

**PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS**  
**ANNUAL REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

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## INVESTORS' LETTER

Dear Valued Investor,

Greetings from Principal Asset Management Berhad ("Principal Malaysia") and thank you for investing with us!

We are pleased to bring you a copy of the Annual Fund Report of the Principal Islamic Balanced Wholesale Fund-of-Funds for the financial year ended 31 December 2023. 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 Malaysia won two honours at the Asia Asset Management 2024 Best of the Best Awards. The awards were for Best of the Best Performance Awards: China A-Share Equity (3 years) for the Principal China Direct Opportunities Fund (Class MYR) and Best of the Best Country Awards: Best Institutional House – Malaysia. We also won another two awards at the 2024 Global Banking & Finance Awards® for Asset Management CEO of the Year Malaysia 2024 - Munirah Khairuddin and Asset Management Company of the Year Malaysia 2024.

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**  
Country Head and Chief Executive Officer, Malaysia  
Non-Independent Executive Director

## MANAGER'S REPORT

### FUND OBJECTIVE AND POLICY

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

The Fund aims to achieve moderate capital growth by investing in a portfolio of Islamic collective investment schemes ("CIS") that invest in Shariah-compliant equities and/or Sukuk.

#### Has the Fund achieved its objective?

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

#### What are the Fund investment policy and principal investment strategy?

The Fund aims to invest at least three (3) Islamic CIS investing predominantly in Shariah-compliant equities and/or Sukuk. In line with its objective, the investment policy and strategy of the Fund is to maintain a balanced portfolio between Islamic CIS investing predominantly in Shariah-compliant equities and Islamic CIS investing predominantly in Sukuk.

The allocation between the Islamic CIS is done through a combination of macroeconomic data, liquidity trends and the outlook to overweight or underweight a particular Islamic CIS. The Fund may invest in Islamic CIS that focus its investment in the Asia Pacific ex Japan region, i.e. companies that are domiciled in, listed in, and/or have operations or businesses that focus in the Asia Pacific ex Japan region within the Eligible Markets.

#### Asset Allocation:

- Between 40% to 60% of the Fund's NAV will be invested in Islamic collective investment scheme investing predominantly in Shariah-compliant equities;
- Between 40% to 60% of the Fund's NAV will be invested in Islamic collective investment scheme investing predominantly in Sukuk; and
- Up to 5% of the Fund's NAV may be invested in Islamic liquid assets such as Islamic money market instruments and/or Islamic Deposits.

#### Fund category/type

Wholesale Fund (Fund-of-Funds - Shariah-compliant)/Growth

#### When was the Fund launched?

24 November 2017

#### What was the size of the Fund as at 31 December 2023?

RM7.39 million (7.12 million units)

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

As a Fund-of-Funds, the Fund is benchmark unconstrained, i.e. it will be managed without reference to any specific benchmark. However, for performance comparison purpose, the Fund can be compared to the 30% Quantshop Government Investment Issue ("GII") Medium Index + 20% CIMB Islamic 1-month Fixed Return Income Account-I ("FRIA-i") + 50% FTSE Bursa Malaysia ("FBM") EMAS Shariah ("FBMS") Index.

Note: You are cautioned that the risk profile of the Fund is different from the benchmark. The information on Quantshop GII Medium Index can be obtained from <http://www.quantshop.com>. The information on CIMB Islamic 1-month FRIA-i can be obtained from <http://www.cimbislamic.com>. Information on the FTSE Bursa Malaysia EMAS Shariah Index can be obtained from <http://www.bursamalaysia.com>.

#### What is the Fund distribution policy?

The Fund is not expected to pay any distribution. However, the Manager have the discretion to make income distribution on an ad-hoc basis, depending on the availability of realised income and/or realised gains, as well as the performance of the Fund.

**FUND OBJECTIVE AND POLICY (CONTINUED)**

**What was the net income distribution for the financial year ended 31 December 2023?**

There was no distribution made for the financial year ended 31 December 2023.

**PERFORMANCE DATA**

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

	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	%	%	%
Shariah-compliant collective investment schemes	96.02	95.66	96.86
Cash and other assets	6.56	4.74	3.62
Liabilities	(2.58)	(0.40)	(0.48)
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
NAV (RM Million)	7.39	4.35	2.58
Units in circulation (Million)	7.12	4.43	2.39
NAV per unit (RM)	1.0379	0.9808	1.0808
Highest NAV per unit (RM)	1.0398	1.0799	1.1356
Lowest NAV per unit (RM)	0.9742	0.9421	1.0531
Total return (%)	5.80	(9.25)	(1.10)
- Capital growth (%)	5.80	(9.25)	(1.10)
- Income distribution (%)	-	-	-
Total Expense Ratio ("TER") (%) ^	0.54	0.78	1.11
Portfolio Turnover Ratio ("PTR") (times) #	0.24	0.31	0.38

^ The Fund's TER has decreased from 0.78% to 0.54% mainly due to an increase in average NAV during the financial year under review.

# For the financial year under review, the Fund's PTR decreased from 0.31 times to 0.24 times, as there were lesser trading activities during the financial year under review.

	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
	%	%	%	%	%
Annual total return	5.80	(9.25)	(1.10)	7.79	7.62

(Launch date: 24 November 2017)

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

**MARKET REVIEW (1 JANUARY 2023 TO 31 DECEMBER 2023)**

**Local Equity**

In January 2023, the FBMS Index rose 137.7 points (“pts”) or 1.3% at 11,183 pts. The index underperformed the region, with North Asia especially China dominating Emerging Market (“EM”) fund flows. Globally, growth stocks outperformed, with technology stocks leading the pack as US inflation cooled further as well as optimism from China’s reopening. Technology (+7%) and Building Materials (+6%) were among the biggest winners for the month, while Gloves (-7%), Plantations (-5%) and Healthcare (-4%) languished.

The FBMS Index fell 27 8pts or 2.5%, ending the month of February 2023 at 10,798 pts. Investors remained cautious leading up to Budget 2023 while renewed concerns over US Federal Reserve (the “Fed”) staying hawkish given persistent inflation coupled with encouraging consumption and employment data in the US recently further weighed on sentiment. The rebound in the US Dollar (“USD”) also took flows out of emerging markets. Only Construction and Property sub-sectors posted modest gains during the month while Industrial (-7%; mainly Petronas Chemicals Group Bhd (“PCHEM”)), Technology (-6%) and Energy (-5%; Dialog Group Bhd (“DLG”)) were heavily beaten down.

In March 2023, the FBMS Index fell 81 pts or -0.8%, ending the month at 10,716 pts. Weakness was in line with the sell-off in regional markets as investors aggressively risked off following the collapse of several high-profile banks in the US and Europe, potentially triggering a global liquidity squeeze, and mounting worries that the US Federal Reserve (the “Fed”) aggressive tightening may have finally taken a toll on the US economy. Market however rebounded towards the later part of the month following Fed’s decision to go ahead with a 25 basis points (“bps”) hike, downplaying fears of a banking contagion and shifting attention back to inflation which has started to ease, albeit very gradually. Commodities were sold down in favor of defensive sectors such as Healthcare and Utilities during the month.

The FBMS Index was up marginally, by 20 pts or +0.19%, ending the month of April 2023 at 10,737 pts. Utilities, Commodities, Telecommunication did well during the month. Malaysia’s Purchasing Manager Index (“PMI”) reading for April 2023 was 48.8 pts, similar to March 2023. There are no change to Bank Negara Malaysia’s (“BNM”) Gross Domestic Product (“GDP”) growth of 4% to 5% in 2023 while BNM raised Overnight Policy Rate (“OPR”) by 25 bps to 3.00% in the latest Monetary Policy Committee (“MPC”) meeting and economists are still expecting another 25 bps hike for the rest of the year. Malaysia’s Consumer Price Index (“CPI”) eased to 3.4% in March 2023 against February’s 2023 3.7%, driven by lower price of RON97, as well as lower pace of increase in Restaurant and Hotels, and Food and Non-alcoholic beverages.

FBMS Index fell 191 pts or -1.8%, ending the month of May 2023. The sell-off was relatively broad-based, with select stocks within defensive sectors showing green, likely triggered by the recent weakness of the Ringgit Malaysia (“RM”) on the back of poor Chinese data and consequently the depreciation of the Yuan. Malaysia’s economy expanded 5.6% year-on-year (“yoy”) in first quarter of 2023 (1Q2023) beating economists’ projection of 4.8%, albeit a moderation from the 7.1% yoy growth in fourth quarter of 2022 (“4Q2022”). The strong growth was contributed by further expansion of household spending, continued investment activity, improving labor market and higher tourism activities.

In June 2023, the FBMS Index fell 191 pts to 10,414.87 or -1.8%. Investors remain wary of the sustained weakness of the MYR/RM, a rather uninspiring 1Q2023 corporate results although they were broadly in line, and domestic political uncertainties caused by the upcoming State elections. Malaysia’s PMI reading for June was 47.7 pts vs 47.8 pts in May 2023. According to Standard & Poor’s (“S&P”) Global, the weaker reading was due to sustained slowdown in new order flows from both domestic and international clients, and manufacturers continue to scale back purchasing as well as staffing.

**MARKET REVIEW (1 JANUARY 2023 TO 31 DECEMBER 2023) (CONTINUED)**

**Local Equity (continued)**

In July 2023, the FBMS Index gained 537.9 pts to 10,952.72 or 5.16%, fully reversing the loss sustained for the entire year. Sentiment was sharply lifted by the slump in the USD, benefiting the Ringgit, and waning expectations of a US recession following recent favorable economic data points. Malaysia's PMI reading for July 2023 was 47.8 pts, a slight improvement versus June 2023. The Malaysian manufacturing sector continued to indicate sustained weakness in operating conditions in July 2023.

The FBMS Index lost 2.15 pts to 10,920.54 or 0.29% in August 2023, dragged by Telecommunication despite huge interest in Property, Construction and Transport. Sentiment was dampened by rebound in the USD and rising US treasury yields on expectations of further interest rate hikes in the US as economic data points remain strong. Malaysia's economy expanded 5.6% year-on-year in 1Q2023 but expected to moderate to 3.6% yoy in second quarter of 2023 ("2Q2023") according to economists polled by Bloomberg.

The FBMS Index lost 46.1 pts or 0.4% in September 2023. The sell-off, which largely concentrated towards the last week of the month, was rather broad-based, led by Commodities. While there could be volatility caused by quarter-end rebalancing, investors were spooked by US treasury yields at a 16-year high and persistent USD strength affecting EM markets, in addition to the Fed's hawkish messaging on interest rates. Malaysia's PMI reading for September 2023 was 46.8 pts against 47.8 pts in August 2023. According to S&P Global, Malaysian manufacturers continued to endure demand weakness which further caused a stronger moderation in output, new orders and exports.

FBMS Index lost 32.93 pts or 0.3% in October 2023, which improved the YTD decline to 3.6%. There were bargain hunting in Financials and Commodities following the steep sell-off in the previous month, while Telecommunication (mainly mobile operators) were laggards. Within the broader market, Construction performed while Technology, Energy and Property languished. Overall sentiment remains clouded by the surge in US treasury yields which topped 5% last month and persistent USD strength affecting EM markets, coupled with tensions in the Middle East.

In November 2023, MSCI AC Asia ex Japan Islamic Index ("MIASJ") rebounded 8.6% in US\$ terms in November, amidst the reversal in global bond yields. South Korea, Taiwan and India were the best performing markets while Singapore, Thailand and China were laggards. The US 10-year bond yield declined by a significant 60 bps to 4.3% while the USD Index declined by 3.0%. Crude brent declined by 5.2% to USD2.80 with weak demand resulting in inventory builds.

FBMS Index gained 59.4 pts or 0.5% in December 2023, ending the month at 10,988.71 pts. Investors rejoiced at Fed's decision to hold rates and signaling the end of hikes given the cooling inflation data and recent economic data out of the US, coupled with the weaker USD and falling treasury yields. Utilities, Healthcare and select Telcos saw gains, while select commodities and Consumer-related names were sold off. Within the broader market, Tech and Gloves did well, the latter spurred by recent surge in Coronavirus Disease 2019 ("COVID-19") cases.

**Asian Equity**

MIASJ rose 6.4% in USD terms in January 2023 led by a China, Australia, Korea and Taiwan while India and ASEAN were laggards. Sentiment continued to improve with further relaxation of China's COVID-19 zero measures and better inflation footprint in the US. The US 10-year bond yield declined 36 bps to 3.51% while the USD Index declined 1.4% during the month.

Coming to February 2023, MIASJ declined 6.2% in US\$ terms mainly due to China while Korea and Taiwan equity markets were more resilient. The US 10-year bond yield increased by 41 bps to 3.93% while the USD Index increased by 2.7% during the month as inflation declined less than expected in January 2023.

**MARKET REVIEW (1 JANUARY 2023 TO 31 DECEMBER 2023) (CONTINUED)**

**Asian Equity (continued)**

MIASJ rebounded 3.5% in March 2023 led by China, South Korea and Taiwan while Australia and Malaysia were detractors. The US 10-year bond yield declined 45 bps to 3.47% while the USD Index declined 2.3% during the month amidst signs of banking stress in the US and Europe.

In April 2023, MIASJ rose marginally by 0.3% in April 2023 led by India and Indonesia while China, Taiwan and Thailand were detractors. The US 10-year bond yield declined marginally by 4 bps to 3.43% while the USD Index declined 0.8% during the month.

The MIASJ rose marginally by 0.2% in May 2023 led by Taiwan, South Korea and India while China, Singapore and Australian equities were sold off. The US 10-year bond yield rose 22 bps to 3.65% while the USD Index rose 2.6% during the month.

In June 2023, the MIASJ rose 1.7% in June 2023 led by China and India while ASEAN was a laggard. The US 10-year bond yield rose 19 bps to 3.84% while the USD Index declined 1.4% during the month.

MIASJ rose 4.4% in July 2023 in a broad-based rally led by China, Singapore and Malaysia. The US 10-year bond yield rose by 12 bps to 3.96% while the USD Index declined 1.0% during the month. The Fed latest projection materials imply one more rate hike to a median of 5.6% and thereafter a decline by 100 bps to 4.6% in 2024 and a further 120 bps to 3.4% in 2025. The path of monetary policy reaction will depend on the magnitude and nature of the recession in the US.

In August 2023, MIASJ declined 6.1% in a broad-based decline led by China as certain economic data such as inflation and credit growth disappointed. The US 10-year bond yield rose by 14 bps to 4.11% while the USD Index rose by 1.2% during the month. Chinese macroeconomic policy stance has turned dovish. Over the past month, the chorus of supportive measures announced by the Chinese government has been getting louder. The measures include revising down mortgage rates for existing homes, plans for Urban Village Renovation, officials lauding the importance of innovation and encouraging technology giants to boost employment and various other measures.

MIASJ declined 2.1% in USD terms in a broad-based decline led by China, North Asia, Australia and Thailand as expectations for “higher-than-longer” interest rates sink in. The US 10-year bond yield rose 46 bps to 4.57% while the USD Index rose 2.5% during the month. Brent oil rose 9.7% to US\$95.30/barrel, adding uncertainty to the inflation trajectory.

MIASJ declined 2.9% in USD terms in October 2023, amidst a broad-based weakness led by Indonesia, South Korea and Singapore due to the rising risk-free rate while Malaysia was the most resilient. The US 10-year bond yield rose a further 36 bps to 4.93% while the USD Index was flat. Despite the rising tensions in the Middle East, oil price was range-bound.

MIASJ rebounded 8.6% in USD terms in November 2023, amidst the reversal in global bond yields. South Korea, Taiwan and India were the best performing markets while Singapore, Thailand and China were laggards. The US 10-year bond yield declined by a significant 60bps to 4.3% while the USD Index declined by 3.0%. Crude Brent declined by 5.2% to US\$82.80 with weak demand resulting in inventory builds.

MIASJ rose 4.7% in USD terms in December 2023, in a broad-based rally due to the reversal in global bond yields since November 2023. The US 10-year bond yield declined a further 45 bps to 3.88% while the USD Index fell 2.1%. Crude Brent declined 7.0% to US\$77/barrel amidst demand concerns.

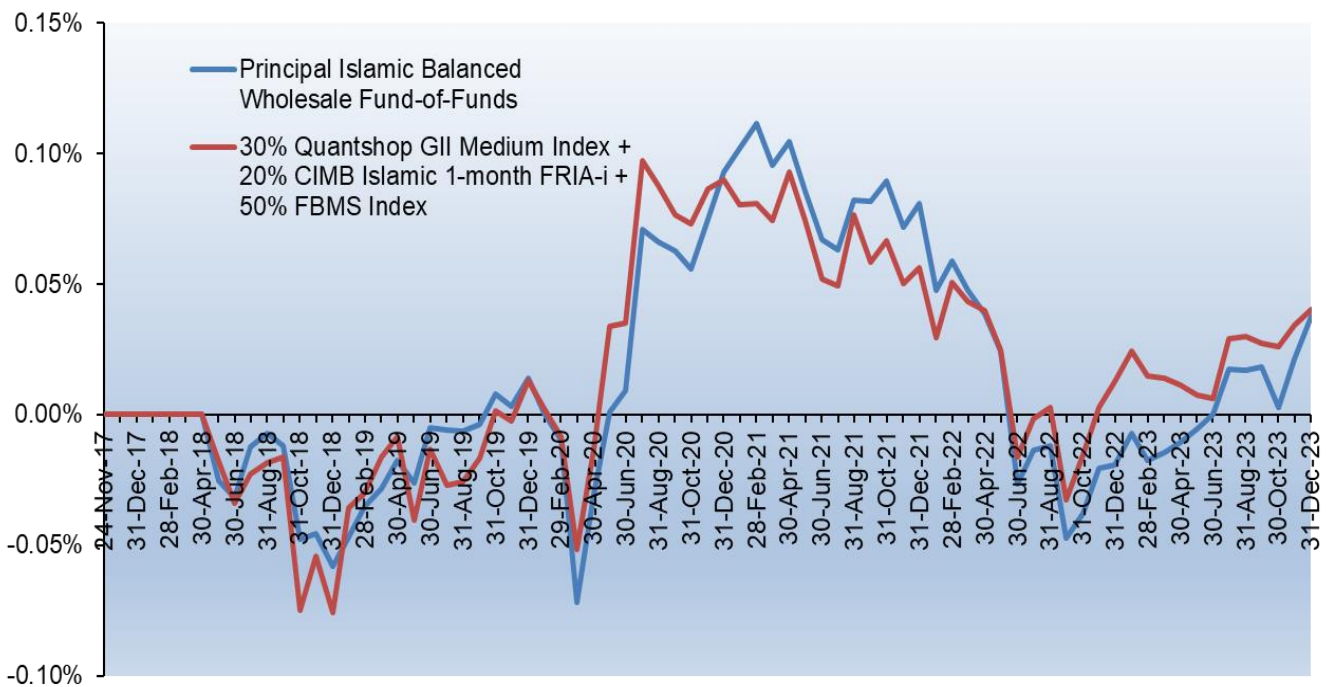


**FUND PERFORMANCE**

	<b>1 year to 31.12.2023</b>	<b>3 years to 31.12.2023</b>	<b>5 years to 31.12.2023</b>	<b>Since inception to 31.12.2023</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Income Distribution	-	-	-	-
Capital Growth	5.80	(5.04)	10.16	3.77
Total Return	5.80	(5.04)	10.16	3.77
Benchmark	2.72	(4.56)	7.40	4.02
Average Total Return	5.80	(1.71)	1.95	0.61

For the financial year under review, the Fund NAV increased 5.80% outperforming the benchmark which increased by 2.72%.

**Since inception**



**Changes in NAV**

	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>Changes %</b>
NAV (RM Million)	7.39	4.35	69.89
NAV/Unit (RM)	1.0379	0.9808	5.82

For the financial year under review, total NAV of the fund increased by 69.89%, while the NAV per unit increased by 5.82%. The gains and losses in the total NAV and NAV per unit were due to creation and investment performance of the Asia ex-Japan markets over the period.

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

**PORTFOLIO STRUCTURE**

**Asset allocation**

<b>(% of NAV)</b>	<b>31.12.2023</b>	<b>31.12.2022</b>
Shariah-compliant collective investment schemes	96.02	95.66
Cash and other assets	6.56	4.74
Liabilities	(2.58)	(0.40)
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

During the financial year under review, the Fund was fully invested with minimal level of liquid assets maintained primarily for redemption purposes.

**MARKET OUTLOOK\***

**Local Equity**

Fiscal reformation implementation which includes recent announcements on sales tax on low value goods, as well as hike in service tax from march onwards and higher electricity tariffs for targeted users among others, might keep inflation levels elevated.

We expect no rate hikes for 2024 given modest economic growth. Given the low base on inflation, there appears to be sufficient headroom to central bank's 2.1% to 3.6% CPI forecast for 2024 with the impending cut back in subsidies.

We remain positive on the market despite recent volatility which allows for opportunities to take profit on market strength and then redeploy and rotate into laggards on market weakness.

**Asian Equity**

The Fed has gone from raising rates and tackling inflation in 2023 to calibrating how many rate cuts to implement from 2024 onwards. This should be supportive for equities in terms of multiple expansion, provided earnings do not get marked down significantly. In the recent US Fed projections, the median policy rate is expected to decline by 80 bps to 4.6% in 2024 and a further 100 bps to 3.6% in 2025. The magnitude of rate cuts would highly depend on the inflation and economic growth trajectory, whereby a soft landing is currently expected.

In Asia, several themes appear attractive including the recovery of the technology hardware cycle, broad-based growth in India and dividend yielders. While China has turned stimulative in its policies, the efficacies of these policies remain a work-in-progress with recent actions on the internet gaming sector not instilling confidence.

\* 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**

**Local Equity**

The Fund will continue to remain fully invested in the Shariah-compliant Collective Investment Schemes with minimal cash kept for liquidity purposes.

**INVESTMENT STRATEGY (CONTINUED)**

**Asian Equity**

The Fund will continue to remain fully invested in the Shariah-compliant Collective Investment Schemes with minimal cash kept for liquidity purposes.

**SOFT COMMISSIONS AND REBATES**

Principal Malaysia (the “Manager”) and the Trustee will not retain any form of rebate from, or otherwise share in any commission with, any broker or dealer in consideration for directing dealings in the investments of the Principal Malaysia Funds (“Funds”). Accordingly, any rebate or shared commission will be directed to the account of the Fund. The Manager may retain goods and services (soft commission) provided by any broker or dealer if the following conditions are met:

- (a) the soft commission brings direct benefit or advantage to the management of the Fund and may include research and advisory related services;
- (b) any dealings with the broker or dealer is executed on terms which are the most favourable for the Fund; and
- (c) the availability of soft commission is not the sole or primary purpose to perform or arrange transactions with such broker or dealer, and we and the fund the manager will not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commission.

During the financial year under review, the Manager and 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 for the benefit of the fund such as financial wire services and stock quotations system incidental to investment management of the Funds 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**

Effective 11 October 2023, the Fund has changed Trustee to HSBC (Malaysia) Trustee Berhad following the issuance of the Second Supplemental Information Memorandum dated 5 September 2023.

There were no significant changes in the state of affairs of the Fund during the financial 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.

**UNIT SPLIT**

No unit split exercise has been carried out during the financial year under review.

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF  
PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS**

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 8 to 29 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 December 2023 and of its financial performance, changes in net assets attributable to unit holders and cash flows for the financial year ended 31 December 2023 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**

Country Head and Chief Executive Officer, Malaysia  
Non-Independent Executive Director

**UDAY JAYARAM**

Executive Managing Director,  
Head of Southeast Asia  
Non-Independent Executive Director

Kuala Lumpur  
16 February 2024

**TRUSTEE'S REPORT**

**TO THE UNIT HOLDERS OF  
PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS**

We have acted as Trustee of Principal Institutional Bond Fund 6 (the "Fund") for the financial period from 1 January 2023 to 10 October 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Principal Asset Management Berhad has operated and managed the Fund during the period covered by these financial statements in accordance with the following:-

1. Limitations imposed on the investment powers of the Management Company under the Deeds, securities laws and the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework;
2. Valuation and pricing is carried out in accordance with the Deeds; and
3. Any creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirement.

For and on behalf of the Trustee  
**PB TRUSTEE SERVICES BERHAD**

**CHEAH KUAN YOON**  
Chief Executive Officer

Kuala Lumpur  
16 February 2024

**TRUSTEE'S REPORT**

**TO THE UNIT HOLDERS OF  
PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS ("Fund")**

We have acted as Trustee of the Fund for the financial period from 11 October 2023 to 31 December 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Principal Asset Management Berhad has operated and managed the Fund during the period covered by these financial statements in accordance with the following:

1. Limitations imposed on the investment powers of the Management Company under the Deeds, securities laws and the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework;
2. Valuation and pricing is carried out in accordance with the Deeds; and
3. Any creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirement.

For HSBC (Malaysia) Trustee Berhad

Yap Lay Guat  
Manager, Investment Compliance Monitoring

Kuala Lumpur  
16 February 2024

**Shariah Adviser's Report**

**To the Unit Holders of Principal Islamic Balanced Wholesale Fund-of-Funds ("Fund")**

**For the Financial Year ended 31 December 2023**

We hereby confirm the following:

1. To the best of our knowledge, after having made all reasonable enquiries, Principal Asset Management Berhad has operated and managed the Fund during the period covered by these financial statements in accordance with the Shariah principles and complied with the applicable guidelines, rulings or decisions issued by the Securities Commission Malaysia ("SC") pertaining to Shariah matters; and
2. The assets of the Fund comprises of instruments that have been classified as Shariah compliant.

**For Amanie Advisors Sdn Bhd**

**Tan Sri Dr Mohd Daud Bakar**  
Executive Chairman

Kuala Lumpur  
16 February 2024

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS**

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

*Opinion*

We have audited the financial statements of Principal Islamic Balanced Wholesale Fund-of-Funds (the "Fund"), which comprise the statement of financial position of the Fund as at 31 December 2023, 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 then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 8 to 29.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2023, and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

*Basis for opinion*

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

*Independence and other ethical responsibilities*

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



**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS (cont'd.)**

**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 ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS (cont'd.)**

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

*Auditors' responsibilities for the audit of the financial statements*

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism 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 ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS (cont'd.)**

**Other matters**

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

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

Yeo Beng Yean  
No. 03013/10/2024 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
16 February 2024

**PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	Note	2023 RM	2022 RM
<b>INCOME/(LOSS)</b>			
Dividend income		76,206	95,517
Net gain/(loss) on financial assets at fair value through profit or loss	7	360,933	(286,210)
Hibah		119	97
		437,258	(190,596)
<b>EXPENSES</b>			
Management fee	4	83,040	47,885
Trustee fee	5	1,862	1,117
Audit fee		7,000	7,000
Tax Agent fee		5,000	5,000
Other expenses		8,539	7,715
		105,441	68,717
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		331,817	(259,313)
Taxation	6	-	-
<b>PROFIT/(LOSS) AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR</b>		331,817	(259,313)
Profit/(Loss) after taxation is made up as follows:			
Realised amount		46,350	70,551
Unrealised amount		285,467	(329,864)
		331,817	(259,313)

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

**PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2023**

	Note	2023 RM	2022 RM
<b>ASSETS</b>			
Cash and cash equivalents	8	392,257	132,990
Financial assets at fair value through profit or loss	7	7,092,980	4,160,307
Amount due from Manager			
- creation of units		84,684	73,556
- management fee rebate		7,909	4,849
<b>TOTAL ASSETS</b>		<u>7,577,830</u>	<u>4,371,702</u>
<b>LIABILITIES</b>			
Amount due from Manager			
- purchase of collective investment scheme		165,000	-
- accrued management fee		9,017	5,330
Amount due to Trustee		180	124
Other payable		16,401	17,000
<b>TOTAL LIABILITIES</b>		<u>190,598</u>	<u>22,454</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>7,387,232</u>	<u>4,349,248</u>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>	9	<u>7,387,232</u>	<u>4,349,248</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	10	<u>7,117,171</u>	<u>4,434,105</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>1.0379</u>	<u>0.9808</u>

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

**PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	<b>2023 RM</b>	<b>2022 RM</b>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<u>4,349,248</u>	<u>2,582,880</u>
Movement due to units created and cancelled during the financial year:		
- Creation of units from applications	2,706,167	2,043,523
- Cancellation of units	<u>-</u>	<u>(17,842)</u>
	<u>2,706,167</u>	<u>2,025,681</u>
Total comprehensive profit/(loss) for the financial year	<u>331,817</u>	<u>(259,313)</u>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR</b>	<u>7,387,232</u>	<u>4,349,248</u>

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

**PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS**

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	Note	2023 RM	2022 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Purchase of Shariah-compliant collective investment schemes		(2,482,206)	(1,988,518)
Dividend income received		76,206	95,517
Interest income received from money market		119	-
Hibah		-	97
Management fee paid		(79,353)	(47,675)
Management fee rebate received		72,408	43,654
Trustee fee paid		(1,806)	(1,067)
Payments for other fees and expenses		(21,139)	(14,714)
<b>Net cash used in operating activities</b>		<u>(2,435,771)</u>	<u>(1,912,706)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		2,695,038	2,010,811
Payments for cancellation of units		-	(17,842)
<b>Net cash generated from financing activities</b>		<u>2,695,038</u>	<u>1,992,969</u>
Net increase in cash and cash equivalents		259,267	80,263
Cash and cash equivalents at the beginning of the financial year		132,990	52,727
Cash and cash equivalents at the end of the financial year	<b>8</b>	<u>392,257</u>	<u>132,990</u>
<u>Cash and cash equivalents comprised:</u>			
Bank balance		392,257	132,990
Cash and cash equivalents at the end of the financial year	<b>8</b>	<u>392,257</u>	<u>132,990</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 31 DECEMBER 2023**

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

Principal Islamic Aggressive Wholesale Fund-of-Funds (the “Fund”) is governed by a Principal Deed dated 20 November 2017 and first supplemental Deed dated 20 September 2019 (collectively refer to as “Deeds”), made between Principal Asset Management Berhad (the “Manager”) and PB Trustee Services Berhad (the “Previous Trustee”) and a Second Supplemental Deed dated 24 May 2023 (collectively referred to as the “Deeds”) between the Manager and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

The Fund aims to invest at least three (3) Islamic CIS investing predominantly in Shariah-compliant equities and/or Sukuk. In line with its objective, the investment policy and strategy of the Fund is to maintain a balanced portfolio between Islamic CIS investing predominantly in Shariah-compliant equities and Islamic CIS investing predominantly in Sukuk.

The allocation between the Islamic CIS is done through a combination of macroeconomic data, liquidity trends and the outlook to overweight or underweight a particular Islamic CIS. The Fund may invest in Islamic CIS that focus its investment in the Asia Pacific ex Japan region, i.e. companies that are domiciled in, listed in, and/or have operations or businesses that focus in the Asia Pacific ex Japan region within the Eligible Markets.

**Asset Allocation:**

- Between 40% to 60% of the Fund’s NAV will be invested in Islamic collective investment scheme investing predominantly in Shariah-compliant equities;
- Between 40% to 60% of the Fund’s NAV will be invested in Islamic collective investment scheme investing predominantly in Sukuk; and
- Up to 5% of the Fund’s NAV may be invested in Islamic liquid assets such as Islamic money market instruments and/or Islamic Deposits.

All investments are subjected to the Securities Commission Malaysia (“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.

Effective 11 October 2023, the Fund has changed Trustee to HSBC (Malaysia) Trustee Berhad following the issuance of the Second Supplemental Information Memorandum dated 5 September 2023.

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

**2. MATERIAL 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. MATERIAL 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 year.

It also requires the Manager to exercise their judgement in the process of applying the Fund's accounting policies. Although these estimates and judgement 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(j).

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2023 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 year beginning on/after 1 January 2024 are applicable to the Fund.

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").

Investment in Shariah-compliant collective investment schemes have contractual cash flows that do not represent solely payment of principal and interest<sup>1</sup>, and therefore are classified as fair value through profit or loss.

**(b) Financial assets and financial liabilities**

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

All of the Fund's financial liabilities are measured at amortised cost.

<sup>1</sup> For the purposes of this Fund, interest refers to profits earned from Shariah-compliant investments.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities

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

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

published NAV per unit or share of such Shariah-compliant 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 profit method.

Impairment for assets carried at amortised costs

The Fund measures credit risk and expected credit loss ("ECL") using probability of default, exposure at default and loss given default. The Manager consider 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.

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.

**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**(b) Financial assets and financial liabilities (continued)**

Write-off

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

**(c) Functional and presentation currency**

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in RM/MYR, which is the Fund's functional and presentation currency.

**(d) Management fee rebate**

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

**(e) Income recognition**

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

Profit income from Shariah-compliant deposits with licensed Islamic financial institutions is recognised on a time proportionate basis using the effective profit method on an accrual basis.

Profit income is calculated by applying the effective profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets the effective profit rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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

**(f) Cash and cash equivalents**

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balance that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(g) Taxation**

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

**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**(h) Unit holders' contributions**

The unit holders' contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 *"Financial Instruments: Presentation"*. Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's NAV;
- the units are the most subordinated class and class features are identical;
- there are no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial period if unit holder exercises the right to put the unit back to the Fund.

Units are created and cancelled at prices based on the Fund's NAV per unit at the time of creation or cancellation. The Fund's NAV per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units.

**(i) 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 ("GUTF")<sup>1</sup>.

**(j) 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 Fund's 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.

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.

<sup>1</sup> The presentation of the analysis of realised and unrealised portions of profit/loss after tax 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.

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES**

Financial instruments of the Fund were as follows:

	<b>Financial assets at fair value through profit or loss RM</b>	<b>Financial assets at amortised cost RM</b>	<b>Total RM</b>
<b>2023</b>			
Cash and cash equivalents (Note 8)	-	392,257	392,257
Shariah-compliant collective investment schemes (Note 7)	7,092,980	-	7,092,980
Amount due from Manager			
- creation of units	-	84,684	84,684
- management fee rebate	-	7,909	7,909
	<u>7,092,980</u>	<u>484,850</u>	<u>7,577,830</u>
<b>2022</b>			
Cash and cash equivalents (Note 8)	-	132,990	132,990
Shariah-compliant collective investment schemes (Note 7)	4,160,307	-	4,160,307
Amount due from Manager			
- creation of units	-	73,556	73,556
- management fee rebate	-	4,849	4,849
	<u>4,160,307</u>	<u>211,395</u>	<u>4,371,702</u>

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

The Fund aims to achieve moderate capital growth by investing in a portfolio of Shariah-compliant collective investment schemes that invest in Shariah-compliant equities and/or Sukuk.

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

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

**(a) Market risk**

**(i) Price risk**

Price risk is the risk that the fair value of an investment in Shariah-compliant collective investment schemes will fluctuate because of changes in market prices (other than those arising from interest rate risk). The value of Shariah-compliant collective investment schemes 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 Shariah-compliant collective investment schemes and other financial instruments within specified limits according to the Deeds.

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

**(a) Market risk (continued)**

**(i) Price risk (continued)**

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

	<b>2023</b>	<b>2022</b>
	<b>RM</b>	<b>RM</b>
Financial assets at fair value through profit or loss:		
- Shariah-compliant collective investment schemes	7,092,980	4,160,307

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

	<b>Market Value</b>	<b>Impact on profit or loss/NAV</b>
<b>% Change in price of Shariah-compliant collective investment schemes</b>	<b>RM</b>	<b>RM</b>
<b>2023</b>		
-5%	6,738,331	(354,649)
0%	7,092,980	-
+5%	7,447,629	354,649
<b>2022</b>		
-5%	3,952,292	(208,015)
0%	4,160,307	-
+5%	4,368,322	208,015

**(b) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations 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.

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

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

	Cash and cash equivalents RM	Amount due from Manager – creation of units RM	Amount due from Manager - management fee rebate RM	Total RM
<b>2023</b>				
- AAA	392,257	-	-	392,257
- Not Rated	-	84,684	7,909	92,593
	<u>392,257</u>	<u>84,684</u>	<u>7,909</u>	<u>484,850</u>
<b>2022</b>				
- AAA	132,990	-	-	132,990
- Not Rated	-	73,556	4,849	78,405
	<u>132,990</u>	<u>73,556</u>	<u>4,849</u>	<u>211,395</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 balance, which are capable of being converted into cash within 7 business days. The Fund's investments in collective investment scheme are realisable which are capable of being converted into cash within 10 business days. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period as at 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 RM
<b>2023</b>	
Amount due to Manager	
- purchase of collective investment scheme	165,000
- accrued management fee	9,017
Amount due to Trustee	180
Other payable	16,401
<b>Contractual undiscounted cash flows</b>	<u>190,598</u>
<b>2022</b>	
Accrued management fee	481
Amount due to Trustee	124
Other payable	17,000
<b>Contractual undiscounted cash flows</b>	<u>17,605</u>

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

**(d) Capital risk management**

The capital of the Fund is represented by net assets attributable to unit holders of RM7,387,232 (31.12.2022: RM4,349,248). 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 year-end date. The Fund utilises the last traded market price for financial assets were 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 a point within the bid-ask spread that is most representative of the fair value.

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

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

**(i) Fair value hierarchy**

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

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

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

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



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

**(e) Fair value estimation (continued)**

**(i) Fair value hierarchy**

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 RM	Level 2 RM	Level 3 RM	Total RM
<b>2023</b>				
Financial assets at fair value through profit or loss:				
- Shariah-compliant collective investment schemes	7,092,980	-	-	7,092,980
<b>2022</b>				
Financial assets at fair value through profit or loss:				
- Shariah-compliant collective investment schemes	4,160,307	-	-	4,160,307

Shariah-compliant investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include Shariah-compliant collective investment schemes. 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 - creation of units and management fee rebate and all current liabilities are a reasonable approximation of their fair values due to their short-term nature.

**4. MANAGEMENT FEE**

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

For the financial year ended 31 December 2023, the management fee is recognised at a rate of 1.50% per annum (31.12.2022: 1.50%).

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

**5. TRUSTEE FEE**

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.035% per annum, calculated daily based on the NAV of the Fund.

For the financial period from 1 January 2023 until 10 October 2023, the Trustee fee is recognised at a rate of 0.035%. Effective 11 October 2023, the Trustee Fee is recognized at the rate of 0.03% per annum (2022: 0.035% per annum)

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

**6. TAXATION**

	<b>2023 RM</b>	<b>2022 RM</b>
Tax charged for the financial year:		
- Current taxation	<u>-</u>	<u>-</u>

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

	<b>2023 RM</b>	<b>2022 RM</b>
Profit/(Loss) before taxation	<u>331,817</u>	<u>(259,313)</u>
Taxation at Malaysian statutory rate of 24% (2022: 24%)	79,636	(62,235)
Tax effects of:		
- (Investment income not subject to tax)/Loss not deductible for tax purpose	(104,942)	45,743
- Expenses not deductible for tax purposes	3,587	3,210
- Restriction on tax deductible expenses for Wholesale Funds	<u>21,719</u>	<u>13,282</u>
Taxation	<u>-</u>	<u>-</u>

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2023 RM</b>	<b>2022 RM</b>
At fair value through profit or loss:		
- Shariah-compliant collective investment schemes	<u>7,092,980</u>	<u>4,160,307</u>
Net gain/(loss) on financial assets at fair value through profit or loss:		
- Unrealised fair value loss	285,467	(329,864)
- Management fee rebate #	75,466	43,654
	<u>360,933</u>	<u>(286,210)</u>

# Management fee rebate is derived from the Shariah-compliant collective investment schemes 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 Shariah-compliant collective investment schemes held.

**PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS**

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

For the financial year ended 31 December 2023 and 31 December 2022, management fee rebate is recognised at a rate as per table below, calculated and accrued daily based on the NAV of the Shariah-compliant collective investment schemes.

			<b>2023</b>	<b>2022</b>
			%	%
Principal Islamic Lifetime Enhanced Sukuk Fund			1.00	1.00
Principal Islamic Lifetime Sukuk Fund			0.95	0.95
Principal DALI Equity Fund			1.85	1.85

Name of Counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2023</b>				
<b>SHARIAH-COMPLIANT COLLECTIVE INVESTMENT SCHEMES</b>				
Principal Islamic Lifetime Enhanced Sukuk Fund	1,759,330	3,634,196	1,754,228	23.74
Principal Islamic Lifetime Sukuk Fund	1,348,566	1,768,252	1,754,080	23.75
Principal DALI Equity Fund	<u>3,482,631</u>	<u>1,737,106</u>	<u>3,584,672</u>	<u>48.53</u>
<b>TOTAL SHARIAH-COMPLIANT COLLECTIVE INVESTMENT SCHEMES</b>	<b><u>6,590,528</u></b>	<b><u>7,139,554</u></b>	<b><u>7,092,980</u></b>	<b><u>96.02</u></b>
<b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>(46,574)</u></b>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>7,092,980</u></b>		
<b>2022</b>				
<b>SHARIAH-COMPLIANT COLLECTIVE INVESTMENT SCHEMES</b>				
Principal Islamic Lifetime Enhanced Sukuk Fund	1,055,182	1,074,597	1,029,119	23.66
Principal Islamic Lifetime Sukuk Fund	820,044	1,060,554	1,029,401	23.67
Principal DALI Equity Fund	<u>2,185,719</u>	<u>2,357,196</u>	<u>2,101,787</u>	<u>48.33</u>
<b>TOTAL SHARIAH-COMPLIANT COLLECTIVE INVESTMENT SCHEMES</b>	<b><u>4,060,945</u></b>	<b><u>4,492,347</u></b>	<b><u>4,160,307</u></b>	<b><u>95.66</u></b>

**PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS**

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

Name of Counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2022 (CONTINUED) SHARIAH-COMPLIANT COLLECTIVE INVESTMENT SCHEMES (CONTINUED)</b>				
<b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u><b>(332,040)</b></u>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u><b>4,160,307</b></u>		

**8. CASH AND CASH EQUIVALENTS**

	<b>2023 RM</b>	<b>2022 RM</b>
Bank balance	<u>392,257</u>	<u>132,990</u>

**9. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS**

Net assets attributable to unit holders as at the reporting date comprise:

	<b>2023 RM</b>	<b>2022 RM</b>
Unit holders' contributions	7,264,256	4,558,089
Retained earnings/(Accumulated losses)	<u>122,976</u>	<u>(208,841)</u>
	<u><b>7,387,232</b></u>	<u><b>4,349,248</b></u>

The movement in the components of net assets attributable to unit holders for the financial year were as follows:

	<b>Unit holders' capital RM</b>	<b>Retained earnings/ (Accumulated losses) RM</b>	<b>Total RM</b>
<b>Balance as at 1 January 2023</b>	4,558,089	(208,841)	4,349,248
Movement in unit holders' contributions:			
- Creation of units from applications	2,706,167	-	2,706,167
Total comprehensive income for the financial year	-	331,817	331,817
<b>Balance as at 31 December 2023</b>	<u><b>7,264,256</b></u>	<u><b>122,976</b></u>	<u><b>7,387,232</b></u>

**PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS**

**9. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS (CONTINUED)**

The movement in the components of net assets attributable to unit holders for the financial year were as follows (continued):

	<b>Unit holders' capital RM</b>	<b>(Accumulated losses)/Retained earnings RM</b>	<b>Total RM</b>
<b>Balance as at 1 January 2022</b>	2,532,408	50,472	2,582,880
Movement in unit holders' contributions:			
- Creation of units from applications	2,043,523	-	2,043,523
- Cancellation of units	(17,842)	-	(17,842)
Total comprehensive loss for the financial year	-	(259,313)	(259,313)
<b>Balance as at 31 December 2022</b>	<u>4,558,089</u>	<u>(208,841)</u>	<u>4,349,248</u>

**10. NUMBER OF UNITS IN CIRCULATION (UNITS)**

	<b>2023 No. of units</b>	<b>2022 No. of units</b>
At the beginning of the financial year	4,434,105	2,389,773
Add: Creation of units from applications	2,683,066	2,061,470
Less : Cancellation of units	-	(17,138)
At the end of the financial year	<u>7,117,171</u>	<u>4,434,105</u>

**11. TOTAL EXPENSE RATIO ("TER")**

	<b>2023 %</b>	<b>2022 %</b>
TER	<u>0.54</u>	<u>0.78</u>

TER is derived based on the following calculation:

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

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

The average NAV of the Fund for the financial year calculated on a daily basis is RM5,542,926 (31.12.2022: RM3,200,002).

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

	<b>2023</b>	<b>2022</b>
PTR (times)	<u>0.24</u>	<u>0.31</u>

PTR is derived based on the following calculation:

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

where:

$$\text{total acquisition for the financial year} = \text{RM2,647,206 (31.12.2022: RM1,988,517)}$$

**13. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER, AND SIGNIFICANT RELATED PARTIES TRANSACTIONS AND BALANCES**

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

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

Units held by the Manager and parties related to the Manager

	<u>2023</u>	<u>2022</u>
	<u>No. of units</u>	<u>RM</u>
<b>Manager</b>	<u>No. of units</u>	<u>RM</u>
Principal Asset Management Berhad	<u>1</u>	<u>1</u>

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.

**PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS**

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

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

	<b>2023</b>	<b>2022</b>
	<b>RM</b>	<b>RM</b>
<u>Significant related party transactions</u>		
Purchase of Shariah-compliant collective investment schemes:		
- Principal Asset Management Berhad	<u>2,647,206</u>	<u>1,988,517</u>
<u>Significant related party balance</u>		
Shariah-compliant collective investment schemes managed by the Manager:		
- Principal Islamic Lifetime Enhanced Sukuk Fund	1,754,228	1,029,119
- Principal Islamic Lifetime Sukuk Fund	1,754,080	1,029,401
- Principal DALI Equity Fund	<u>3,584,672</u>	<u>2,101,787</u>
	<u>7,092,980</u>	<u>4,160,307</u>
Bank balance:		
- CIMB Islamic Bank Bhd	<u>392,257</u>	<u>132,990</u>

**14. TRANSACTIONS WITH DEALER**

Details of transactions with the dealer for the financial year ended 31 December 2023 are as follows:

<b>Dealer</b>	<b>Value of trades RM</b>	<b>Percentage of total trades %</b>	<b>Brokerage fees RM</b>	<b>Percentage of total brokerage fees %</b>
Principal Asset Management Berhad #	<u>2,647,206</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Details of transactions with the dealer for the financial year ended 31 December 2022 are as follows:

<b>Dealer</b>	<b>Value of trades RM</b>	<b>Percentage of total trades %</b>	<b>Brokerage fees RM</b>	<b>Percentage of total brokerage fees %</b>
Principal Asset Management Berhad #	<u>1,988,517</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

# Included in the transactions are trades conducted with Principal Asset Management Berhad, the Manager, amounting to RM2,647,206 (2022: RM1,988,517). The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

**16. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue by the Manager on 16 February 2024



## DIRECTORY

### Head Office of the Manager

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### Previous Trustee for the Principal Islamic Balanced Wholesale Fund-of-Funds

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Fax: (03) 2164 6197

### Trustee for the Principal Islamic Balanced Wholesale Fund-of-Funds

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### Shariah Adviser of the Principal Islamic Balanced Wholesale Fund-of-Funds

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### Auditors of the Fund and of the Manager

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