

Principal Islamic Lifetime Enhanced Sukuk Fund

Annual Report

For The Financial Year Ended 31 March 2025

PRINCIPAL ISLAMIC LIFETIME ENHANCED SUKUK FUND
ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025

CONTENTS	PAGE(S)
INVESTORS' LETTER	i
MANAGER'S REPORT	ii - xii
Fund Objective and Policy	
Performance Data	
Market Review	
Fund Performance	
Portfolio Structure	
Market Outlook	
Investment Strategy	
Soft Commissions and Rebates	
Securities Financing Transactions	
State of Affair of the Fund	
Circumstances That Materially Affect Any Interest of Unit Holders	
Cross Trade	
Unit Split	
STATEMENT BY MANAGER	1
TRUSTEE'S REPORT	2
SHARIAH ADVISER'S REPORT	3
INDEPENDENT AUDITORS' REPORT	4 - 7
STATEMENT OF COMPREHENSIVE INCOME	8
STATEMENT OF FINANCIAL POSITION	9
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	10
STATEMENT OF CASH FLOWS	11
NOTES TO THE FINANCIAL STATEMENTS	12 - 36
DIRECTORY	37

INVESTORS' LETTER

Dear Valued Investor,

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

We are pleased to bring you a copy of the Annual Fund Report of the Principal Islamic Lifetime Enhanced Sukuk Fund for the financial year ended 31 March 2025. You may also download this report from our website at www.principal.com.my.

We are thankful to share that investors like you have helped make our recent recognition at the LSEG Lipper Fund Awards 2025 possible, where Principal Malaysia received nine awards. These acknowledgements reflect the collaborative effort of our entire team to deliver investment solutions that meet your needs. We have recently been awarded 'Asset Management Company of the Year (Malaysia)' by The Asset Triple A Sustainable Investing Awards for Institutional Investors, ETFs, and Asset Servicing Providers 2025.

Building on our recent success, Principal Malaysia also garnered numerous accolades throughout 2024. At the Asia Asset Management 2024 Best of the Best Awards, we were honored with the Best of the Best Performance Award for China A-Share Equity (3 years) and recognized as the Best Institutional House – Malaysia. At the 2024 Global Banking & Finance Awards, our CEO, Munirah Khairuddin, was named Asset Management CEO of the Year Malaysia, and our company was recognized as Asset Management Company of the Year Malaysia. Additionally, we received the Best International Equity Fund Manager for MSCI EM Latin America 2023 at the EPF External Fund Managers Awards 2023.

At the Alpha Southeast Asia Fund Management Awards 2024, we won three awards: Best Absolute Return Strategy, Best Online & Mobile Platform (Asset Manager), and Best Asset Manager (Income-Oriented, Money Market & Alternative Investment Funds). The International Finance Awards honored us with 'Best Asset Management Company – Malaysia 2024' and 'Best Asset Management CEO – Munirah Khairuddin – Malaysia 2024'. At the Triple A Sustainable Investing Awards 2024, we secured the Asset Management Company of the Year (Malaysia) award. The World Business Outlook magazine recognized us with the titles of Best Investment Management and Solutions Provider Malaysia, Best Institutional House Malaysia, and Asset Management CEO (Munirah Khairuddin) of the Year Malaysia. Additionally, we received three awards at the iFast Awards 2024, seven at the LSEG Lipper Fund Awards 2024, ten at the FSMOne Recommended Funds 2023/2024, and two at the Edge ESG Awards 2024.

Digital innovation is central to our strategy, as we use data and technology to develop the right solutions for you. We will continue to advance our digital capabilities to provide easy access to your investment portfolio and enable you to carry out transactions seamlessly. Please continue to check out our website, like our Facebook page (@PrincipalMalaysia), follow us on our Instagram account (@principalmalaysia), and LinkedIn page (Principal Malaysia) for the latest updates, market insights and investment articles.

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

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

Munirah Khairuddin

Chief Executive Officer Principal Asset Management Berhad (Group of Companies),
and Managing Director Strategic Distribution & Institutional Client Relations
(Southeast Asia & Global Shariah)
Non-Independent Executive Director

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to grow the value of Unit holders' investments over the medium-term in Sukuk portfolio with most tenures ranging from 3-10 years as well as to provide regular income.

Has the Fund achieved its objective?

For the financial year under review, the Fund is in line with its stated objectives as stated under the fund performance review.

What are the Fund investment policy and principal investment strategy?

A minimum of 70% and up to a maximum of 98% of the Fund's Net Asset Value ("NAV") may be invested in Sukuk carrying at least a "BBB3" or "P2" rating by RAM Ratings Services Bhd ("RAM") or equivalent rating by Malaysian Rating Corporation Bhd ("MARC") or by local rating agency(ies) of the country of issuance; or "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 Sukuk. The Fund may also invest between 0% to 20% (both inclusive) of its NAV in Shariah-compliant equities, of which up to 10% of its NAV may be invested in Shariah-compliant warrants of Shariah-compliant companies. The investment strategy and policy of the Fund is biased towards Islamic fixed income securities that aim to provide consistency in income, while allowing some exposure in Shariah-compliant equities and Shariah-compliant warrants that aim to provide the added return in a rising market. The Fund may also opt to seek investment exposure via Islamic collective investment scheme that is in line with the Fund's objective, subject to the requirements of the Guidelines on Unit Trust Funds issued by the Securities Commission Malaysia ("GUTF"). The Fund may invest up to 30% of its NAV in foreign Eligible Markets. Where necessary, we will obtain the licenses/permits for investments in countries that require licenses/permits. If we are unable to obtain the necessary licenses/permits, or the licenses/permits are revoked or not renewed (as the case may be), we will seek to invest in other accessible markets. Notwithstanding the aforesaid, we may decide not to invest in foreign securities.

The asset allocation strategy for this Fund is as follows:

- between 70% to 98% (both inclusive) of the Fund's NAV in Sukuk;
- up to 40% of the Fund's NAV in Unrated Sukuk;
- between 0% to 20% (both inclusive) of the Fund's NAV in Shariah-compliant equities, of which up to 10% may be invested in Shariah-compliant warrants; and
- at least 2% of the Fund's NAV in Islamic liquid assets.

Fund category/type

Sukuk/Income

When was the Fund launched?

Name of Class	Launch date
Class D	28 April 2023
Class MYR	23 February 2005

What was the size of the Fund as at 31 March 2025?

RM12.81 million (12.05 million units)

What is the Fund's benchmark?

85% CIMB Islamic 1-Month Fixed Return Income Account - i ("FRIA-i") + 15% FTSE Bursa Malaysia ("FBM") EMAS Shariah ("FBMS") Index

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.

FUND OBJECTIVE AND POLICY (CONTINUED)

What is the Fund distribution policy?

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

* Note: Pursuant to the Master Deed, the Manager has the right to make provisions for reserves in respect of distribution of the Fund. If the distribution available is too small or insignificant, any distribution may not be of benefit to the Unit holders as the total cost to be incurred in any such distribution may be higher than the amount for distribution. The Manager has the discretion to decide on the amount to be distributed to the Unit holders.

What was the net income distribution for the financial year ended 31 March 2025?

The Fund distributed a total net income of RM0.25 million to unit holders for the financial year ended 31 March 2025.

The Fund's NAV per unit before and after distribution were as follows:

Date	NAV per unit (Before distribution) RM	NAV per unit (After distribution) RM
Distribution on 5 April 2024		
- Class MYR	0.9970	0.9870
Distribution on 15 October 2024		
- Class MYR	1.0279	1.0128

Breakdown of distribution were as follows:

Source of distribution	31.03.2025		31.03.2024	
	RM	%	RM	%
Distribution out of current year's income	252,573	100.00	551,102	62.93
Distribution out of prior year's income/capital	-	-	324,580	37.07
Total	252,573	100.00	875,682	100.00

PERFORMANCE DATA

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

	31.03.2025	31.03.2024	31.03.2023
Shariah-compliant quoted securities:			
- Construction	5.91	-	0.02
- Energy	-	2.34	-
- Industrial Products & Services	5.05	8.71	0.04
- Property	1.84	3.77	-
- Technology	1.37	-	-
Unquoted Sukuk	70.58	69.69	90.86
Cash and other assets	15.55	30.90	9.80
Liabilities	(0.30)	(15.41)	(0.72)
	100.00	100.00	100.00

PERFORMANCE DATA (CONTINUED)

Performance details of the Fund for the last audited three financial years were as follows (continued):

	31.03.2025	31.03.2024	31.03.2023
NAV (RM Million)			
- Class D	1.87	0.86	-
- Class MYR	10.94	10.83	30.38
Units in circulation (Million)			
- Class D	1.67	0.83	-
- Class MYR	10.39	10.81	30.81
NAV per unit (RM)			
- Class D	1.1240	1.0426	-
- Class MYR	1.0529	1.0013	0.9859
Highest NAV per unit (RM)			
- Class D	1.1429	1.0442	-
- Class MYR	1.0707	1.0028	1.0219
Lowest NAV per unit (RM)			
- Class D	1.0307	1.0000	-
- Class MYR	0.9799	0.9767	0.9554
Total return (%)			
- Class D	7.60	-	-
- Class MYR	7.61	5.02	0.10
Capital growth (%)			
- Class D	7.60	-	-
- Class MYR	4.97	1.72	(3.14)
Income distribution (%)			
- Class D	-	-	-
- Class MYR	2.52	3.24	3.35
Total Expense Ratio ("TER") (%) ^	1.22	1.14	1.15
Portfolio Turnover Ratio ("PTR") (times) #	1.57	0.93	0.50

^ The Fund's TER increased from 1.14% to 1.22% due to increase in total expenses during the financial year under review.

The Fund's PTR increased from 0.93 times to 1.57 times which reflects the trading activities during the financial year under review

	31.03.2025	31.03.2024	31.03.2023
Gross/Net distribution per unit (sen)			
Distribution on 5 April 2024	1.00	-	-
Distribution on 15 October 2024	1.51	-	-
Distribution on 5 April 2023	-	0.98	-
Distribution on 5 July 2023	-	0.94	-
Distribution on 11 October 2023	-	0.49	-
Distribution on 11 January 2024	-	0.74	-
Distribution on 6 April 2022	-	-	1.03
Distribution on 5 July 2022	-	-	0.99
Distribution on 5 October 2022	-	-	0.49
Distribution on 5 January 2023	-	-	0.73

PERFORMANCE DATA (CONTINUED)

	31.03.2025	31.03.2024	31.03.2023	31.03.2022	31.03.2021
	%	%	%	%	%
Annual total return	7.61	5.02	0.10	0.81	12.10
(Launch date: 23 February 2005)					

	31.03.2025	Since inception to 31.03.2024
	%	%
Annual total return		
- Class D	7.60	4.43

(Launch date: 28 April 2023)

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 APRIL 2024 TO 31 MARCH 2025)

Equity

The FBMS Index grew 0.48% in Malaysian Ringgit ("RM/MYR") terms during the financial year under review.

FBMS Index's rally extended into April 2024, up 3.9% to close the month at 11,085.94 points ("pts"). This marked the 5th consecutive month of gains, with Malaysia outperforming most ASEAN markets. Bets on rate cuts by the Federal Reserve (the "Fed") were pushed back given the persistent strong data out of the United States Dollar ("USD"). The rally was broad-based but Utilities, Industrial (mainly PMAH), Healthcare and Transport led gains while Energy eased. Within the broader market, Property and Consumer did well.

FBMS Index's rally extended into May 2024, up 2.54% to close the month at 12,392.36 pts. Investors stayed upbeat despite bets on rate cuts by the Fed pushed back given the persistent strong economic data out of the United States ("US") and sticky inflation. Utilities, Consumer and Industrial led gains while Telecommunications and Commodities lagged. Within the broader market, Construction, Property and Technology did well.

FBMS Index was up 1.3% in June 2024 as investors remained relatively upbeat considering the recent weakness in USD economic data and inflation moderating. Utilities and Healthcare rose while Consumer eased. Within the broader market, Construction and Technology posted strong gains, while other sectors were mixed.

FBMS Index was up 0.8% in July 2024 alongside regional markets and rebounding off the previous month's sell-off, spurred by Federal Open Market Committee ("FOMC") Fed cut bets considering the recent weakness in USD economic data and inflation moderating. Gainers were led by Utilities, Telecommunications, and Consumer, while Materials languished. Within the broader market, Construction and Property posted strong gains, while Technology and Healthcare yielded.

FBMS Index contracted 3.7% in August 2024. The sharp sell-off at the start of the month was due to the massive unwinding of the Yen carry trade. Sentiment was helped by waning USD recession fears given the more 'upbeat' economic data, and greater conviction on Fed cuts, coupled with the 5% appreciation in the RM/MYR during the month. Morgan Stanley Capital International ("MSCI") rebalancing also helped. Gains were largely concentrated on Plantations.

MARKET REVIEW (1 APRIL 2024 TO 31 MARCH 2025) (CONTINUED)

Equity (continued)

FBMS Index was -0.34% in September 2024. This was in stark contrast to the stronger USD market which recorded new highs following Fed's 50 basis points ("bps") cut during the month and greater confidence of a soft-landing scenario for the USD economy. Most sectors were down except for Construction, Property and Healthcare, with Energy and Technology sold off the most.

FBMS Index was -1.39% in October 2024. This is likely because of investors' risk-off move ahead of the US elections, despite the Fed very likely to cut another 25 bps") in the November 2024 FOMC meeting given the recent inflation print and weak jobs data. Utilities and Telcos were sold off the most, while Construction, REITs and Healthcare posted modest gains.

In November 2024, FBMS Index fell 0.23% as investors continue to risk off due to uncertainties surrounding potential new policies under the new US administration, as well as the trajectory of Fed rates given the recent economic data. Utilities, Commodities, Telcos, Transport and Consumer were sold off the most, while Banks, Healthcare, Property, Construction and Plantation posted modest gains.

FBMS Index was +4.6% in December 2024 aided by year-end window dressing and cash redeployment by domestic funds amidst another month of heavy foreign selling due to policy uncertainties under the new US administration and the trajectory of Fed rates coupled with rising bond yields. Utilities, Commodities, and Telcos were the top performers.

FBMS Index was -6.8% in January 2025. The sell-off was largely caused by the recent US Artificial Intelligence ("AI") diffusion rules, further exacerbated by the launch of DeepSeek by China which questioned global AI Capex and monetization prospects and remained largely concentrated on DC-related plays domestically namely Construction, Utilities, Telcos and Properties. The shift in Fed rate expectations due to Trump's tariff posture did not help. Within the broader market, Technology, Consumer and Healthcare also languished.

FBMS Index was -2.8% in February 2025. Sentiment improved as investors re-assessed the impact of US AI diffusion rules, the launch of cost-effective AI models, US tariffs and the trajectory of Fed rates. We witnessed a strong rebound in the sectors affected by these developments namely the DC-related plays namely Construction, Utilities, Properties, and to some extent Telcos, while select Financials and Healthcare also did well. Consumer and Petrochem ended weaker. Within the broader market, Energy, Technology and Gloves languished.

FBMS Index was down - 2.5% in March 2025. Aside from the risk aversion surrounding impending Trump tariff measures and recession fears re-emerging in the US, the index was also weighed down by many heavyweights (mainly Tenaga) going ex-dividend during the month and Return on investment ("ROI") harvesting activities by domestic institutions. Almost all sectors were in the red with top laggards being Telcos and Healthcare.

Unquoted Sukuk

The period under review began with the sovereign yield curve traded lower in April 2024, broadly in line with the trend seen in the US Treasuries with the inflation numbers continued to weigh on the markets. The Government Investment Issues ("GII") yield curve shifted lower in May 2024 as demand for duration surged, driven by global bonds finding some respite from steady inflation prints and weaker-than-expected economic data.

In June 2024 and July 2024, the sovereign yield curve shifted lower and continued to move in tandem with the movements of US Treasuries as it shifted lower fuelled by signs of softening inflation and weakening employment data, thereby prompting market expectations of Fed rate cuts.

MARKET REVIEW (1 APRIL 2024 TO 31 MARCH 2025) (CONTINUED)**Unquoted Sukuk (continued)**

The sovereign yield curve twisted in August 2024 as short-term yields declined marginally, while longer-dated benchmark yields moved higher. The mid-to-long end of the curve rising by 2 to 4bps in view of the heavy long duration supply until September 2024 and busy issuance calendar in October 2024. In addition, there was some profit taking activities during the month following Malaysia printed a higher-than-expected second quarter of 2024 ("2Q2024") Gross Domestic Product ("GDP") and the civil service wages review announcement during the month.

In September, the GII yield curve shifted lower by 1bp to 4bps in tandem with the RM/MYR strength as it took advantage of the rate cut by the Fed. The Fed began its rate-cutting cycle with a 50bps cut at September 2024 FOMC, bringing the new Fed Funds target to 4.75%-5%, the first cut in more than 4 years. Malaysia's Budget 2025 was tabled in October. Overall, the Budget 2025 is neutral on the back of narrowing fiscal deficit which is expected to improve from 4.3% in 2024 to 3.8% in 2025 while inflation for 2025 is likely to tick up but remain manageable at 2-3.5% in 2025 (2024 1.5-2.5%). The government's focus to narrow the fiscal deficit will be positive on overall supply demand dynamics. At the same time, there could be potential inflationary pressures stemming from subsidy rationalisations to be implemented in middle of 2025 and rising income for civil servant which could led to change in spending trends.

Following the rate cuts of 50bps in September and 25bps in November 2024 by the Fed, the Fed Fund Rate targets 4.5% to 4.75%, with a further 25bps cut expected in December 2024 to support a soft economic landing. The bond market in November 2024 generally followed the cue from the US Treasury market performance, posting month end gains. Meanwhile, Bank Negara Malaysia ("BNM") kept the Overnight Policy Rate ("OPR") stable at 3.00% in the last meeting of year 2024. In a statement, BNM said that the monetary policy stance remains supportive of the economy and is consistent with the current assessment of inflation and growth prospects.

The year 2024 ended with the GII yield curve flattened and closed weaker with sentiment generally followed the rise in global yields. The Federal Reserve announced a 25bps cut at its December 2024 FOMC meeting, the third consecutive cut this year, and bringing rates to the 4.25% to 4.50% range. Global yields rose as the FOMC signaled less rate cuts in 2025.

The year 2025 started with the local government securities bonds market continued to be supported with marginal movements in January 2025 and February 2025. The sovereign yield curve steepened mildly with the 3years to 10years moving lower by 1 to 3 bps, apart from the 20years which closed marginally higher by 1bp.

On macro, Malaysia's economy grew by 5.0% year-of-Year ("Y-o-Y") in fourth quarter of 2024 ("4Q2024"), higher than the official advance estimates of 4.8% released earlier. The 4Q2024 growth was supported by the strong expansion in investment activities, sustained household spending amid improved labour market conditions and policy support as well as continued growth in exports of goods and services. Full year GDP growth accelerated to 5.1%, sharply higher than 3.6% in 2023, due to continued expansion in domestic demand of +6.5% Y-o-Y (2023: +4.6% Y-o-Y) and a rebound in net exports to +2.2% Y-o-Y (2023: -16.2% Y-o-Y).

The period under review ended with the local government securities market rallied in March, following a steepening trend in the US Treasuries as the market began pricing in the potential impacts from the retaliatory tariffs which could result in slower global growth. shifted lower in March 2025 by 2bps to 6bps across the curve. However, credit spreads movements were mixed with the overall corporate bond trading volume in March 2025 increased to RM17.57 billion from RM16.46 billion in the previous month.

Overall, the GII shifted lower by 1bp to 9bps across the curve during the period under review. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year GII closed at 3.48%, 3.56%, 3.74%, 3.79%, 3.89%, 4.02% and 4.16% respectively in March 2025.

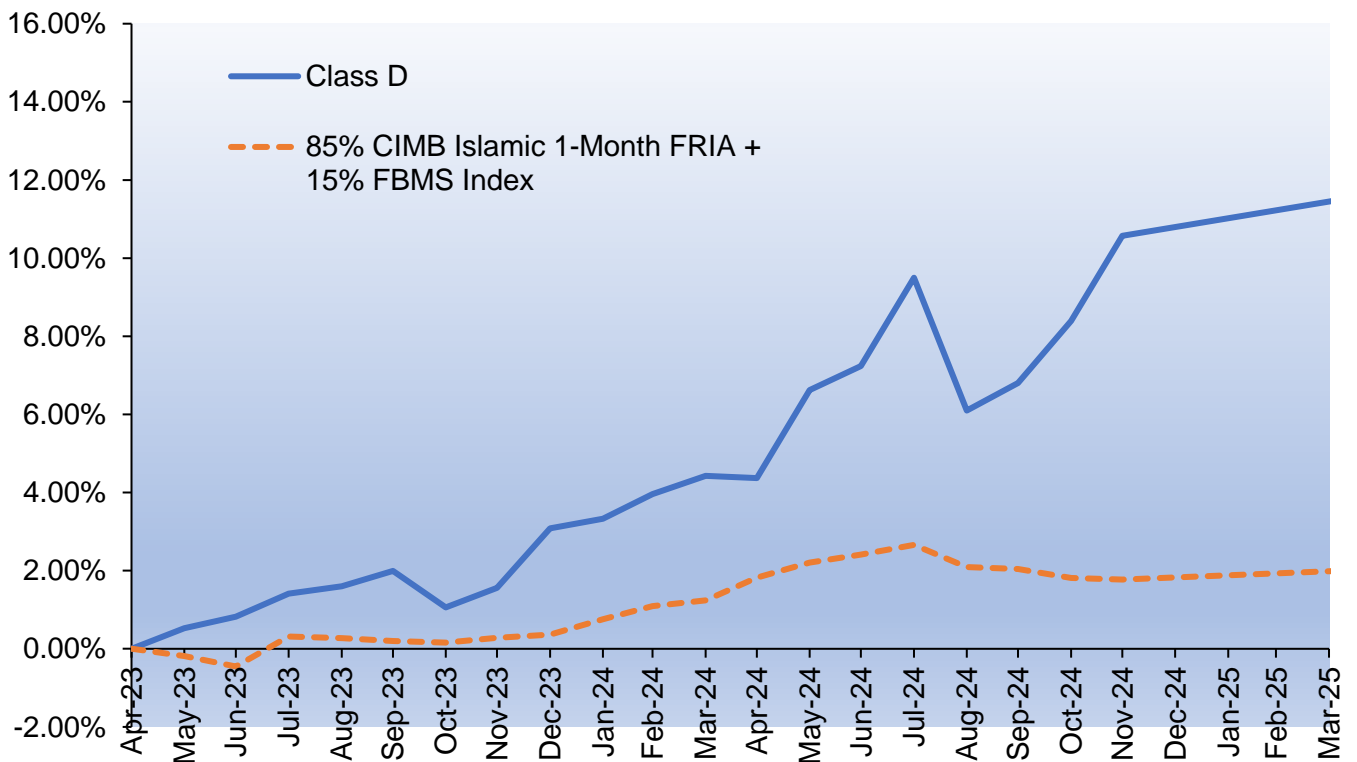
FUND PERFORMANCE

	1 year to 31.03.2025 %	3 years to 31.03.2025 %	5 years to 31.03.2025 %	Since inception to 31.03.2025 %
Income Distribution				
- Class D	-	-	-	-
- Class MYR	2.52	9.39	19.92	128.57
Capital Growth				
- Class D	7.60	-	-	12.37
- Class MYR	4.97	3.42	6.61	7.37
Total Return				
- Class D	7.60	-	-	12.37
- Class MYR	7.61	13.13	27.85	145.42
Benchmark				
- Class D	(0.61)	-	-	0.63
- Class MYR	(0.61)	(0.82)	2.02	17.62
Average Total Return				
- Class D	7.60	-	-	6.24
- Class MYR	7.61	4.19	5.03	4.57

For the financial year under review, the Fund increased 7.60% and 7.61% for Class D and Class MYR, respectively while the benchmark detracted by 0.61%. As such, the Fund outperformed the benchmark by 822bps.

Since Inception

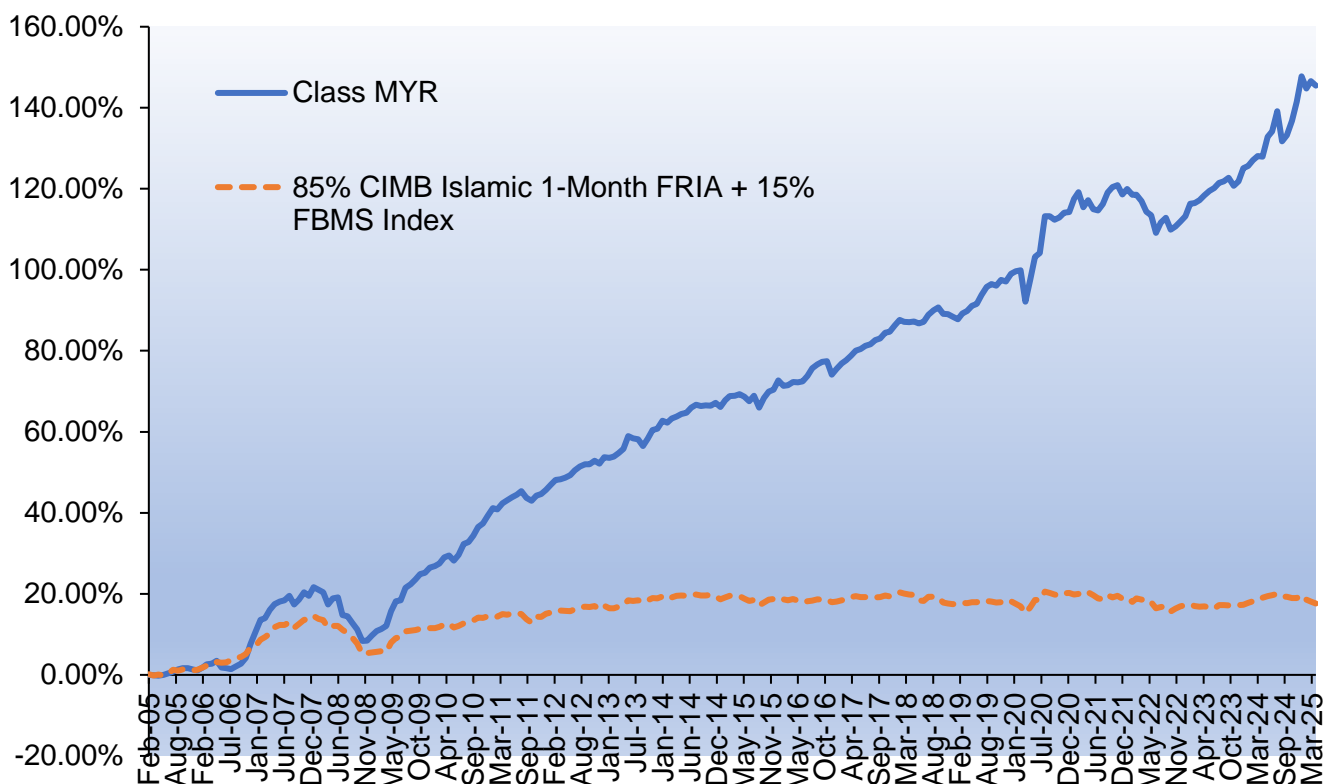
Class D



FUND PERFORMANCE (CONTINUED)

Since Inception (continued)

Class MYR



Changes in NAV

Class D	31.03.2025	31.03.2024	Changes %
NAV (RM Million)	1.87	0.86	>100.00
NAV/Unit (RM)	1.1240	1.0426	7.81

Class MYR	31.03.2025	31.03.2024	Changes %
NAV (RM Million)	10.94	10.83	1.02
NAV/Unit (RM)	1.0529	1.0013	5.15

During the year, NAV for Class MYR increased by 1.02% to 10.94 in value while per unit NAV increased by 5.15% to RM1.0529 as the value of the underlying securities have increased.

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)	31.03.2025	31.03.2024
Shariah-compliant quoted securities	14.17	14.82
Unquoted Sukuk	70.58	69.69
Cash and other assets	15.55	30.90
Liabilities	(0.30)	(15.41)
TOTAL	100.00	100.00

Asset allocation into local Shariah-compliant quoted securities decreased to 14.17%, the 70.58% invested in Unquoted Sukuk and 15.55% in cash and other assets as liquidity maintained for participation in primary issuances and secondary offers as at 31 March 2025.

MARKET OUTLOOK*

Equity

Malaysia's manufacturing sector moderated in March 2025 after a notable improvement in February 2025, with a Purchasing Managers' Index ("PMI") reading of 48.8pts vs 49.7pts. Standard & Poor's ("S&P") Global stated that firms remained under pressure at the end of the first quarter of 2025 ("1Q2025"), with broad-based weakness seen. New export orders, output, employment and inventory levels eased, with some evidence suggesting that global trade uncertainty had affected international demand. Business confidence, after hitting the highest since October 2024 in February 2025, also waned. That said, the latest PMI data still suggests modest growth in GDP for the first quarter of 2025 ("1Q25"), sustaining the trend seen in second half of 2024 ("2H24"). To recap, Malaysia's GDP grew by 5% in 4Q24 and 5.1% for 2024. BNM maintained its GDP growth forecast of 4.5% to 5.5% in 2025 during the recent briefing but highlighted potential risk to growth due to the trade restrictions.

BNM maintained OPR at 3.00% during the last Monetary Policy Committee ("MPC") meeting and we expect the central bank to hold rates steady given muted inflation and modest economic growth. Inflation rose 1.5% in February 2025, lower than the 1.7% in the previous month. There appears to be sufficient headroom to central bank's latest 2.0% to 3.5% Consumer Price Index ("CPI") forecast for 2025 with the impending subsidy rationalization plans.

Unquoted Sukuk

BNM has recently reaffirmed the country's growth projections for 2025 at 4.5% to 5.5% p.a. and noted that there is considerable downside risks should the tariff war prolong and/or escalate. Meanwhile, BNM Governor said that the central bank is looking beyond monetary policy to weather the fallout from US President Donald Trump's duties, arguing that the country is entering the tariff disputes from a position of strength. The country's strong investment activity, resilient domestic demand and diversified trade partners will help provide some support to the economy, while emphasizing that the policymakers have numerous policy tools to mitigate the impact of sweeping US levies. Nevertheless, in the event that actual growth misses the forecast, and inflation continues to be within the central bank's target, the bias would be increasingly leaning towards monetary easing. Meanwhile, domestic liquidity remains healthy given the strong cover ratios throughout 1Q25 in government securities auctions. With yields still relatively low, the market has been seeing more corporate issuances recently and book covers for these issuances have been strong.

*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

Elevated volatility likely persists from external macro concerns and will remain unsettled due to increasing recession risks in the US economy amid Trump's unpredictable tariff and trade policies. However, we are looking to deploy into sustainable dividend yielders and value beaten-down names which we think have been de-rated beyond their fundamentals. We remain constructive on domestic driven sectors and potential direct beneficiaries of the National Energy Transition Roadmap ("NETR"). Key risks are the derailment of Malaysia's macroeconomic recovery and corporate earnings growth due to slower global economic growth and heightened geopolitical risk.

Unquoted Sukuk

Overall, we continue to maintain the preference on the credit segment for better yield pickup with focus on issuers with strong financial metrics and fewer exposures to external trade shocks. On duration, we maintain our overweight duration bias as the current market conditions remain favorable for an overweight duration stance.

SOFT COMMISSIONS AND REBATES

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

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

During the financial year under review, the Manager and Trustee did not receive any rebates from the brokers or dealers but the Manager has retained soft commission in the form of goods and services for the benefit of the fund such as financial wire services and stock quotations system incidental to investment management of the Funds and there was no churning of trades.

SECURITIES FINANCING TRANSACTIONS

The Fund has not undertaken any securities lending or repurchase transactions during the financial year under review.

STATE OF AFFAIR OF THE FUND

There were no significant changes in the state of affairs of the Fund during the financial year and up to the date of Manager's report, not otherwise disclosed in the financial statements.

CIRCUMSTANCES THAT MATERIALLY AFFECT ANY INTEREST OF UNIT HOLDERS

There were no circumstances that had materially affected the interest of the unit holders during the financial year under review.

CROSS TRADE

No cross-trade transactions have been carried out during the financial year under review.

UNIT SPLIT

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

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

I, being the Director of Principal Asset Management Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 8 to 36 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the statement of financial position of the Fund as at 31 March 2025 and of its financial performance, changes in net assets attributable to unit holders and cash flows for the financial year then ended in accordance with the provisions of the MFRS Accounting Standards and IFRS Accounting Standards.

For and on behalf of the Manager

Principal Asset Management Berhad (Company No.: 199401018399 (304078-K))

Munirah Khairuddin

Chief Executive Officer Principal Asset Management Berhad (Group of Companies),
and Managing Director Strategic Distribution & Institutional Client Relations
(Southeast Asia & Global Shariah)
Non-Independent Executive Director

Kuala Lumpur
16 May 2025

TRUSTEE'S REPORT

**TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC LIFETIME ENHANCED SUKUK FUND ("Fund")**

We have acted as Trustee of the Fund for the financial year ended 31 March 2025 and we hereby confirm to the best of our knowledge, after having made all reasonable enquires, Principal Asset Management Berhad has operated and managed the Fund during the year covered by these financial statements in accordance with the following:

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

We are of the opinion that the distributions of income by the Fund are appropriate and reflects the investment objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

Lee Cincee
Senior Manager, Trustee and Fiduciary Services

Kuala Lumpur
16 May 2025

SHARIAH ADVISER'S REPORT

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

For the Financial Year ended 31 March 2025

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 year 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 comprise instruments that have been classified as Shariah-compliant.

For Amanie Advisors Sdn Bhd

Tan Sri Dr Mohd Daud Bakar
Executive Chairman

Kuala Lumpur
16 May 2025

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Principal Islamic Lifetime Enhanced Sukuk Fund (the "Fund"), which comprise the statement of financial position as at 31 March 2025 of the Fund, and statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows of the Fund for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 8 to 36.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 March 2025, and of its financial performance and cash flows for the year then ended in accordance with MFRS Accounting Standards and IFRS Accounting Standards.

Basis for opinion

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

Independence and other ethical responsibilities

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

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC LIFETIME ENHANCED SUKUK FUND (CONT'D.)**

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

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Manager for the financial statements

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC LIFETIME ENHANCED SUKUK FUND (CONT'D.)**

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

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional 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 LIFETIME ENHANCED SUKUK FUND (CONT'D.)**

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

Other matters

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

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

Yeo Beng Yean
No. 03013/10/2026 J
Chartered Accountant

Kuala Lumpur, Malaysia
16 May 2025

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025**

	Note	2025 RM	2024 RM
INCOME			
Dividend income		39,359	34,886
Profit income from Shariah-compliant deposits with licensed Islamic financial institutions and Hibah		35,042	43,587
Profit income from unquoted Sukuk		419,080	1,057,923
Net gain on financial assets at fair value through profit or loss	8	160,088	443,167
Hibah		4,055	-
		<u>657,271</u>	<u>1,579,563</u>
EXPENSES			
Management fee	4	137,538	263,144
Trustee fee	5	4,126	11,791
Transaction costs		34,603	33,591
Audit fee		9,800	9,400
Tax agent's fee		3,800	4,373
Other expenses		12,545	10,266
		<u>202,059</u>	<u>332,565</u>
PROFIT BEFORE DISTRIBUTION AND TAXATION		455,212	1,246,998
Distribution:			
- Class MYR	6	<u>252,573</u>	<u>875,682</u>
PROFIT BEFORE TAXATION		202,639	371,316
Taxation	7	<u>-</u>	<u>-</u>
PROFIT AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>202,639</u>	<u>371,316</u>
Profit after taxation is made up as follows:			
Realised amount		86,053	(257,801)
Unrealised amount		116,586	629,117
		<u>202,639</u>	<u>371,316</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2025**

	Note	2025 RM	2024 RM
ASSETS			
Cash and cash equivalents	9	1,428,195	3,503,293
Financial assets at fair value through profit or loss	8	10,857,774	9,879,460
Amount due from Manager		553,961	109,327
Dividends receivable		10,924	-
TOTAL ASSETS		<u>12,850,854</u>	<u>13,492,080</u>
LIABILITIES			
Amount due to stockbrokers		-	1,719,010
Amount due to Manager		6,971	46,710
Accrued management fee		10,232	14,345
Amount due to Trustee		307	430
Other payables and accruals		21,200	21,100
TOTAL LIABILITIES		<u>38,710</u>	<u>1,801,595</u>
NET ASSET VALUE OF THE FUND		<u>12,812,144</u>	<u>11,690,485</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>12,812,144</u>	<u>11,690,485</u>
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDING UNITS (RM)			
- Class D		1,874,640	864,641
- Class MYR		10,937,504	10,825,844
		<u>12,812,144</u>	<u>11,690,485</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)			
- Class D		1,667,748	829,250
- Class MYR		10,387,060	10,811,505
	10	<u>12,054,808</u>	<u>11,640,755</u>
NET ASSET VALUE PER UNIT (RM)			
- Class D		1.1240	1.0426
- Class MYR		<u>1.0529</u>	<u>1.0013</u>

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

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025**

	Note	2025 RM	2024 RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR		<u>11,690,485</u>	<u>30,375,184</u>
Movement due to units created and cancelled during the financial year:			
Creation of units from applications			
- Class D		12,699,266	2,004,951
- Class MYR		20,584,839	4,390,098
		<u>33,284,105</u>	<u>6,395,049</u>
Creation of units from distribution			
- Class MYR		<u>244,261</u>	<u>866,230</u>
Cancellation of units			
- Class D		(11,745,655)	(1,164,474)
- Class MYR		(20,863,691)	(25,152,820)
		<u>(32,609,346)</u>	<u>(26,317,294)</u>
Total comprehensive income for the financial year		<u>202,639</u>	<u>371,316</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR		<u>12,812,144</u>	<u>11,690,485</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 MARCH 2025**

	Note	2025 RM	2024 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of Shariah-compliant quoted securities		4,679,058	3,984,078
Proceeds from disposal of unquoted Sukuk		16,013,160	29,752,638
Proceeds from maturity of unquoted fixed income securities		1,350,350	-
Purchase of Shariah-compliant quoted securities		(6,456,435)	(4,025,600)
Purchase of unquoted Sukuk		(18,106,956)	(9,737,063)
Dividend income received		28,435	34,886
Profit income received from unquoted Sukuk		368,414	948,697
Profit income received from Shariah-compliant deposits with licensed Islamic financial institutions and Hibah earned		38,744	43,587
Management fee paid		(141,651)	(274,485)
Trustee fee paid		(4,249)	(13,159)
Payment of other fees and expenses		(26,045)	(19,939)
Net cash (used in)/generated from operating activities		(2,257,175)	20,693,640
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		32,839,474	6,380,174
Payments for cancellation of units		(32,649,085)	(26,444,610)
Distribution paid		(8,312)	(9,452)
Net cash generated from/(used in) financing activities		182,077	(20,073,888)
Net (decrease)/increase in cash and cash equivalents		(2,075,098)	619,752
Cash and cash equivalents at the beginning of financial year		3,503,293	2,883,541
Cash and cash equivalents at the end of financial year	9	1,428,195	3,503,293
<u>Cash and cash equivalents comprised:</u>			
Bank balance		54,729	53,435
Shariah-compliant deposits with licensed Islamic financial institutions		1,373,466	3,449,858
Cash and cash equivalents at the end of the financial year	9	1,428,195	3,503,293

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 MARCH 2025**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal Islamic Lifetime Enhanced Sukuk Fund (the “Fund”) is governed by a Principal Master Deed dated 15 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, a Nineteenth Supplemental Master Deed dated 18 June 2019, Twenty third Supplemental Master Deed dated 27 June 2022, a Twenty fourth Supplemental Master Deed dated 20 September 2022 and a Twenty fifth Supplemental Master Deed dated 26 May 2023 and Twenty Sixth Supplemental Master Deed dated 25 March 2025 (collectively referred to as the “Deeds”), made between Principal Asset Management Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

A minimum of 70% and up to a maximum of 98% of the Fund’s NAV may be invested in Sukuk carrying at least a “BBB3” or “P2” rating by RAM ratings or equivalent rating by MARC or by local rating agency(ies) of the country of issuance; or “BBB-” by S&P or equivalent rating by any other international rating agency(ies). The Fund may invest up to 40% of its NAV in Unrated Sukuk. The Fund may also invest between 0% to 20% (both inclusive) of its NAV in Shariah-compliant equities, of which up to 10% of its NAV may be invested in Shariah-compliant warrants of Shariah-compliant companies. The investment strategy and policy of the Fund is biased towards Islamic fixed income investments that aim to provide consistency in income, while allowing some exposure in Shariah-compliant equities and Shariah-compliant warrants that aim to provide the added return in a rising market. The Fund may also opt to seek investment exposure via Islamic collective investment scheme that is in line with the Fund’s objective, subject to the requirements of GUTF issued by Securities Commission Malaysia.

The asset allocation strategy for this Fund is as follows:

- between 70% to 98% (both inclusive) of the Fund’s NAV in Sukuk;
- up to 40% of the Fund’s NAV in Unrated Sukuk;
- between 0% to 20% (both inclusive) of NAV in Shariah-compliant equities, of which up to 10% may be invested in Shariah-compliant warrants; and
- at least 2% of the Fund’s NAV in Islamic liquid assets.

All investments are subjected to the GUTF, 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. MATERIAL ACCOUNTING POLICY INFORMATION

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 Accounting Standards as issued by the Malaysian Accounting Standards Board ("MASB") and IFRS Accounting Standards 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 Accounting Standards and IFRS Accounting Standards 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(l).

There are no other standards, amendments to standards or interpretations effective for financial year beginning on 1 April 2024 that have a material effect on the financial statements of the Fund.

Other than MFRS 18: Presentation and Disclosure in Financial Statements (which will first become applicable for annual periods beginning on or after 1 January 2027), none of the standards, amendments to standards or interpretations that are effective for the financial year beginning on or after 1 March 2025 are applicable to the financial statements of the Fund. The Fund is still currently in the process of assessing the impact, if any, of MFRS 18: Presentation and Disclosure in Financial Statements.

(b) Financial assets and financial liabilities

Classification

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Classification (continued)

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 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.

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.

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Recognition and measurement (continued)

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.

Unquoted Sukuk denominated in RM/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 GUTF. 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 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. MATERIAL ACCOUNTING POLICY INFORMATION (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 RM/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 balance 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 subjected to an insignificant risk of changes in value.

(f) Taxation

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

Withholding taxes on investment income from investment are 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.

(g) Unit holders’ contributions

The unit holders’ contributions to the Fund meet the definition of puttable instruments classified as financial liability under MFRS 132 “Financial Instruments: Presentation”.

The Fund issues cancellable units, in two classes of units, known respectively as the Class D and Class MYR which are cancelled at the unit holder’s option. The units are classified as financial liabilities. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund’s NAV of respective classes. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the unit holders exercises the right to put back the unit to the Fund.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(g) Unit holders' contributions (continued)

Units are created and cancelled at the unit holders' option at prices based on the Fund's NAV per unit of respective classes at the close of business on the relevant dealing day. The Fund's NAV per unit of respective classes is calculated by dividing the net assets attributable to unit holders of respective classes with the total number of outstanding units of respective classes.

In the previous financial year:

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.

(h) Distribution

Distributions to unit holders are recognised in the statement of comprehensive income as the unit holders' contribution are classified as financial liability. Distribution is reinvested into the Fund on the ex-date. Reinvestment of units is based on the NAV per unit on the ex-date, which is also the time of creation. Proposed distributions are recognised as a liability in the financial year in which it is approved by the Trustee.

In the previous financial year:

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.

(i) 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.

(j) 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(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 GUTF.

(l) 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.

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 GUTF. MYR/RM-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. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund were as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2025			
Cash and cash equivalents (Note 9)	-	1,428,195	1,428,195
Shariah-compliant quoted securities (Note 8)	1,815,614	-	1,815,614
Unquoted Sukuk (Note 8)	9,042,160	-	9,042,160
Amount due from Manager	-	553,961	553,961
Dividends receivable	-	10,924	10,924
	<u>10,857,774</u>	<u>1,993,080</u>	<u>12,850,854</u>
2024			
Cash and cash equivalents (Note 9)	-	3,503,293	3,503,293
Shariah-compliant quoted securities (Note 8)	1,732,077	-	1,732,077
Unquoted Sukuk (Note 8)	8,147,383	-	8,147,383
Amount due from Manager	-	109,327	109,327
	<u>9,879,460</u>	<u>3,612,620</u>	<u>13,492,080</u>

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

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

The Fund aims to grow the value of Unit holders' investments over the medium-term in Sukuk portfolio with most tenures ranging from 3-10 years as well as to provide regular 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 GUTF.

(a) Market risk

(i) Price risk

This is the risk that the fair value of an 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 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 and unquoted Sukuk and other financial instruments within specified limits according to the Deeds.

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

	2025 RM	2024 RM
Financial assets at fair value through profit or loss:		
- Shariah-compliant quoted securities	1,815,614	1,732,077
- Unquoted Sukuk	9,042,160	8,147,383
	<u>10,857,774</u>	<u>9,879,460</u>

* Includes profit receivable of RM82,050 (2024: RM87,939).

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 fluctuated 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.

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

(a) Market risk (continued)

(i) Price risk (continued)

% Change in price of Shariah-compliant quoted securities	Market value RM	Impact on profit or loss/NAV RM
2025		
-5%	1,724,833	(90,781)
0%	1,815,614	-
+5%	1,906,395	90,781
2024		
-5%	1,645,473	(86,604)
0%	1,732,077	-
+5%	1,818,681	86,604

The Fund is exposed to price risk arising from profit rate fluctuation in relation to its investment of RM9,042,160 (2024: RM8,147,383) in unquoted Sukuk. The Fund's exposure to price risk arising from profit rate fluctuation and the related sensitivity analysis are disclosed in "interest rate risk" below.

(ii) Interest rate risk

In general, when interest rates rise, unquoted Sukuk prices 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 the 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. However, it does not in any way suggest that this Fund will invest in conventional financial instruments. All investments carried out for the Fund including placement and deposits are in accordance with Shariah.

This risk is crucial since unquoted Sukuk portfolio management 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 interest rates are more susceptible to interest rate movements.

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

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to meet the 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 table below summarises the sensitivity of the Fund's interest or loss and NAV to movements in prices of unquoted Sukuk held by the Fund as a result of movement in interest rate at the end of each reporting year. The analysis is based on the assumptions that the interest rate changed by 1% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

% Change in interest rate	Impact on profit or loss/NAV	
	2025 RM	2024 RM
+1%	(15,224)	(21,296)
-1%	15,262	21,471

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.

The weighted average effective interest rate per annum was as follows:

	2025 %	2024 %
Shariah-compliant deposits with licensed Islamic financial institutions	3.10	3.03

(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 defaulted unquoted Sukuk 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.

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.

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

(b) Credit risk (continued)

For this Fund, the unquoted Sukuk investment must satisfy a minimum credit requirement of at least a “BBB3” or “P2” rating by RAM ratings or equivalent rating by MARC or by local rating agency(ies) of the country of issuance; or “BBB-” by S&P or equivalent rating by any other international rating agencies.

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 exchanges. The credit risk is minimal as all transactions in Shariah-compliant quoted securities are settled/paid upon delivery using approved stockbrokers.

For amount due from Manager, the settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the GUTF.

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

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Amount due from Manager RM	Dividends receivable RM	Total RM
2025					
- AAA	1,428,195	1,411,597	-	-	2,839,792
- AA2	-	783,486	-	-	783,486
- AA3	-	875,004	-	-	875,004
- AA1	-	902,529	-	-	902,529
- AA	-	4,561,315	-	-	4,561,315
- Not Rated	-	508,229	553,961	10,924	1,073,114
	<u>1,428,195</u>	<u>9,042,160</u>	<u>553,961</u>	<u>10,924</u>	<u>11,035,240</u>
2024					
- AAA	3,503,293	1,964,485	-	-	5,467,778
- AA2	-	154,886	-	-	154,886
- AA3	-	2,367,980	-	-	2,367,980
- A	-	645,827	-	-	645,827
- AA	-	2,074,844	-	-	2,074,844
- A1	-	700,297	-	-	700,297
- Not Rated	-	239,064	109,327	-	348,391
	<u>3,503,293</u>	<u>8,147,383</u>	<u>109,327</u>	<u>-</u>	<u>11,760,003</u>

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

(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 and Shariah-compliant deposits with licensed Islamic financial institutions, 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 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.

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
2025			
Amount due to Manager	6,971	-	6,971
Accrued management fee	10,232	-	10,232
Amount due to Trustee	307	-	307
Other payables and accruals	-	21,200	21,200
Net assets attributable to unit holders*	12,812,144	-	12,812,144
Contractual undiscounted cash flows	12,829,654	21,200	12,850,854
2024			
Amount due to stockbrokers	1,719,010	-	1,719,010
Amount due to Manager	46,710	-	46,710
Accrued management fee	14,345	-	14,345
Amount due to Trustee	430	-	430
Other payables and accruals	-	21,100	21,100
Net assets attributable to unit holders*	11,690,485	-	11,690,485
Contractual undiscounted cash flows	13,470,980	21,100	13,492,080

* Outstanding units are redeemed on demand at the holder's option. However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

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

(d) Capital risk management

The capital of the Fund is represented by net assets attributable to unit holders of RM12,812,144 (2024: RM11,690,485). The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Fair value estimation

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

The fair value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial year end date. The Fund utilises the last traded market price for financial assets 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.

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
2025				
Financial assets at fair value through profit or loss:				
- Shariah-compliant quoted securities	1,815,614	-	-	1,815,614
- Unquoted Sukuk	-	9,042,160	-	9,042,160
	<u>1,815,614</u>	<u>9,042,160</u>	<u>-</u>	<u>10,857,774</u>
2024				
Financial assets at fair value through profit or loss:				
- Shariah-compliant quoted securities	1,732,077	-	-	1,732,077
- Unquoted Sukuk	-	8,147,383	-	8,147,383
	<u>1,732,077</u>	<u>8,147,383</u>	<u>-</u>	<u>9,879,460</u>

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. This includes 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).

- (i) The carrying values of cash and cash equivalents, 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 March 2025, the management fee is recognised at a rate of 1.00% per annum (2024: 1.00% per annum).

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

5. TRUSTEE FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.07% per annum, calculated daily based on the NAV of the Fund. The Trustee fee includes local custodian fees but excludes foreign sub-custodian fees (if any).

For the financial year ended 31 March 2025, the Trustee fee is recognized at a rate of 0.03% per annum for each class (2024: 0.03% per annum). There was no further liability to the Trustee in respect of Trustee fee other than the amount recognised above.

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

6. DISTRIBUTION

Distribution to unit holders were derived from the following sources (assessed up to distribution declaration date):

Breakdown of distribution were as follows:

	31.03.2025		31.03.2024	
	RM	%	RM	%
Source of distribution				
Distribution out of current year's income	252,573	100.00	551,102	62.93
Distribution out of prior year's income/capital *	-	-	324,580	37.07
Total	252,573	100.00	875,682	100.00
			2025	2024
Gross/Net distribution per unit (sen)				
Distribution on 5 April 2024			1.00	-
Distribution on 15 October 2024			1.51	-
Distribution on 5 April 2023			-	0.98
Distribution on 5 July 2023			-	0.94
Distribution on 11 October 2023			-	0.49
Distribution on 11 January 2024			-	0.74

* Distribution income has been accrued as at the end of the prior financial year but is not declared and paid as distribution.

Gross distribution is derived using total income less total expenses. Net distribution above is sourced from current and prior financial year's 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 financial year ended 31 March 2025, the Fund recorded no unrealised loss (2024: nil).

7. TAXATION

	2025 RM	2024 RM
Tax charged for the financial year:		
- Current taxation	-	-

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

	2025 RM	2024 RM
Profit before taxation	202,639	371,316
Taxation at Malaysian statutory rate of 24% (2024: 24%)	48,633	89,116
Tax effects of:		
- Income not subject to tax	(157,829)	(379,095)
- Expenses not deductible for tax purposes	72,711	223,899
- Restriction on tax deductible expenses for Unit Trust Funds	36,485	66,080
Taxation	-	-

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 RM	2024 RM
At fair value through profit or loss:		
- Shariah-compliant quoted securities	1,815,614	1,732,077
- Unquoted Sukuk	9,042,160	8,147,383
	10,857,774	9,879,460

Net gain on financial assets at fair value through profit or loss:

- Realised gain on disposals	94,362	148,907
- Unrealised fair value gain	65,726	294,260
	160,088	443,167

	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2025 SHARIAH-COMPLIANT QUOTED SECURITIES				
Construction				
Gamuda Bhd	180,000	481,261	756,000	5.91
Industrial Products & Services				
TMK Chemical Bhd - IPO	50,000	87,500	61,500	0.48

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

	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2025 (CONTINUED) SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
Industrial Products & Services (continued)				
Sunway Bhd	129,100	527,549	586,114	4.57
	179,100	615,049	647,614	5.05
Property				
SP Setia Bhd	200,000	304,830	236,000	1.84
Technology				
Ifca Msc Bhd	400,000	292,683	176,000	1.37
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES	959,100	1,693,825	1,815,614	14.17
ACCUMULATED UNREALISED GAIN ON SHARIAH- COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
		121,789		
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
		1,815,614		
	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2025 UNQUOTED SUKUK				
AmBank Islamic Bhd 4.53% 28/03/2033 (AA3)	860,000	860,427	875,004	6.84
CIMB Group Holdings Bhd 4.08% 26/09/2036 (AA2)	210,000	210,141	211,210	1.65
Evyap Sabun Malaysia Sdn Bhd 4.30% 06/12/2029 (AA)	530,000	537,465	539,199	4.21

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

	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2025 (CONTINUED) UNQUOTED SUKUK (CONTINUED)				
Guan Chong Bhd 3.84% 03/12/2027 (AA)	310,000	314,649	310,828	2.43
Toyota Capital (M) Sdn Bhd 4.25% 28/07/2028 (AAA)	620,000	629,813	637,491	4.98
DRB-Hicom Bhd 4.85% 04/08/2028 (AA)	920,000	933,175	953,217	7.45
Malayan Cement Bhd 5.05% 26/06/2028 (AA1)	860,000	897,556	902,529	7.05
Edotco Malaysia Sdn Bhd 4.44% 07/09/2029 (AA)	290,000	296,874	297,936	2.33
Orkim Sdn Bhd 4.32% 28/02/2030 (AA)	910,000	913,447	914,730	7.15
Benih Restu Bhd 4.08% 28/07/2034 (AA2)	410,000	412,755	417,879	3.27
MMC Port Holdings Sdn Bhd 4.66% 06/04/2029 (AA)	400,000	417,916	420,529	3.29
Edra Solar Sdn Bhd 4.40% 09/10/2026 (AA2)	150,000	153,110	154,397	1.21
Tenaga Nasional Bhd 4.98% 27/08/2038 (AAA)	500,000	502,183	555,153	4.34
Johor Corp 4.45% 05/07/2030 (AAA)	210,000	212,176	218,953	1.71
LBS Bina Group Bhd 4.81% 23/01/2032 (AA)	450,000	453,973	461,155	3.60
Mah Sing Group Bhd 4.50% 14/12/2029 (NR)	500,000	506,534	508,229	3.97
Malaysian Resources Corp Bhd 5.09% 18/10/2028 (AA)	100,000	104,946	105,262	0.82
Sime Darby Property Bhd 3.42% 03/12/2027 (AA)	400,000	398,351	400,868	3.13
OCK Group Bhd 5.38% 22/11/2030 (AA)	150,000	153,574	157,591	1.23
TOTAL UNQUOTED SUKUK	8,780,000	8,909,064	9,042,160	70.68

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

	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2025 (CONTINUED) UNQUOTED SUKUK (CONTINUED)				
ACCUMULATED UNREALISED GAIN ON UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>133,096</u>		
TOTAL UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS		<u><u>9,042,160</u></u>		
	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2024 SHARIAH-COMPLIANT QUOTED SECURITIES				
Energy				
Perdana Petroleum Bhd	<u>827,700</u>	<u>267,530</u>	<u>273,141</u>	<u>2.34</u>
Industrial Products & Services				
HSS Engineers Bhd	339,600	393,278	393,936	3.37
Nationgate Holdings Bhd	<u>400,000</u>	<u>621,080</u>	<u>624,000</u>	<u>5.34</u>
	<u>739,600</u>	<u>1,014,358</u>	<u>1,017,936</u>	<u>8.71</u>
Property				
SP Setia Bhd	<u>300,000</u>	<u>431,490</u>	<u>441,000</u>	<u>3.77</u>
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES	<u><u>1,867,300</u></u>	<u>1,713,378</u>	<u><u>1,732,077</u></u>	<u><u>14.82</u></u>
ACCUMULATED UNREALISED GAIN ON SHARIAH- COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>18,699</u>		

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

	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2024 (CONTINUED) SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		1,732,077		
	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2024 UNQUOTED SUKUK				
AmBank Islamic Bhd 4.53% 28/03/2033 (AA3)	860,000	860,320	877,606	7.51
Edra Solar Sdn Bhd 4.40% 09/10/2026 (AA2)	150,000	153,128	154,886	1.32
GII Murabahah 5.357% 15/05/2052 (GG) #	200,000	233,158	239,064	2.04
Guan Chong Bhd 3.84% 03/12/2027 (AA3)	310,000	315,019	309,282	2.65
Johor Corporation 4.45% 05/07/2030 (AAA)	210,000	212,151	218,843	1.87
OCK Group Bhd 5.38% 22/11/2030	150,000	153,733	156,064	1.33
OSK Rated Bond Sdn Bhd 4.39% 28/04/2028	2,000,000	2,037,044	2,074,844	17.75
Tenaga Nasional Bhd 4.98% 27/08/2038	1,000,000	1,004,366	1,108,426	9.48
TG Excellence Bhd 3.95% 27/02/2120	650,000	652,392	645,827	5.52
Toyota Capital (M) Sdn Bhd 4.25% 28/07/2028	620,000	630,141	637,216	5.45
UEM Edgenta Bhd 4.25% 24/04/2026	1,000,000	1,025,174	1,025,028	8.77
WCT Holdings Bhd 5.15% 01/04/2024	700,000	700,296	700,297	6.00
TOTAL UNQUOTED SUKUK	7,850,000	7,976,922	8,147,383	69.69

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

	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2024 (CONTINUED) UNQUOTED SUKUK (CONTINUED)				
ACCUMULATED UNREALISED GAIN ON UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>170,461</u>		
TOTAL UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS		<u><u>8,147,383</u></u>		

The unquoted Sukuk which are not rated as at the end of each financial year are issue, backed or guaranteed by Government or Government agencies.

9. CASH AND CASH EQUIVALENTS

	2025 RM	2024 RM
Shariah-compliant deposits with licensed Islamic financial institutions	1,373,466	3,449,858
Bank balance	<u>54,729</u>	<u>53,435</u>
	<u>1,428,195</u>	<u>3,503,293</u>

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2025 No. of units	2024 No. of units
Class D (i)	1,667,748	829,250
Class MYR (ii)	<u>10,387,060</u>	<u>10,811,505</u>
	<u>12,054,808</u>	<u>11,640,755</u>
(i) Class D		
At the beginning of the financial year	829,250	-
Add: Creation of units from applications	11,277,435	1,970,401
Less: Cancellation of units	<u>(10,438,937)</u>	<u>(1,141,151)</u>
At the end of the financial year	<u>1,667,748</u>	<u>829,250</u>

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

	2025	2024
	No. of units	No. of units
(ii) Class MYR		
At the beginning of the financial year	10,811,505	30,808,425
Add: Creation of units from applications	19,806,466	4,441,928
Add: Creation of units from distribution	243,944	881,817
Less: Cancellation of units	<u>(20,474,855)</u>	<u>(25,320,665)</u>
At the end of the financial year	<u>10,387,060</u>	<u>10,811,505</u>

11. TOTAL EXPENSE RATIO ("TER")

	2025	2024
	%	%
TER	<u>1.22</u>	<u>1.14</u>

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

A = Management fee

B = Trustee fee

C = Audit fee

D = Tax Agent's fee

E = Other expenses excluding Central Depository System ("CDS") transfer 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 daily basis is RM13,783,669 (2024: RM26,199,315).

12. PORTFOLIO TURNOVER RATIO ("PTR")

	2025	2024
PTR	<u>1.57</u>	<u>0.93</u>

PTR is derived from 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 = RM22,705,397 (2024: RM15,429,015)

total disposal for the financial year = RM20,518,444 (2024: RM33,420,329)

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
CGS-CIMB Securities Sdn Bhd	Fellow related party to Manager
CIMB Islamic Bank Bhd	Fellow related party to Manager
CIMB Bank Bhd	Fellow related party to Manager
Subsidiaries and associates of CIMB Group Holdings Berhad, other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager

Units held by the Manager and parties related to the Manager

	<u>2025</u>		<u>2024</u>	
	<u>No. of units</u>	<u>RM</u>	<u>No. of units</u>	<u>RM</u>
Manager				
Principal Asset Management Berhad				
- Class MYR	<u>172</u>	<u>181</u>	<u>168</u>	<u>168</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 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)

	2025 RM	2024 RM
<u>Significant related party transactions</u>		
Profit income received from Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	1,937	3,339

14. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the top 10 brokers/dealers for the financial year ended 31 March 2025 were as follows:

Brokers/Dealers	Values of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
RHB Bank Bhd	10,811,778	25.02	-	-
Hong Leong Investment Bank Bhd	5,177,782	11.98	887	3.95
Standard Chartered Bank - Treasury	4,617,750	10.69	-	-
JP Morgan Chase Bank Bhd	3,075,900	7.12	-	-
Malayan Banking Bhd	2,953,800	6.84	-	-
Citi Bank Bhd	2,358,000	5.46	-	-
RHB Investment Bank Bhd	1,834,073	4.24	2,862	12.74
Maybank Investment Bank Bhd	1,662,432	3.85	5,324	23.70
CIMB Islamic Bank Bhd #	1,538,250	3.56	-	-
Macquarie Capital Securities (M) Sdn Bhd	1,534,908	3.55	3,479	15.49
Others #	7,649,173	17.69	9,915	44.12
	43,213,846	100.00	22,467	100.00

Details of transactions with the top 10 brokers/dealers for the financial year ended 31 March 2024 were as follows:

Brokers/Dealers	Values of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
RHB Bank Bhd	22,140,229	45.33	-	-
RHB Investment Bank Bhd	9,375,293	19.19	5,142	24.90
Malayan Banking Bhd	3,096,746	6.34	-	-
Affin Hwang Investment Bank Bhd	2,292,574	4.69	2,898	14.04
CIMB Bank Bhd #	2,143,894	4.39	-	-
Hong Leong Investment Bank Bhd	1,754,880	3.59	639	3.09

14. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

Details of transactions with the top 10 brokers/dealers for the financial year ended 31 March 2024 were as follows (continued):

Brokers/Dealers	Values of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
J.P. Morgan Securities (M) Sdn Bhd	1,428,642	2.92	2,151	10.42
UBS Securities M Sdn Bhd	1,251,615	2.56	2,838	13.74
KAF Equities Sdn Bhd	1,100,609	2.25	2,476	11.99
CIMB Islamic Bank Berhad #	1,027,000	2.10	-	-
Others #	3,232,699	6.64	4,504	21.82
	<u>48,844,181</u>	<u>100.00</u>	<u>20,648</u>	<u>100.00</u>

Included in the transactions are trades conducted with CIMB Islamic Bank Bhd, CGS International Securities Malaysia Sdn Bhd (formerly known as CGS-CIMB Securities Sdn Bhd) and CIMB Bank Bhd, fellow related parties to the Manager amounting to RM1,538,250 (2024: RM1,027,000), Nil (2024: RM715,974) and RM210,000 (2024: RM2,143,894) 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. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 16 May 2025.

DIRECTORY

Head Office of the Manager

Principal Asset Management Berhad (Company No.: 199401018399 (304078-K))
Level 32, Exchange 106,
Lingkaran TRX,
55188 Tun Razak Exchange, Kuala Lumpur
MALAYSIA.
Tel: (03) 8680 8000

Website

www.principal.com.my

E-mail address

myservice@principal.com

Customer Care Centre

03) 7723 7260

Chat with us via WhatsApp:

(6016) 299 9792

Trustee for the Principal Islamic Lifetime Enhanced Sukuk Fund

HSBC (Malaysia) Trustee Berhad (Company No.: 193701000084 (1281-T))
19th Floor, Menara IQ, Lingkaran TRX,
55188 Tun Razak Exchange, Kuala Lumpur, MALAYSIA.
Tel: (03) 2075 7800
Fax: (03) 8894 2611

Shariah Adviser of the Principal Islamic Lifetime Enhanced Sukuk Fund

Amanie Advisors Sdn. Bhd. (Company No.: 200501007003 (684050-H))
Level 13A-2, Menara Tokio Marine Life,
No 189, Jalan Tun Razak,
50400 Kuala Lumpur, MALAYSIA.
Tel: (03) 2161 0260
Fax: (03) 2161 0262

Auditors of the Fund and of the Manager

Ernst & Young PLT 202006000003 (LLP0022760-LCA) & AF 0039
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel: +603 7495 8000
Fax: +603 2095 5332

Principal Asset Management Berhad
199401018399 (304078-K)

Enquiries:

Customer Care Centre
(603)7723 7260

Chat with us via WhatsApp
(6016)299 9792

Email
myservice@principal.com

Website
www.principal.com.my