

Principal Islamic Enhanced Opportunities Fund

Annual Report

For the Financial Year Ended 31 December 2020

PRINCIPAL ISLAMIC ENHANCED OPPORTUNITIES FUND
ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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INVESTORS' LETTER

Dear Valued Investor,

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

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

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

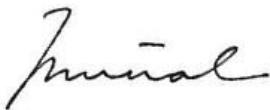
We continue to prefer equities over bonds and are more comfortable with our overweight position. Growth will remain as the core strategy as it is complemented by tactical strategies on value plays. We maintain our preference for Asian over global equities due to higher growth, resilient economies and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

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

We also wish to inform that we have appointed Ernst & Young PLT (“EY”) as the auditor of the Fund in respect of the audit for the financial year ended 31 December 2020 onwards. The change of Fund Auditor has been approved by the Trustee of the Fund, AmanahRaya Trustees Berhad, in accordance with the provisions of the Deed in relation to the Fund.

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

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



Munirah Khairuddin
Chief Executive Officer

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

To earn reasonable returns for investors by investing in approved equities* listed on Bursa Malaysia as well as unlisted securities and other non-interest bearing assets acceptable under Shariah principles.

* This refers to equities approved by Bursa Malaysia.

Has the Fund achieved its objective?

For the financial year under review, the Fund registered a gains of 6.44%, while the benchmark registered a gains of 10.14%. The Fund underperformed largely as it was structured to preserve capital during the Coronavirus 2019 ("COVID-19") crisis. Nonetheless, the Fund achieved its objective on a longer-term basis.

What are the Fund investment policy and principal investment strategy?

The Fund may invest a minimum of 70% and up to a maximum of 98% of the Fund's Net Asset value ("NAV") in local Shariah-compliant equities. The Fund may also invest up to 28% of its NAV in other permissible Shariah-compliant investments. As an aggressive Fund, the Fund will be managed with higher beta and tracking error. The investment policy and strategy of the Fund will be to invest in Shariah-compliant stocks which are selected based on their future growth prospects. The Fund may also opt to seek investment exposure via Islamic collective investment schemes ("CIS") that is in line with the Fund's objective, subject to the requirements of the Securities Commission Malaysia ("SC") Guidelines. In addition, Islamic liquid assets may also be strategically used if we feel that the market downside risk is high in the short-term.

The asset allocation strategy for this Fund is as follows:

- between 70% to 98% (both inclusive) of the Fund's NAV will be invested in Shariah-compliant equities;
- up to 28% of the Fund's NAV in other permissible Shariah-compliant investments; and
- at least 2% of the Fund's NAV in Islamic liquid assets.

The asset allocation will be reviewed periodically depending on the country's economic and stock market outlook. In a rising market, the 98% limit may be exceeded. However, the Manager will seek to adjust this within three (3) months from the date the limit is exceeded.

Fund category/type

Equity (Shariah-compliant)/Growth

When was the Fund launched?

15 June 1995

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

RM139.16 million (189.39 million units)

What is the Fund's benchmark?

Financial Times Stock Exchange ("FTSE") Bursa Malaysia ("FBM") EMAS Shariah ("FBMS") Index

What is the Fund distribution policy?

Distribution (if any) is expected to be distributed every January at the Manager's discretion.

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

The Fund distributed a total net income of RM0.85 million to unit holders. As a result, the NAV per unit dropped from RM0.6984 to RM0.6934 on 21 January 2020 for the financial year ended 31 December 2020.

PERFORMANCE DATA

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

	31.12.2020	31.12.2019	31.12.2018
	%	%	%
Shariah-compliant quoted securities			
- Construction	4.81	1.62	4.74
- Consumer Products & Services	2.37	7.23	13.38
- Energy	8.29	18.93	9.19
- Financial Services	3.33	4.51	1.58
- Health Care	16.46	3.43	9.36
- Industrials Products & Services	15.85	6.17	11.16
- Plantation	4.89	16.18	-
- Property	0.65	6.46	0.99
- Real Estate Investment Trust ("REITs")	4.76	4.59	-
- Technology	10.97	6.93	11.57
- Telecommunications & Media	7.07	6.13	4.43
- Transportation & Logistics	5.68	1.21	0.77
- Utilities	7.74	10.72	9.78
Cash and other net assets	7.13	5.89	23.05
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	31.12.2020	31.12.2019	31.12.2018
	%	%	%
NAV (RM Million)	139.16	113.45	100.14
Units In circulation (Million)	189.39	163.23	158.38
NAV per Unit (RM)	0.7347	0.6950	0.8243
Highest NAV per unit (RM)	0.7459	0.7018	0.8244
Lowest NAV per unit (RM)	0.4982	0.6138	0.7275
Total return (%)	6.44	14.26	(18.37)
- Capital growth (%)	5.68	9.97	(23.32)
- Income distribution (%)	0.72	3.91	6.45
Management Expense Ratio ("MER") (%) ^	1.62	1.63	1.66
Portfolio Turnover Ratio ("PTR") (times) #	1.19	1.12	1.13

^ The Fund's MER decreased from 1.63% to 1.62% due to increase in average NAV during the financial year under review.

The Fund's PTR was increased from 1.12 times to 1.19 times for the financial year under review due to higher trading activities.

Date of distribution	21.01.2020	23.01.2019	26.01.2018
Gross/Net distribution per unit (sen)	0.50	2.40	5.20

	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
	%	%	%	%	%
Annual total return	6.44	14.26	(18.37)	14.86	(2.41)

(Launch date: 15 June 1995)

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 2020 TO 31 DECEMBER 2020)

For the financial year under review, the FBMS Index increased by 10.14% from 11,947.92 points to 13,159.15 points.

The optimism in the market towards the end of 2019 did not last as equities slumped and bonds rallied on heightened concerns that the spread of the COVID-19 virus will slam global economic growth.

Subsequently, Bank Negara Malaysia (“BNM”) has surprised the market in January 2020 by cutting the Overnight Policy Rate (“OPR”) by 25 basis points (“bps”) to 2.75% as the Central Bank took pre-emptive measure to support the economic growth trajectory amid benign inflationary pressure and still uncertain geopolitical tensions and policy uncertainties in a number of countries.

Malaysian market along with FBMS Index continued to descend amid concerns over uncertainty in domestic politics, COVID-19 outbreak and the poor set of lackluster corporate results. Political uncertainty engulfed Malaysia again following the shocked resignation of Tun Dr Mahathir as Prime Minister after losing a majority support in the parliament. However, the uncertainty of not having a functioning Federal Government was short-lived as the King has appointed Tan Sri Muhyiddin Yasin as the 8th Prime Minister after determining that the latter is likely to get a majority support in the parliament. In his last act as interim prime minister, Tun Dr Mahathir unveiled a Malaysian Ringgit (“MYR”)20 billion stimulus package to mitigate the adverse economic impact from the COVID-19 outbreak. He furthers lower Malaysia Gross Domestic Product (“GDP”) growth forecast in 2020 from 4.8% to 3.2% to 4.2% while raising the fiscal deficit target from 3.2% to 3.4%.

FBMS Index declined 9.14% in March 2020 as concerns over the COVID-19 outbreak intensified which was further exacerbated by the sharp 47% fall in Brent crude oil price following the breakdown in talks between Saudi Arabia and Russia to extend the Organization of the Petroleum Exporting Countries (“OPEC”) production cut agreement. The Malaysian government has enforced an initial 2 week Movement Control Order (“MCO”) since 18 March 2020 which was extended until 14 April 2020 as the number of new COVID-19 infections spiked. To mitigate the economic impact of COVID-19 and MCO, a RM250 billion stimulus package was announced with the primary focus of (i) sustaining private consumption and confidence, (ii) preserving the viability and continuity of domestic business entities; and (iii) strengthening the domestic economy. Furthermore, on the backdrop of a disappointing 4Q19 GDP growth of 3.6% (versus 4.1% street expectation) and a weaker Purchasing Managers’ Index (“PMI”) reading of 48.5 in February 2020, BNM has followed through with its second interest rate cut this year as it lowers the OPR by 25 bps to 2.50% in its March 2020 Monetary Policy Committee (“MPC”) meeting. The Central Bank continues to take pre-emptive measure to support the economic growth trajectory amid slower growth outlook due to the COVID-19 outbreak and weak commodity markets.

Subsequently, a liquidity driven relief rally lifted the FBMS Index by 7.77% in April 2020 led mainly by technology stocks. The sharp turnaround in investors’ sentiment was driven by coordinated fiscal and monetary responses globally following the COVID-19 outbreak which led to a sharp recession as economic activities came to a halt.

The rally continued in May 2020 driven mainly by glove and technology stocks. The former was due to rising average selling price amid tight global supply of medical gloves and the latter on the back of demand resiliency coming from 5G, Internet of Things and medical life-sciences. First quarter of 2020 GDP growth fell sharply to 0.7% as the impact of the global pandemic and the subsequent lockdown severely impacted macroeconomic conditions. Exports fell sharply by 7.1% due to global supply chain disruption following lockdowns. Gross fixed capital formation fell 4.6% as businesses and government curtailed investment spending given uncertain outlook. While second quarter of 2020 GDP is expected to slide further given the full impact of nationwide lockdown during the MCO, recovery is expected from third quarter of 2020 onwards as the nation prepares to exit from lockdown.

MARKET REVIEW (1 JANUARY 2020 TO 31 DECEMBER 2020) (CONTINUED)

In line with other countries, expectations is rising that the Government will end the MCO soon. This will set the stage for a much broader economic recovery as almost all business activities will resume although the pace of recovery will likely be gradual as social distancing practice will remain a norm for some time to come. To provide further boost to the domestic economy, the government has announced an additional RM35 billion stimulus packages on 5 June 2020 to aid the economy during its post-lockdown recovery phase. This is in addition to the RM260 billion Prihatin Rakyat Economic Stimulus Package which has been announced earlier. The central bank has also played its role in ensuring that its monetary stance remains accommodative and has cut the OPR by a further 50 bps to 2.0% in early May 2020.

Subsequently, FBMS Index was facing some profit-taking activities after the strong surge since late March 2020 as there are concern of second wave of COVID-19 new infections after MCO is being lifted gradually. Over the course of June, the government has announced further RM35 billion stimulus under National Economic Recovery Plan (“PENJANA”) which consists of RM10 billion in direct fiscal injections, RM8 billion in tax incentives and the rest via measures by public sector entities. The government also announced that it is offering up to 100% sales tax exemption for Completely Knocked Down (“CKD”) and Completely Build-Up (“CBU”) vehicles from 15 June 2020 till 31 December 2020 while property sector will be boosted by reintroduction of the Home Ownership Campaign (“HOC”), exemption of individuals’ Real Property Gain Tax (“RPGT”) and the lifting of the maximum loan-to-value ratio (“LTV”) to 70%.

In July 2020, Malaysia equity market continued to have a strong rally, outperforming its regional peers. The healthcare sector was again the star of the month as the continued rise in global COVID-19 new cases underpinned the spike in demand for Personal Protective Equipment (“PPE”) including gloves. This led to a 68.0% month-on-month (“m-o-m”) gain in Bursa Malaysia Healthcare Index. Besides healthcare, technology (+24.4% m-o-m) and plantation (+6.5% m-o-m) are the two other notable sectors which also contributed to the broad rally.

Nonetheless, the rally was not sustained into the month of August 2020 as market sentiment dented by subdued second quarter of 2020 corporate earnings results despite earlier expectation of severe earnings contraction due to the full impact of MCO. The earnings disappointment was further compounded by the absence of any interim dividends by the banks to preserve capital against potential losses as the end of loan moratorium loomed.

The market continued to slide in September 2020 affected by selling pressure on the Healthcare sector, due to the correction in glove stocks on vaccine development news flow, as well as the sell-down of some blue-chip stocks amid continued net outflow by foreign institutional investors. Politics was another dampener the equity market (especially for the foreign investors). Given slim majority of the current government, there was concern of snap general election may be called soon. Any potential change in Government could lead to policy uncertainty, thus negatively impacting the markets in the short term.

The equity market slipped for third consecutive month in October 2020 since staging a strong rally in July 2020. The sharp rise in COVID-19 post Sabah state election resulted in the implementation of Conditional MCO (“CMCO”). Despite assurance that all economic sectors would be allowed to operate during the implementation of CMCO, productivity and consumer sentiment as well as spending would be affected. Politics also took the limelight in October 2020 when there was news that the Prime Minister had proposed to the King to call for a state of emergency for the country, which was later declined by the King. With threats to the economy were growing by the day, the market hoped that the Budget 2021 would provide enough economic stimulus to steer past the COVID-19 and providing enough safety net for the Bottom 40 (“B40”). Warily, there would a threat that the Budget 2021 may not get enough support for approval.

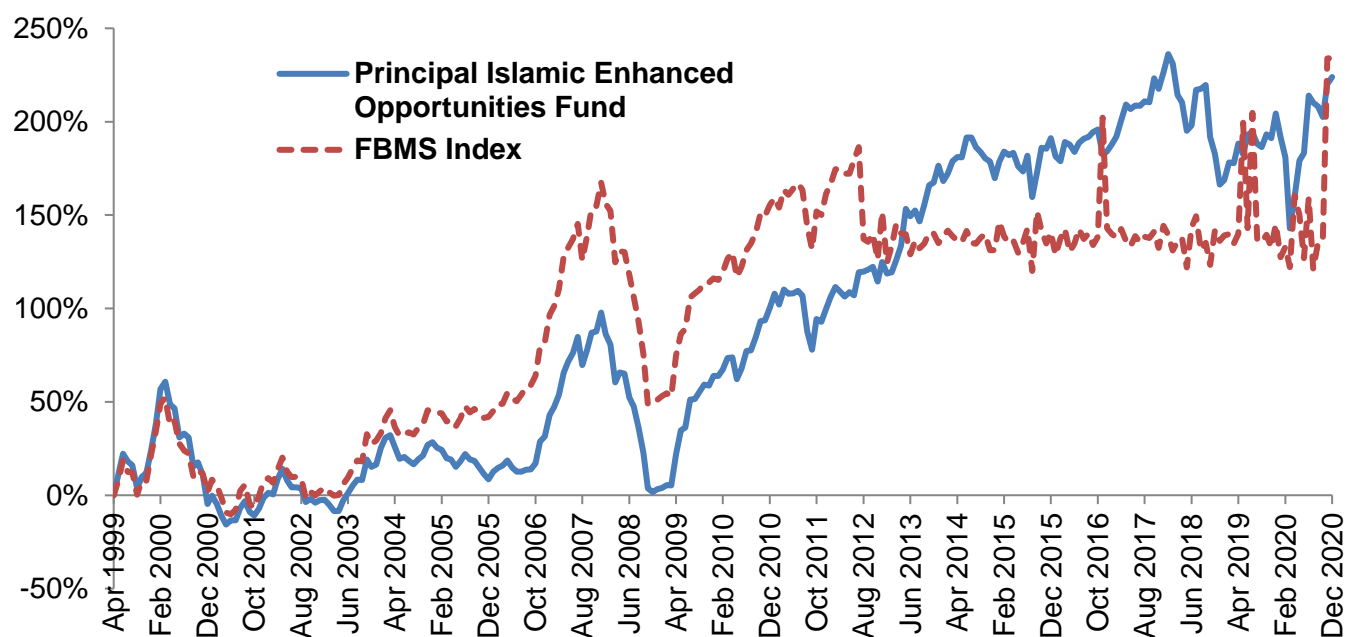
MARKET REVIEW (1 JANUARY 2020 TO 31 DECEMBER 2020) (CONTINUED)

Following the news of COVID-19 vaccine breakthrough in November, FBMS Index along with global markets staged a strong rally as investors switched into the COVID-19 recovery play in the market. However, FBMS Index underperformed FBM Kuala Lumpur Composite Index (“KLCI”) due to profit taking in healthcare sector as market participants continued to switch from gloves makers to recovery play such as banks, properties, commodities related sectors.

FUND PERFORMANCE

	1 year to 31.12.2020	3 years to 31.12.2020	5 years to 31.12.2020	Since inception 31.12.2020
	%	%	%	%
Income Distribution	0.72	11.40	25.43	164.17
Capital Growth	5.68	(10.88)	(11.26)	22.10
Total Return	6.44	(0.72)	11.29	224.01
Benchmark	10.14	(1.08)	2.80	234.11
Average Total Return	6.44	(0.24)	2.16	4.71

For the financial year under review, the Fund gained by 6.44%, while the benchmark gained by 10.14%. As such, the Fund underperformed its benchmark by 3.70%.



Changes in NAV

	31.12.2020	31.12.2019	Changes %
NAV (RM million)	139.16	113.45	22.66
NAV/Unit (RM)	0.7347	0.6950	5.71

The NAV has increased by 22.66% due to fund creations while the NAV per unit has increased by 5.71% due to 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.

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	31.12.2020	31.12.2019
Shariah-compliant quoted securities	92.87	94.11
Cash and other net assets	7.13	5.89
TOTAL	100.00	100.00

The allocation towards cash and other net assets has increased to 7.13% as the Fund took some profit towards the end of 2020.

MARKET OUTLOOK *

The FBM KLCI posted a second consecutive month of gains as investors continued to position into the COVID-19 recovery play in the market, following news of COVID-19 vaccine breakthroughs in November. On top of that, the Ministry of Health (“MOH”) announced that it has revised the quarantine period from two weeks to 10 days for all travellers and close contacts of COVID-19 positive patients. On the budget front, the opposition failed in its attempt to thwart Budget 2021 as it was passed in the final approval stage in the Dewan Rakyat today via a bloc vote. The vote ended with 111 Members of Parliament (“MPs”) in favour and 108 MPs against the passing of the budget. Despite the downgrade in rating by Fitch from ‘A-’ to ‘BBB+’, MYR and bond yield remained stable. To end the year 2020 on a positive note, the Ministry of Finance announced the extension of the vehicle sales tax exemption period, due to expire on 31 December 2020, by a further six months until 30 June 2021.

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

INVESTMENT STRATEGY

The approval of 2021 Budget by the Parliament was the biggest short-term positive development that would help to alleviate political risk in Malaysia. Despite noises of a possible no confidence vote against the Prime Minister and the Budget 2021, it was passed smoothly and all measures will be implemented in 2021. With major headwinds (US Presidential Election and Malaysia Budget 2021) are now being addressed and cheap valuations, we are now cautiously optimistic for the first half of 2021. Earlier hope for rapid recovery in fourth quarter of 2020 may be dented (due to resurgence of COVID-19 globally) but we are now confident of a sustainable economic recovery in the first half of 2021. Sector in focus for will be on Bank and Financial Services, Consumer, Technology and Commodity-related, whilst at the same time reducing our position on the Healthcare and REIT sectors.

UNIT HOLDINGS STATISTICS

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

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	3,621	9.80	5.18
5,001-10,000	2,296	16.48	8.70
10,001-50,000	3,433	73.41	38.76
50,001-500,000	727	73.27	38.69
500,001 and above	14	16.43	8.67
Total	10,091	189.39	100.00

SOFT COMMISSIONS AND REBATES

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

During the financial year under review, the Manager and the Trustee did not receive any rebates from the brokers or 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.

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC ENHANCED OPPORTUNITIES FUND**

We, being the Directors of Principal Asset Management Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 16 to 46 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 2020 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.: 199401018399 (304078-K))

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
16 February 2021

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC ENHANCED OPPORTUNITIES FUND**

We, Amanahraya Trustees Berhad, have acted as Trustee of Principal Islamic Enhanced Opportunities Fund for the financial year ended 31 December 2020. In our opinion, Principal Asset Management Berhad, the Manager, has operated and managed Principal Islamic Enhanced Opportunities Fund in accordance with the limitations imposed on the investment powers of the management company and under the Deed, securities laws and the applicable Guidelines on Unit Trust Funds during the financial year then ended.

We are of the opinion that:

- (a) Valuation and pricing is carried out in accordance with the Deed and any regulatory requirement;
- (b) Creation and cancellation of units are carried out in accordance with the Deed and other regulatory requirements; and
- (c) The distribution of income made by Principal Islamic Enhanced Opportunities Fund as declared by the Manager is appropriate and reflects the investment objective of Principal Islamic Enhanced Opportunities Fund.

Yours faithfully

Amanahraya Trustees Berhad,

ZAINUDIN BIN SUHAIMI

Deputy Chief Executive Officer

Kuala Lumpur, Malaysia

13 February 2021

Shariah Adviser's Report

To the Unit Holders of Principal Islamic Enhanced Opportunities Fund ("Fund")

For the Financial Year ended 31 December 2020

We hereby confirm the following:

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

For Amanie Advisors Sdn Bhd

Datuk Dr Mohd Daud Bakar
Executive Chairman

Kuala Lumpur
10 February 2021

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC ENHANCED OPPORTUNITIES FUND**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Principal Islamic Enhanced Opportunities Fund (the "Fund"), which comprise the statement of financial position as at 31 December 2020, and statement of comprehensive income, statement of changes in equity and statement of cash flows of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 16 to 46.

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

Basis for opinion

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC ENHANCED OPPORTUNITIES FUND (CONTINUED)**

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

Responsibilities of the Manager for the financial statements

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

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

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

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.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC ENHANCED OPPORTUNITIES FUND (CONTINUED)**

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

Auditors' responsibilities for the audit of the financial statements (cont'd.)

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC ENHANCED OPPORTUNITIES FUND (CONTINUED)**

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

Other matters

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

The financial statements of the Fund for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 13 February 2020.

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

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No. 03013/10/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
16 February 2021

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	2020 RM	2019 RM
INCOME			
Dividend income		2,981,443	2,138,673
Profit income from Shariah-compliant deposits with licensed Islamic financial institutions and Hibah earned		235,813	449,365
Net gain on financial assets at fair value through profit or loss	8	9,208,181	14,182,807
		12,425,437	16,770,845
EXPENSES			
Management fee	4	1,848,727	1,633,879
Trustee fee	5	110,924	98,033
Audit fee		9,400	13,600
Tax agent's fee		6,826	4,400
Transaction costs		737,082	641,513
Other expenses		35,706	41,253
		2,748,665	2,432,678
PROFIT BEFORE TAXATION		9,676,772	14,338,167
Taxation	7	-	-
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		9,676,772	14,338,167
Profit after taxation is made up as follows:			
Realised amount		9,529,847	2,412,771
Unrealised amount		146,925	11,925,396
		9,676,772	14,338,167

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 RM	2019 RM
ASSETS			
Cash and cash equivalents	9	8,854,900	7,525,388
Financial assets at fair value through profit or loss	8	129,233,840	106,771,270
Amount due from stockbrokers		1,013,205	24,460
Amount due from Manager		1,079,930	209,590
Dividends receivable		221,650	226,022
Tax recoverable		59,660	59,660
TOTAL ASSETS		<u>140,463,185</u>	<u>114,816,390</u>
LIABILITIES			
Amount due to stockbrokers		694,500	722,935
Amount due to Manager		403,729	473,322
Accrued management fee		176,678	142,933
Amount due to Trustee		10,601	8,576
Other payables and accruals		16,400	16,700
TOTAL LIABILITIES		<u>1,301,908</u>	<u>1,364,466</u>
NET ASSET VALUE OF THE FUND		<u>139,161,277</u>	<u>113,451,924</u>
EQUITY			
Unit holders' capital		123,904,182	107,020,879
Retained earnings		15,257,095	6,431,045
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>139,161,277</u>	<u>113,451,924</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	<u>189,387,426</u>	<u>163,226,493</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.7347</u>	<u>0.6950</u>

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 January 2020		107,020,879	6,431,045	113,451,924
Movement in unit holders' contributions:				
- Creation of units from applications		80,107,028	-	80,107,028
- Creation of units from distribution		823,579	-	823,579
- Cancellation of units		(64,047,304)	-	(64,047,304)
Total comprehensive income for the financial year		-	9,676,772	9,676,772
Distribution	6	-	(850,722)	(850,722)
Balance as at 31 December 2020		<u>123,904,182</u>	<u>15,257,095</u>	<u>139,161,277</u>
Balance as at 1 January 2019		104,264,920	(4,123,744)	100,141,176
Movement in unit holders' contributions:				
- Creation of units from applications		24,689,594	-	24,689,594
- Creation of units from distribution		3,644,325	-	3,644,325
- Cancellation of units		(25,577,960)	-	(25,577,960)
Total comprehensive income for the financial year		-	14,338,167	14,338,167
Distribution	6	-	(3,783,378)	(3,783,378)
Balance as at 31 December 2019		<u>107,020,879</u>	<u>6,431,045</u>	<u>113,451,924</u>

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

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of Shariah-compliant quoted securities		138,999,966	117,367,175
Purchases of Shariah-compliant quoted securities		(153,850,376)	(131,206,866)
Dividend income received		2,827,574	2,045,130
Profit income received from Shariah-compliant deposits with licensed Islamic financial institutions and Hibah earned		235,813	449,365
Management fee paid		(1,814,982)	(1,620,975)
Trustee fee paid		(108,899)	(97,259)
Payments for other fees and expenses		(52,232)	(60,253)
Net cash used in operating activities		<u>(13,763,136)</u>	<u>(13,123,683)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		79,236,688	24,690,535
Payments for cancellation of units		(64,116,897)	(25,131,882)
Distribution paid		(27,143)	(139,053)
Net cash generated from/(used in) financing activities		<u>15,092,648</u>	<u>(580,400)</u>
Net increase/(decrease) in cash and cash equivalents		1,329,512	(13,704,083)
Cash and cash equivalents at the beginning of the financial year		<u>7,525,388</u>	<u>21,229,471</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>8,854,900</u></u>	<u><u>7,525,388</u></u>
<u>Cash and cash equivalents comprised of:</u>			
Shariah-compliant deposits with licensed Islamic financial institutions		8,674,485	7,466,978
Bank balance		<u>180,415</u>	<u>58,410</u>
Cash and cash equivalents at the end of financial year	9	<u><u>8,854,900</u></u>	<u><u>7,525,388</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal Islamic Enhanced Opportunities Fund (the “Fund”) is governed by a Principal Master Deed dated 15 May 2008, a First Supplemental Deed dated 26 May 2008, a Third Supplemental Master Deed dated 25 June 2008, a Sixth Supplemental Master Deed dated 14 July 2008, a Seventh Supplemental Master Deed dated 19 November 2008, a Twelfth Supplemental Master Deed dated 14 June 2010, a Fourteenth Supplemental Master Deed dated 26 June 2012, a Seventeenth Supplemental Master Deed dated 25 March 2015 and a Nineteen Supplemental Master Deed dated 18 June 2019 (collectively referred to as the “Deeds”), made between Principal Asset Management Berhad (the “Manager”) and AmanahRaya Trustee Berhad (the “Trustee”).

The Fund may invest a minimum of 70% and up to a maximum of 98% of the Fund’s NAV in local Shariah-compliant equities. The Fund may also invest up to 28% of its NAV in other permissible Shariah-compliant investments. As an aggressive Fund, the Fund will be managed with higher beta and tracking error. The investment policy and strategy of the Fund will be to invest in Shariah-compliant stocks which are selected based on their future growth prospects. The Fund may also opt to seek investment exposure via Islamic CIS that is in line with the Fund’s objective, subject to the requirements of the SC Guidelines. In addition, Islamic liquid assets may also be strategically used if we feel that the market downside risk is high in the short-term.

The asset allocation strategy for this Fund is as follows:

- between 70% to 98% (both inclusive) of the Fund’s NAV will be invested in Shariah-compliant equities;
- up to 28% of the Fund’s NAV in other permissible Shariah-compliant investments; and
- at least 2% of the Fund’s NAV in Islamic liquid assets.

The asset allocation will be reviewed periodically depending on the country’s economic and stock market outlook. In a rising market, the 98% limit may be exceeded. However, the Manager will seek to adjust this within three (3) months from the date the limit is exceeded.

All investments are subjected to the SC Guidelines on Unit Trust Funds, SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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(k).

There are no other standards, amendments to standards or interpretations effective for financial year beginning on 1 January 2020 that have a material effect on the financial statements of the Fund.

None of the standards, amendments to standards or interpretations that are effective for the financial year beginning on/after 1 January 2021 are applicable to 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. Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income ("OCI").

The contractual cash flows of the Fund's debt securities are solely principal and interest¹ ("SPPI"). However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

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

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

Recognition and measurement

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

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

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

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

Unrealised gains or losses 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 quoted securities in Malaysia are valued at the last done market price quoted on Bursa Malaysia Securities Berhad ("Bursa Securities") at the date of the statement of financial position.

If a valuation based on the market price does not represent the fair value of the Shariah-compliant quoted securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the Shariah-compliant quoted securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the Shariah-compliant quoted securities are valued as determined in good faith by the Manager, based on the methods or basis approved by the Trustee after appropriate technical consultation.

Shariah-compliant deposits with licensed Islamic financial institutions are stated at cost plus accrued profit calculated on the effective profit method over the period from the date of placement to the date of maturity of the respective deposits.

Financial asset 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 consider both historical analysis and forward looking information in determining any ECL. The Manager consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month ECL as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

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.

For Shariah-compliant quoted securities, realised gains and losses on sale of investments are accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

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 quoted securities is accounted for as the difference between the net disposal proceeds and the carrying amount of Shariah-compliant quoted securities, 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) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balance and Shariah-compliant 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 subject to an insignificant risk of changes in value.

(g) Taxation

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

Withholding taxes on investment income from investment is based on tax regime of the respective countries that the Fund invests in. They are presented within other expenses line in the statement of comprehensive income.

(h) Transaction costs

Transaction costs are costs incurred to acquire or dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

(i) Amount due from/to stockbrokers

Amounts due from/to stockbrokers represent receivables for Shariah-compliant quoted securities sold and payables for Shariah-compliant quoted securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

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

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

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

(j) Distribution

A distribution to the Fund's unit holders is accounted for as a deduction from realised reserve. A proposed distribution is recognised as a liability in the financial year in which it is approved by the Trustee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

In undertaking any of the Fund's Shariah-compliant 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 Unit Trust Funds.

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2020			
Cash and cash equivalents (Note 9)	-	8,854,900	8,854,900
Shariah-compliant quoted securities (Note 8)	129,233,840	-	129,233,840
Amount due from stockbrokers	-	1,013,205	1,013,205
Amount due from Manager	-	1,079,930	1,079,930
Dividends receivable	-	221,650	221,650
	<u>129,233,840</u>	<u>11,169,685</u>	<u>140,403,525</u>
2019			
Cash and cash equivalents (Note 9)	-	7,525,388	7,525,388
Shariah-compliant quoted securities (Note 8)	106,771,270	-	106,771,270
Amount due from stockbrokers	-	24,460	24,460
Amount due from Manager	-	209,590	209,590
Dividends receivable	-	226,022	226,022
	<u>106,771,270</u>	<u>7,985,460</u>	<u>114,756,730</u>

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

The Fund aims to earn reasonable returns for investors by investing in approved equities listed on Bursa Malaysia as well as unlisted securities and other non-interest bearing assets acceptable under Shariah principles.

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and interest rate 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 Unit Trust Funds.

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

(a) Market risk

(i) Price risk

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

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

	2020 RM	2019 RM
Financial assets at fair value through profit or loss:		
- Shariah-compliant quoted securities	<u>129,233,840</u>	<u>106,771,270</u>

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

% Change in price of Shariah-compliant quoted securities	Market Value RM	Impact on profit or loss /NAV RM
2020		
-5%	122,772,148	(6,461,692)
0%	129,233,840	-
+5%	<u>135,695,532</u>	<u>6,461,692</u>
2019		
-5%	101,432,707	(5,338,563)
0%	106,771,270	-
+5%	<u>112,109,834</u>	<u>5,338,564</u>

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

(a) Market risk (continued)

(ii) Interest rate risk

Interest rate is a general economic indicator that will have an impact on the management of the Fund.

It does not in any way suggest that this Fund will invest in conventional financial instruments. All investment carried out for the Fund including placements and deposits are in accordance with Shariah.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund's exposure to fair value interest rate risk arises from Shariah-compliant investment in money market instruments. The interest rate risk is expected to be minimal as the Fund's investments comprise mainly Shariah-compliant short term deposits with approved licensed Islamic financial institutions.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is not exposed to cash flow interest rate risk as the Fund does not hold any financial instruments at variable interest rate.

The weighted average effective profit rate per annum is as follows:

	2020 %	2019 %
Shariah-compliant deposits with licensed Islamic financial institutions	1.74	3.06

(b) Credit risk

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

The credit risk arising from placements of Shariah-compliant deposits in licensed Islamic financial institutions is managed by ensuring that the Fund will only place Shariah-compliant deposits in reputable licensed Islamic financial institutions.

For amount due from stockbrokers, the settlement terms of the proceeds from the creation of units' receivable from the Manager are governed by the SC Guidelines on Unit Trust Funds.

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

(b) Credit risk (continued)

For amount due from Manager, the settlement terms are governed by the relevant rules and regulations as prescribed by respective stock exchange. The credit risk is minimal as all transactions in Shariah-compliant quoted securities are settled/paid upon delivery using approved stockbrokers.

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

	Cash and cash equivalents RM	Amount due from stockbrokers RM	Amount due from Manager RM	Dividends receivable RM	Total RM
2020					
- AAA	8,854,900	-	-	-	8,854,900
- Not Rated	-	1,013,205	1,079,930	221,650	2,314,785
	<u>8,854,900</u>	<u>1,013,205</u>	<u>1,079,930</u>	<u>221,650</u>	<u>11,169,685</u>
2019					
- AAA	7,525,388	-	-	-	7,525,388
- Not Rated	-	24,460	209,590	226,022	460,072
	<u>7,525,388</u>	<u>24,460</u>	<u>209,590</u>	<u>226,022</u>	<u>7,985,460</u>

Shariah-compliant deposits with licensed Islamic financial institutions of the Fund have an average remaining maturity of 5 days (2019: 7 days).

(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 and Shariah-compliant deposits with licensed Islamic financial institutions, which are capable of being converted into cash within 7 business days. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

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

(c) Liquidity risk (continued)

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

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2020			
Amount due to stockbrokers	694,500	-	694,500
Amount due to Manager	403,729	-	403,729
Accrued management fee	176,678	-	176,678
Amount due to Trustee	10,601	-	10,601
Other payables and accruals	-	16,400	16,400
Contractual undiscounted cash flow	<u>1,285,508</u>	<u>16,400</u>	<u>1,301,908</u>
2019			
Amount due to stockbrokers	722,935	-	722,935
Amount due to Manager	473,322	-	473,322
Accrued management fee	142,933	-	142,933
Amount due to Trustee	8,576	-	8,576
Other payables and accruals	-	16,700	16,700
Contractual undiscounted cash flow	<u>1,347,766</u>	<u>16,700</u>	<u>1,364,466</u>

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holder's capital of RM123,904,182 (2019: RM107,020,879) and retained earnings of RM15,257,095 (2019: RM6,431,045). The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(e) Fair value estimation**

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

The fair value of financial assets traded in active markets (such as trading securities) is 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 market price falls within the bid-ask spread. In circumstances where the last traded market price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

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

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

(i) Fair value hierarchy

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

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

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

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

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

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

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2020				
Financial assets at fair value through profit or loss:				
- Shariah-compliant quoted securities	129,233,840	-	-	129,233,840
2019				
Financial assets at fair value through profit or loss:				
- Shariah-compliant quoted securities	106,771,270	-	-	106,771,270

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

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

4. MANAGEMENT FEE

In accordance with the Deeds, the Manager is entitled to a maximum management fee of 1.50% per annum calculated daily based on the NAV of the Fund.

For the financial year ended 31 December 2020, the Manager's fee is recognised at a rate of 1.50% per annum (2019: 1.50% per annum).

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

5. TRUSTEE FEE

In accordance with Deeds, the Trustee is entitled to a fee not exceeding 0.09% per annum calculated daily based on the NAV of the Fund. The Trustee fee includes the local custodian fee but excludes the foreign sub-custodian fee (if any).

For the financial year ended 31 December 2020, the Trustee fee is recognised at a rate of 0.09% per annum (2019: 0.09% per annum).

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

6. DISTRIBUTION

Distribution to unit holders is derived from the following sources:

	2020	2019
	RM	RM
Dividend income	736,672	60,758
Profit income	171,961	37,425
Prior financial year's realised gain	1,432,474	3,819,731
	2,341,107	3,917,914
Less:		
Expenses	(1,490,385)	(134,536)
Net distribution amount	850,722	3,783,378
Final distribution on 21.01.2020		
Gross/Net distribution per unit (sen)	0.50	-
Final distribution on 23.01.2019		
Gross/Net distribution per unit (sen)	-	2.40

Gross distribution is derived using total income less total expenses. Net distribution above is sourced from current and prior financial years' realised income.

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

7. TAXATION

	2020	2019
	RM	RM
Tax charged for the financial year:		
- Current taxation	<u>-</u>	<u>-</u>

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

	2020	2019
	RM	RM
Profit before taxation	<u>9,676,772</u>	<u>14,338,167</u>
Taxation at Malaysian statutory rate of 24% (2019: 24%)	2,322,425	3,441,160
Tax effects of:		
- Investment income not subject to tax	(2,982,105)	(4,025,003)
- Expenses not deductible for tax purposes	211,219	184,480
- Restriction on tax deductible expenses for Unit Trust Funds	<u>448,461</u>	<u>399,363</u>
Taxation	<u>-</u>	<u>-</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RM	RM
At fair value through profit or loss:		
- Shariah-compliant quoted securities	<u>129,233,840</u>	<u>106,771,270</u>
Net gain on financial assets at fair value through profit or loss:		
- Realised gain on disposals	9,061,256	2,257,411
- Unrealised fair value gain	<u>146,925</u>	<u>11,925,396</u>
	<u>9,208,181</u>	<u>14,182,807</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2020				
SHARIAH-COMPLIANT QUOTED SECURITIES				
Construction				
GDB Holdings Bhd	2,899,500	2,758,303	2,711,033	1.95
IJM Corporation Bhd	2,303,100	3,672,530	3,984,363	2.86
	<u>5,202,600</u>	<u>6,430,833</u>	<u>6,695,396</u>	<u>4.81</u>
Consumer Products & Services				
DRB-Hicom Bhd	324,100	649,372	674,128	0.48
Fraser & Neave Holding Bhd	44,700	1,466,798	1,433,975	1.04
Sime Darby Bhd	514,002	1,112,359	1,187,345	0.85
	<u>882,802</u>	<u>3,228,529</u>	<u>3,295,448</u>	<u>2.37</u>
Energy				
Dialog Group Bhd	1,477,800	5,038,430	5,098,410	3.66
Hibiscus Petroleum Bhd	6,200,900	4,607,383	3,596,522	2.58
Serba Dinamik Holdings Bhd	527,390	1,076,948	928,206	0.67
Yinson Holdings Bhd	334,300	1,920,440	1,922,225	1.38
	<u>8,540,390</u>	<u>12,643,201</u>	<u>11,545,363</u>	<u>8.29</u>
Financial Services				
BIMB Holding Bhd	936,450	3,975,955	3,989,277	2.87
Syarikat Takaful Malaysia Keluarga Bhd	133,300	751,533	645,172	0.46
	<u>1,069,750</u>	<u>4,727,488</u>	<u>4,634,449</u>	<u>3.33</u>
Health Care				
Duopharma Biotech Bhd	95,700	313,035	323,466	0.23
Hartalega Holding Bhd	565,000	7,006,794	6,859,100	4.93
IHH Healthcare Bhd	361,000	1,972,945	1,985,500	1.43
Kossan Rubber Industries Bhd	670,600	4,094,155	3,017,700	2.17
KPJ Healthcare Bhd	1,214,900	1,195,391	1,214,900	0.87
Optimax Holdings Bhd	3,154,800	2,728,935	2,933,964	2.11
Top Glove Corporation Bhd	1,072,900	5,649,916	6,566,148	4.72
	<u>7,134,900</u>	<u>22,961,171</u>	<u>22,900,778</u>	<u>16.46</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2020 (CONTINUED)				
SHARIAH-COMPLIANT				
QUOTED SECURITIES				
(CONTINUED)				
Industrial Products & Services				
ATA IMS Bhd	1,213,800	2,717,191	2,888,844	2.08
Cahaya Mata Sarawak Bhd	323,700	692,242	686,244	0.49
HSS Engineers Bhd	1,222,000	928,798	800,410	0.58
Kelington Group Bhd	1,086,900	1,224,289	1,836,861	1.32
Petronas Chemicals Group Bhd	539,800	3,735,805	4,010,714	2.88
Press Metal Aluminium Holding Bhd	749,000	3,887,514	6,284,110	4.52
Solarvest Holdings Bhd	721,200	858,043	1,363,068	0.98
V.S. Industry Bhd	1,609,678	4,208,548	4,169,066	3.00
	<u>7,466,078</u>	<u>18,252,430</u>	<u>22,039,317</u>	<u>15.85</u>
Plantation				
IOI Corporation Bhd	151,500	680,914	662,055	0.48
Kuala Lumpur Kepong Bhd	88,651	2,061,543	2,099,256	1.51
Sime Darby Plantation Bhd	807,767	4,144,795	4,030,757	2.90
	<u>1,047,918</u>	<u>6,887,252</u>	<u>6,792,068</u>	<u>4.89</u>
Property				
SP Setia Bhd	912,500	844,215	903,375	0.65
REIT				
Axis REIT	2,011,909	4,146,040	4,084,175	2.93
KLCCP Stapled Group	359,900	2,891,920	2,548,092	1.83
	<u>2,371,809</u>	<u>7,037,960</u>	<u>6,632,267</u>	<u>4.76</u>
Technology				
D&O Green Technologies Bhd	2,624,100	2,193,571	5,982,948	4.30
Inari Amertron Bhd	1,317,400	3,467,067	3,636,024	2.61
JHM Consolidation	1,150,200	1,404,157	2,196,882	1.58
MI Technovation Bhd	874,400	3,654,541	3,445,136	2.48
	<u>5,966,100</u>	<u>10,719,336</u>	<u>15,260,990</u>	<u>10.97</u>
Telecommunications/ Media				
Axiata Group Bhd	1,526,946	6,005,143	5,710,778	4.10
Maxis Bhd	219,000	1,201,609	1,105,950	0.79
Telekom Malaysia Bhd	560,300	2,436,875	3,031,223	2.18
	<u>2,306,246</u>	<u>9,643,627</u>	<u>9,847,951</u>	<u>7.07</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2020 (CONTINUED)				
SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
Transportation/Logistics				
MISC Bhd	470,300	3,667,872	3,230,961	2.32
Pos Malaysia Bhd	3,351,800	3,739,724	4,055,678	2.91
Westports Holdings Bhd	146,300	573,182	629,090	0.45
	<u>3,968,400</u>	<u>7,980,778</u>	<u>7,915,729</u>	<u>5.68</u>
Utilities				
Ranhill Utilities Bhd	435,895	434,041	394,485	0.28
Taliworks Corp Bhd	2,125,166	1,854,471	1,774,514	1.28
Tenaga Nasional Bhd	825,500	11,224,824	8,601,710	6.18
	<u>3,386,561</u>	<u>13,513,336</u>	<u>10,770,709</u>	<u>7.74</u>
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES	<u>50,256,054</u>	<u>124,870,157</u>	<u>129,233,840</u>	<u>92.87</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>4,363,684</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>129,233,840</u>		

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019				
SHARIAH-COMPLIANT QUOTED SECURITIES				
Construction				
Gamuda Bhd	60,500	229,858	235,950	0.21
IJM Corporation Bhd	249,900	555,082	542,283	0.48
Muhibbah Engineering (M) Bhd	387,100	1,099,027	952,266	0.84
TRC Synergy Bhd	239,900	160,847	105,556	0.09
	<u>937,400</u>	<u>2,044,814</u>	<u>1,836,055</u>	<u>1.62</u>
Consumer Products & Services				
Bermaz Auto Bhd	1,331,000	3,045,963	2,795,100	2.46
DRB-Hicom Bhd	1,369,600	3,113,025	3,259,648	2.87
Fraser & Neave Holdings Bhd	45,600	1,496,332	1,588,704	1.40
Sime Darby Bhd	254,402	580,787	564,772	0.50
	<u>3,000,602</u>	<u>8,236,107</u>	<u>8,208,224</u>	<u>7.23</u>
Energy				
Dayang Enterprise Holdings Bhd	1,567,900	3,529,601	3,935,429	3.47
Dialog Group Bhd	1,327,100	3,605,686	4,578,495	4.03
Hibiscus Petroleum Bhd	3,341,000	3,088,659	3,140,540	2.77
Sapura Energy Bhd	10,107,300	3,098,210	2,728,971	2.41
Serba Dinamik Holdings Bhd	394,590	672,552	868,098	0.77
Serba Dinamik Holdings Bhd - Warrant #	112,740	-	49,606	0.04
Wah Seong Corporation Bhd	1,971,200	2,170,385	2,365,440	2.08
Yinson Holdings Bhd	587,700	2,549,636	3,808,296	3.36
	<u>19,409,530</u>	<u>18,714,729</u>	<u>21,474,875</u>	<u>18.93</u>
Financial Services				
BIMB Holdings Bhd	989,700	4,260,185	4,354,680	3.84
Syarikat Takaful Malaysia Keluarga Bhd	133,300	751,533	759,810	0.67
	<u>1,123,000</u>	<u>5,011,718</u>	<u>5,114,490</u>	<u>4.51</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED)				
SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
Health Care				
Duopharma Biotech Bhd	811,168	932,210	1,151,859	1.02
KPJ Healthcare Bhd	1,586,000	1,695,715	1,498,770	1.32
Top Glove Corporation Bhd	264,100	1,259,031	1,241,270	1.09
	<u>2,661,268</u>	<u>3,886,956</u>	<u>3,891,899</u>	<u>3.43</u>
Industrial Products & Services				
Chemical Company of Malaysia Bhd	673,166	1,165,826	827,994	0.73
HSS Engineers Bhd	540,300	512,766	456,553	0.39
Petronas Chemicals Group Bhd	228,000	1,917,194	1,675,800	1.48
Press Metal Aluminium Holdings Bhd	668,200	3,200,964	3,107,130	2.74
Uchi Technologies Bhd	338,000	936,535	939,640	0.83
	<u>2,447,666</u>	<u>7,733,285</u>	<u>7,007,117</u>	<u>6.17</u>
Plantation				
IOI Corporation Bhd	973,400	4,374,925	4,487,374	3.96
Kuala Lumpur Kepong Bhd	236,300	5,573,229	5,860,240	5.17
Sime Darby Plantation Bhd	1,466,800	7,569,293	7,994,060	7.05
	<u>2,676,500</u>	<u>17,517,447</u>	<u>18,341,674</u>	<u>16.18</u>
Property				
Malaysian Resources Corporation Bhd	1,773,400	1,600,752	1,294,582	1.14
Sime Darby Property Bhd	3,751,900	2,852,255	3,432,988	3.03
SP Setia Bhd	1,625,000	2,272,780	2,600,000	2.29
	<u>7,150,300</u>	<u>6,725,787</u>	<u>7,327,570</u>	<u>6.46</u>
REITs				
Axis REIT	1,534,800	2,770,362	2,716,596	2.39
KLCCP Stapled Group	316,100	2,549,540	2,497,190	2.20
	<u>1,850,900</u>	<u>5,319,902</u>	<u>5,213,786</u>	<u>4.59</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED)				
SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
Technology				
D&O Green Technologies Bhd	3,005,900	2,258,558	2,555,015	2.25
Inari Amertron Bhd	540,600	1,120,556	919,020	0.81
I-STONE Group Bhd	1,653,464	278,177	405,099	0.36
JHM Consolidation Bhd	2,019,400	2,360,172	3,372,398	2.97
Revenue Group Bhd	439,500	394,767	610,905	0.54
	<u>7,658,864</u>	<u>6,412,230</u>	<u>7,862,437</u>	<u>6.93</u>
Telecommunications & Media				
Axiata Group Bhd	985,046	4,296,871	4,078,090	3.59
Binasat Communications Bhd	1,249,300	532,059	406,023	0.36
Digi.com Bhd	133,400	596,263	594,964	0.52
Telekom Malaysia Bhd	492,000	1,872,574	1,879,440	1.66
	<u>2,859,746</u>	<u>7,297,767</u>	<u>6,958,517</u>	<u>6.13</u>
Transportation & Logistics				
MISC Bhd	91,300	612,258	762,355	0.67
Westports Holdings Bhd	146,300	573,182	615,923	0.54
	<u>237,600</u>	<u>1,185,440</u>	<u>1,378,278</u>	<u>1.21</u>
Utilities				
Ranhill Holdings Bhd	431,580	430,351	461,791	0.41
Taliworks Corporation Bhd	1,144,866	1,031,019	1,018,931	0.90
Tenaga Nasional Bhd	805,100	11,006,959	10,675,626	9.41
	<u>2,381,546</u>	<u>12,468,329</u>	<u>12,156,348</u>	<u>10.72</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED)				
SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES	<u>54,394,922</u>	102,554,511	<u>106,771,270</u>	<u>94.11</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>4,216,759</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>106,771,270</u>		

As at 31 December 2019, the Fund holds warrants in Serba Dinamik Holdings Bhd from the bonus issue of warrants exercised on 2 December 2019. The warrants have been issued at no cost to the shareholders of Serba Dinamik Holdings Bhd and the exercise price of the warrants was determined at RM2.62.

9. CASH AND CASH EQUIVALENTS

	2020	2019
	RM	RM
Shariah-compliant deposits with licensed Islamic financial institutions	8,674,485	7,466,978
Bank balance	180,415	58,410
	<u>8,854,900</u>	<u>7,525,388</u>

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2020	2019
	No of units	No of units
At the beginning of the financial year	163,226,493	158,381,443
Add : Creation of units from applications	119,190,632	37,771,405
Add : Creation of units from distribution	1,187,739	5,934,416
Less : Cancellation of units	(94,217,438)	(38,860,771)
At the end of the financial year	<u>189,387,426</u>	<u>163,226,493</u>

11. MANAGEMENT EXPENSE RATIO (“MER”)

	2020	2019
	%	%
MER	<u>1.62</u>	<u>1.63</u>

MER is derived from the following calculation:

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

- A = Management fee
- B = Trustee fee
- C = Audit fee
- D = Tax agent’s fee
- E = Other expenses excluding CDS fee and withholding tax
- F = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial year calculated on a daily basis is RM123,407,986 (2019: RM108,952,747).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2020	2019
PTR (times)	<u>1.19</u>	<u>1.12</u>

PTR is derived based on the following calculation:

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

where:

- total acquisition for the financial year = RM153,469,022 (2019: RM129,462,506)
- total disposal for the financial year = RM140,372,872 (2019: RM113,929,407)

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

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

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

Units held by the Manager and parties related to the Manager

	<u>2020</u>	<u>2019</u>
	<u>No. of units</u>	<u>RM</u>
	<u>No. of units</u>	<u>RM</u>
Manager		
Principal Asset Management Berhad	9,854	7,240
	<u>75,709</u>	<u>52,618</u>

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

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

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.

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

	2020 RM	2019 RM
<u>Significant related party transactions</u>		
Profit income from Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	<u>58,286</u>	<u>120,527</u>
<u>Significant related party balances</u>		
Bank balance:		
- CIMB Islamic Bank Bhd	<u>180,413</u>	<u>58,410</u>

14. TRANSACTIONS WITH BROKERS

Details of transactions with the top 10 brokers for the financial year ended 31 December 2020 are as follows:

Brokers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
KAF Equities Sdn Bhd	44,385,455	15.11	98,595	18.79
CLSA Securities (Malaysia) Sdn Bhd	39,732,743	13.52	61,854	11.79
Macquarie Capital Securities (Malaysia) Sdn Bhd	39,025,418	13.28	64,899	12.37
Maybank Investment Bank Bhd	37,347,715	12.71	65,701	12.52
RHB Investment Bank Bhd	27,187,150	9.25	59,903	11.42
UBS Securities (Malaysia) Sdn Bhd	22,561,261	7.68	33,489	6.38
J.P. Morgan Securities (Malaysia) Sdn Bhd	22,432,534	7.63	19,243	3.67
Hong Leong Investment Bank Bhd	18,760,736	6.38	42,269	8.05
Affin Hwang Investment Bank Bhd	14,025,871	4.77	31,561	6.01
CGS-CIMB Securities Sdn Bhd #	13,186,929	4.49	18,775	3.58
Others	15,196,081	5.18	28,465	5.42
	<u>293,841,893</u>	<u>100.00</u>	<u>524,754</u>	<u>100.00</u>

14. TRANSACTIONS WITH BROKERS (CONTINUED)

Details of transactions with the top 10 brokers for the financial year ended 31 December 2019 are as follows:

Brokers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Maybank Investment Bank Bhd	30,297,253	12.45	65,218	13.74
KAF-Seagroatt & Campbell Securities Sdn Bhd	28,280,029	11.62	63,738	13.42
RHB Investment Bank Bhd	27,897,637	11.47	62,116	13.08
Macquarie Capital Securities (Malaysia) Sdn Bhd	27,862,677	11.45	53,016	11.17
CLSA Securities (Malaysia) Sdn Bhd	26,919,947	11.06	44,995	9.48
Affin Hwang Investment Bank Bhd	26,671,463	10.96	60,161	12.67
UBS Securities (Malaysia) Sdn Bhd	25,060,533	10.30	32,086	6.76
J.P. Morgan Securities (Malaysia) Sdn Bhd	17,880,358	7.35	25,302	5.33
CGS-CIMB Securities Sdn Bhd #	14,468,885	5.95	30,418	6.41
Credit Suisse Securities (Malaysia) Sdn Bhd	7,877,167	3.24	15,022	3.16
Others	10,075,732	4.15	22,730	4.78
	<u>243,291,681</u>	<u>100.00</u>	<u>474,802</u>	<u>100.00</u>

Included in transactions are trades conducted with CGS-CIMB Securities Sdn Bhd, fellow related parties to the Manager amounting to RM13,186,929 (2019: RM14,468,885). 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.

15. SIGNIFICANT EVENT DURING THE YEAR

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

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

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 16 February 2021.

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