

PRINCIPAL HERITAGE INCOME FUND

QUARTERLY REPORT

**FOR THE FINANCIAL PERIOD FROM 10 JULY 2020 (DATE OF LAUNCH)
TO 31 DECEMBER 2020**

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INVESTORS' LETTER

Dear Valued Investor,

Firstly, allow me to wish you a very Happy New Year! Every year is a new beginning, for us to look back at our achievements and set new goals. My guess is all of us will remember 2020 as one of the most interesting, if not most challenging periods of our lives. Families, businesses and communities are all adjusting as we face new challenges and opportunities.

Here at Principal, it means a renewed commitment to helping our customers. In 2021, we will continue to deliver exciting new investment opportunities and digital innovations for our customers. We are grateful for the opportunity to serve you and for the trust you place in us.

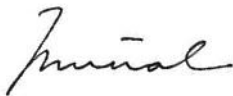
Amid a global pandemic, it might be tempting to think about delaying your investment goals. But, in reality "now" is always a better time than "later" for pursuing your goals and dreams. At Principal, customers are a top priority. We will always work to help you reach your goals, as we did last year throughout the pandemic. We will continue to focus on finding ways to make it easier for you to do investments with us, by offering new solutions around digital payments, digital submissions and digital onboarding to name a few. And, we're just getting started.

We continue to prefer equities over bonds and are more comfortable with our overweight position. Growth will remain as the core strategy as it is complemented by tactical strategies on value plays. We maintain our preference for Asian over global equities due to higher growth, resilient economies and currencies and higher anticipated inflows.

As we look towards this year, the team is excited to bring you more insights, tips and innovative solutions to help you manage your investments and reach your long-term financial goals. Visit our website (www.principal.com.my) and follow our Facebook page (@PrincipalAssetMY) in order not to miss these updates and promotions.

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?

For the financial period under review, the Fund has achieved its objective 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 Income (“FSH-Income”). 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-Income and may also invest up to 5% of its NAV in liquid assets for liquidity purpose. FSH-Income was established on 21 May 2019 under the Fullerton Fund; a Singapore-constituted umbrella unit trust.

Information on the Target Fund

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

Base Currency

Singapore Dollar (“SGD”)

Fund category/type

Feeder fund/Income & Growth

When was the Fund launched?

Name of Class	Date
Class GBP-Hedged (“GBP-H”)	12 October 2020
Class MYR-Hedged (“MYR-H”)	10 July 2020
Class SGD	10 July 2020

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

SGD117.36 million (207.82 million units)

What is the Fund’s benchmark?

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

What is the Fund distribution policy?

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

FUND OBJECTIVE AND POLICY (CONTINUED)

What was the net income distribution for the financial period from 10 July 2020 (date of launch) to 31 December 2020?

The Fund distributed a total net income of SGD0.78 million to unit holders for the financial period from 10 July 2020 (date of launch) to 31 December 2020.

The Fund's NAV per unit are as follows:

Date	NAV per unit (before distribution) SGD	NAV per unit (after distribution) SGD
16.11.2020		
- Class MYR-H	0.3287	0.3275
- Class SGD	1.0073	1.0035
16.12.2020		
- Class MYR-H	0.3339	0.3327
- Class SGD	1.0184	1.0146

PERFORMANCE DATA

Details of portfolio composition of the Fund for the financial period are as follows:

	31.12.2020
	%
Collective investment scheme	97.17
Cash and other net assets	2.83
	<u>100.00</u>

Performance details of the Fund for the financial period are as follows:

	31.12.2020
NAV (SGD Million)	
- Class GBP-H	5.20
- Class MYR-H	47.64
- Class SGD	64.52
Units in circulation (Million)	
- Class GBP-H	2.83
- Class MYR-H	141.91
- Class SGD	63.08
NAV per unit (SGD)	
- Class GBP-H	1.8330
- Class MYR-H	0.3357
- Class SGD	1.0229

PERFORMANCE DATA (CONTINUED)

Performance details of the Fund for the financial period are as follows (continued):

	10.07.2020 (date of launch) to 31.12.2020
Highest NAV per unit (SGD)	
- Class GBP-H	1.8330
- Class MYR-H	0.3357
- Class SGD	1.0229
Lowest NAV per unit (SGD)	
- Class GBP-H	1.7119
- Class MYR-H	0.3223
- Class SGD	0.9847
Total return (%)	
- Class GBP-H	1.44
- Class MYR-H	2.81
- Class SGD	3.06
Capital growth (%)	
- Class GBP-H	1.44
- Class MYR-H	2.07
- Class SGD	2.29
Income distribution (%)	
- Class GBP-H	-
- Class MYR-H	0.73
- Class SGD	0.75
Management Expense Ratio ("MER") (%)	0.19
Portfolio Turnover Ratio ("PTR") (times) #	0.76

For the financial period under review, the Fund's PTR stood at 0.76 times derived mainly due to investment activities on the back of unit creations. As a feeder fund, the turnover reflects investments and withdrawals in the target funds.

	Since inception to 31.12.2020 %
Annual total return	
- Class GBP-H	1.44
- Class MYR-H	2.81
- Class SGD	3.06

(Launch date: 10 July 2020)

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 period have been extracted from Lipper.

MARKET REVIEW (10 JULY 2020 (DATE OF LAUNCH) TO 31 DECEMBER 2020)

Risk assets remained supported in July 2020. Asian equities continued to rise, catalysed by strong performance from onshore Chinese equities at the start of the month. Global bond markets also held up well, as US Treasury (“UST”) yields remained anchored and credit markets gained across both investment grade and high yield space.

August 2020 was a strong month for most risk assets led by gains in the US and technology in particular. With continued equity market strength, increasing signs of a more comprehensive cross-asset reflation trade emerged as safe haven UST fell and the USD weakened against higher beta currencies. US 10-year yields rose and this pick-up is notable relative to the extremely compressed yield volatility of previous months. In line with the positive risk tone, high yield corporate bonds remained firm, although investment grade corporate bonds posted negative returns due primarily to rise in Government bond yields.

Risk assets surrendered gains in September 2020 with global equities falling on the month. Losses were largely concentrated in markets and sectors that had recently outperformed. Credit markets were relatively insulated although high yield credits, especially in Asia, softened in the latter half of the month on specific corporate news risks. Over the third quarter of 2020, risk assets have still made solid gains, notwithstanding a soft September 2020. Over the quarter, there was broadly equal performance across developed and emerging markets. Credit markets had a relatively muted third quarter compared to the second quarter of 2020 which saw a strong rebound following prior market dislocations. The benchmark US 10-year yield was largely range bound over the quarter.

October 2020 was a volatile month for risk assets. Global equities started the month strong before sharply reversing gains and ended lower for the month. Investor risk appetite was initially buoyed by hopes for another fiscal stimulus package out of the US before the elections. However, hopes faded on the back of rising Coronavirus 2019 (“COVID-19”) cases in Europe and the return to lockdowns of activity in various countries. Towards the end of the month, position squaring into the US Presidential elections also contributed to some softness in US equities. This was despite a third quarter earnings season that continued to surprise positively.

November 2020 was a strong month for risk assets with the removal of uncertainties related to the US election and positive news on the COVID-19 vaccine front. US equities rebounded from a lackluster October 2020 and Asian equities rallied to new highs for the year. Within Fixed Income, Government bond yields remained anchored. The stability of Government bond yields this month despite the strong performance of risk assets underscores the impact of dovish Central Bank rhetoric and monetary easing. The USD remained soft and continued to weaken against Asian currencies.

December 2020 was a solid month for risk assets with global equities and Asian equities delivering positive returns. Fixed income markets were relatively flat with the 10-year UST yield remaining largely unchanged. High yield credit markets however continued to outperform.

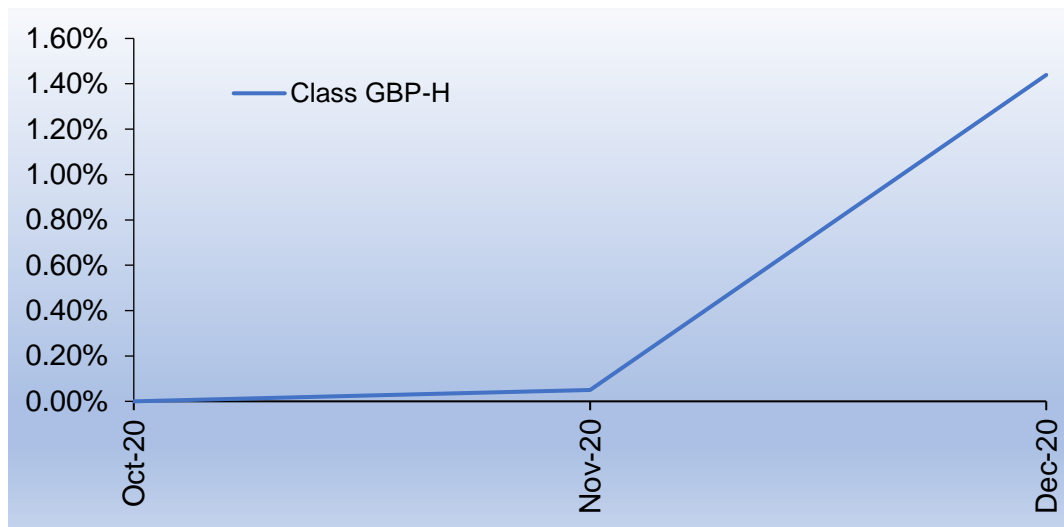
Rising COVID-19 case counts over the quarter and renewed lockdown concerns had a muted impact on financial markets as investors looked past near-term economic weakness and start to price in future reopening of the economies with positive news on the vaccine front.

FUND PERFORMANCE

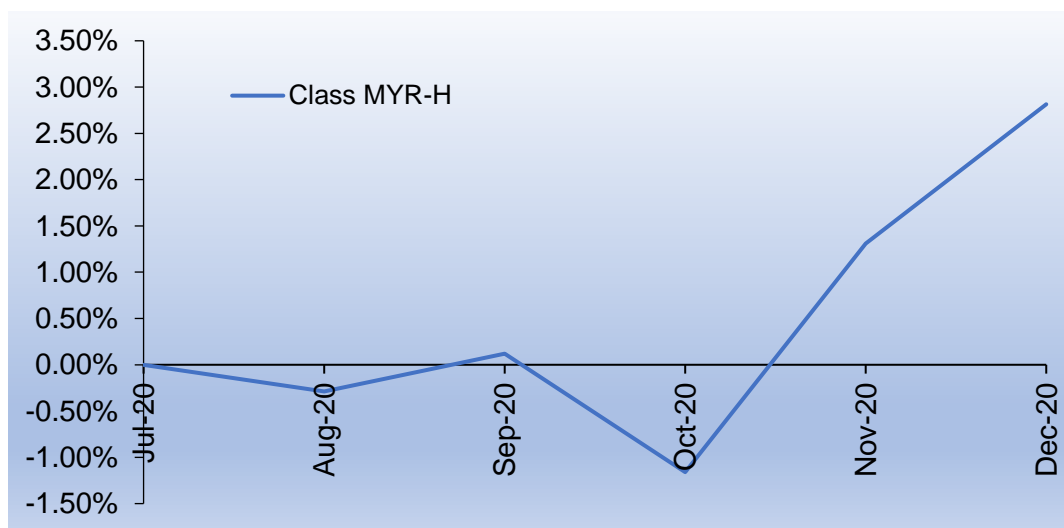
	Since inception to 31.12.2020		
	Class GBP-H %	Class MYR-H %	Class SGD %
Income Distribution	-	0.73	0.75
Capital Growth	1.44	2.07	2.29
Total Return	1.44	2.81	3.06
Benchmark	-	-	-
Average Total Return	N/A	N/A	N/A

Since inception, all classes of the Fund have posted positive returns as Class GBP-H, Class MYR-H, and Class SGD increased by 1.44%, 2.81%, and 3.06% respectively. The Fund does not have a benchmark for comparison.

CLASS GBP-H

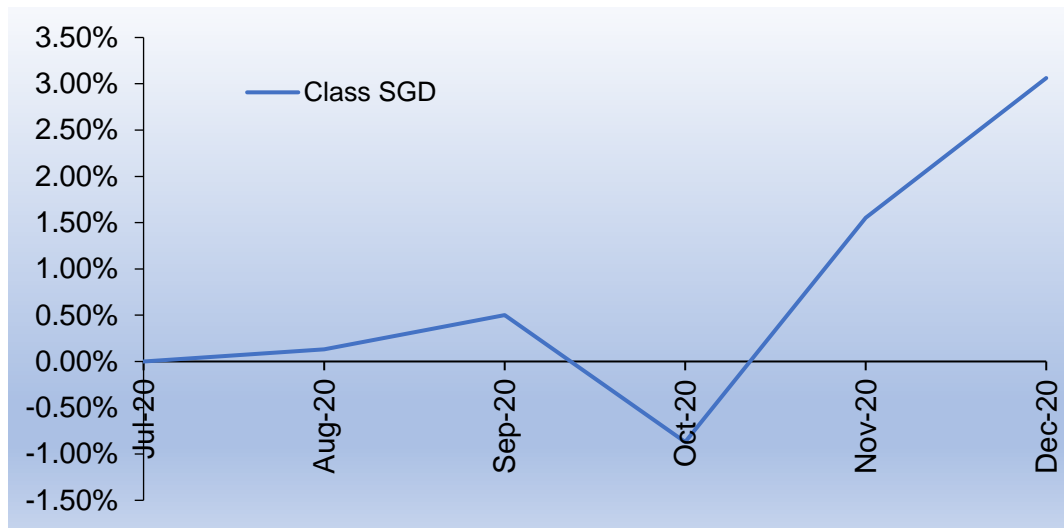


CLASS MYR-H



FUND PERFORMANCE (CONTINUED)

Class SGD



Changes in NAV

CLASS GBP-H

	31.12.2020
NAV (SGD Million)	5.20
NAV/Unit (SGD)	1.8330

CLASS MYR-H

	31.12.2020
NAV (SGD Million)	47.64
NAV/Unit (SGD)	0.3357

CLASS SGD

	31.12.2020
NAV (SGD Million)	64.52
NAV/Unit (SGD)	1.0229

During the financial period under review, the Fund’s NAV for Class GBP-H, Class MYR-H, and Class SGD stood at SGD5.20 million, SGD47.64 million, and SGD64.52 million respectively.

In addition, the Fund’s NAV per unit during the financial period under review for Class GBP-H, Class MYR-H, and Class SGD stood at SGD1.8330, SGD0.3357, and SGD1.0229 respectively.

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

(% of NAV)	31.12.2020
Collective investment scheme	97.17
Cash and other net assets	2.83
TOTAL	100.00

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

MARKET OUTLOOK*

We retain our bullish view on risk assets going into 2021 as our core thesis remains unchanged from previous months. Our expectation remains for the positive progression of the macro cycle. For markets, we note that there is greater evidence of a broad based reflation trade characterised by rising equities across different geographic regions, a falling USD against high beta currencies and higher Government bond yields. We expect this reflation trade to continue in the coming months, anchored by our expectations for strong global growth, ample policy stimulus and further gains in risk appetite.

* 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 31 December 2020 are as follows:

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	1	0.07	2.47
500,001 and above	1	2.76	97.53
Total	3	2.83	100.00

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

UNIT HOLDINGS STATISTICS (CONTINUED)

Breakdown of unit holdings by size as at 31 December 2020 are 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	141.91	100.00
Total	3	141.91	100.00

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	63.08	100.00
Total	3	63.08	100.00

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

SOFT COMMISSIONS AND REBATES

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

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

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 10 JULY 2020 (DATE OF LAUNCH) TO 31 DECEMBER 2020**

	10.07.2020 (date of launch) to 31.12.2020 SGD
INCOME	
Dividend income	1,421,307
Net gain on financial assets at fair value through profit or loss	1,631,194
Net gain on derivative assets at fair value through profit or loss	316,603
Net foreign exchange loss	(5,292)
	<u>3,363,812</u>
EXPENSES	
Management fee	120,777
Trustee and custodian fees	14,357
Audit fee	4,548
Tax agent's fee	2,274
Other expenses	3,995
	<u>145,951</u>
PROFIT BEFORE FINANCE COST AND TAXATION	3,217,861
Finance cost (excluding increase in net assets attributable to unit holders):	
- Class MYR-H	(306,334)
- Class SGD	(477,813)
	<u>(784,147)</u>
PROFIT BEFORE TAXATION	2,433,714
Taxation	<u>-</u>
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	<u>2,433,714</u>
Increase in net assets attributable to unit holders are made up as follows:	
Realised amount	2,513,915
Unrealised amount	(80,201)
	<u>2,433,714</u>

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	31.12.2020
	SGD
ASSETS	
Cash and cash equivalents	2,082,156
Financial assets at fair value through profit or loss	114,031,194
Amount due from Manager	1,522,111
Amount due from Manager of collective investment scheme	
- Management fee rebate	148,973
TOTAL ASSETS	<u>117,784,434</u>
LIABILITIES	
Derivative liability at fair value through profit or loss	147,185
Amount due to Manager	163,292
Accrued management fee	105,742
Amount due to Trustee	3,845
Other payables and accruals	6,822
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)	<u>426,886</u>
NET ASSET VALUE OF THE FUND	<u>117,357,548</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	<u>117,357,548</u>

UNAUDITED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020 (CONTINUED)

31.12.2020
SGD

REPRESENTED BY:

FAIR VALUE OF OUTSTANDING UNITS (SGD)

- Class GBP-H	5,195,941
- Class MYR-H	47,635,904
- Class SGD	64,525,703
	<u>117,357,548</u>

NUMBER OF UNITS IN CIRCULATION (UNITS)

- Class GBP-H	2,834,717
- Class MYR-H	141,908,036
- Class SGD	63,078,576
	<u>207,821,329</u>

NET ASSET VALUE PER UNIT (SGD)

- Class GBP-H	1.8330
- Class MYR-H	0.3357
- Class SGD	<u>1.0229</u>

NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES

- Class GBP-H	GBP5.5737
- Class MYR-H	RM1.0207
- Class SGD	<u>SGD1.0229</u>

**UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE FINANCIAL PERIOD FROM 10 JULY 2020 (DATE OF LAUNCH) TO 31 DECEMBER 2020**

	10.07.2020 (date of launch) to 31.12.2020 SGD
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE DATE OF LAUNCH	-
Movements due to units created and cancelled during the financial period:	
Creation of units from applications	
- Class GBP-H	4,980,069
- Class MYR-H	48,487,433
- Class SGD	64,387,733
	<u>117,855,235</u>
Creation of units from distributions	
- Class MYR-H	59,212
- Class SGD	42,092
	<u>101,304</u>
Cancellation of units	
- Class MYR-H	(1,983,631)
- Class SGD	(1,049,074)
	<u>(3,032,705)</u>
Increase in net assets attributable to unit holders during the financial period	<u>2,433,714</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL PERIOD	<u>117,357,548</u>

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 10 JULY 2020 (DATE OF LAUNCH) TO 31 DECEMBER 2020**

**10.07.2020
(date of launch)
to 31.12.2020
SGD**

CASH FLOWS FROM OPERATING ACTIVITIES

Proceeds from sale of collective investment scheme	499,304
Purchase of collective investment scheme	(112,900,000)
Dividend income received	1,421,307
Management fee paid	(289,068)
Management fee rebate received	125,060
Trustee and custodian fees paid	(10,512)
Payments for other administrative expenses	(3,995)
Net realised foreign exchange loss	(5,292)
Net realised gain on forward foreign currency contracts	463,788
Net cash used in operating activities	<u>(110,699,408)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Cash proceeds from units created	116,333,950
Payments for cancellation of units	(2,869,543)
Distributions paid	(682,843)
Net cash generated from financing activities	<u>112,781,564</u>

Net increase in cash and cash equivalents	2,082,156
Effect of foreign exchange differences	-
Cash and cash equivalents at the beginning of the financial period	-
Cash and cash equivalents at the end of the financial period	<u><u>2,082,156</u></u>

Cash and cash equivalents comprised of:

Bank balances	<u>2,082,156</u>
Cash and cash equivalents at the end of the financial period	<u>2,082,156</u>

DIRECTORY

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Customer Care Centre

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Trustee for the Principal Heritage Income Fund

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