

Principal Islamic Lifetime Balanced Growth Fund

Interim Report

For The Six Months Financial Period Ended 30 June 2020

PRINCIPAL ISLAMIC LIFETIME BALANCED GROWTH FUND

INTERIM REPORT

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2020

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INVESTORS' LETTER

Dear Valued Investor,

We have seen the reopening of schools and more families enjoying domestic vacations in Malaysia albeit with the necessary measures and standard operating procedures in place. These developments continue to provide positivity and confidence for us to overcome the setbacks experienced in recent times due to the pandemic. The Malaysian economy has been positive with the local unemployment rate starting to reduce as most sectors reopened during the Recovery Movement Control Order ("RMCO"). The FBMKLCI has seen a rebound from the March 2020 low by 21.18% to 1,603 levels as of 31 July 2020. In terms of participation, the retail investors recorded an increase of approximately 33% this year as of 30 June 2020.

Meanwhile, markets globally have shown positive effects of the massive policy support around the world coupled with the reopening of economies. In July 2020, markets rallied across the board with indices within Asia-Pacific bourses outperforming the developed markets. The MSCI Asia ex-Japan Index rose 3.96%, followed by Shanghai 12.09%, and Taiwan 8.64% compared with 5.29% for the S&P 500. The bond market remained positive with increases of 4% to 6%. Nevertheless, markets continue to remain cautious with the ongoing rhetoric between US-China and the US presidential elections in November 2020.

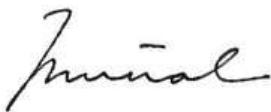
We believe each investor should maintain a diverse portfolio that matches risk tolerance preferences and helps achieve long-term financial goals. For our:

- **Conservative investors, we recommend:** Malaysia focus bond and balanced funds that are income focussed.
- **More aggressive investors, we recommend:** Growth-oriented funds that offer exposure to growth areas in China, Asia-Pacific, Global Technology, ASEAN and Malaysian aggressive funds.

Visit our website (www.principal.com.my) and Facebook account (@PrincipalAssetMY) for additional insights and investing articles.

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

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



Munirah Khairuddin
Chief Executive Officer

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to grow the value of the Unit holders' investments over the long-term in a diversified mix of Malaysian assets in approved Shariah instruments* while providing consistent income.

* This refers to Shariah instruments that are certified as Shariah-compliant by the relevant authority.

Has the Fund achieved its objective?

For the financial period under review, the Fund has achieved its stated objective of providing consistent income.

What are the Fund investment policy and principal investment strategy?

The Fund aims to invest in a diversified portfolio of Malaysian assets comprising Shariah-compliant equities and Islamic fixed income investments. In line with its objective, the investment policy and strategy of the Fund is to maintain a balanced portfolio between Shariah-compliant equities and Islamic fixed income investments in the ratio of 60:40. The fixed income portion of the Fund is to provide some capital stability to the Fund whilst the equity portion will provide the added return in a rising market. The investment by the Fund in Shariah-compliant equities shall not be less than 40% of the Net Asset Value ("NAV") of the Fund and investments in Islamic fixed income securities and Islamic liquid assets shall not exceed 60% of the NAV of the Fund with a minimum credit rating of "BBB3" or "P2" by RAM Ratings ("RAM") or equivalent rating by Malaysian Rating Corporation Berhad ("MARC") or by local rating agency(ies) of the country issuance; "BBB-" by Standard & Poor's ("S&P") or equivalent rating by any other international rating agencies. The Fund may invest up to 40% of its NAV in Unrated Islamic fixed income securities. The Fund may also opt to seek investment exposure via Islamic collective investment schemes that is in line with the Fund's objective, subject to the requirements of the Securities Commission Malaysia ("SC") guidelines.

The asset allocation strategy for this Fund is as follows:

- at least 40% of the Fund's NAV in Shariah-compliant equities, subject to a maximum of 60%;
- up to a maximum of 60% of the Fund's NAV in Islamic fixed income investments and Islamic liquid assets, subject to a minimum of 40%;
- up to 40% of the Fund's NAV in Unrated Islamic fixed income securities; and
- at least 2% of the Fund's NAV in Islamic liquid assets

Fund category/type

Balanced (Shariah-compliant)/Growth & Income

How long should you invest for?

Recommended long term

When was the Fund launched?

26 May 2003

What was the size of the Fund as at 30 June 2020?

RM294.99 million (496.37 million units)

What is the Fund's benchmark?

60% Financial Times Stock Exchange ("FTSE") Bursa Malaysia ("FBM") EMAS Shariah ("FBMS") Index + 40% CIMB Islamic 1-Month Fixed Return Income Account-i ("FRIA-I")

Note: The Fund's benchmark is for performance comparison purpose only. The benchmark is customised as such to align it closer to the structure of the portfolio and the objective of the Fund. Investors are cautioned that the risk profile of the Fund is higher than the risk profile of the benchmark.

What is the Fund distribution policy?

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

FUND OBJECTIVE AND POLICY (CONTINUED)

What was the net income distribution for the six months financial period ended 30 June 2020?

The Fund distributed a total net income of RM12.57 million to unit holders, as a result, the NAV per unit dropped from RM0.6443 to RM0.6177 on 22 January 2020 for the financial period ended 30 June 2020.

PERFORMANCE DATA

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

	30.06.2020	30.06.2019	30.06.2018
	%	%	%
Shariah-compliant quoted securities			
- Construction	2.98	5.72	2.47
- Consumer Products & Services	5.08	6.63	-
- Consumer Products	-	-	4.95
- Energy	3.90	7.49	-
- Financial Services	0.41	2.41	-
- Finance	-	-	1.54
- Health Care	6.28	3.01	-
- Industrial Products & Services	5.30	5.89	-
- Industrials	-	-	9.48
- Plantation	4.39	3.10	1.48
- Property	1.09	1.44	-
- Properties	-	-	0.98
- Real Estate Investment Trust ("REIT")	1.44	1.13	-
- Technology	5.02	0.76	2.38
- Telecommunications & Media	5.93	6.18	-
- Trading/Services	-	-	21.34
- Transportation & Logistics	2.47	2.36	-
- Utilities	8.90	12.62	-
Unquoted Sukuk	39.14	37.29	36.15
Cash and other net assets	7.67	3.97	19.23
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Note: Effective 24 September 2018, Bursa Malaysia has changed its sectoral index and classification.

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

	30.06.2020	30.06.2019	30.06.2018
NAV (RM Million)	294.99	310.51	316.03
Units in circulation (Million)	496.37	490.19	500.72
NAV per unit (RM)	0.5942	0.6334	0.6311
	01.01.2020 to 30.06.2020	01.01.2019 to 30.06.2019	01.01.2018 to 30.06.2018
Highest NAV per unit (RM)	0.6460	0.6350	0.6941
Lowest NAV per unit (RM)	0.5251	0.6002	0.6282
Total return (%)	(3.23)	5.12	(3.55)
- Capital growth (%)	(7.23)	2.47	(7.27)
- Income distribution (%)	4.31	2.58	4.01

PERFORMANCE DATA (CONTINUED)

Performance details of the Fund for the last three unaudited financial periods are as follows: (continued)

	01.01.2020 to 30.06.2020	01.01.2019 to 30.06.2019	01.01.2018 to 30.06.2018
Management Expense Ratio ("MER") (%)	0.79	0.79	0.82
Portfolio Turnover Ratio ("PTR") (times) #	0.53	0.44	0.48

The Fund's PTR increased from 0.44 times to 0.53 times as there were more trading activities during the financial period under review.

Date of distribution	22.01.2020	17.01.2019	18.01.2018
Gross/Net distribution per unit (sen)	2.66	1.55	2.65

	30.06.2020	30.06.2019	30.06.2018	30.06.2017	30.06.2016
	%	%	%	%	%
Annual total return	(2.18)	3.00	0.12	4.90	0.86

(Launch date: 26 May 2003)

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

MARKET REVIEW (1 JANUARY 2020 TO 30 JUNE 2020)

Equity

During the six months financial period under review, the FBMS Index has risen 0.8% after hitting a low of 10,105.08 in 31 March 2020. Markets have subsequently rebounded after March 2020 driven by global liquidity and fiscal stimulus. The positive performance was driven entirely by glove stocks as Hartalega Holdings Bhd and Top Glove Corporation Bhd gained by 65% and 83% respectively during the month on the back of rising average selling price ("ASP") amid tight global supply of medical gloves. Excluding the glove stocks, the benchmark Index would have been flat in May 2020.

First quarter of 2020 gross domestic products ("GDP") growth fell sharply to 0.7% (fourth quarter of 2019: 3.6%) 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 by 4.6% as businesses and Government curtailed investment spending given uncertain outlook. This was exacerbated by the collapse in crude oil price. We expect the worse is yet to come as the full impact of nationwide lockdown during the Movement Control Order ("MCO") from 18 March 2020 will be felt in second quarter of 2020.

Year-to-date ("YTD"), consensus 2020 and 2021 earnings per share ("EPS") have been cut by 23% and 15% respectively as corporate earnings start to bear the brunt of COVID-19. First quarter of 2020 earnings season has been dismal so far and we believe the worse is yet to come as the full impact of the MCO will only be felt in second quarter of 2020. Therefore, despite FBM Kuala Lumpur Composite Index ("FBMKLCI") EPS projected to contract 19% in 2020, we believe the downward earnings revision cycle is not over yet. Consensus is also rather optimistic that EPS will rebound significantly by 19% in 2021, led by banks and gaming sectors.

MARKET REVIEW (1 JANUARY 2020 TO 30 JUNE 2020) (CONTINUED)

Sukuk

The Malaysian Ringgit (“MYR”) Sukuk market started the year with yield curve flattening bias as Bank Negara Malaysia (“BNM”) unexpectedly cut Overnight Policy Rate (“OPR”) by 25 basis points (“bps”) in January 2020 due to a disappointment in fourth quarter of 2019 growth. While the statement generally did not signal further rate cut for 2020, BNM cut another 25 bps in March 2020 meeting mainly due to the emergence of COVID-19 pandemic. The March 2020 rate cut did not flatten the Sukuk yield further as foreign investors started to reduce holdings in the Malaysia Government Sukuk, due to global risk aversion. Meanwhile, the long end of the yield curve started to be steepened as Sukuk investors are starting to price in a higher issuance of Government Sukuk to fund the stimulus package, which we estimated an increase of circa RM45 billion. The long end yield curve continues to stay steep throughout April 2020 to June 2020 even with a further 50 bps rate cut given by BNM in May 2020. As at end of June 2020, the Malaysia Government Sukuk yield generally bullish steepened with the short-end rates compressed by circa 60 bps to 70 bps while the long end yield only moved down by 8 top 26 bps, compared to end of 2019.

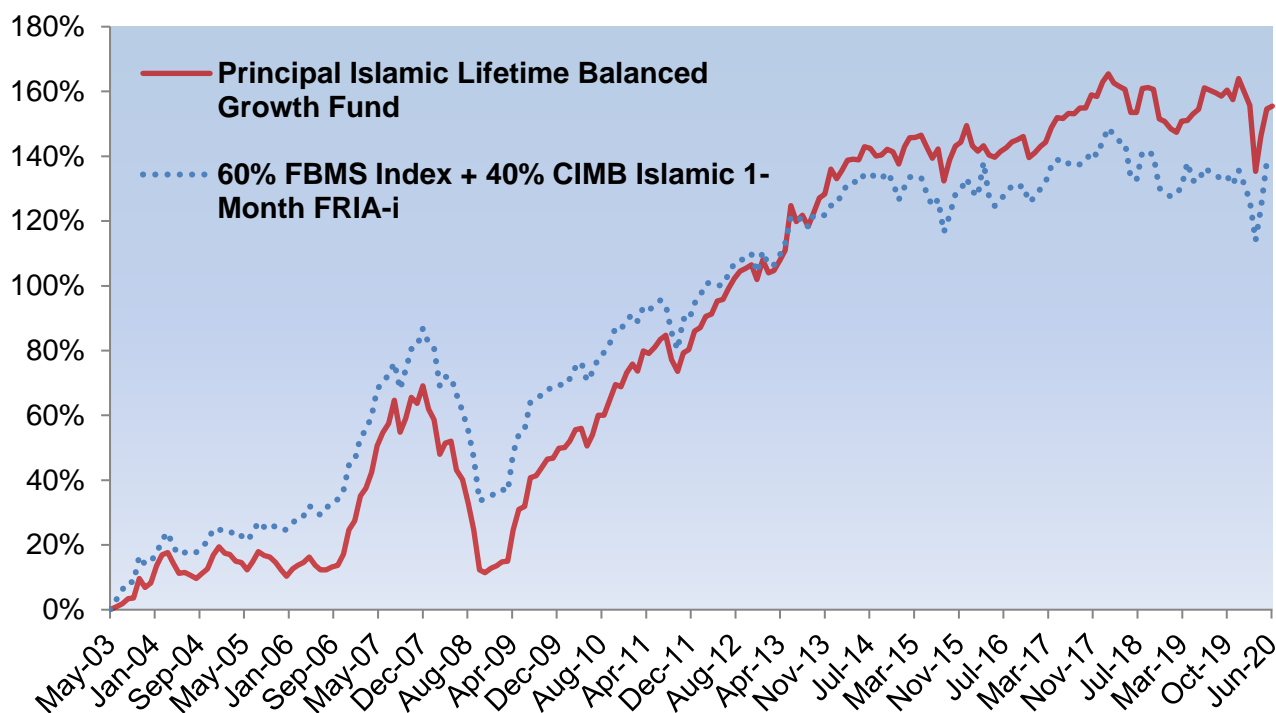
The 3-years, 5-years, 7-years, 10-years, 15-years, 20-years and 30-year Malaysian Government Investment Issues (“MGI”) were traded at 2.33% (-71 bps), 2.57% (-65 bps), 2.73% (-60 bps), 2.84% (-61 bps), 3.48% (-26 bps), 3.76% (-9 bps) and 4.00% (-8 bps) as at end of June 2020.

FUND PERFORMANCE

	6 months	1 year	3 years	5 years	Since
	to 30.06.2020	to 30.06.2020	to 30.06.2020	to 30.06.2020	inception
	%	%	%	%	%
Income distribution	4.31	4.31	11.29	20.36	100.71
Capital growth	(7.23)	(6.22)	(9.35)	(11.32)	25.12
Total Return	(3.23)	(2.18)	0.87	6.73	155.46
Benchmark	1.32	1.02	0.42	6.13	138.65
Average Total Return	N/A	(2.18)	0.29	1.31	5.63

The Fund registered a return of -3.23% for the period under review, underperforming the benchmark by 4.55%. On a 3-years and 5-years basis, the Fund appreciated by 0.87% and 6.73% respectively, outperforming the benchmark return in both periods.

FUND PERFORMANCE (CONTINUED)



Changes in NAV

	30.06.2020	31.12.2019 Audited	Changes %
NAV (RM Million)	294.99	304.22	(3.03)
NAV/Unit (RM)	0.5942	0.6404	(7.21)

The Fund's NAV dropped from RM304.22 million to RM294.99 million (-3.03%) and the NAV per unit fell from RM0.6404 to RM0.5942 (-7.21%) during the period under review due to redemption and adverse impact from the market.

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

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	30.06.2020	31.12.2019 Audited
Shariah-compliant quoted securities	53.19	59.02
Unquoted Sukuk	39.14	31.27
Cash and other net assets	7.67	9.71
TOTAL	100.00	100.00

Investment in Shariah-compliant local equities fell from 59.02% to 53.19% at the end of the period under review. Meanwhile, investment in unquoted Sukuk increased from 31.27% to 39.14% at the end of the period under review. The change was due to our asset allocation strategy of higher weight to fixed income versus equities.

MARKET OUTLOOK*

Equity

FBMKLCI is currently trading at 2020 and 2021 price to earnings (“PE”) ratio of 19.7 and 16.6 respectively which are well above its 10-year mean valuation of 15.4. However, excluding the glove sector, FBMKLCI is trading at 2020 and 2021 PE ratio of 18.3 and 15.3 respectively. This suggests that consensus is looking beyond 2020 for recovery post COVID-19. As 2021 PE ratio of 15.3 (excluding glove) is in line with historical mean, it also seems that earnings rebound has been priced in. That said, the capital market is flushed with liquidity now following coordinated interest rate cuts by Central Banks while Governments try to revive their economies with massive fiscal stimulus.

Despite elevated equity valuation, equity risk premia are not excessive following the sharp decline in risk-free rates. In Malaysia, equity risk premium of 2.72% is in line with historical mean. But excluding glove stocks, Malaysia equity risk premium is at 3.13% which suggests equity valuation is not excessive in current environment where interest rate is expected to be lower for longer. Given the distortion caused by the sharp rally in glove stocks which have further room to rally, we now switch to bottom-up valuation to derive our new FBMKLCI target of 1,530. As such, we are taking a more neutral stance on the Malaysia equity market. Given the prevalent expectation of swift earnings rebound in 2021, we believe there is still downside earnings risk going forward.

Key risks include premature rollback of monetary stimulus by global central banks in the event recovery is stronger than anticipated, and uncertainty in domestic political landscape leading to regulatory and fiscal implementation risks. On the latter, investors will be watching the reconvening of parliament sitting in mid-July 2020.

Sukuk

The outlook for Sukuk market for second half of 2020 will be surrounded by expectation of further policy rate easing by BNM and the size of the fiscal deficit for full year 2020. On that note, the front end of the Sukuk yield curve may still trade lower while the long end curve will stay elevated due to the supply pressure. Some corporate Sukuk may start to outperform Government Sukuk as credit spreads have increased, however credit selection remains key for alpha generation.

*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

Equity

We should still be looking to take a prudent stance by investing in companies with strong balance sheet and resilient earnings while deploying some capital to buy selective value stocks as proxy for post-pandemic recovery.

Sukuk

For MYR Sukuk strategy, we expect BNM to act again in second half of 2020 to secure a better economic recovery. However, the effectiveness of monetary policy as a tool to stimulus the economy is waning, and we are expecting fiscal spending to lead the economy recovery going forward. Given that we are near the bottom of the rate cycle, and low interest rate is likely to stay for another 12 to 18 months pending a meaningful recovery, we are gradually shifting to higher grade corporates for better yield pick-up.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 30 June 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	3,604	10.77	2.17
5,001 to 10,000	2,913	21.03	4.24
10,001 to 50,000	5,016	108.58	21.87
50,001 to 500,000	1,274	132.14	26.62
500,001 and above	13	223.85	45.10
Total	12,820	496.37	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 Funds unless the soft commission received is retained in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds. All dealings with brokers are executed on best available terms.

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

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC LIFETIME BALANCED GROWTH FUND**

We, being the Directors of Principal Asset Management Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 12 to 44 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 June 2020 and of its financial performance, changes in equity and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 - Interim Financial Reporting and International Accounting Standards (“IAS”) 34 - Interim Financial Reporting.

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
14 August 2020

**TRUSTEE'S REPORT
FOR FINANCIAL PERIOD ENDED 30 JUNE 2020**

We have acted as Trustee for Principal Islamic Lifetime Balanced Growth Fund (“the Fund”) for the financial period ended 30 June 2020. To the best of our knowledge, Principal Asset Management Berhad (“the Manager”) has managed the Fund in the financial period under review in accordance with the following:

1. Limitations imposed on the investment powers of the Manager under the Deeds, securities laws and Guidelines on Unit Trust Funds;
2. Valuation and pricing of the Fund are carried out in accordance with the Deeds and any regulatory requirement; and
3. Creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirement.

An income distribution of 2.66 sen per unit (gross) declared to the unit holders of the Fund for the financial period under review.

We are of the view that the distribution is consistent with the investment objective and distribution policy of the Fund.

For **Maybank Trustees Berhad**
[Company No.: 196301000109 (5004-P)]

JULIA BINTI MUSTAFFA
Chief Executive Officer

Kuala Lumpur, Malaysia
14 August 2020

**SHARIAH ADVISER'S REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC LIFETIME BALANCED GROWTH FUND**

For the Financial Period ended 30 June 2020

We have acted as the Shariah Adviser of Principal Islamic Lifetime Balanced Growth Fund ("the Fund"). Our responsibility is to ensure that the procedures and processes employed by 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 Shariah Advisory Council (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**,

DATUK DR MOHD DAUD BAKAR
Executive Chairman

14 August 2020

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2020**

		01.01.2020 to 30.06.2020	01.01.2019 to 30.06.2019
	Note	RM	RM
(LOSS)/INCOME			
Dividend income		2,870,238	2,063,876
Profit income from Shariah-compliant deposits with licensed Islamic financial institutions at amortised cost		320,598	333,067
Profit income from unquoted Sukuk		2,582,462	2,911,361
Hibah		326	169
Net (loss)/gain on financial assets at fair value through profit or loss	8	<u>(12,735,558)</u>	<u>12,627,336</u>
		<u>(6,961,934)</u>	<u>17,935,809</u>
EXPENSES			
Management fee	4	2,128,177	2,287,138
Trustee's fee	5	99,315	106,733
Audit fee		9,750	9,750
Tax agent's fee		1,800	2,000
Transaction costs		518,924	295,948
Other expenses		<u>9,527</u>	<u>11,392</u>
		<u>2,767,493</u>	<u>2,712,961</u>
(LOSS)/PROFIT BEFORE TAXATION		(9,729,427)	15,222,848
Taxation	7	<u>-</u>	<u>-</u>
(LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL PERIOD		<u>(9,729,427)</u>	<u>15,222,848</u>
 (Loss)/Profit after taxation is made up as follows:			
Realised amount		(1,260,227)	2,381,371
Unrealised amount		<u>(8,469,200)</u>	<u>12,841,477</u>
		<u>(9,729,427)</u>	<u>15,222,848</u>

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

		30.06.2020	31.12.2019
	Note	RM	Audited RM
ASSETS			
Cash and cash equivalents	9	13,702,703	28,392,029
Financial assets at fair value through profit or loss (Shariah-compliant)	8	272,358,155	274,662,946
Amount due from stockbrokers		6,807,508	3,811,268
Amount due from Manager		4,078,798	38,147
Dividends receivable		183,350	307,916
Tax recoverable		91,205	91,205
TOTAL ASSETS		297,221,719	307,303,511
LIABILITIES			
Amount due to stockbrokers		1,306,640	2,222,100
Amount due to Manager		537,957	444,815
Accrued management fee		357,637	386,504
Amount due to Trustee		16,690	18,037
Other payables and accruals		11,550	16,400
TOTAL LIABILITIES		2,230,474	3,087,856
NET ASSET VALUE OF THE FUND		294,991,245	304,215,655
EQUITY			
Unit holders' capital		287,206,184	274,133,363
Retained earnings		7,785,061	30,082,292
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		294,991,245	304,215,655
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	496,371,735	475,010,960
NET ASSET VALUE PER UNIT (RM)		0.5942	0.6404

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2020**

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 January 2020		274,133,363	30,082,292	304,215,655
Movement in unit holders' contributions:				
- Creation of units from applications		17,944,292	-	17,944,292
- Creation of units from distribution		12,536,898	-	12,536,898
- Cancellation of units		(17,408,369)	-	(17,408,369)
Total comprehensive loss for the financial period		-	(9,729,427)	(9,729,427)
Distribution	6	-	(12,567,804)	(12,567,804)
Balance as at 30 June 2020		<u>287,206,184</u>	<u>7,785,061</u>	<u>294,991,245</u>
Balance as at 1 January 2019		286,517,747	19,382,538	305,900,285
Movement in unit holders' contributions:				
- Creation of units from applications		16,306,855	-	16,306,855
- Creation of units from distribution		7,796,397	-	7,796,397
- Cancellation of units		(26,891,817)	-	(26,891,817)
Total comprehensive income for the financial period		-	15,222,848	15,222,848
Distribution	6	-	(7,824,345)	(7,824,345)
Balance as at 30 June 2019		<u>283,729,182</u>	<u>26,781,041</u>	<u>310,510,223</u>

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

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2020**

	01.01.2020 to 30.06.2020 RM	01.01.2019 to 30.06.2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from disposal of Shariah-compliant quoted securities	111,463,388	48,163,728
Proceeds from disposal of unquoted Sukuk	29,831,559	85,710,222
Proceeds from redemption of unquoted Sukuk	2,000,000	6,000,000
Purchase of Shariah-compliant quoted securities	(107,588,424)	(81,336,713)
Purchase of unquoted Sukuk	(50,395,992)	(60,730,114)
Profit income received from unquoted Sukuk	2,410,540	2,545,019
Profit income received from Shariah-compliant deposits with licensed Islamic financial institutions	320,598	333,067
Hibah earned	326	169
Dividend income received	2,991,241	2,229,497
Management fee paid	(2,157,044)	(2,297,437)
Trustee's fee paid	(100,662)	(107,214)
Payments for other fees and expenses	(22,364)	(21,467)
Net cash (used in)/generated from operating activities	(11,246,834)	488,757
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	13,903,641	16,336,464
Payments for cancellation of units	(17,315,227)	(26,395,901)
Distribution paid	(30,906)	(27,947)
Net cash used in financing activities	(3,442,492)	(10,087,384)
Net decrease in cash and cash equivalents	(14,689,326)	(9,598,627)
Cash and cash equivalents at the beginning of the financial period	28,392,029	22,839,971
Cash and cash equivalents at the end of the financial period	13,702,703	13,241,344
<u>Cash and cash equivalents comprised of:</u>		
Shariah-compliant deposits with licensed Islamic financial institutions	13,466,700	12,928,063
Bank balances	236,003	313,281
Cash and cash equivalents at the end of the financial period	13,702,703	13,241,344

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2020**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal Islamic Lifetime Balanced Growth Fund (the “Fund”) is governed by a Principal Master Deed dated 15th May 2008, a Third Supplemental Master Deed dated 25th June 2008, a Sixth Supplemental Master Deed dated 14th July 2008, a Seventh Supplemental Master Deed dated 19th November 2008, a Fourteenth Supplemental Master Deed dated 26 June 2012, a Seventeenth Supplemental Master Deed dated 25 March 2015 and a Nineteenth Supplemental Master Deed dated 18 Jun 2019 (collectively referred to as the “Deeds”) between Principal Asset Management Berhad (the “Manager”) and Maybank Trustees Bhd (the “Trustee”).

The Fund aims to invest in a diversified portfolio of Malaysian assets comprising Shariah-compliant equities and Islamic fixed income investments. In line with its objective, the investment policy and strategy of the Fund is to maintain a balanced portfolio between Shariah-compliant equities and Islamic fixed income investments in the ratio of 60:40. The fixed income portion of the Fund is to provide some capital stability to the Fund whilst the equity portion will provide the added return in a rising market. The investment by the Fund in Shariah-compliant equities shall not be less than 40% of the NAV of the Fund and investments in Islamic fixed income securities and Islamic liquid assets shall not exceed 60% of the NAV of the Fund with a minimum credit rating of “BBB3” or “P2” by RAM or equivalent rating by MARC or by local rating agency(ies) of the country issuance; “BBB-” by S&P or equivalent rating by any other international rating agencies. The Fund may invest up to 40% of its NAV in Unrated Islamic fixed income securities. The Fund may also opt to seek investment exposure via Islamic collective investment schemes that is in line with the Fund’s objective, subject to the requirements of the SC guidelines.

The asset allocation strategy for this Fund is as follows:

- at least 40% of the Fund’s NAV in Shariah-compliant equities, subject to a maximum of 60%;
- up to a maximum of 60% of the Fund’s NAV in Islamic fixed income investments and Islamic liquid assets, subject to a minimum of 40%;
- up to 40% of the Fund’s NAV in Unrated Islamic fixed income securities; and
- at least 2% of the Fund’s NAV in Islamic liquid assets

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 and International Financial Reporting Standards ("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 period.

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

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

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

(b) Financial assets and financial liabilities

Classification

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

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

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. 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. 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.

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)

Classification (continued)

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.

The Fund classifies amount due to stockbrokers, amount due to Manager, accrued management fee, amount due to Trustee, and other payables and accruals as 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. Transaction costs are expensed in the statement of comprehensive income.

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 period which they arise.

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

Shariah-compliant quoted securities in Malaysia are valued at the last done market price quoted on Bursa Malaysia Securities Bhd ("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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Recognition and measurement (continued)

Unquoted Sukuk denominated in MYR are revalued on a daily basis based on fair value prices quoted by a Bond Pricing Agency (“BPA”) registered with the SC as per the SC Guidelines on Unit Trust Funds. Refer to Note 2(l) for further explanation.

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 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 consider 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 period.

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 and unquoted Sukuk are 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.

Realised gain or loss on disposal of unquoted Sukuk is accounted for as the difference between the net disposal proceeds and the carrying amount of unquoted Sukuk, determined on cost adjusted for accretion of discount or amortisation of premium.

(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 MYR, 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 balances and Shariah-compliant deposits held in highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash and which are subject 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 period.

(g) 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 period in which it is approved by the Trustee.

(h) Transactions 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Amount due from/to stockbrokers

Amounts due from/to stockbrokers represent receivables for Shariah-compliant investments sold and payables for Shariah-compliant investments 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 broker 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 the Manager 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) 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 period if unit holder exercises the right to put the unit back to the Fund.

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

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

The analysis of realised and unrealised portions of profit or loss after tax as presented on the statement of comprehensive income is prepared in accordance with SC Guidelines on Unit Trust Funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Critical accounting estimates and assumptions 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.

Estimate of fair value of unquoted Sukuk

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.

Ringgit-denominated unquoted Sukuk are valued using fair value prices quoted by a BPA. Where the Manager is of the view that the price quoted by BPA for a specific unquoted Sukuk differs from the market price by more than 20 bps, the Manager may use market price, provided that the Manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The investment objective of the Fund is to grow the value of the Unit holders' investments over the long-term in a diversified mix of Malaysian assets in approved Shariah instruments while providing consistent income.

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.

(a) Market risk

(i) Price risk

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

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk

In general, when interest rates rise, unquoted Sukuk will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund holds an unquoted Sukuk till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

Investors should note that movement in prices of unquoted Sukuk and Shariah-compliant money market instruments are benchmarked against interest rates. As such, the investments are exposed to the movement of the interest rates. It does not in any way suggest that this Fund will invest in conventional financial instruments. All investments carried out for the Fund including placements and deposits are in accordance with Shariah.

This risk is crucial since unquoted Sukuk depends on forecasting interest rate movements. Prices of unquoted Sukuk move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted Sukuk decrease and vice versa. Furthermore, unquoted Sukuk with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to meet obligation under the instrument, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The Fund's exposure to interest rates risk associated with Shariah-compliant deposits with licensed Islamic financial institutions is not material as the Shariah-compliant deposits are held on short-term basis.

(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.

Investment in unquoted Sukuk may involve a certain degree of credit/default risk with regards to the issuers. Generally, credit risk or default risk is the risk of loss due to the issuer's non-payment or untimely payment of the investment amount as well as the returns on investment. This will cause a decline in value of the investment and subsequently depress the NAV of the Fund. Usually credit risk is more apparent for an investment with a longer tenure, i.e. the longer the duration, the higher the credit risk. Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

In addition, the Manager imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the investment in accordance with the objective of the Fund. For this Fund, the unquoted Sukuk investment must satisfy a minimum credit requirement of at least "BBB3" or "P2" by RAM or equivalent rating by MARC or by local rating agency (ies) of the country of issuance; "BBB-" by S&P or equivalent rating by Moody's or Fitch.

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 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.

For the 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 Unit Trust Funds.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations.

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balances, Shariah-compliant deposits with licensed Islamic financial institutions and other instruments, which are capable of being converted into cash within 7 business days. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the Fund Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holder's capital and retained earnings. The amount of capital can change significantly on a daily basis as the Fund is subjected 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.

3. 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) are based on quoted market prices at the close of trading on the financial period end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

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

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.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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
30.06.2020				
Financial assets at fair value through profit or loss:				
- Shariah - compliant quoted securities	156,904,254	-	-	156,904,254
- Unquoted Sukuk	-	115,453,901	-	115,453,901
	156,904,254	115,453,901	-	272,358,155
31.12.2019				
Audited				
Financial assets at fair value through profit or loss:				
- Shariah - compliant quoted securities	179,533,577	-	-	179,533,577
- Unquoted Sukuk	-	95,129,369	-	95,129,369
	179,533,577	95,129,369	-	274,662,946

Shariah-compliant investments whose 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).

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted Sukuk. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. 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 2.00% per annum, calculated daily based on the NAV of the Fund.

For the six months financial period ended 30 June 2020, the Manager's fee is recognised at a rate of 1.50% per annum (30.06.2019: 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'S FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.07% 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 six months financial period ended 30 June 2020, the Trustee's fee is recognised at a rate of 0.07% per annum (30.06.2019: 0.07% per annum).

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

6. DISTRIBUTION

Distribution to unit holders is derived from the following sources:

	01.01.2020 to 30.06.2020 RM	01.01.2019 to 30.06.2019 RM
Dividend income	16,500	1,434,847
Profit income	329,504	1,962,894
Net realised loss on disposal of investment	(639,183)	(230,153)
Prior financial periods' realised income	13,178,076	5,065,335
	12,884,897	8,232,923
Less:		
Expenses	(317,093)	(408,578)
Net distribution amount	12,567,804	7,824,345
Distribution on 22 January 2020		
Gross/Net distribution per unit (sen)	2.66	-
Distribution on 17 January 2019		
Gross/Net distribution per unit (sen)	-	1.55

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

During the six months financial period ended 30 June 2020, the Fund incurred unrealised losses of RM8,469,200 (30.06.2019: Nil).

7. TAXATION

	01.01.2020 to 30.06.2020 RM	01.01.2019 to 30.06.2019 RM
Tax charge for the financial period:		
- Current taxation	<u>-</u>	<u>-</u>

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

	01.01.2020 to 30.06.2020 RM	01.01.2019 to 30.06.2019 RM
(Loss)/Profit before taxation	<u>(9,729,427)</u>	<u>15,222,848</u>
Taxation at Malaysian statutory rate of 24%	(2,335,062)	3,653,484
Tax effects of:		
Loss not deductible for tax purposes/(Income not subject to tax)	1,670,863	(4,304,594)
Expenses not deductible for tax purposes	150,272	98,558
Restriction on tax deductible expenses for Unit Trust funds	<u>513,927</u>	<u>552,552</u>
Taxation	<u>-</u>	<u>-</u>

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

	30.06.2020 RM	31.12.2019 Audited RM
At fair value through profit or loss:		
- Shariah-compliant quoted securities	156,904,254	179,533,577
- Unquoted Sukuk	<u>115,453,901</u>	<u>95,129,369</u>
	<u><u>272,358,155</u></u>	<u><u>274,662,946</u></u>

	01.01.2020 to 30.06.2020 RM	01.01.2019 to 30.06.2019 RM
Net (loss)/gain on financial assets at fair value through profit or loss:		
- Realised loss on disposals	(4,264,539)	(211,849)
- Unrealised fair value (loss)/gain	<u>(8,471,019)</u>	<u>12,839,185</u>
	<u><u>(12,735,558)</u></u>	<u><u>12,627,336</u></u>

PRINCIPAL ISLAMIC LIFETIME BALANCED GROWTH FUND

8. 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 %
30.06.2020				
SHARIAH-COMPLIANT QUOTED SECURITIES				
Construction				
Econpile Holdings Bhd	6,150,500	4,253,549	3,751,805	1.27
Gamuda Bhd	1,047,235	3,412,788	3,811,935	1.29
IJM Corporation Bhd	681,900	1,478,743	1,234,239	0.42
	<u>7,879,635</u>	<u>9,145,080</u>	<u>8,797,979</u>	<u>2.98</u>
Consumer Products & Services				
Fraser & Neave Holdings Bhd	101,700	3,230,599	3,303,216	1.12
Nestle Malaysia Bhd	20,800	2,399,750	2,909,920	0.99
QL Resources Bhd	313,300	2,564,950	3,007,680	1.02
Sime Darby Bhd	2,671,879	5,610,121	5,744,540	1.95
	<u>3,107,679</u>	<u>13,805,420</u>	<u>14,965,356</u>	<u>5.08</u>
Energy				
Dayang Enterprise Holdings Bhd	3,776,500	4,995,834	4,758,390	1.61
Dialog Group Bhd	798,830	2,329,467	2,883,776	0.98
Hibiscus Petroleum Bhd	6,293,100	4,425,871	3,870,257	1.31
	<u>10,868,430</u>	<u>11,751,172</u>	<u>11,512,423</u>	<u>3.90</u>
Financial Services				
BIMB Holdings Bhd	350,800	1,503,955	1,199,736	0.41
Health Care				
Hartalega Holdings Bhd	530,700	5,986,509	6,899,100	2.34
IHH Healthcare Bhd	1,350,000	7,761,078	7,425,000	2.52
Top Glove Corporation Bhd	259,400	3,489,166	4,176,340	1.42
	<u>2,140,100</u>	<u>17,236,753</u>	<u>18,500,440</u>	<u>6.28</u>
Industrial Products & Services				
Cahaya Mata Sarawak Bhd	668,900	1,141,971	1,043,484	0.35
Petronas Chemicals Group Bhd	1,325,700	8,416,939	8,219,340	2.79
Press Metal Aluminium Holdings Bhd	789,616	3,610,413	3,576,961	1.21
Sunway Bhd	2,048,457	3,548,225	2,806,386	0.95
	<u>4,832,673</u>	<u>16,717,548</u>	<u>15,646,171</u>	<u>5.30</u>

8. 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 %
30.06.2020 (CONTINUED)				
SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
Plantation				
Kuala Lumpur Kepong Bhd	194,700	4,092,344	4,322,340	1.47
Sime Darby Plantation Bhd	1,749,700	8,383,224	8,608,524	2.92
	<u>1,944,400</u>	<u>12,475,568</u>	<u>12,930,864</u>	<u>4.39</u>
Property				
Sime Darby Property Bhd	<u>4,739,700</u>	<u>3,612,244</u>	<u>3,222,996</u>	<u>1.09</u>
REIT				
Axis REIT	<u>2,066,700</u>	<u>3,705,476</u>	<u>4,257,402</u>	<u>1.44</u>
Technology				
D&O Green Technologies Bhd	406,100	311,901	294,423	0.10
Greatech Technology Bhd	1,144,700	4,198,138	4,429,989	1.50
Inari Amertron Bhd	2,589,300	4,369,947	4,375,917	1.48
JHM Consolidation Bhd	2,112,000	2,823,100	2,830,080	0.96
Vitrox Corporation Bhd	315,500	2,317,835	2,883,670	0.98
	<u>6,567,600</u>	<u>14,020,921</u>	<u>14,814,079</u>	<u>5.02</u>
Telecommunications & Media				
Axiata Group Bhd	1,494,957	6,691,492	5,307,097	1.80
Digi.com Bhd	638,600	2,980,339	2,752,366	0.93
Maxis Bhd	1,060,900	5,733,120	5,697,033	1.93
Telekom Malaysia Bhd	553,700	2,170,844	2,297,855	0.78
Time Dotcom Bhd	133,174	1,174,202	1,448,933	0.49
	<u>3,881,331</u>	<u>18,749,997</u>	<u>17,503,284</u>	<u>5.93</u>
Transportation & Logistics				
MISC Bhd	453,500	3,462,292	3,473,810	1.18
Westports Holdings Bhd	1,005,100	3,937,521	3,819,380	1.29
	<u>1,458,600</u>	<u>7,399,813</u>	<u>7,293,190</u>	<u>2.47</u>
Utilities				
Petronas Gas Bhd	237,500	4,532,747	4,009,000	1.36
Taliworks Corporation Bhd	2,791,800	2,508,556	2,345,112	0.79
Tenaga Nasional Bhd	1,713,100	23,941,490	19,906,222	6.75
	<u>4,742,400</u>	<u>30,982,793</u>	<u>26,260,334</u>	<u>8.90</u>

8. 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 %
30.06.2020 (CONTINUED)				
SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES	<u>54,580,048</u>	161,106,740	<u>156,904,254</u>	<u>53.19</u>
ACCUMULATED UNREALISED LOSS ON SHARIAH-COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(4,202,486)</u>		
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>156,904,254</u>		

PRINCIPAL ISLAMIC LIFETIME BALANCED GROWTH FUND

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

Name of issuer	Nominal Value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
30.06.2020 (CONTINUED)				
UNQUOTED SUKUK				
Aeon Credit Service (M) Bhd 3.80% 10/02/2027 (AA3)	300,000	304,435	309,697	0.10
Aeon Credit Service (M) Bhd 3.85% 10/02/2028 (AA3)	200,000	202,996	206,574	0.07
Aeon Credit Service (M) Bhd 3.95% 12/03/2030 (A1)	4,800,000	4,867,523	4,847,051	1.64
AZRB Capital Sdn Bhd 4.70% 23/12/2022 (AA3)	2,000,000	2,001,288	2,025,508	0.69
AZRB Capital Sdn Bhd 4.85% 26/12/2024 (AA3)	1,850,000	1,851,229	1,885,750	0.64
AZRB Capital Sdn Bhd 5.00% 24/12/2026 (AA3)	670,000	670,459	687,021	0.23
Bank Islam Malaysia Bhd 5.50% 15/12/2025 (A1)	500,000	503,210	506,956	0.17
Bumitama Agri Ltd 4.10% 22/07/2024 (AA3)	1,650,000	1,679,840	1,725,331	0.58
Celcom Networks Sdn Bhd 5.20% 27/08/2027 (AA1)	1,500,000	1,568,927	1,697,094	0.57
DanaInfra Nasional Bhd 5.06% 12/02/2049 (Non-rated)	700,000	881,037	824,718	0.28
DRB-Hicom Bhd 4.15% 12/12/2022 (A1)	500,000	501,080	501,060	0.17
DRB-Hicom Bhd 4.55% 12/12/2024 (A1)	800,000	801,895	802,479	0.27
DRB-Hicom Bhd 4.85% 11/12/2026 (A1)	1,600,000	1,604,039	1,607,863	0.55
DRB-Hicom Bhd 5.10% 12/12/2029 (A1)	2,450,000	2,456,504	2,439,403	0.83
Edra Energy Sdn Bhd 6.23% 05/01/2032 (AA3)	5,000,000	5,984,065	6,127,206	2.08
Edra Energy Sdn Bhd 6.43% 05/07/2034 (AA3)	5,000,000	5,363,140	6,281,156	2.13
Edra Energy Sdn Bhd 6.71% 05/01/2038 (AA3)	2,500,000	3,024,891	3,217,222	1.09
Edra Solar Sdn Bhd 4.10% 11/10/2022 (AA2)	200,000	201,775	205,091	0.07
Edra Solar Sdn Bhd 4.85% 11/10/2034 (AA2)	50,000	50,525	52,942	0.02
Fortune Premiere Sdn Bhd 4.85% 07/09/2023 (AA2)	3,000,000	3,045,444	3,185,784	1.08
GII Murabahah 4.07% 30/09/2026 (Non-rated)	3,500,000	3,509,256	3,812,307	1.29
GII Murabahah 4.12% 30/11/2034 (Non-rated)	500,000	561,462	541,697	0.18

PRINCIPAL ISLAMIC LIFETIME BALANCED GROWTH FUND

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

Name of issuer	Nominal Value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
30.06.2020 (CONTINUED)				
UNQUOTED SUKUK (CONTINUED)				
GII Murabahah 4.13% 09/07/2029 (Non-rated)	1,000,000	1,117,192	1,111,242	0.38
GII Murabahah 4.64% 15/11/2049 (Non-rated)	1,250,000	1,477,502	1,400,964	0.47
GII Murabahah 4.90% 08/05/2047 (Non-rated)	1,400,000	1,722,464	1,620,644	0.55
IJM Land Bhd 4.73% 17/03/2119 (A2)	1,450,000	1,470,978	1,450,464	0.49
IJM Land Bhd 5.65% 17/03/2119 (A2)	700,000	711,269	740,823	0.25
Jimah Energy Ventures Sdn Bhd 9.25% 12/05/2021 (AA3)	3,000,000	3,104,504	3,201,144	1.09
LBS Bina Group Bhd 6.80% 29/03/2120 (Non-rated)	2,800,000	2,848,117	2,948,665	1.00
Lembaga Pembiayaan Perumahan Sektor Awam 3.86% 18/09/2048 (Non- rated)	200,000	206,743	193,327	0.07
Mah Sing Group Bhd 4.35% 13/03/2025 (Non-rated)	12,000,000	12,157,315	12,479,875	4.23
Malayan Banking Bhd 4.63% 31/01/2029 (AA1)	400,000	407,712	426,880	0.14
Malayan Banking Bhd 4.71% 31/01/2031 (AA1)	650,000	662,749	708,997	0.24
MBSB Bank Bhd 5.05% 20/12/2029 (A3)	610,000	610,760	636,782	0.22
MBSB Bank Bhd 5.25% 19/12/2031 (A3)	430,000	430,557	453,295	0.15
Penang Port Sdn Bhd 4.30% 24/12/2026 (AA3)	250,000	250,059	262,304	0.09
Penang Port Sdn Bhd 4.48% 27/12/2029 (AA3)	500,000	500,123	531,708	0.18
Penang Port Sdn Bhd 4.68% 26/12/2031 (AA3)	900,000	900,231	967,398	0.33
Perbadanan Kemajuan Negeri Selangor 5.01% 31/10/2023 (AA3)	4,000,000	4,035,355	4,243,648	1.44
Prasarana Malaysia Bhd 3.44% 24/02/2040 (Non- rated)	1,650,000	1,669,749	1,583,372	0.54
Press Metal Aluminium Holdings Bhd 4.10% 17/10/2024 (AA3)	2,350,000	2,369,798	2,411,369	0.82

PRINCIPAL ISLAMIC LIFETIME BALANCED GROWTH FUND

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

Name of issuer	Nominal Value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
30.06.2020 (CONTINUED)				
UNQUOTED SUKUK (CONTINUED)				
Quantum Solar Park (Semenanjung) Sdn Bhd 5.40% 06/10/2025 (A1)	5,000,000	5,109,142	5,284,216	1.79
Quantum Solar Park (Semenanjung) Sdn Bhd 5.96% 06/10/2032 (A1)	5,000,000	5,165,466	5,422,864	1.84
RHB Islamic Bank Bhd 4.32% 21/05/2029 (AA3)	800,000	803,882	832,042	0.28
SME Bank Bhd 3.02% 23/04/2025 (Non-rated)	1,500,000	1,508,564	1,530,119	0.52
SME Bank Bhd 3.30% 23/04/2027 (Non-rated)	700,000	704,367	717,373	0.24
Tadau Energy Sdn Bhd 5.80% 27/07/2029 (AA3)	2,000,000	2,119,415	2,265,140	0.77
Tadau Energy Sdn Bhd 6.00% 28/07/2031 (AA3)	2,500,000	2,672,431	2,874,374	0.97
TG Excellence Bhd 3.95% 27/02/2120 (AA3)	300,000	304,058	309,764	0.11
UEM Sunrise Bhd 4.75% 22/03/2024 (AA3)	1,000,000	1,013,943	1,039,814	0.35
UEM Sunrise Bhd 4.90% 30/06/2021 (AA3)	5,000,000	5,018,903	5,068,021	1.72
UMW Holdings Bhd 4.83% 22/06/2022 (AA2)	1,500,000	1,504,228	1,553,341	0.53
UniTapah Sdn Bhd 6.15% 12/12/2030 (AA1)	1,000,000	1,140,060	1,200,251	0.41
WCT Holdings Bhd 5.65% 20/04/2026 (AA3)	6,000,000	6,084,534	6,493,771	2.20
TOTAL UNQUOTED SUKUK	<u>107,110,000</u>	<u>111,437,190</u>	<u>115,453,901</u>	<u>39.14</u>
ACCUMULATED UNREALISED GAIN ON UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>4,016,711</u>		
TOTAL UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>115,453,901</u>		

8. 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 %
31.12.2019				
Audited				
SHARIAH-COMPLIANT				
QUOTED SECURITIES				
Construction				
Econpile Holdings Bhd	5,449,700	3,782,495	4,114,524	1.35
Gamuda Bhd	1,568,100	5,101,296	6,115,590	2.01
IJM Corporation Bhd	2,883,600	6,253,267	6,257,412	2.06
	<u>9,901,400</u>	<u>15,137,058</u>	<u>16,487,526</u>	<u>5.42</u>
Consumer Products & Services				
Bermaz Auto Bhd	682,600	1,479,661	1,433,460	0.47
DRB-Hicom Bhd	1,000,000	2,607,500	2,380,000	0.78
Fraser & Neave Holdings Bhd	50,000	1,591,685	1,742,000	0.57
Nestle (Malaysia) Bhd	31,200	3,599,625	4,586,400	1.51
Petronas Dagangan Bhd	127,100	3,202,460	2,936,010	0.96
Sime Darby Bhd	1,691,629	3,874,881	3,755,416	1.23
	<u>3,582,529</u>	<u>16,355,812</u>	<u>16,833,268</u>	<u>5.52</u>
Energy				
Dayang Enterprise Holdings Bhd	2,200,000	3,983,761	5,522,000	1.82
Dialog Group Bhd	2,000,030	5,832,285	6,900,104	2.27
Hibiscus Petroleum Bhd	4,000,000	4,114,864	3,760,000	1.24
Serba Dinamik Holdings Bhd	882,000	1,811,187	1,940,400	0.64
Serba Dinamik Holdings Bhd - Warrant	252,000	-	110,880	0.04
	<u>9,334,030</u>	<u>15,742,097</u>	<u>18,233,384</u>	<u>6.01</u>
Financial Services				
BIMB Holdings Bhd	1,218,000	5,253,948	5,359,200	1.76
Health Care				
Hartalega Holdings Bhd	669,100	3,696,820	3,666,668	1.21
IHH Healthcare Bhd	1,350,000	7,761,078	7,384,500	2.43
	<u>2,019,100</u>	<u>11,457,898</u>	<u>11,051,168</u>	<u>3.64</u>

8. 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 %
31.12.2019 (CONTINUED)				
Audited (continued)				
SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
Industrial Products & Services				
Petronas Chemicals Group Bhd	1,160,500	8,874,460	8,529,674	2.80
Press Metal Aluminium Holdings Bhd	979,616	4,731,460	4,555,214	1.50
Sunway Bhd	2,048,457	3,548,225	3,687,223	1.21
Uchi Technologies Bhd	1,000,600	3,049,748	2,781,668	0.91
	<u>5,189,173</u>	<u>20,203,893</u>	<u>19,553,779</u>	<u>6.42</u>
Plantation				
Kuala Lumpur Kepong Bhd	195,500	4,326,825	4,848,400	1.59
Sime Darby Plantation Bhd	1,593,800	7,970,013	8,686,210	2.86
	<u>1,789,300</u>	<u>12,296,838</u>	<u>13,534,610</u>	<u>4.45</u>
Property				
Sime Darby Property Bhd	<u>4,739,700</u>	<u>3,612,244</u>	<u>4,336,826</u>	<u>1.43</u>
REITs				
Axis REIT	<u>2,240,600</u>	<u>4,017,269</u>	<u>3,965,862</u>	<u>1.30</u>
Technology				
D&O Green Technologies Bhd	2,722,500	2,039,170	2,314,125	0.76
JHM Consolidation Bhd	3,286,900	3,909,527	5,489,123	1.80
Vitrox Corp Bhd	453,100	3,328,762	3,588,552	1.18
	<u>6,462,500</u>	<u>9,277,459</u>	<u>11,391,800</u>	<u>3.74</u>
Telecommunications & Media				
Axiata Group Bhd	1,890,257	8,710,054	7,825,664	2.57
DiGi.Com Bhd	1,800,000	8,400,579	8,028,000	2.64
TIME dotCom Bhd	540,000	4,761,207	4,978,800	1.64
	<u>4,230,257</u>	<u>21,871,840</u>	<u>20,832,464</u>	<u>6.85</u>
Transportation & Logistics				
MISC Bhd	654,100	4,986,641	5,461,735	1.80
Westports Holdings Bhd	880,000	3,427,251	3,704,800	1.22
	<u>1,534,100</u>	<u>8,413,892</u>	<u>9,166,535</u>	<u>3.02</u>

8. 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 %
31.12.2019 (CONTINUED)				
Audited (continued)				
SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
Utilities				
Petronas Gas Bhd	237,500	4,532,747	3,947,250	1.30
Taliworks Corporation Bhd	1,859,300	1,738,053	1,654,777	0.54
Tenaga Nasional Bhd	1,748,500	24,436,225	23,185,110	7.62
	<u>3,845,300</u>	<u>30,707,025</u>	<u>28,787,137</u>	<u>9.46</u>
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES	<u>56,085,989</u>	<u>174,347,273</u>	<u>179,533,577</u>	<u>59.02</u>
ACCUMULATED UNREALISED GAIN ON SHARIAH-COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>5,186,304</u>		
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>179,533,577</u>		

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
31.12.2019 (CONTINUED)				
Audited (continued)				
UNQUOTED SUKUK				
AZRB Capital Sdn Bhd 4.70% 23/12/2022 (AA3)	2,000,000	2,001,545	2,001,525	0.66
AZRB Capital Sdn Bhd 4.85% 26/12/2024 (AA3)	1,850,000	1,851,475	1,851,456	0.61
AZRB Capital Sdn Bhd 5.00% 24/12/2026 (AA3)	670,000	670,551	670,544	0.22
Bank Islam Malaysia Bhd 5.50% 15/12/2025 (A1)	500,000	505,362	510,795	0.17
Bumitama Agri Ltd 4.10% 22/07/2024 (AA3)	1,650,000	1,680,211	1,698,840	0.56
Celcom Networks Sdn Bhd 5.20% 27/08/2027 (AA1)	1,500,000	1,571,606	1,664,172	0.55
DRB-Hicom Bhd 4.15% 12/12/2022 (A1)	500,000	501,137	501,607	0.16
DRB-Hicom Bhd 4.55% 12/12/2024 (A1)	800,000	801,995	804,859	0.26
DRB-Hicom Bhd 4.85% 11/12/2026 (A1)	1,600,000	1,604,252	1,612,908	0.53
DRB-Hicom Bhd 5.10% 12/12/2029 (A1)	2,450,000	2,456,847	2,462,825	0.81
Edra Energy Sdn Bhd 6.23% 05/01/2032 (AA3)	5,000,000	6,014,145	5,972,916	1.96
Edra Energy Sdn Bhd 6.43% 05/07/2034 (AA3)	5,000,000	5,370,458	6,138,048	2.02
Edra Energy Sdn Bhd 6.71% 05/01/2038 (AA3)	2,500,000	3,033,987	3,152,651	1.04
Edra Solar Sdn Bhd 4.10% 11/10/2022 (AA2)	200,000	201,842	202,436	0.07
Edra Solar Sdn Bhd 4.85% 11/10/2034 (AA2)	50,000	50,545	51,323	0.02
Fortune Premiere Sdn Bhd 4.85% 07/09/2023 (AA2)	3,000,000	3,045,045	3,157,335	1.04
GII Murabahah 4.07% 30/09/2026 (Non-rated)	3,500,000	3,507,827	3,683,196	1.21
IJM Land Bhd 4.73% 17/03/2119 (A2)	1,450,000	1,471,134	1,473,156	0.48
IJM Land Bhd Perpetual Sukuk Musharakah 5.65% 17/03/2119 (A2)	700,000	711,269	751,274	0.25
Jimah East Power Sdn Bhd 5.74% 04/06/2029 (AA3)	2,500,000	2,691,484	2,817,834	0.92
Jimah Energy Ventures Sdn Bhd 9.25% 12/05/2021 (AA3)	3,000,000	3,142,038	3,265,638	1.07

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
31.12.2019 (CONTINUED)				
Audited (continued)				
UNQUOTED SUKUK (CONTINUED)				
Malayan Banking Bhd 4.63% 31/01/2029 (AA1)	400,000	407,814	422,018	0.14
Malayan Banking Bhd 4.71% 31/01/2031 (AA1)	650,000	662,917	694,494	0.23
MBSB Bank Bhd 5.05% 20/12/2029 (A3)	610,000	610,999	611,121	0.20
MBSB Bank Bhd 5.25% 19/12/2031 (A3)	430,000	430,742	430,733	0.14
Penang Port Sdn Bhd 4.30% 24/12/2026 (AA3)	250,000	250,147	250,144	0.08
Penang Port Sdn Bhd 4.48% 27/12/2029 (AA3)	500,000	500,307	500,302	0.16
Penang Port Sdn Bhd 4.68% 26/12/2031 (AA3)	900,000	900,577	900,568	0.30
Perbadanan Kemajuan Negeri Selangor 5.01% 31/10/2023 (AA3)	4,000,000	4,035,767	4,199,315	1.38
Press Metal Aluminium Holdings Bhd 4.10% 17/10/2024 (AA3)	2,350,000	2,370,062	2,370,250	0.78
Quantum Solar Park Green SRI Sukuk 5.40% 06/10/2025 (A1)	5,000,000	5,112,888	5,195,166	1.71
Quantum Solar Park Green SRI Sukuk 5.96% 06/10/2032 (A1)	5,000,000	5,168,131	5,190,064	1.71
RHB Islamic Bank Bhd 4.32% 21/05/2029 (AA3)	800,000	803,882	818,858	0.27
Sarawak Energy Bhd 5.50% 04/07/2029 (AAA)	3,000,000	3,265,444	3,498,462	1.15
Sarawak Energy Bhd 4.70% 24/11/2028 (AAA)	3,000,000	3,013,907	3,231,377	1.06
Tadau Energy Sdn Bhd SRI Sukuk 5.80% 27/07/2029 (AA3)	2,000,000	2,122,709	2,226,758	0.73
Tadau Energy Sdn Bhd SRI Sukuk 6.00% 28/07/2031 (AA3)	2,500,000	2,676,376	2,826,760	0.93
Teknologi Tenaga Perlis Consortium Sdn Bhd 4.51% 31/01/2020 (AA1)	2,000,000	2,038,319	2,039,757	0.67
UEM Sunrise Bhd 4.90% 30/06/2021 (AA3)	5,000,000	5,028,383	5,112,392	1.68

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
31.12.2019 (CONTINUED)				
Audited (continued)				
UNQUOTED SUKUK (CONTINUED)				
UEM Sunrise Bhd 4.75% 22/03/2024 (AA3)	1,000,000	1,014,065	1,054,154	0.35
UMW Holdings Bhd 4.83% 22/06/2022 (AA2)	1,500,000	1,504,815	1,547,536	0.50
UniTapah Sdn Bhd 6.15% 12/12/2030 (AA1)	1,000,000	1,145,298	1,173,770	0.39
WCT Holdings Bhd 5.65% 20/04/2026 (AA3)	<u>6,000,000</u>	<u>6,082,125</u>	<u>6,390,032</u>	<u>2.10</u>
TOTAL UNQUOTED SUKUK	<u>88,310,000</u>	<u>92,030,429</u>	<u>95,129,369</u>	<u>31.27</u>
ACCUMULATED UNREALISED GAIN ON UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>3,098,940</u>		
TOTAL UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>95,129,369</u>		

9. CASH AND CASH EQUIVALENTS

	30.06.2020 RM	31.12.2019 Audited RM
Shariah-compliant deposits with licensed Islamic financial institutions	13,466,700	28,322,660
Bank balances	<u>236,003</u>	<u>69,369</u>
	<u>13,702,703</u>	<u>28,392,029</u>

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	01.01.2020 to 30.06.2020	01.01.2019 to 31.12.2019 Audited
	No. of units	No. of units
At the beginning of the financial period/year	475,010,960	494,623,012
Add: Creation of units from applications	30,319,416	42,161,528
Add: Creation of units from distribution	20,296,096	12,970,217
Less: Cancellation of units	(29,254,737)	(74,743,797)
At the end of the financial period/year	496,371,735	475,010,960

11. MANAGEMENT EXPENSE RATIO (“MER”)

	01.01.2020 to 30.06.2020 %	01.01.2019 to 30.06.2019 %
MER	0.79	0.79

MER is derived based on 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 excluding withholding tax
- F = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial period calculated on daily basis is RM285,669,122 (30.06.2019: RM307,430,946).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	01.01.2020 to 30.06.2020	01.01.2019 to 30.06.2019
PTR (times)	0.53	0.44

PTR is derived based on the following calculation:

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

Where:

- total acquisition for the financial period = RM156,649,874 (30.06.2019: RM140,946,502)
- total disposal for the financial period = RM144,287,301 (30.06.2019: RM131,472,081)

13. UNITS HELD BY THE MANAGER, 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 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
CIMB Investment Bank Bhd	Fellow related party to the Manager
CGS-CIMB Securities Sdn Bhd	Fellow related party to the Manager

Units held by the Manager and parties related to the Manager

Manager	30.06.2020		31.12.2019	
	No. of units	RM	No. of units	RM
Principal Asset Management Berhad	61,822	36,735	50,703	32,470

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 Directors or parties related to the Manager.

In addition to 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.

PRINCIPAL ISLAMIC LIFETIME BALANCED GROWTH FUND

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

	01.01.2020 to 30.06.2020 RM	01.01.2019 to 30.06.2019 RM
<u>Significant related party transactions</u>		
Profit income from Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	<u>93,559</u>	<u>80,463</u>
Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	<u>374,886,000</u>	<u>183,730,000</u>
	30.06.2020	31.12.2019
	RM	Audited
		RM
<u>Significant related party balances</u>		
Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	<u>6,500,000</u>	<u>5,000,000</u>
<u>Significant related party balances</u>		
Bank balances		
- CIMB Islamic Bank Bhd	<u>236,003</u>	<u>69,369</u>

14. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the top 10 brokers/dealers for the six months financial period ended 30 June 2020 are as follows:

Brokers/Dealers	Values of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Macquarie Capital Securities (M) Sdn Bhd	42,939,706	14.28	66,761	16.85
RHB Investment Bank Bhd	37,965,961	12.63	41,804	10.55
Maybank Investment Bank Bhd	34,031,525	11.32	61,138	15.44
Affin Hwang Investment Bank Bhd	31,250,444	10.39	41,225	10.41
Hong Leong Investment Bank Bhd	26,873,522	8.94	23,573	5.95
CGS-CIMB Securities Sdn Bhd #	24,159,158	8.04	44,594	11.26
CLSA Securities (M) Sdn Bhd	23,457,704	7.80	39,052	9.86
KAF Equities Sdn Bhd	15,473,031	5.15	32,280	8.15
CIMB Bank Bhd #	13,197,075	4.39	-	-
JP Morgan Securities (M) Sdn Bhd	11,885,407	3.95	17,898	4.52
Others #	39,414,883	13.11	27,773	7.01
	<u>300,648,416</u>	<u>100.00</u>	<u>396,098</u>	<u>100.00</u>

14. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

Details of transactions with the top 10 brokers/dealers for the six months financial period ended 30 June 2019 are as follows:

Brokers/Dealers	Values of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
RHB Investment Bank Bhd	45,822,875	16.82	30,345	12.54
Hong Leong Bank Bhd	39,498,650	14.50	-	-
CIMB Bank Bhd #	28,961,720	10.63	-	-
Macquarie Malaysia Sdn Bhd	26,230,085	9.63	46,685	19.29
KAF Seagroatt & Campbell Securities Sdn Bhd	22,324,510	8.20	48,265	19.94
Maybank Investment Bank Bhd	14,420,933	5.29	32,381	13.38
CLSA Securities (M) Sdn Bhd	13,004,276	4.77	17,774	7.34
Affin Hwang Investment Bank Bhd	12,651,121	4.64	27,690	11.44
Hong Leong Investment Bank Bhd	12,127,317	4.45	3,837	1.59
AmBank Bhd	11,608,600	4.26	-	-
Others #	45,743,385	16.81	35,072	14.48
	<u>272,393,472</u>	<u>100.00</u>	<u>242,048</u>	<u>100.00</u>

Included in the transactions are trades conducted with CIMB Bank Bhd, CGS-CIMB Securities Sdn Bhd and CIMB Islamic Bank Bhd, fellow related parties to the Manager amounting to RM13,197,075 (30.06.2019: RM28,961,720), RM24,159,158 (30.06.2019: RM231,378) and RM2,571,750 (30.06.2019: Nil) respectively. 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 PERIOD

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

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

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