

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESAL E FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

CONTENTS	PAGE(S)
INVESTORS' LETTER	1
MANAGER'S REPORT	2 - 12
Fund Objective and Policy	
Performance Data	
Market Review	
Fund Performance	
Portfolio Structure	
Market Outlook	
Investment Strategy	
Unit Holdings Statistics	
Soft Commissions and Rebates	
STATEMENT BY MANAGER	13
TRUSTEE'S REPORT	14
SHARIAH ADVISER'S REPORT	15 - 16
INDEPENDENT AUDITORS' REPORT	17 - 20
STATEMENT OF COMPREHENSIVE INCOME	21
STATEMENT OF FINANCIAL POSITION	22
STATEMENT OF CHANGES IN EQUITY	23
STATEMENT OF CASH FLOWS	24
NOTES TO THE FINANCIAL STATEMENTS	25 - 43
DIRECTORY	44

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

INVESTORS' LETTER

Dear Valued Investor,

As we write this letter, we're watching the impact the Coronavirus is having on families, communities and markets around the world. Our thoughts are with those directly impacted by this illness and hope that together, as a global community we can find ways to prevent the further spread of this virus.

From an investment perspective, yes, the Coronavirus outbreak is disrupting markets – but it's important to remember this is an event, not a trend. And, just how interlinked our economies really are and how ripple effects are felt globally.

Ahead of the virus outbreak, we were seeing many positive trends in the market and were anticipating an upturn. We're still optimistic that the upturn will happen – it's just a matter of when. We still encourage our investors to focus on the fundamentals, seek portfolio diversification and to focus on the long-term.

As a fund house, we've never been better positioned to help our investors navigate the market volatility that is becoming the new norm. Our capabilities span from local to global markets with products, strategies and ideas to position your portfolio of investments based on your unique risk tolerance and financial goals.

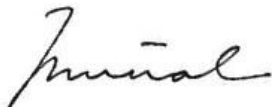
We're committed to helping meet the varying needs of our customers and in the past few months, we've launched several new funds, including: Principal Global Real Estate, Principal Greater Bay and Principal Islamic ASEAN Equity Fund. Together these funds showcase our breadth and depth of expertise and offerings – helping set us apart as the fund house of choice. You can learn more about each of these funds and other solutions at: www.principal.com.my.

Please be informed that effective 26 September 2019, the Fund has been renamed as Principal Islamic Conservative Wholesale Fund-of-Funds following the issuance of the Information Memorandum Issue No. 2 dated 26 September 2019.

Thank you for your continuous support and allowing us to help you achieve your financial goals.

Thank you.

Yours faithfully,
for **Principal Asset Management Berhad**
(formerly known as CIMB-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 achieve capital stability by investing in a portfolio of Shariah-compliant collective investment schemes that invest in Shariah-compliant equities and/or Sukuk.

Has the Fund achieved its objective?

For the financial year 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 aims to invest in at least three (3) Islamic collective investment schemes investing predominantly in Sukuk and/or Shariah-compliant equities. The Fund will invest at least 70% of its Net Asset Value ("NAV") in Islamic collective investment schemes investing predominantly in Sukuk and up to 30% of its NAV in Islamic collective investment schemes investing predominantly in Shariah-compliant equities. The Fund may also invest up to 5% of its NAV in Islamic liquid assets such as Islamic money market instruments and/or Islamic Deposits for liquidity purposes. The investment strategy and policy of the Fund is biased towards Islamic collective investment schemes investing predominantly in Sukuk that aim to provide some capital stability to the Fund, while allowing some exposure in Islamic collective investment schemes investing predominantly in Shariah-compliant equities that aim to provide the added return in a rising market.

The allocation between the Islamic collective investment schemes is done through a combination of macroeconomic data, liquidity trends and the outlook to overweight or underweight a particular Islamic collective investment scheme. The Fund may invest in Islamic collective investment schemes 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, where the regulatory authority is an ordinary or associate member of the International Organisation Of Securities Commissions ("IOSCO") which include but not limited to Australia, the People's Republic of China, Hong Kong Special Administrative Region ("SAR"), India, Indonesia, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Taiwan, Thailand and Sri Lanka.

As a conservative Fund, the Fund is designed to focus in local investments under general market conditions. When deemed necessary, the Manager may also invest in foreign market to exploit the investment opportunities.

Fund category/type

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

How long should you invest for?

Recommended medium term to long term

When was the Fund launched?

24 November 2017

What was the size of the Fund as at 31 December 2019?

RM0.02 million (0.02 million units)

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
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FUND OBJECTIVE AND POLICY (CONTINUED)

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 50% Quantshop Government Investment Issue ("GII") Medium Index + 25% CIMB Islamic 1-month Fixed Return Income Account-I ("FRIA-I") + 25% Financial Times Stock Exchange ("FTSE") Bursa Malaysia ("FBM") EMAS Shariah ("FBMS") Index.

Note: Investors are cautioned that the risk profile of the Fund is different from the benchmark.

What is the Fund distribution policy?

The Fund is not expected to pay any distribution. However, the Manager has 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.

What was the net income distribution for the financial year ended 31 December 2019?

There was no distribution made for the financial year ended 31 December 2019.

PERFORMANCE DATA

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

	31.12.2019	31.12.2018
	%	%
Shariah-compliant collective investment schemes	89.52	84.23
Cash and other net assets	10.48	15.77
	<u>100.00</u>	<u>100.00</u>

Performance details of the Fund for the last two unaudited financial year/period are as follows:

	31.12.2019	31.12.2018
NAV (RM Million)	0.02	0.01
Units in circulation (Million)	0.02	0.01
NAV per unit (RM)	1.0412	0.9993
	31.12.2019	24.11.2017 (date of launch) to 31.12.2018
Highest NAV per unit (RM)	1.0433	1.0127
Lowest NAV per unit (RM)	0.9973	0.9944
Total return (%)	4.18	(0.06)
Capital growth (%)	4.18	(0.06)
Income distribution (%)	-	-
Management Expense Ratio ("MER") (%) ^	3.35	2.57
Portfolio Turnover Ratio ("PTR") #	0.92	1.05

^ The Fund's MER increased from 2.57% to 3.35% due to increased expenses during the financial year under review.

The Fund's PTR decreased from 1.05 times to 0.92 times due to increased average NAV during the financial year under review.

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PERFORMANCE DATA (CONTINUED)

	31.12.2019	Since inception to 31.12.2018
	%	%
Annual total return	4.18	(0.06)

(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 2019 TO 31 DECEMBER 2019)

Sukuk

In Malaysia, the latest exports and imports for January 2019 grew +3.1% year-on-year (“y-o-y”) (December 2018: +5.1% y-o-y) and +1.0% y-o-y (December 2018: +1.0% y-o-y) and rebounded +2.2% month-on-month (“m-o-m”) and +1.4% m-o-m ahead of Lunar New Year holidays in February 2019 after the back-to-back declines in November 2018 to December 2018. Headline inflation declined -0.7% y-o-y in January 2019 mainly due to the drop in transport costs following lower retail fuel prices amid lower global crude oil prices. For 2018 as a whole, headline inflation averaged at 1% compared with 3.7% seen in 2017. The Consumer Price Index (“CPI”) growth in December 2018 mainly reflected the negative contribution from transportation due to the base effect as well as moderate growth from food and beverage (+0.7%). Meanwhile, despite deflation in headline CPI, core CPI stayed positive at +0.2% y-o-y. Bank Negara Malaysia (“BNM”) maintained the Overnight Policy Rate (“OPR”) at 3.25% on 24 January 2019. In its latest statement, the Central Bank painted a more negative outlook highlighting the moderating global growth momentum. BNM also mentioned that they expect inflation to ‘average moderately higher’ in 2019.

In terms of growth, the release of the fourth quarter of 2018 Gross Domestic Product (“GDP”) numbers on 14 February 2019 saw the domestic economy expanded by 4.7% y-o-y in the fourth quarter of 2018 which was better than consensus expectations of 4.5%. For full year, the economy expanded by 4.7% slowing from 5.9% in 2017. Private consumption was the primary driver of growth in 2018. Malaysia’s growth has been decelerating since the fourth quarter of 2017, reflecting supply side disruptions and weaker public spending exacerbated by policy shifts since the change in Government. BNM forecast growth of 4.9% in 2019 was projected taking into consideration the initial US-China tariffs announced. This month will see the release of the Annual Report from BNM on the 27 March 2019 which may provide guidance to GDP growth expectations.

On March 2019, the Monetary Policy Committee (“MPC”) meeting saw BNM held OPR unchanged at 3.25% but the meeting minutes noted the moderation of growth in Emerging Market (“EM”) which was originated from Advanced Economies. Also, BNM lowered 2019’s inflation expectation due to policy measures. On domestic inflation trend, February 2019 CPI stayed negative on consecutive month (January 2019: -0.7% y-o-y) at -0.4% y-o-y (consensus: -0.3% y-o-y) with drags mainly from transport. Given the increase in pump price of circa 5% m-o-m in March 2019, monthly inflation is likely bottomed and likely to revert positive in the coming months.

MARKET REVIEW (1 JANUARY 2019 TO 31 DECEMBER 2019) (CONTINUED)

Sukuk (continued)

In the month of April 2019, inflation inched up by 0.2% y-o-y matching the same pace in March 2019. Generally, apart from the cost of transport which declined by 2.6% in April 2019, the other segments registered stable inflation or saw moderation during the month. It remained steady at 0.2% for the third straight month in May 2019. However, a sharp pick-up was seen in the month of June 2019 whereby it rose 1.5% y-o-y, due entirely to the low base in June 2018 following the removal of the Goods and Services Tax ("GST") and the start of the three-month tax holiday.

On 7 May 2019, BNM's MPC cut the OPR by 25 basis points ("bps") to 3.00% as widely anticipated by the market. The MPC statement highlighted that while domestic monetary and financial conditions remain supportive of economic growth, there are some signs of tightening of financial conditions. The adjustment to the OPR is therefore intended to preserve the degree of monetary accommodativeness. BNM also announced that it was taking several development initiatives to improve domestic foreign exchange and bond market liquidity, likely in response to FTSE Russell's action whereby Malaysia was placed on the watch list for their World Government Bond Index ("WGBI").

The Malaysian economy grew 4.5% in the first quarter of the year, driven mainly by private sector activity and firm private consumption growth. The central bank expects average headline inflation to be broadly stable in 2019 compared to 2018. In the 2018 BNM annual report, the Central Bank downgraded 2019 growth to between 4.3% to 4.8% (2018: 4.7%), below Ministry of Finance's ("MoF") forecast of 4.9% in October 2018. Most of the downgrade came from smaller contribution from net export (2019: flat; 2018 1%) and domestic demand (2019: 4.1%; 2018: 5.2%). 2019 headline CPI forecast also revised down to between 0.7% to 1.7% (2.5% to 3.5% during Budget 2019 projection) given the lower oil prices and price ceiling mechanism on domestic retail fuel prices.

Locally in July 2019, headline inflation numbers remained stable at 0.2% y-o-y in May 2019, lower than consensus 0.3%, as the Government's price control scheme contained food inflation during the Ramadan month. Benign price pressure and accommodating external financial conditions are supportive of a looser monetary policy to support economic growth. Meanwhile, the Industrial Production Index ("IPI") extended its run in April 2019, increasing by +4.0% y-o-y, defying market expectations of a slower expansion. The domestic bond market is expected to be further supported as increasingly the market is calling for further policy rate cut. Government securities' yields have further rallied in July 2019 despite potential FTSE Russell's exclusion. This on top of the dovish global market backdrop including the US Federal Reserve (the "Fed") should see the domestic market supported in near term. Meanwhile, domestic demand has driven yields flatter with most of the GII tenures in line with their Malaysia Government Securities ("MGS") counterpart.

In August 2019, Malaysian economy increased at a faster pace of 4.9% y-o-y as compared to the first quarter of 2019 GDP of 4.5% (above market's consensus of 4.7%) led by firmer domestic demand and across all economic sectors despite lingering global trade tensions. Domestic demand continued to expand at 4.6% in the second quarter of 2019 (first quarter of 2019: 4.4%) supported by firm household spending and slightly higher private investment. On the supply side, all sectors recorded positive growth primarily driven by services and manufacturing sectors. Meanwhile, net exports grew at a much faster pace lifted by a bigger decline in imports amid sustained exports. Domestic liquidity remains healthy given the strong Bid to Cover ("BTC") of above 2 times for the August 2019 auctions. It is noted that the remaining 10 MGS/GII auctions for 2019 are more weighted on the longer end of the curve with only 3 auctions which are below 10-year tenure. The expected net issuance is low for the next few months as the total maturity is high at RM36.9 billion versus gross supply of around RM32 billion.

MARKET REVIEW (1 JANUARY 2019 TO 31 DECEMBER 2019) (CONTINUED)

Sukuk (continued)

In September 2019, BNM maintain OPR unchanged and the MPC considers the current monetary policy stance remains “accommodative and supportive of economic activity”. There are growing talks for BNM to deliver another OPR cut either by the end of 2019 or in the first half of 2020 underpinned by external factors and more regional Central Banks cutting rates. Inflation in August 2019 was +1.5% y-o-y, little changed from +1.4% y-o-y in July 2019 as most CPI components remain stable. On m-o-m basis, CPI picked up by +0.2% while core CPI rose by +2.0% y-o-y. Overall, BNM’s baseline projection for 2019 growth remains within the range of between 4.3% to 4.8% supported mainly by private sector activity. It notes that outlook is subject to downside risks from lingering external factors and domestic environment, worsening trade tensions and extended weakness in commodity related sectors.

Budget 2020 was released on October 2019 with fiscal deficit narrowing further from a previous level of -3.7% in 2018 to -3.4% in 2019. The deficit target of -3.2% for 2020 is slightly higher than the -3.0% originally announced in Budget 2019. According to the MOF’s Economic Report 2019/2020, the medium-term fiscal deficit target is expected to narrow to -2.8% by 2022. Overall, Budget 2020 is deemed mild expansionary in nature with additional RM2.3 billion allocated to development expenditure to support strategic infrastructure projects. Growth is expected to improve from 4.7% in 2019 to 4.8% in 2020, which is still within BNM’s forecast of 4.3% to 4.8%. In terms of inflation outlook, CPI is expected to average at 2.0% in 2020, slightly higher compared to 0.9% in 2019.

In November 2019, Malaysian GDP growth slowed to 4.4% in the third quarter of 2019 (slowest in a year) versus 4.9% in the second quarter of 2019. The slowdown was broad based amid external headwinds and domestic fiscal consolidation. Private consumption remains the main engine of growth, but its pace has normalised to 7% (second quarter of 2019: 7.8%) amid dampened consumer sentiment. Although public investment slump of -14.1% in the third quarter of 2019 was not a surprise due to disruption caused by review of mega infrastructure projects, the near-stagnant private investment of +0.3% (second quarter of 2019: +1.8%) was a concern. Net external demand growth remains in double digit but has also slowed given the trade tension (third quarter of 2019: +15.9%; second quarter of 2019: +22.9%).

Domestic marco data is scant in December 2019 with only the release of MGS/MGII auction calendar for 2020. On macro news, Malaysia’s Purchasing Manager’s Index (“PMI”) rebounded to a reading of 50 in December 2019 after hitting a low of 46.8 in December 2018, which bodes well for exports outlook particularly in the electronics and electrical (“E&E”) segment.

MARKET REVIEW (1 JANUARY 2019 TO 31 DECEMBER 2019) (CONTINUED)

Local Equity

The FBMS Index increased by 183.63 points or 1.6% to 11,688.06 points over the financial year under review.

The FBMS Index ended January 2019 marginally higher by 0.40% to close at 11,552 points driven by plantations stocks. The Malaysian Ringgit (“RM”) strengthened to RM4.09 against USD from RM4.13 in the previous month. Brent crude oil rose to USD61.89 per barrel, up by 15.03% m-o-m. On the external front, investors will continue to follow closely the latest developments on the ongoing US-China trade tensions, ongoing development of Brexit and negotiations on the US Federal Government budget as the temporary bill to fund US Government spending will expire on 15 February 2019. Policy uncertainty continues to be the order of the day as the East Coast Rail Link (“ECRL”) on-again, off-again saga plays out. As of now, there is still no conclusive decision on the said mega project and a gag order has been issued to avoid any further confusion and escalation of rift with the Chinese Government. But the damage seems to have been done already. Business and consumer sentiment continued slipping for the second consecutive quarter in the fourth quarter of 2018. According to a survey done by Malaysian Institute of Economic Research (“MIER”), the fourth quarter of 2018 Consumer Sentiments Index (“CSI”) dipped below the threshold of 100 points for the first time after two quarters, recording 96.8 points, while the Business Conditions Index (“BCI”) slipped to 95.3 points.

The FBMS Index ended February 2019 higher by 1.55% to close at 11,732 points driven by higher Brent crude oil price, which traded up +6.7% m-o-m to USD66.82 per barrel on supply constraints. Sentiment in the local bourse was further lifted by announcement made the Communications and Multimedia Minister, which indicated there will not be further reductions in high speed broadband prices in 2019 and Fitch re-affirmed Malaysia’s sovereign rating. Investors will be watching out for new developments (policies) from the upcoming Parliament sitting which will take place from 11 March 2019 to 11 April 2019, the release of the Federal Land Development Authority (“FELDA”) White Paper as well as BNM Annual report (slated for 27 March 2019).

The FBMS Index dipped by 0.38% in March 2019 on receding concerns over moderation in global economic growth following the yield curve inversion in the United States (“US”). March 2019 saw FBMS Index outperforming the FBM Kuala Lumpur Composite Index (“FBMKLCI”) and FBMS Index driven by construction and plantation sectors. Domestically, the downgrade in BNM’s growth forecast also weighed on sentiments, stoking expectation of a policy rate cut as early as May 2019. Growth trajectory remains lacklustre in Malaysia as flagged by BNM during the release of its annual report in March 2019 where it lowered Malaysia’s 2019 GDP forecast to between 4.3% to 4.8% versus earlier forecast of 4.9% by the MoF. With inflationary pressure remaining tame (<2%), street expectation of a cut in the OPR is rising. Construction sector could see some re-rating on ECRL revival news flow as the Malaysian Government is reportedly close to finalising a revised contract with its China counterpart.

In addition, it was reported that 121 infrastructure projects valued at RM13.9 billion awarded by the previous Government will continue after renegotiation which resulted in RM806 million savings. This is positive for the construction sector which has been one of the most affected sector post 14th General Elections in May 2018. Further positive also comes from massive infrastructure spending by the Sarawak State Government ahead of its state election due by 2021.

MARKET REVIEW (1 JANUARY 2019 TO 31 DECEMBER 2019) (CONTINUED)

Local Equity (continued)

The FBMS Index rose by 1.27% in April 2019, which were largely driven by rebound in Construction, Technology and Energy sectors. Positive news flow continues to buoy the construction sector as the revival of Bandar Malaysia project has lifted sentiment and expectation that the shelved High-Speed Rail and Mass Rapid Transit (“MRT”) Line 3 projects may be revived soon. Sustained rebound in crude oil prices have also seen the revival of job flows to Oil & Gas service providers. Additionally, news that China had also recently agreed to purchase a min of 1.9 million tonnes of crude palm oil (“CPO”) over 5 years’ worth RM4.5 billion in addition to the earlier purchase contracts signed for 1.62 million tonnes for RM3.64 billion provide support to plantation names such as FGV Holdings Bhd and Sime Plantation Bhd which closed higher by 5.93% and 2.79% respectively.

The FBMS Index ended May 2019 marginally lower by 0.35%. The broader market’s sentiment was buoyed by two mergers and acquisitions (“M&A”) announcements involving Axiata Group Bhd and Telenor ASA and YTL Cement Bhd and Lafarge Malaysia and partly driven by foreign buying in the last three days of May. For the first quarter of 2019 earnings season ended with another disappointment as there were still more misses than beats. Plantation, Technology, Aviation and Basic Materials were the major disappointments while positive results came from automotive, construction, telco and utilities. While the moderation in the first quarter of 2019 GDP growth of 4.5% was shallower than street expectation, growth drivers going forward are weak given the escalating trade tension between the US and its major trading partners and slowing private investments due to dampened sentiment. Freshly out May 2019 PMI numbers (48.8 versus 49.4 in April 2019) for Malaysia showed further weakening in external demand. While still maintaining its 4.3% to 4.8% GDP forecast for 2019, BNM has flagged that a full-blown US-China trade war could shave 1.3% to 1.5% off Malaysia’s GDP growth. This suggests that risk to growth is clearly on the downside. On the bright side, recent resumption of mega infrastructure projects such as ECRL and The Light Rail Transit (“LRT”) Line 3 will provide some boost to growth from second half of 2019 onwards.

Malaysian equities benefitted from relief rally in June 2019 stemming from expectation of the Fed rate cuts and de-escalation of US-China trade war. The FBMS Index gained 2.86% in June 2019 with Tenaga Nasional Bhd (“TNB”) (+9.0%), Axiata Group Bhd (+6.2%) and Yinson (+30.1%) are some of the notable gainers among the FBMS Index component stocks. The month also observed improving investors’ risk appetite for small and mid-cap stocks judging by FBM Small Cap Index’s gain of 3.6% in Jun (year-to-date (“YTD”) 15%). On macro indicators, Malaysia’s Nikkei Manufacturing PMI fell again in June 2019 to 47.8 from 48.8 in May 2019, largely dragged by weak external demand. While Malaysia is expected to be a medium-term beneficiary of trade diversion arising from trade war between US and China, adverse impact from supply chain disruption and weaker end demand will hurt Malaysia’s near-term export.

In July 2019, the FBMS Index saw a decline of -1.07%. This was mainly due to the sell down in Public Bank Bhd (-4.8%), Petronas Chemicals Group Bhd (-10.8%), CIMB Bank Bhd (-5.6%), Malayan Banking Bhd (-2.6%) and Sime Darby Plantation Bhd (-6.3%) which was moderated by gains in Genting Malaysia Bhd (+19.4%) and Dialog Group Bhd (+5.8%). Weak petrochemical and CPO prices, and slow loans growth have been a drag on FBMKLCI performance.

The FBMS Index declined by 0.75% in August 2019 in tandem with the selloff in global equity markets. Domestically, the underwhelming second quarter of 2019 earnings season and sell-down of Cahaya Mata Sarawak Bhd and some other construction and property names like Malaysian Resources Corporation Bhd (“MRCB”), TRC Synergy Bhd, and S P Setia Bhd also led to the decline in the benchmark index. Second quarter of 2019 earnings season was a major disappointment as reflected by further negative earnings revision leading to a much higher earnings contraction of 7.2% in 2019 (versus 4.5% a month ago). Banks (Net interest margin (“NIM”) compression following OPR cut and rising non-performing loan (“NPL”)), plantation (low CPO price), chemical (lower commodity price) and basic material (lower commodity price) sectors were the main contributors to the earnings cut.

MARKET REVIEW (1 JANUARY 2019 TO 31 DECEMBER 2019) (CONTINUED)

Local Equity (continued)

The FBMS Index declined by 1.20% in September 2019, in line with regional equity markets. Domestically, the breakdown in Axiata Group Bhd and Norway's Telenor SA ("Axiata-Telenor") merger talks was a dampener on the Benchmark Index. Top 3 contributors to the Index decline include Axiata Group Bhd (-14.9%), S P Setia Bhd (-12.8%) and Sime Darby Plantation Bhd (-5.0%). The decline was moderated by gains in Pentamaster Corporation Bhd (+27.2%), Globetronics Technology Bhd (+22.6%) and Petronas Chemicals Group Bhd (+8.8%). By sectors, export-oriented sectors such as tech and glove have generally posted gains on the back of weaker MYR and seasonal uptick in volume loading for selected tech stocks. Besides these, oil and gas sector has also gained on the back of higher crude oil prices.

The FBMS Index gained 0.52% in October 2019 to 11,829, in line with regional markets' performance as risk appetite returned on the back of easing US-China trade war concern, and the Fed's further monetary easing. Top contributors to the index gain were Bumi Armada Bhd (+38.5%), FGV Holdings Bhd (+23.6%), and MISC Bhd (+6.8%) while the top 3 losers were MyEG Services Bhd (-18.6%), S P Setia Bhd (-11.0%) and Kuala Lumpur Kepong Bhd (-6.2%). The Budget 2020 was also announced during the month as the Government focuses on reinventing Malaysia in the digital space over the medium term by attracting foreign and domestic investments. Various tax incentives have been proposed to attract these investments which are expected to create high-paying jobs, especially those in the manufacturing and technology sectors. In view of the need to spur the domestic economy amid external challenges, the Federal Government has also lowered its fiscal deficit target to 3.2% versus 3.0% earlier. This raises the prospect for resumption of infrastructure spending by the Government with the resumption of mega projects under review such as ECRL and Pan Borneo Highway.

The FBMS Index declined by -2.0% in November 2019, in line with regional markets. The third quarter of 2019 earnings season has been uninspiring as negative earnings surprises still trumped positive surprises. Despite rising CPO prices, plantation stocks' results have largely been disappointing due to lower fresh fruit bunches ("FFB") production while several banks were also dragged by spike in credit cost and other one-off expenses. Within the mid and small cap space, aviation and construction stocks have also disappointed. FBMKLCI earnings rebound in 2020 is expected to be driven by banks (cost normalisation) and plantation (higher CPO prices) sectors. Domestic discretionary spending (auto and property) will remain weak while we expect cyclical sectors (basic material, plantation and oil and gas) to be boosted by potential US-China trade deal.

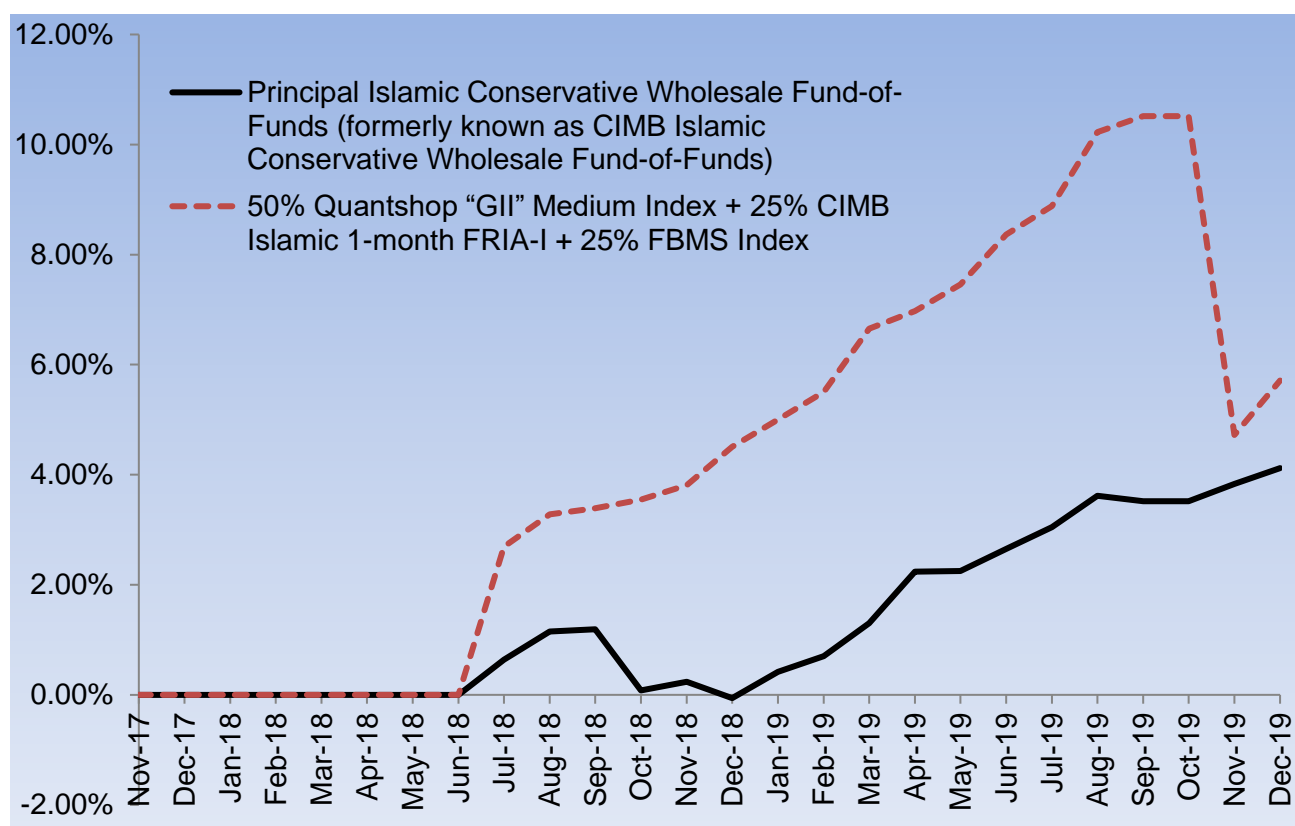
FBMS Index ended the year gaining 3.85% on a full year basis, recording a much better performance as compared to the FBMKLCI. In December 2019, FBMS Index gained 3.06% as the continued surge in CPO prices led to a 9.4% surge in the Plantation Index. Besides this, market sentiment was also buoyed by the phase 1 trade deal between US and China. Top three contributors towards the FBMKLCI's gains were Sime Darby Plantation Bhd (+9.4%), Petronas Gas Bhd (+8.5%) and IOI Corporation Bhd (+6.0%). Externally, the rebound in PMI to 50 in December 2019 after hitting a low of 46.8 in December 2018 bodes well for exports outlook particularly in the E&E segment.

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FUND PERFORMANCE

	1 year to 31.12.2019 %	Since inception to 31.12.2019 %
Income	-	-
Capital	4.18	4.12
Total Return	4.18	4.12
Benchmark	5.10	5.71
Average Total Return	4.18	1.94

For the 1-year period under review, the Fund gained 4.18% underperforming the benchmark which gained 5.10%.



Changes in NAV

	31.12.2019	31.12.2018	Changes %
NAV (RM Million)	0.02	0.01	100.00
NAV/Unit (RM)	1.0412	0.9993	4.19

The NAV of the Fund increased by 100% for the 1-year period on the back of unit creations of the Fund. Meanwhile, the NAV per unit of the Fund stood at RM1.0412, or an increase of 4.19% from RM0.9993 in December 2018 from the positive investment performance

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.

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PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	31.12.2019	31.12.2018
Shariah-compliant collective investment schemes	89.52	84.23
Cash and other net assets	10.48	15.77
TOTAL	100.00	100.00

During the financial year under review, the Fund was fully invested with minimal level of liquid assets maintained primarily for redemption purposes. At the reporting date, a material amount of creations was still sitting in receivables.

MARKET OUTLOOK*

Sukuk

Although we find technical and valuation as weak factors to overweight duration, we recognize that calendar effect and fund flows (i.e. to Asia and EM) will still favor Sukuk, at least in the first quarter of 2020. For that reason, we will use Government Sukuk as building block to achieve the desired portfolio duration exposure.

Local Equity

We believe earnings downside risk for the FBMKLCI has narrowed significantly following recent consensus cuts which is further supported by undemanding valuation now. As such, we take a barbell approach on high yield sectors like Real Estate Investment Trusts (“REITs”) and utilities and increasing on cyclical growth sectors like banks, plantation, oil and gas, and the technology sectors.

* 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 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 Shariah-compliant collective investment schemes with minimal cash kept for liquidity purposes

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 31 December 2019 are as follows:

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 to 10,000	-	-	-
10,001 to 50,000	1	0.02	100.00
50,001 to 500,000	-	-	-
500,001 and above	-	-	-
Total	2	0.02	100.00

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (*formerly known as CIMB-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 Funds unless the soft commission received is retained in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds. All dealings with brokers are executed on best available terms.

During the financial year under review, the Manager and 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.

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS**
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

We, being the Directors of Principal Asset Management Berhad *(formerly known as CIMB-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 21 to 43 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 2019 and of its financial performance, changes in equity and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

Principal Asset Management Berhad (Company No.: 304078-K)
(formerly known as CIMB-Principal Asset Management Berhad)

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
13 February 2020

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-of-Funds)

We have acted as Trustee of Principal Islamic Conservative Wholesale Fund-Of-Funds *(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)* (the "Fund") for the financial year ended 31 December 2019. To the best of our knowledge, Principal Asset Management Berhad *(formerly known as CIMB-Principal Asset Management Berhad)* (the "Manager"), has operated and managed the Fund in accordance with the following:-

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

For and on behalf of the Trustee
PB TRUSTEE SERVICES BERHAD

CHEAH KUAN YOON
Chief Executive Officer

Kuala Lumpur
13 February 2020

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

**SHARIAH ADVISER'S REPORT TO THE UNIT HOLDERS OF
CIMB ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS**

For the Financial Period from 1 January 2019 to 31 March 2019

We have acted as the Shariah Adviser of CIMB Islamic Conservative Wholesale Fund-Of-Funds (the "Fund") for the financial period from 1 January 2019 to 31 March 2019. Our responsibility is to ensure that the procedures and processes employed by CIMB-Principal Asset Management Berhad (the "Manager") are in accordance with Shariah and Shariah Investment Guidelines.

In our opinion, the Manager has managed and administered the Fund in accordance with the Shariah Investment Guidelines of the Fund and complied with applicable guidelines, rulings or decisions issued by the Securities Commission Malaysia pertaining to Shariah matters for the financial period from 1 January 2019 to 31 March 2019.

In addition, we confirm that the investment portfolio of the Fund comprises securities which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission Malaysia ("SACSC") and, where applicable the Shariah Advisory Council of Bank Negara Malaysia. For investments other than the abovementioned, we have reviewed the same and are of the opinion that these investments were in accordance with the Shariah Investment Guidelines of the Fund.

This report is made solely to the unit holders of the Fund, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report and we shall not be liable for any errors or non-disclosure on the part of the Manager.

For and on behalf of Shariah Adviser
CIMB Islamic Bank Berhad (Company No.: 671380-H)

ASHRAF GOMMA ALI

Director/Regional Head, Shariah & Governance/Designated Person Responsible for Shariah Advisory

Kuala Lumpur
31 March 2019

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

**SHARIAH ADVISER'S REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS**
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

For the Financial Period from 1 April 2019 to 31 December 2019

We have acted as the Shariah Adviser of Principal Islamic Conservative Wholesale Fund-of-Funds *(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)* ("the Fund"). Our responsibility is to ensure that the procedures and processes employed by Principal Asset Management Berhad *(formerly known as CIMB-Principal Asset Management Berhad)*, (the "Manager") are in accordance with Shariah principles.

In our opinion, the Manager has managed and administered the Fund in accordance with Shariah principles and complied with applicable guidelines, rulings or decisions issued by the Securities Commission (SC) pertaining to Shariah matters.

In addition, we confirm that the investment portfolio of the Fund comprises securities and/or instruments which have been classified as Shariah compliant by the Shariah Advisory Council (SAC) of the SC and/or SAC of Bank Negara Malaysia (BNM), where applicable. For securities and/or instruments which are not classified as Shariah-compliant by the SAC of the SC and/or SAC of BNM, we have determined that such securities and/or instruments are in accordance with Shariah principles and have complied with the applicable Shariah Guidelines.

This report is made solely to the unit holders of the Fund, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report and we shall not be liable for any errors or non-disclosure on the part of the Manager.

For Amanie Advisors Sdn Bhd,

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DATUK DR MOHD DAUD BAKAR
Executive Chairman

13 February 2020

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS**
(Formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Principal Islamic Conservative Wholesale Fund-of-Funds ("the Fund") (formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds) give a true and fair view of the financial position of the Fund as at 31 December 2019, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 21 to 43.

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 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS (CONTINUED)**
(Formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's Report, 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 of the Fund is responsible for the preparation of the 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 has no realistic alternative but to do so.

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS (CONTINUED)**
(Formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 also:

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (d) 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.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS (CONTINUED)**
(Formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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.

OTHER MATTERS

This report is made solely to the unit holders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
13 February 2020

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM	24.11.2017 (date of launch) to 31.12.2018 RM
INCOME			
Dividend income		421	-
Hibah		5	6
Net gain on financial assets at fair value through profit or loss	7	581	65
		<u>1,007</u>	<u>71</u>
EXPENSES			
Management fee	4	172	31
Trustee's fee	5	5	1
Other expenses		305	67
		<u>482</u>	<u>99</u>
PROFIT/(LOSS) BEFORE TAXATION		525	(28)
Taxation	6	-	-
PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR/PERIOD		<u>525</u>	<u>(28)</u>
Profit/(Loss) after taxation is made up as follows:			
Realised amount		51	(71)
Unrealised amount		474	43
		<u>525</u>	<u>(28)</u>

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

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 RM	2018 RM
ASSETS			
Cash and cash equivalents	8	1,629	513
Financial assets at fair value through profit or loss (Shariah-compliant)	7	19,006	8,143
Amount due from Manager			
- Creation of units		601	1,014
TOTAL ASSETS		<u>21,236</u>	<u>9,670</u>
LIABILITIES			
Accrued management fee		3	2
Amount due to Trustee		1	-
TOTAL LIABILITIES		<u>4</u>	<u>2</u>
NET ASSET VALUE OF THE FUND		<u>21,232</u>	<u>9,668</u>
EQUITY			
Unit holders' capital		20,735	9,696
Retained earnings/(Accumulated losses)		497	(28)
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>21,232</u>	<u>9,668</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	9	<u>20,391</u>	<u>9,674</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.0412</u>	<u>0.9993</u>

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

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Unit holders' capital RM	Retained earnings/ (Accumulated losses) RM	Total RM
Balance as at 1 January 2019	9,696	(28)	9,668
Movement in unit holders' contributions:			
- Creation of units from applications	11,039	-	11,039
Total comprehensive income for the financial year	-	525	525
Balance as at 31 December 2019	<u>20,735</u>	<u>497</u>	<u>21,232</u>
Balance as at 24 November 2017 (date of launch)	-	-	-
Movement in unit holders' contributions:			
- Creation of units from applications	9,696	-	9,696
Total comprehensive loss for the financial period	-	(28)	(28)
Balance as at 31 December 2018	<u>9,696</u>	<u>(28)</u>	<u>9,668</u>

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

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM	24.11.2017 (date of launch) to 31.12.2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of Shariah-compliant collective investment schemes		8,000	-
Purchases of Shariah-compliant collective investment schemes		(18,421)	(8,100)
Hibah earned		5	6
Dividend income received		421	-
Management fee paid		(171)	(22)
Management fee rebates received		139	15
Trustee's fee paid		(4)	(1)
Payments for other fees and expenses		(305)	(67)
Net cash used in operating activities		<u>(10,336)</u>	<u>(8,169)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		11,452	8,682
Net cash generated from financing activities		<u>11,452</u>	<u>8,682</u>
Net increase in cash and cash equivalents		1,116	513
Cash and cash equivalents at the beginning of the financial year/period		513	-
Cash and cash equivalents at the end of the financial year/period	8	<u>1,629</u>	<u>513</u>
<u>Cash and cash equivalents comprised of:</u>			
Bank balance		1,629	513
Cash and cash equivalents at the end of the financial year/period	8	<u>1,629</u>	<u>513</u>

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

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal Islamic Conservative Wholesale Fund-of-Funds (*formerly known as CIMB Islamic Conservative 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 referred to as the “Deeds”), made between Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”) and PB Trustee Services Berhad (the “Trustee”).

The Fund aims to invest in at least three (3) Islamic collective investment schemes investing predominantly in Sukuk and/or Shariah-compliant equities. The Fund will invest at least 70% of its NAV in Islamic collective investment schemes investing predominantly in Sukuk and up to 30% of its NAV in Islamic collective investment schemes investing predominantly in Shariah-compliant equities. The Fund may also invest up to 5% of its NAV in Islamic liquid assets such as Islamic money market instruments and/or Islamic Deposits for liquidity purposes. The investment strategy and policy of the Fund is biased towards Islamic collective investment schemes investing predominantly in Sukuk that aim to provide some capital stability to the Fund, while allowing some exposure in Islamic collective investment schemes investing predominantly in Shariah-compliant equities that aim to provide the added return in a rising market.

The allocation between the Islamic collective investment schemes is done through a combination of macroeconomic data, liquidity trends and the outlook to overweight or underweight a particular Islamic collective investment scheme. The Fund may invest in Islamic collective investment schemes 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, where the regulatory authority is an ordinary or associate member of the IOSCO which include but not limited to Australia, the People's Republic of China, Hong Kong SAR, India, Indonesia, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Taiwan, Thailand and Sri Lanka.

As a conservative Fund, the Fund is designed to focus in local investments under general market conditions. When deemed necessary, the Manager may also invest in foreign market to exploit the investment opportunities.

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.

The Fund has changed its name from CIMB Islamic Conservative Wholesale Fund-Of-Funds to Principal Islamic Conservative Wholesale Fund-of-Funds following the issuance of the Information Memorandum Issue No. 2 dated 26 September 2019.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the MFRS and IFRS.

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities

Classification

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

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

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through OCI.

Investment in Shariah-compliant collective investment schemes have contractual cash flows that do not represent solely payment of principal and interest¹, and therefore are classified as fair value through profit or loss.

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

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

Recognition and measurement

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

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

Financial assets are derecognised when the rights to receive cash flows from the 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 arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income within net gain or loss on financial assets at fair value through profit or loss in the financial year which they arise.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Recognition and measurement (continued)

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.

Shariah-compliant collective investment schemes are valued based on the most recent published NAV per unit or share of such Shariah-compliant collective investment schemes 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 losses ("ECL") using probability of default, exposure at default and loss given default. The Manager considers both historical analysis and forward looking information in determining any ECL. The Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month ECL as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income recognition

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

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.

(d) 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 Ringgit Malaysia (“RM”), which is the Fund’s functional and presentation currency.

(e) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balance and deposits held in highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subjected to an insignificant risk of changes in value.

(f) Taxation

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

(g) Management fee rebate

Management fee rebate is derived from the Fund’s investment in Shariah-compliant collective investment schemes 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 schemes held.

2. SUMMARY OF SIGNIFICANT 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 is 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 year 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) Critical accounting estimates and judgements in applying accounting policies

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

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

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.

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2019			
Cash and cash equivalents (Note 8)	-	1,629	1,629
Shariah-compliant collective investment schemes (Note 7)	19,006	-	19,006
Amount due from Manager			
- Creation of units	-	601	601
	<u>19,006</u>	<u>2,230</u>	<u>21,236</u>
2018			
Cash and cash equivalents (Note 8)	-	513	513
Shariah-compliant collective investment schemes (Note 7)	8,143	-	8,143
Amount due from Manager			
- Creation of units	-	1,014	1,014
	<u>8,143</u>	<u>1,527</u>	<u>9,670</u>

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

The Fund aims to achieve capital stability 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

This 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.

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

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:

	2019	2018
	RM	RM
Financial assets at fair value through profit or loss:		
- Shariah-compliant collective investment schemes	19,006	8,143

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/period. 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 the 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.

% Change in price of Shariah-compliant collective investment schemes	Market value RM	Impact on profit or loss/NAV RM
2019		
-5%	18,056	(950)
0%	19,006	-
5%	19,956	950
2018		
-5%	7,736	(407)
0%	8,143	-
5%	8,550	407

(b) Credit risk

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

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

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

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

(b) Credit risk (continued)

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

	Cash and cash equivalents RM	Amount due from Manager - creation of units RM	Total RM
2019			
- AAA	1,629	-	1,629
- Not Rated	-	601	601
	1,629	601	2,230
2018			
- AAA	513	-	513
- Not Rated	-	1,014	1,014
	513	1,014	1,527

(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 schemes are realisable which are capable of being converted into cash within 10 business days. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

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

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2019			
Accrued management fee	3	-	3
Amount due to Trustee	1	-	1
Contractual undiscounted cash flows	4	-	4

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

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

(c) Liquidity risk (continued)

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2018			
Accrued management fee	2	-	2
Contractual undiscounted cash flows	<u>2</u>	<u>-</u>	<u>2</u>

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holder's capital of RM20,735 (2018: RM9,696) and retained earnings of RM497 (2018: accumulated losses of RM28). 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 holder 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 where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

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

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

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)

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy

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

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

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

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2019				
Financial assets at fair value through profit or loss:				
- Shariah-compliant collective investment schemes	19,006	-	-	19,006
2018				
Financial assets at fair value through profit or loss:				
- Shariah-compliant collective investment schemes	8,143	-	-	8,143

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 scheme. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

(ii) The carrying values of cash and cash equivalents, amount due from Manager and all current liabilities are a reasonable approximation of their fair values due to their short term nature.

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

4. MANAGEMENT FEE, AUDIT FEE AND TAX AGENT'S FEE

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

For the financial year ended 31 December 2019, the management fee is recognised at a rate of 1.20% per annum (24.11.2017 (date of launch) to 31.12.2018: 1.20% per annum).

For the financial year ended 31 December 2019, the audit fee and tax agent's fee of RM7,500 and RM4,600 respectively (24.11.2017 (date of launch) to 31.12.2018: RM7,100 and RM1,800) respectively are borne by the Manager.

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

5. TRUSTEE'S FEE

In accordance with the Deed, the Trustee is entitled to a maximum fee of 0.035% per annum calculated daily based on the NAV of the Fund. The Trustee's fee includes the local custodian fee but excludes the foreign sub-custodian fee (if any).

For the financial year ended 31 December 2019, the Trustee's fee is recognised at a rate of 0.035% per annum (24.11.2017 (date of launch) to 31.12.2018: 0.035% per annum).

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

6. TAXATION

	2019	24.11.2017 (date of launch) to 31.12.2018
	RM	RM
Tax charged for the financial year/period:		
- Current taxation	-	-

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:

	2019	24.11.2017 (date of launch) to 31.12.2018
	RM	RM
Profit/(Loss) before taxation	525	(28)
Taxation at Malaysian statutory rate of 24% (24.11.2017 (date of launch) to 31.12.2018: 24%)	126	(7)
Tax effects of:		
Investment income not subject to tax	(242)	(16)
Expenses not deductible for tax purposes	36	16
Restriction on tax deductible expenses for Wholesale Funds	80	7
Taxation	-	-

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (SHARIAH-COMPLIANT)

	2019	2018
	RM	RM
At fair value through profit or loss:		
- Shariah-compliant collective investment schemes	19,006	8,143
		24.11.2017
		(date of launch)
	2019	to 31.12.2018
	RM	RM
Net gain on financial assets at fair value through profit or loss:		
- Realised loss on disposals	(32)	-
- Unrealised fair value gain	474	43
- Management fee rebate #	139	22
	581	65

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

For the financial year ended 31 December 2019 and financial period from 24 November 2017 (date of launch) to 31 December 2018, 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.

	%
Principal Islamic Lifetime Enhanced Sukuk Fund (formerly known as CIMB Islamic Enhanced Sukuk Fund)	1.00
Principal Islamic Lifetime Sukuk Fund (formerly known as CIMB Islamic Sukuk Fund)	0.95
Principal DALI Equity Fund (formerly known as CIMB Islamic DALI Equity Fund)	1.85

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (SHARIAH-COMPLIANT) (CONTINUED)

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019				
SHARIAH-COMPLIANT COLLECTIVE INVESTMENT SCHEMES				
Principal DALI Equity Fund <i>(formerly known as CIMB Islamic DALI Equity Fund)</i>	2,933	3,116	3,284	15.47
Principal Islamic Lifetime Enhanced Sukuk Fund <i>(formerly known as CIMB Islamic Enhanced Sukuk Fund)</i>	5,641	5,668	5,767	27.16
Principal Islamic Lifetime Sukuk Fund <i>(formerly known as CIMB Islamic Sukuk Fund)</i>	7,489	9,705	9,955	46.89
TOTAL SHARIAH-COMPLIANT QUOTED SECURITIES	<u>16,063</u>	<u>18,489</u>	<u>19,006</u>	<u>89.52</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>517</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>19,006</u>		

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (SHARIAH-COMPLIANT) (CONTINUED)

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2018				
SHARIAH-COMPLIANT COLLECTIVE INVESTMENT SCHEMES				
CIMB Islamic DALI Equity Fund	1,038	1,100	1,036	10.72
CIMB Islamic Enhanced Sukuk Fund	2,565	2,600	2,605	26.94
CIMB Islamic Sukuk Fund	3,480	4,400	4,502	46.57
TOTAL SHARIAH-COMPLIANT QUOTED SECURITIES	<u>7,083</u>	<u>8,100</u>	<u>8,143</u>	<u>84.23</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>43</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>8,143</u>		

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

8. CASH AND CASH EQUIVALENTS

	2019	2018
	RM	RM
Bank balance	1,629	513

9. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2019	24.11.2017 (date of launch) to 31.12.2018
	No of units	No of units
At the beginning of the financial year/period	9,674	-
Add: Creation of units from applications	10,717	9,674
At the end of the financial year/period	20,391	9,674

10. MANAGEMENT EXPENSE RATIO (“MER”)

	2019	24.11.2017 (date of launch) to 31.12.2018
	%	%
MER	3.35	2.57

MER is derived from the following calculation:

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

- A = Management fee
- B = Trustee’s 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/period calculated on a daily basis is RM14,381 (24.11.2017 (date of launch) to 31.12.2018 : RM3,853).

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

11. PORTFOLIO TURNOVER RATIO (“PTR”)

	2019	24.11.2017 (date of launch) to 31.12.2018
PTR (times)	<u>0.92</u>	<u>1.05</u>

PTR is derived based on the following calculation:

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

where:

total acquisition for the financial year/period	= RM18,421 (24.11.2017 (date of launch) to 31.12.2018: RM8,100)
total disposal for the financial year/period	= RM8,000 (24.11.2017 (date of launch) to 31.12.2018: RM Nil)

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

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

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

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

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

Units held by the Manager and parties related to the Manager

	2019		2018	
	No. of units	RM	No. of units	RM
Manager				
Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i>	1	1	1	1

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.

In addition to the related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. 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.

	2019	24.11.2017
	RM	(date of launch)
		to 31.12.2018
	RM	RM
<u>Significant related party transactions</u>		
Disposal of Shariah-compliant collective investment schemes:		
- Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i>	8,000	-
Purchase of Shariah-compliant collective investment schemes:		
- Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i>	18,421	8,100
<u>Significant related party balances</u>		
Shariah-compliant collective investment schemes:		
- Principal DALI Equity Fund <i>(formerly known as CIMB Islamic DALI Equity Fund)</i>	3,284	1,036
- Principal Islamic Lifetime Enhanced Sukuk Fund <i>(formerly known as CIMB Islamic Enhanced Sukuk Fund)</i>	5,767	2,605
- Principal Islamic Lifetime Sukuk Fund <i>(formerly known as CIMB Islamic Sukuk Fund)</i>	9,955	4,502
	<u>19,006</u>	<u>8,143</u>
Bank balance:		
- CIMB Islamic Bank Bhd	<u>1,629</u>	<u>513</u>

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as *CIMB Islamic Conservative Wholesale Fund-Of-Funds*)

13. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the brokers/dealers for the financial year ended 31 December 2019 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Principal Asset Management Berhad (formerly known as <i>CIMB-Principal Asset Management Berhad</i>)	<u>26,000</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Details of transactions with the brokers/dealers for the financial period from 24 November 2017 (date of launch) to 31 December 2018 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
CIMB-Principal Asset Management Berhad	<u>8,100</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Included in the transactions are trades conducted with Principal Asset Management Bhd (formerly known as *CIMB-Principal Asset Management Bhd*), the Manager, amounting to RM26,000 (24.11.2017 (date of launch) to 31.12.2018: RM8,100). 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.

13. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 13 February 2020.

PRINCIPAL ISLAMIC CONSERVATIVE WHOLESALE FUND-OF-FUNDS
(formerly known as CIMB Islamic Conservative Wholesale Fund-Of-Funds)

DIRECTORY

Head Office of the Manager

Principal Asset Management Berhad (Company No.: 304078-K)
(formerly known as CIMB-Principal Asset Management Berhad)
10th Floor, Bangunan CIMB,
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Tel: (03) 2084 8888

Website

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Customer Care Centre

(03) 7718 3000

Trustee for the Principal Islamic Conservative Wholesale Fund-of-Funds
(formerly known as CIMB Islamic Conservative Wholesale Fund-of-Funds)

PB Trustee Services Berhad (Company No.: 7968-T)
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Tel: (03) 2162 6000
Fax: (03) 2164 3285

Shariah Adviser of the Principal Islamic Conservative Wholesale Fund-of-Funds
(formerly known as CIMB Islamic Conservative Wholesale Fund-of-Funds)

CIMB Islamic Bank Berhad (Company No.: 671380-H)
Level 34, Menara Bumiputra-Commerce,
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Amanie Advisors Sdn. Bhd. (Company No.:0684050-H)
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Auditors of the Fund and of the Manager

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