			
Derivative liability at fair value through profit or loss	9	5,997	74,703
Amount due to Manager of collective investment scheme			
- purchase of collective investment scheme		300,000	900,000
Amount due to Manager		130,134	21,637
Accrued management fee		85,547	58,605
Amount due to Trustee		2,738	1,875
Other payables and accruals		15,823	14,421
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)</b>		<b>540,239</b>	<b>1,071,241</b>
<b>NET ASSET VALUE OF THE FUND</b>		<b>83,254,541</b>	<b>62,686,353</b>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<b>83,254,541</b>	<b>62,686,353</b>

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

STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT 30 JUNE 2022 (CONTINUED)

	Note	30.06.2022 SGD	30.06.2021 SGD
<b>REPRESENTED BY:</b>			
<b>FAIR VALUE OF OUTSTANDING UNITS (SGD)</b>			
- Class AUD-H		691,613	-
- Class GBP-H		13,113,021	13,251,906
- Class MYR-H		41,220,017	29,286,619
- Class SGD		17,832,188	18,058,859
- Class USD-H		10,397,702	2,088,969
		<u>83,254,541</u>	<u>62,686,353</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>			
- Class AUD-H		827,402	-
- Class GBP-H		8,960,681	6,947,428
- Class MYR-H		145,665,547	86,031,196
- Class SGD		19,984,383	17,175,066
- Class USD-H		8,761,545	1,533,503
	11	<u>184,199,558</u>	<u>111,687,193</u>
<b>NET ASSET VALUE PER UNIT (SGD)</b>			
- Class AUD-H		0.8359	-
- Class GBP-H		1.4634	1.9075
- Class MYR-H		0.2830	0.3404
- Class SGD		0.8923	1.0515
- Class USD-H		1.1867	1.3622
		<u>1.1867</u>	<u>1.3622</u>
<b>NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES</b>			
- Class AUD-H		AUD0.8736	-
- Class GBP-H		GBP0.8662	GBP1.0273
- Class MYR-H		RM0.8956	RM1.0510
- Class SGD		SGD0.8923	SGD1.0515
- Class USD-H		USD0.8530	USD1.0135
		<u>USD0.8530</u>	<u>USD1.0135</u>

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

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

	<b>30.06.2022</b>	<b>10.07.2020 (date of launch) to 30.06.2021</b>
	<b>SGD</b>	<b>SGD</b>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<b>62,686,353</b>	<b>-</b>
Movements due to units created and cancelled during the financial year:		
Creation of units from applications		
- Class AUD-H	771,607	-
- Class GBP-H	6,330,294	13,320,198
- Class MYR-H	26,328,458	30,449,589
- Class SGD	10,397,334	19,344,193
- Class USD-H	10,886,132	2,056,196
	<b>54,713,825</b>	<b>65,170,176</b>
Creation of units from distributions		
- Class AUD-H	1,328	-
- Class GBP-H	47,687	17,720
- Class MYR-H	689,077	146,447
- Class SGD	122,336	60,262
- Class USD-H	23,912	-
	<b>884,340</b>	<b>224,429</b>
Cancellation of units		
- Class GBP-H	(2,369,312)	(46,097)
- Class MYR-H	(6,941,179)	(1,362,340)
- Class SGD	(7,690,428)	(1,684,596)
- Class USD-H	(1,365,500)	-
	<b>(18,366,419)</b>	<b>(3,093,033)</b>
Total comprehensive (loss) /income for the financial year	<b>(16,663,558)</b>	<b>384,781</b>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR</b>	<b>83,254,541</b>	<b>62,686,353</b>

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

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

	Note	30.06.2022 SGD	10.07.2020 (date of launch) to 30.06.2021 SGD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from disposal of collective investment scheme		11,821,228	300,000
Purchase of collective investment scheme		(47,180,000)	(60,300,000)
Dividend income received		3,272,824	808,855
Management fee paid		(1,034,362)	(236,807)
Management fee rebate received		681,170	124,068
Trustee and custodian fees paid		(33,111)	(7,578)
Payments for other administrative expenses		(13,719)	(10,005)
Net realised foreign exchange gain/(loss)		1,386,422	(19,397)
Net realised loss on forward foreign currency contracts		(2,180,237)	(29,587)
<b>Net cash used in operating activities</b>		<u>(33,279,785)</u>	<u>(59,370,451)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		54,766,692	64,336,542
Payments for cancellation of units		(18,257,922)	(3,071,396)
Distributions paid		(3,517,317)	(513,948)
<b>Net cash generated from financing activities</b>		<u>32,991,453</u>	<u>60,751,198</u>
Net (decrease) /increase in cash and cash equivalents		(288,332)	1,380,747
Cash and cash equivalents at the beginning of the financial year/period		<u>1,380,747</u>	-
Cash and cash equivalents at the end of the financial year/period	<b>10</b>	<u><u>1,092,415</u></u>	<u><u>1,380,747</u></u>
<u>Cash and cash equivalents comprised:</u>			
Bank balances		<u>1,092,415</u>	<u>1,380,747</u>
Cash and cash equivalents at the end of the financial year/period	<b>10</b>	<u><u>1,092,415</u></u>	<u><u>1,380,747</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

**1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES**

Principal Heritage Balanced Fund (the “Fund”) is governed by a Principal Deed dated 21 April 2020 (referred to as the “Deed”), made between Principal Asset Management Berhad (the “Manager”) and Deutsche Trustees Malaysia Berhad (the “Trustee”).

The Fund aims to provide income and capital growth through investments in one (1) collective investment scheme, which invests in a diversified portfolio of mixed asset.

The Fund is a feeder fund and it invests in a single collective investment scheme, i.e. Fullerton SGD FSH-Balanced. The Fund may also invest in liquid assets for liquidity purpose.

In order to achieve its investment objective, the Fund will invest at least 95% of its NAV in FSH-Balanced and may also invest up to 5% of its NAV in liquid assets for liquidity purpose. FSH-Balanced was established on 21 May 2019 under the Fullerton Fund; a Singapore-constituted umbrella unit trust.

The asset allocation strategy for this Fund is as follows:

- at least 95% of the Fund’s NAV will be invested in FSH-Balanced; and
- up to 5% of the Fund’s NAV will be invested in liquid assets for liquidity purposes.

Information on the Target Fund

Target Fund	: FSH-Balanced
Share Class	: Class B
Currency denomination	: SGD
Target Fund Manager	: Fullerton Fund Management Company Ltd.
Regulatory Authority	: Monetary Authority of Singapore

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 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (continued)

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 period.

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(m).

There are no other standards, amendments to standards or interpretations that are effective for financial periods beginning on 1 July 2021 that have a material effect on the financial statements of the Fund.

None of the standards, amendments to standards or interpretations that are effective for the financial period beginning on/after 1 July 2022 are applicable to the Fund.

### (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 Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income ("OCI").

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(l)).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(b) Financial assets and financial liabilities (continued)**Classification (continued)

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

All of the Fund's financial liabilities are 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 instruments 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.

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 period 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.

Collective investment schemes are 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 consider 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.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(b) Financial assets and financial liabilities (continued)**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 period.

**(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 are accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

**(d) Foreign currency**Functional and presentation currencies

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 SGD, 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 SGD primarily due to the following factors:

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(d) Foreign currency(continued)**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.

**(e) 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.

**(f) Distribution**

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

**(g) Taxation**

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

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

**(h) 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 four classes of units, known respectively as Class GBP-H, MYR-H, SGD and USD-H 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 units 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 members of respective classes with the total number of outstanding units of respective classes.

**(i) Amount due from/to Manager of collective investment scheme**

Amount due from and amount due to Manager of collective investment scheme represent receivables for collective investment scheme sold and payables for collective investment scheme purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) 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.

### (k) Realised and unrealised portions of profit or loss after tax

The analysis of realised and unrealised portions of profit or loss after tax as presented on the statement of comprehensive income is guided by SC Guidelines on Unit Trust Funds.<sup>1</sup>

### (l) 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 unfavorable.

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).

### (m) 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 judgement 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.

<sup>1</sup> 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)

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

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 SGD	Financial assets at amortised cost SGD	Total SGD
<b>30.06.2022</b>			
Cash and cash equivalents (Note 10)	-	1,092,415	1,092,415
Collective investment scheme (Note 8)	81,791,320	-	81,791,320
Amount due from Manager	-	780,734	780,734
Amount due from Manager of collective investment scheme			
- management fee rebate	-	130,311	130,311
	<u>81,791,320</u>	<u>2,003,460</u>	<u>83,794,780</u>

	Financial assets at fair value through profit or loss SGD	Financial assets at amortised cost SGD	Total SGD
<b>30.06.2021</b>			
Cash and cash equivalents (Note 10)	-	1,380,747	1,380,747
Collective investment scheme (Note 8)	61,467,116	-	61,467,116
Amount due from Manager	-	833,535	833,535
Amount due from Manager of collective investment scheme			
- management fee rebate	-	76,196	76,196
	<u>61,467,116</u>	<u>2,290,478</u>	<u>63,757,594</u>

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

The Fund aims to provide income and capital growth through investments in one (1) collective investment scheme, which invests in a diversified portfolio of mixed asset.

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.

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

Financial risk management is carried out through internal control process adopted by the Manager and adherence to the investment restrictions as stipulated in the Deed 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 Deed.

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

	<b>30.06.2022</b>	<b>30.06.2021</b>
	<b>SGD</b>	<b>SGD</b>
Financial assets at fair value through profit or loss:		
- Collective investment scheme	<u>81,791,320</u>	<u>61,467,116</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 period. 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.

<b>% Change in price of collective investment scheme</b>	<b>Market value SGD</b>	<b>Impact on profit or loss/NAV SGD</b>
<b>30.06.2022</b>		
-5%	77,701,754	(4,089,566)
0%	81,791,320	-
5%	<u>85,880,886</u>	<u>4,089,566</u>
<b>30.06.2021</b>		
-5%	58,393,760	(3,073,356)
0%	61,467,116	-
5%	<u>64,540,472</u>	<u>3,073,356</u>

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

(a) Market risk (continued)

(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 SGD 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**

	Derivative assets SGD	Cash and cash equivalents SGD	Amount due from Manager SGD	Total SGD
<b>2022</b>				
AUD	-	1,701	-	1,701
GBP	-	7,399	-	7,399
MYR	83,818	117,337	77,439	278,594
USD	37,919	163,460	676,805	878,184
	<u>121,737</u>	<u>289,897</u>	<u>754,244</u>	<u>1,165,878</u>
<b>2021</b>				
GBP	-	507,331	-	507,331
MYR	-	271,853	411,148	683,001
USD	-	89,607	214,244	303,851
	<u>-</u>	<u>868,791</u>	<u>625,392</u>	<u>1,494,183</u>

**Financial liabilities**

	Derivative liabilities SGD	Amount due to Manager SGD	Other payables and accruals SGD	Total SGD
<b>2022</b>				
AUD	7,886	-	-	7,886
GBP	117,405	-	-	117,405
MYR	2,443	130,134	-	132,577
	<u>127,734</u>	<u>130,134</u>	<u>-</u>	<u>257,868</u>
<b>2021</b>				
GBP	46,640	-	-	46,640
MYR	24,958	21,637	14,421	61,016
USD	3,105	-	-	3,105
	<u>74,703</u>	<u>21,637</u>	<u>14,421</u>	<u>110,761</u>

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

(a) Market risk (continued)

(ii) Currency risk (continued)

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 2022 SGD	Impact on profit or loss/NAV 2021 SGD
AUD	+/-5	+/-309	-
GBP	+/-5	+/-5,500	+/-23,035
MYR	+/-5	+/-7,301	+/-32,902
USD	+/-5	+/-43,909	+/-15,037
		<u>+/- 57,020</u>	<u>+/-70,974</u>

(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.

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

	Cash and cash equivalents SGD	Amount due from Manager SGD	Amount due from Manager of collective investment scheme- management fee rebate SGD	Total SGD
2022				
- AAA	1,092,415	-	-	1,092,415
- Not rated	-	780,734	130,311	911,045
	<u>1,092,415</u>	<u>780,734</u>	<u>130,311</u>	<u>2,003,460</u>

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

(b) Credit risk

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

	Cash and cash equivalents SGD	Amount due from Manager SGD	Amount due from Manager of collective investment scheme-management fee rebate SGD	Total SGD
<b>2021</b>				
- AAA	1,380,747	-	-	1,380,747
- Not rated	-	833,535	76,196	909,731
	<u>1,380,747</u>	<u>833,535</u>	<u>76,196</u>	<u>2,290,478</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 which are capable of being converted into cash within 7 business days.

Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector, and other factors. For the purpose of the Fund, the Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. 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.

	Less than 1 month SGD	Between 1 month to 1 year SGD	Total SGD
<b>30.06.2022</b>			
Derivative liability at fair value through profit or loss	-	5,997	5,997
Amount due to Manager	130,134	-	130,134
Accrued management fee	85,547	-	85,547
Amount due to Trustee	2,738	-	2,738
Amount due to Manager of collective investment scheme			
- purchase of collective investment scheme	300,000	-	300,000
Other payables and accruals	-	15,823	15,823
Net assets attributable to unit holders*	83,254,541	-	83,254,541
<b>Contractual undiscounted cash flows</b>	<u>83,772,960</u>	<u>21,820</u>	<u>83,794,780</u>



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

(c) Liquidity risk (continued)

	Less than 1 month SGD	Between 1 month to 1 year SGD	Total SGD
<b>30.06.2021</b>			
Derivative liability at fair value through profit or loss	74,703	-	74,703
Amount due to Manager of collective investment scheme	21,637	-	21,637
Accrued management fee	58,605	-	58,605
Amount due to Trustee	1,875	-	1,875
Amount due to Manager of collective investment scheme - purchase of collective investment scheme	900,000	-	900,000
Other payables and accruals	-	14,421	14,421
Net assets attributable to unit holders*	<u>62,686,353</u>	<u>-</u>	<u>62,686,353</u>
<b>Contractual undiscounted cash flows</b>	<u>63,743,173</u>	<u>14,421</u>	<u>63,757,594</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 SGD83,254,541 (2021: SGD62,686,353). 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.

(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 period 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.

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

(e) Fair value estimation (continued)

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.

	Level 1 SGD	Level 2 SGD	Level 3 SGD	Total SGD
<b>30.06.2022</b>				
Financial assets at fair value through profit or loss:				
- Collective investment scheme				
	81,791,320	-	-	81,791,320
	<u>81,791,320</u>	<u>-</u>	<u>-</u>	<u>81,791,320</u>
Financial Liabilities:				
Derivative liability at fair value through profit or loss				
	-	5,997	-	5,997
	<u>-</u>	<u>5,997</u>	<u>-</u>	<u>5,997</u>

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

	Level 1 SGD	Level 2 SGD	Level 3 SGD	Total SGD
<b>30.06.2021</b>				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	61,467,116	-	-	61,467,116
	<u>61,467,116</u>	<u>-</u>	<u>-</u>	<u>61,467,116</u>
Financial Liabilities:				
Derivative liability at fair value through profit or loss	-	74,703	-	74,703
	<u>-</u>	<u>74,703</u>	<u>-</u>	<u>74,703</u>

Investments whose values are based on quoted market prices in active markets and are therefore classified within Level 1 include collective investment scheme. 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).

- (ii) The carrying values of cash and cash equivalents, 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 Deed, the Manager is entitled to a maximum management fee of 3.00% per annum, calculated daily based on the NAV of the Class.

For the financial year ended 30 June 2022, the management fee for the respective classes was recognised at the following rates:

Class GBP-H	Class MYR-H	Class SGD-H	Class USD-H
1.25%	1.25%	1.25%	1.25%

(30.06.2021: 1.25% per annum for each class)

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

5. TRUSTEE FEE

In accordance with the Deed, the Trustee is entitled to a fee of 0.04% per annum of the NAV of the Class. The Trustee fee includes local custodian fees and charges but excludes foreign sub-custodian fees and charges.

**5. TRUSTEE AND CUSTODIAN FEES (CONTINUED)**

For the financial year ended 30 June 2022, the Trustee fee was recognised at a rate of 0.04% per annum (30.06.2021: 0.04% per annum) for each class.

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

**6. DISTRIBUTION**

Distributions to unit holders were derived from the following sources (assessed up to distribution declaration date):

	<b>30.06.2022</b>	<b>10.07.2020</b> <b>(date of launch)</b> <b>to 30.06.2021</b>
	<b>SGD</b>	<b>SGD</b>
Dividend income	4,601,749	683,473
Net realised disposal of collective investment scheme	-	183,930
Net realised disposal of foreign currency exchange	1,949,284	-
	<u>6,551,033</u>	<u>867,403</u>
Less: Expenses	2,149,376	129,026
Net distribution amount	<u>4,401,657</u>	<u>738,377</u>

**Gross/Net distribution per unit (cent)**

Distribution on 19.07.2021		
- Class GBP-H	0.56	-
- Class MYR-H	0.10	-
- Class SGD	0.31	-
- Class USD-H	0.40	-
Distribution on 17.08.2021		
- Class GBP-H	0.56	-
- Class MYR-H	0.10	-
- Class SGD	0.31	-
- Class USD-H	0.40	-
Distribution on 20.09.2021		
- Class GBP-H	0.55	-
- Class MYR-H	0.10	-
- Class SGD	0.31	-
- Class USD-H	0.39	-
Distribution on 20.10.2021		
- Class GBP-H	0.53	-
- Class MYR-H	0.10	-
- Class SGD	0.30	-
- Class USD-H	0.39	-
Distribution on 17.11.2021		
- Class GBP-H	0.53	-
- Class MYR-H	0.10	-
- Class SGD	0.30	-
- Class USD-H	0.38	-
Distribution on 17.12.2021		
- Class GBP-H	0.52	-
- Class MYR-H	0.09	-
- Class SGD	0.29	-
- Class USD-H	0.38	-

## 6. DISTRIBUTION (CONTINUED)

**Gross/Net distribution per unit (cent) (continued)**

Distribution on 19.01.2022		
- Class GBP-H	0.52	-
- Class MYR-H	0.09	-
- Class SGD	0.29	-
- Class USD-H	0.35	-
Distribution on 17.02.2022		
- Class GBP-H	0.27	-
- Class MYR-H	0.28	-
- Class SGD	0.28	-
- Class USD-H	0.27	-
Distribution on 17.03.2022		
- Class AUD-H	0.27	-
- Class GBP-H	0.49	-
- Class MYR-H	0.86	-
- Class SGD	0.28	-
- Class USD-H	0.36	-
Distribution on 20.04.2022		
- Class AUD-H	0.28	-
- Class GBP-H	0.48	-
- Class MYR-H	0.09	-
- Class SGD	0.28	-
- Class USD-H	0.36	-
Distribution on 18.05.2022		
- Class AUD-H	0.26	-
- Class GBP-H	0.45	-
- Class MYR-H	0.09	-
- Class SGD	0.27	-
- Class USD-H	0.36	-
Distribution on 17.06.2022		
- Class AUD-H	0.26	-
- Class GBP-H	0.44	-
- Class MYR-H	0.08	-
- Class SGD	0.26	-
- Class USD-H	0.35	-
Distribution on 16.11.2020		
- Class MYR-H	-	0.10
- Class SGD	-	0.30
Distribution on 16.11.2020		
- Class MYR-H	-	0.10
- Class SGD	-	0.30
Distribution on 16.12.2020		
- Class MYR-H	-	0.10
- Class SGD	-	0.30
Distribution on 14.01.2021		
- Class GBP-H	-	0.55
- Class MYR-H	-	0.10
- Class SGD	-	0.31
Distribution on 15.02.2021		
- Class GBP-H	-	0.56
- Class MYR-H	-	0.10
- Class SGD	-	0.32

6. DISTRIBUTION (CONTINUED)

**Gross/Net distribution per unit (cent) (continued)**

Distribution on 16.03.2021		
- Class GBP-H	-	0.56
- Class MYR-H	-	0.10
- Class SGD	-	0.31
Distribution on 16.04.2021		
- Class GBP-H	-	0.57
- Class MYR-H	-	0.10
- Class SGD	-	0.30
Distribution on 17.05.2021		
- Class GBP-H	-	0.56
- Class MYR-H	-	0.10
- Class SGD	-	0.31
Distribution on 16.06.2021		
- Class GBP-H	-	0.56
- Class MYR-H	-	0.10
- Class SGD	-	0.31

Gross distribution is derived using total income less total expenses. Net distribution above is sourced from current 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 30 June 2022, the Fund recorded unrealised loss of SGD13,258,045.

7. TAXATION

	<b>30.06.2022</b>	<b>10.07.2020</b>
	<b>SGD</b>	<b>(date of launch)</b>
		<b>to 30.06.2021</b>
		<b>SGD</b>
Tax charged for the financial year/period:		
- 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 was as follows:

	<b>2022</b>	<b>10.07.2020</b>
	<b>SGD</b>	<b>(date of launch)</b>
		<b>to 30.06.2021</b>
		<b>SGD</b>
(Loss)/profit before taxation	(16,663,558)	384,781
Taxation at Malaysian statutory rate of 24% (2021: 24%)	(3,999,254)	269,558
Tax effects of:		
- Loss not deductible for tax purpose/ (Investment income not subject to tax)	254,415	(330,233)
- Loss not deductible for loss purpose	3,654,812	29,709
- Expenses not deductible for tax purposes	18,736	8,254
- Restriction on tax deductible expenses for Wholesale Funds	71,291	22,712
Taxation	-	-

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.06.2022 SGD	30.06.2021 SGD
At fair value through profit or loss:		
- Collective investment scheme	<u>81,791,320</u>	<u>61,467,116</u>
		<b>10.07.2020 (date of launch) to 30.06.2021</b>
	<b>30.06.2022 SGD</b>	<b>SGD</b>
Net (loss)/gain on financial assets at fair value through profit or loss:		
- Realised (loss)/gain on disposals	(1,038,977)	17,408
- Unrealised fair value (loss)/gain	(13,326,818)	549,708
- Management fee rebate #	<u>735,284</u>	<u>200,264</u>
	<u>(13,630,511)</u>	<u>767,380</u>

# 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 on daily basis based on the NAV of the collective investment scheme.

For the financial year ended 30 June 2022, other income is recognised at a rate of 0.88% per annum calculated and accrued on daily basis on the NAV of the collective investment scheme.

Name of counter	Quantity Units	Aggregate cost SGD	Market value SGD	Percentage of NAV %
<b>30.06.2022 COLLECTIVE INVESTMENT SCHEME</b>				
FSH-Balanced	<u>87,792,838</u>	<u>94,568,430</u>	<u>81,791,320</u>	<u>98.24</u>
<b>TOTAL COLLECTIVE INVESTMENT SCHEME</b>	<u><b>87,792,838</b></u>	<u><b>94,568,430</b></u>	<u><b>81,791,320</b></u>	<u><b>98.24</b></u>
<b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u><b>(12,777,110)</b></u>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u><b>81,791,320</b></u>		

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

Name of counter	Quantity Units	Aggregate cost SGD	Market value SGD	Percentage of NAV %
<b>30.06.2021 COLLECTIVE INVESTMENT SCHEME</b>				
FSH-Balanced	<u>55,850,763</u>	<u>60,917,408</u>	<u>61,467,116</u>	<u>98.06</u>
<b>TOTAL COLLECTIVE INVESTMENT SCHEME</b>	<b><u>55,850,763</u></b>	<b><u>60,917,408</u></b>	<b><u>61,467,116</u></b>	<b><u>98.06</u></b>
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>549,708</u></b>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>61,467,116</u></b>		

9. DERIVATIVE LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.06.2022 SGD	30.06.2021 SGD
Forward foreign currency contracts	<u>5,997</u>	<u>74,703</u>
		<b>10.07.2020 (date of launch) to 30.06.2021</b>
	<b>30.06.2022 SGD</b>	<b>SGD</b>
Net loss on derivative assets/liabilities at fair value through profit or loss:		
- Realised loss on forward foreign currency contracts	(2,248,943)	(29,587)
- Unrealised fair value gain/(loss) on forward foreign currency contracts	<u>68,706</u>	<u>(74,703)</u>
	<b><u>(2,180,237)</u></b>	<b><u>(104,290)</u></b>

As at 30 June 2022, there are total of five (5) outstanding SGD/Malaysian Ringgit ("MYR"), SGD/Australian Dollar ("AUD"), SGD/British Pound Sterling ("GBP") and SGD/United States Dollar ("USD") forward foreign currency contracts. The notional principal amount of the outstanding forward foreign currency contracts amounting to SGD148,600,914 (2021:SGD 97,536,193).

The forward foreign currency contracts are entered into during the financial year to minimise the risk of foreign exchange exposure between the SGD and the MYR, GBP and USD 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 contract are recognised immediately in the statement of comprehensive income during the financial year.



10. CASH AND CASH EQUIVALENTS

	<b>30.06.2022</b>	<b>30.06.2021</b>
	<b>SGD</b>	<b>SGD</b>
Bank balances	<u>1,092,415</u>	<u>1,380,747</u>

11. NUMBER OF UNITS IN CIRCULATION (UNITS)

	<b>30.06.2022</b>	<b>10.07.2020</b>
	<b>No. of units</b>	<b>(date of launch)</b>
		<b>to 30.06.2021</b>
	<b>No. of units</b>	<b>No. of units</b>
Class AUD-H (i)	827,402	-
Class GBH-H (ii)	8,960,681	6,947,428
Class MYR-H (iii)	145,665,547	86,031,196
Class SGD (iv)	19,984,383	17,175,066
Class USD-H (v)	<u>8,761,545</u>	<u>1,533,503</u>
	<u>184,199,558</u>	<u>111,687,193</u>
(i) Class AUD-H		
At the beginning of the financial year/period	-	-
Add : Creation of units from applications	825,889	-
Add : Creation of units from distributions	1,513	-
At the end of the financial year/period	<u>827,402</u>	<u>-</u>
(ii) Class GBH-H		
At the beginning of the financial year/period	6,947,428	-
Add : Creation of units from applications	3,369,652	6,961,580
Add : Creation of units from distributions	27,697	9,258
Less : Cancellation of units	<u>(1,384,096)</u>	<u>(23,410)</u>
At the end of the financial year/period	<u>8,960,681</u>	<u>6,947,428</u>
(iii) Class MYR-H		
At the beginning of the financial year/period	86,031,196	-
Add : Creation of units from applications	79,688,228	89,548,224
Add : Creation of units from distributions	2,189,673	430,196
Less : Cancellation of units	<u>(22,243,550)</u>	<u>(3,947,224)</u>
At the end of the financial year/period	<u>145,665,547</u>	<u>86,031,196</u>
(iv) Class SGD		
At the beginning of the financial year/period	17,175,066	-
Add : Creation of units from applications	10,270,087	18,687,788
Add : Creation of units from distributions	125,591	57,372
Less : Cancellation of units	<u>(7,586,361)</u>	<u>(1,570,094)</u>
At the end of the financial year/period	<u>19,984,383</u>	<u>17,175,066</u>
(v) Class USD-H		
At the beginning of the financial year/period	1,533,503	-
Add : Creation of units from applications	8,323,543	1,533,503
Add : Creation of units from distributions	18,770	-
Less : Cancellation of units	<u>(1,114,271)</u>	<u>-</u>
At the end of the financial year/period	<u>8,761,545</u>	<u>1,533,503</u>

**12. TOTAL EXPENSE RATIO (“TER”)**

	<b>2022</b>	<b>10.07.2020 (date of launch) to 30.06.2021</b>
	%	%
TER	<u>0.44</u>	<u>0.53</u>

TER is derived from the following calculation:

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

- 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 was SGD84,929,768 (2021: SGD24,262,926).

**13. PORTFOLIO TURNOVER RATIO (“PTR”)**

	<b>2022</b>	<b>10.07.2020 (date of launch) to 30.06.2021</b>
PTR (times)	<u>0.34</u>	<u>1.27</u>

PTR is derived based on the following calculation:

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

where:

- total acquisition for the financial period = SGD46,580,000 (2021: SGD61,200,000)
- total disposal for the financial period = SGD11,890,000 (2021: SGD300,000)

**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

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

<u>Related parties</u>	<u>Relationship</u>
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

	<u>30.06.2022</u>		<u>30.06.2021</u>	
	<u>No. of units</u>	<u>SGD</u>	<u>No. of units</u>	<u>SGD</u>
<b>Manager</b>				
Principal Asset Management Berhad				
- Class AUD-H	1,012	846	-	-
- Class GBP-H	1,055	1,544	1,018	1,942
- Class MYR-H	5	1	3	1
- Class SGD	1,137	1,015	1	1
- Class USD-H	1,253	1,487	1,000	1,362

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.

There were no significant related party transactions during the financial year, other than those already disclosed elsewhere in the financial statements.

15. TRANSACTIONS WITH BROKER/DEALER

Details of transactions with the broker/dealer for the financial year ended 30 June 2022 were as follows:

<b>Broker/Dealer</b>	<b>Value of trades SGD</b>	<b>Percentage of total trades %</b>
Fullerton Fund Management Company Ltd.	<u>58,470,000</u>	<u>100.00</u>

Details of transactions with the broker/dealer for the financial year ended 30 June 2021 were as follows:

<b>Broker/Dealer</b>	<b>Value of trades SGD</b>	<b>Percentage of total trades %</b>
Fullerton Fund Management Company Ltd.	<u>61,500,000</u>	<u>100.00</u>

**16. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

The COVID-19 pandemic and related lockdowns and movement restrictions have had, and will continue to have, a significant impact on global economic conditions and the environment in which the Fund operates.

The Manager continues to closely monitor the macro-economic outlook as a result of COVID-19 pandemic and its impact to the Fund's performance and will be managing the risks to achieve the Fund's objective.

**17. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue by the Manager on 17 August 2022.

**DIRECTORY**

**Head Office of the Manager**

Principal Asset Management Berhad (Company No.: 199401018399 (304078-K))  
10<sup>th</sup> Floor, Bangunan CIMB,  
Jalan Semantan,  
Damansara Heights,  
50490 Kuala Lumpur,  
MALAYSIA.  
Tel: (03) 2084 8888

**Website**

[www.principal.com.my](http://www.principal.com.my)

**E-mail address**

[service@principal.com.my](mailto:service@principal.com.my)

**Customer Care Centre**

(03) 7723 7260

**Trustee for the Principal Heritage Balanced Fund**

Deutsche Trustees Malaysia Berhad (Co. No.: 200701005591 (763590-H))  
Level 20, Menara IMC,  
8, Jalan Sultan Ismail,  
50250 Kuala Lumpur, MALAYSIA.  
Tel: (03) 2053 7522

**Auditors of the Fund and the Manager**

Ernst & Young PLT 202006000003 (LLP0022760-LCA) & AF 0039  
Level 23A, Menara Milenium  
Jalan Damanela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Tel: +603 7495 8000  
Fax: +603 2095 5332