

Principal Islamic Lifetime Enhanced Sukuk Fund

Interim Report

For the Six Months Financial Period Ended 30 September 2020

PRINCIPAL ISLAMIC LIFETIME ENHANCED SUKUK FUND

INTERIM REPORT

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

CONTENTS	PAGE(S)
INVESTORS' LETTER	1
MANAGER'S REPORT	2 - 9
Fund Objective and Policy	
Performance Data	
Market Review	
Fund Performance	
Portfolio Structure	
Market Outlook	
Investment Strategy	
Unit Holdings Statistics	
Soft Commissions and Rebates	
STATEMENT BY MANAGER	10
TRUSTEE'S REPORT	11
SHARIAH ADVISER'S REPORT	12
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME	13
UNAUDITED STATEMENT OF FINANCIAL POSITION	14
UNAUDITED STATEMENT OF CHANGES IN EQUITY	15
UNAUDITED STATEMENT OF CASH FLOWS	16
NOTES TO THE FINANCIAL STATEMENTS	17 - 41
DIRECTORY	42

INVESTORS' LETTER

Dear Valued Investor,

Volatility has always been part of investing. Markets aren't more volatile than they've been in recent years. I would say the difference now is how quickly risks - may it be an announcement from the Government, a possible pandemic, or simply a tweet - can appear to affect the equity market. The roadmap to recovery will continue to be driven by supportive stimulus post US election, successful vaccine trials and the broadening recovery in China and other parts of Asia. Thus, focusing on your long-term investment plan can be one way to counteract the stresses of volatility. Eventually, markets will learn to separate noise from true information and adapt to the speed of information. It just takes time.

Our commitment to you remains steadfast. We are not advocating short-term, reactive investment decisions. A practical investment approach is generally based on a long-term view and your time horizon. Here are a few things to keep in mind:

1. Stay the course.

Remember volatility, isn't just markets dropping. It's movement. Markets can move up or down and this can create opportunities for long-term growth.

2. Review your goals, risk tolerance, and time horizon.

It's important to make sure your portfolio diversification continues to be in line with your long-term goals and matches your risk tolerance preferences.

3. Keep investing.

There is always a good time to invest. Invest whenever you can.

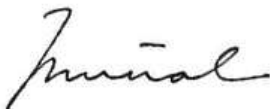
We continue to prefer equities over fixed income and remain Positive on Asian equities favouring China and more developed Asian economies on a 12-month basis. For our:

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

Please continue to check out our website (<http://www.principal.com.my>) and Facebook account (@PrincipalAssetMY) for our latest insights and investment articles.

We appreciate your continuous support and the trust you place in us. And, we're happy to share that we recently won four awards at the iFAST Awards Night 2020 and another eight awards from the Private Pension Administration ("PPA").

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



Munirah Khairuddin
Chief Executive Officer

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

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?

The Fund has met its objective during the financial period under 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 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 the Securities Commission Malaysia ("SC") Guidelines.

The Fund may invest up to 30% of its NAV in foreign markets where the regulatory authorities are ordinary or associate members of the International Organization of Securities Commissions ("IOSCO"). Where necessary, the Manager will obtain the licenses/permits for investments in countries that require licenses/permits. If the Manager are unable to obtain the necessary licenses/permits, or the licenses/permits are revoked or not renewed (as the case may be), the Manager will seek to invest in other accessible markets. Notwithstanding the aforesaid, the Manager 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?

23 February 2005

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

RM43.11 million (40.55 million units)

What is the Fund's benchmark?

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

Note: The Fund's benchmark is for performance comparison 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 six months financial period ended 30 September 2020?

The Fund distributed a total net income of RM0.90 million to unit holders, as a result, the NAV per unit dropped from RM0.9914 to RM0.9657 on 3 April 2020 for the six months financial period ended 30 September 2020.

PERFORMANCE DATA

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

	01.04.2020 to 30.09.2020	01.04.2019 to 30.09.2019	01.04.2018 to 30.09.2018
	%	%	%
Shariah-compliant quoted securities			
- Construction	0.63	2.23	0.85
- Consumer Products and Services	0.35	2.77	3.47
- Energy	1.51	1.60	2.11
- Financial Services	0.98	0.27	-
- Health Care	3.74	0.30	1.59
- Industrial Product & Services	2.34	1.26	4.34
- Plantations	0.59	-	0.89
- Real Estate Investment Trust ("REITs")	0.15	0.26	-
- Technology	4.88	2.22	0.67
- Telecommunications & Media	0.38	2.08	-
- Transportation & Logistics	0.35	0.66	-
- Utilities	1.10	2.85	4.17
Unquoted Sukuk	73.99	79.38	76.76
Cash and other net assets	9.01	4.12	5.15
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

PERFORMANCE DATA (CONTINUED)

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

	30.09.2020	30.09.2019	30.09.2018
NAV (RM Million)	43.11	28.61	30.03
Units in circulation (Million)	40.55	28.40	29.21
NAV per unit (RM)	1.0631	1.0073	1.0277
	01.04.2020	01.04.2019	01.04.2018
	to 30.09.2020	to 30.09.2019	to 30.09.2018
Highest NAV per unit (RM)	1.0756	1.0285	1.0552
Lowest NAV per unit (RM)	0.9657	0.9777	1.0055
Total return (%)	10.52	3.29	1.93
- Capital growth (%)	7.63	(1.54)	(2.38)
- Income distribution (%)	2.66	4.89	4.41
Management Expense Ratio ("MER") (%) ^	0.66	0.61	0.59
Portfolio Turnover Ratio ("PTR") (times) #	0.27	0.33	0.58

^ The Fund's MER has increased from 0.61% to 0.66% due to increase in expenses during the financial period under review.

The Fund's PTR decreased from 0.33 times to 0.27 times due to lesser trading activities during the financial period under review.

Date of distribution	03.04.2020	24.04.2019	18.04.2018
Gross/Net distribution per unit (sen)	2.57	4.80	4.45

	30.09.2020	30.09.2019	30.09.2018	30.09.2017	30.09.2016
	%	%	%	%	%
Annual total return	8.31	2.83	4.18	3.27	5.28

(Launch date: 23 February 2005)

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

MARKET REVIEW (1 APRIL 2020 TO 30 SEPTEMBER 2020)

Equity

The FBMS Index rose by 30% in Malaysian Ringgit (“MYR”) terms during the period under review as the market improved from the start of the lockdown which was one of the low points and eventually saw the economy reopened driven by the outperformance in the health care sector.

The Malaysian Government has enforced an initial 2-week movement control order (“MCO”) since 18 March 2020 which was extended until 14 April 2020 as the number of new Coronavirus 2019 (“COVID-19”) infections spiked. In order to cushion the pandemic impact to the country, the Government has implemented RM250 billion fiscal stimulus package as well as cut its overnight policy rate (“OPR”) by 100 basis points (“bps”) year-to-date (“YTD”) to 2.0% and has slashed its Statutory Reserve Requirement (“SRR”) by 100 bps to 2.0% in order to inject liquidity into the economy.

Over the course of June 2020, the Government has announced further RM35 billion stimulus under National Economic Recovery Plan (“PENJANA”) which consists of RM10 billion in direct fiscal injections, RM8 billion in tax incentives and the rest via measures by public sector entities. The Government also announced that it is offering up to 100% sales tax exemption for Completely Knocked Down (“CKD”) and Completely Build-Up (“CBU”) vehicles from 15 June 2020 till 31 December 2020 while property sector will be boosted by reintroduction of the Home Ownership Campaign (“HOC”), exemption of individuals’ realised properties gain tax (“RPGT”) and the lifting of the maximum loan-to-value ratio (“LVR”) to 70%.

Second quarter of 2020 earnings season was a disappointment despite earlier expectation of severe earnings contraction due to the full impact of MCO. Post reporting season, consensus 2020 and 2021 earnings per share (“EPS”) estimates of FBM Kuala Lumpur Composite Index (“FBMKLCI”) have been cut by 2% and 6.4% respectively on the absence of any interim dividends by the banks to preserve capital against potential losses as the end of loan moratorium looms. The reopening of economy since early May 2020 will lead to meaningful earnings rebound in second half of 2020 which is supported by the sharp rebound in the purchasing manager index (“PMI”) from the low of 31.3 in April 2020 to 49.3 in Aug 2020 which is just a notch lower than the 50-parity level.

In September 2020, consensus EPS trend of FBMKLCI seems to suggest that earnings has bottomed and starts to rise again primarily driven by the sharp positive earnings revision of glove stocks. After a period of flattened curve of domestic COVID-19 new cases, a second wave is unravelling especially in Sabah which has now spread to Peninsular Malaysia. An inter-district travel ban has been implemented in Sabah. This will dampen domestic consumption especially domestic retail and tourism spending and the recovery prospect for airlines, airports, and the hospitality industries. Politics will remain a source of uncertainty for the equity market in the near term especially post Sabah-state election.

Sukuk

In April 2020, the Government announced the third stimulus package of another RM10 billion targeted to provide financial relief for small and medium enterprises (“SMEs”) to support businesses and retain jobs during and post MCO. The additional RM10 billion fiscal spending will push the extra fiscal spending further to RM35 billion or 2.3% of gross domestic products (“GDP”) which will raise the fiscal deficit by 0.7% to 4.7% of GDP.

MARKET REVIEW (1 APRIL 2020 TO 30 SEPTEMBER 2020) (CONTINUED)

Sukuk (continued)

Bank Negara Malaysia (“BNM”) reduced its OPR in May 2020 by another 50 bps to 2.00%, following its 25 bps cut in January 2020 and 25 bps cut in March 2020. The cut was mainly due to the significant weakening of the global and local economic conditions from the measures implemented to contain the spread of the COVID-19. In addition, BNM also maintained the SRR at 2.00% but has allowed banks to fully recognize their holdings of Malaysian Government Securities (“MGS”) and Malaysian Government Investment Issue (“MGII”) to comply with the SRR requirement, effective 16 May 2020 until 31 May 2021. This has released an additional RM16 billions of liquidity into the system.

In June 2020, the Government announced its third stimulus package (i.e. PENJANA) under its short-term economic recovery plan worth RM35 billion. This plan contained 40 measures, mainly on jobs initiatives, micro, small and medium enterprises (“MSMEs”) supports, stimulation of foreign direct investment (“FDI”) & consumption as well as to facilitate digitalization. With this, the Ministry of Finance (“MoF”) now expects the 2020 budget deficit/GDP at 5.8% - 6.0% on PENJANA’s RM18 billion direct fiscal impact. The total fiscal injection of both PENJANA and Bantuan Prihatin Nasional (“PRIHATIN”) by the Government is RM45 billion.

S&P reaffirmed Malaysia’s ratings at A- but revised the outlook to negative from stable on 26 June 2020. All three agencies still rate Malaysia at A-/A3, but the overall outlook has weakened on balance, with two negatives and one stable (i.e. Moody’s). S&P cited in its statement additional downside risks to Malaysia’s fiscal metrics because of weak global growth outlook and heightened policy uncertainty. They mentioned that the current political uncertainty could undermine policymaking in the country with regards to fiscal policy trajectory and meeting fiscal consolidation targets.

In July 2020, BNM lowered the OPR by 25 bps to 1.75% for the fourth time this year at its Monetary Policy Committee (“MPC”) meeting held in July 2020. The Central Bank mentioned that the reduction in OPR provides additional policy stimulus to accelerate the pace of the economy. It was also mentioned they will continue to utilize policy levers as appropriate for a sustainable economic recovery.

Second quarter of 2020 GDP contracted sharply by 17.1% year-on-year (“y-o-y”) and 16.5% quarter-on-quarter (“q-o-q”) (first quarter of 2020: +0.7% y-o-y and -2.0% q-o-q) as the economy was affected by concurrent supply and demand shocks arising from weak external demand conditions and strict containment measures in second quarter of 2020. On the supply side, a broad based contraction was recorded across sectors except for agriculture.

On 10 September 2020, BNM kept hold its OPR at 1.75%. Nevertheless, the OPR remains at historic low levels after a total of 125 bps have been reduced this year. The September 2020 MPC statement sounded mildly neutral albeit still reiterating risks faced to the local and global economy due to the pandemic.

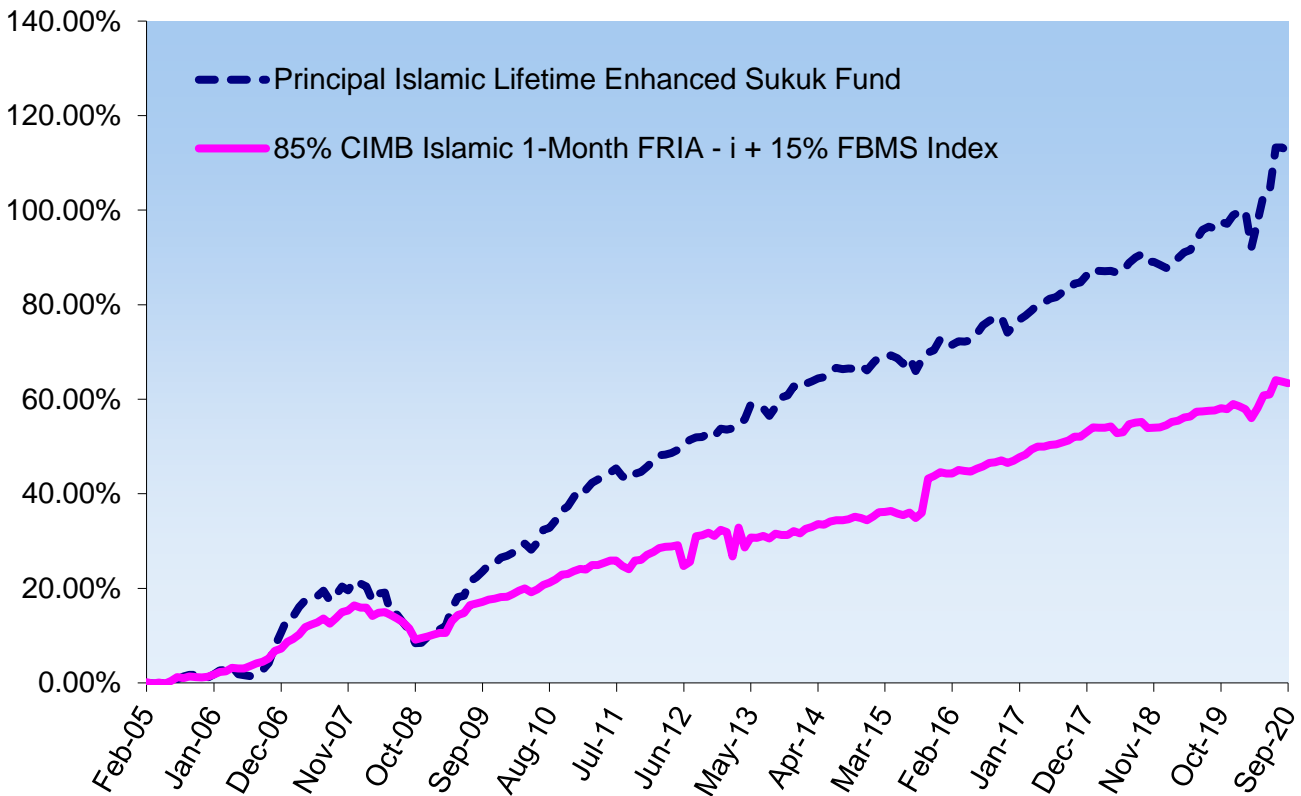
The FTSE Russell has decided to keep Malaysia in World Government Bond Index (“WGBI”) while keeping it on the on its watch list. While acknowledging the measures to improve liquidity and accessibility of bond and foreign exchange (“FX”) markets, more time is needed to access the efficacies of these measures to maintain the Market Accessibility Level of Malaysia at 2. Malaysia’s weight in FTSE Russell is currently 0.42%.

For the period ended 30 September 2020, the 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year MGII yields closed at 2.10%, 2.27%, 2.38%, 2.65%, 3.23%, 3.62% and 4.10% respectively.

FUND PERFORMANCE

	6 months to 30.09.2020	1 year to 30.09.2020	3 years to 30.09.2020	5 years to 30.09.2020	Since inception to 30.09.2020
	%	%	%	%	%
Income Distribution	2.66	2.66	12.43	22.55	95.24
Capital Growth	7.63	5.47	3.16	2.98	8.43
Total Return	10.52	8.31	16.03	26.16	112.38
Benchmark	4.74	3.68	8.05	15.07	63.42
Average Total Return	N/A	8.31	5.08	4.76	4.94

The Fund recorded a return of 10.52% for the period under review outperforming the benchmark by 5.78%. The Fund gave a return of 112.38% since inception outperforming the benchmark by 48.96%.



Changes in NAV

	30.09.2020	31.03.2020 Audited	Changes %
NAV (RM Million)	43.11	34.43	25.21
NAV/Unit (RM)	1.0631	0.9873	7.68

The Fund's NAV increased by 25.21% to RM43.11 million as at 30 September 2020 from RM34.43 million as at 31 March 2020 mainly due to net creations. Meanwhile NAV per unit increased by 7.68% to end at RM1.0631 during the financial period under review due to better performance of the underlying securities in the Fund.

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

PORTFOLIO STRUCTURE

Asset Allocation

(% of NAV)	30.09.2020	31.03.2020 Audited
Shariah-compliant quoted securities	17.00	10.11
Unquoted Sukuk	73.99	71.90
Cash and other net assets	9.01	17.99
TOTAL	100.00	100.00

The Fund remained invested during the financial period under review. Allocation towards Shariah-compliant quoted securities and unquoted sukuk had increased to 17.00% and 73.99% respectively while cash and other net assets had decreased to 9.01%. The movement was due to the Fund's asset allocation strategy to position for alpha generation while mitigating unnecessary risk during this volatile period. Meanwhile, allocation for unquoted sukuk also increased from 71.90% to 73.99%.

MARKET OUTLOOK*

Equity

Following 2 consecutive months of correction, FBMKLCI is currently trading at 2021 price earnings ratio ("PE") of 14.7 versus its 10-year mean of 15.4. Excluding the glove sector, FBMKLCI is trading at 2021 PE of 15.4 which suggests that it is fairly valued. However, interest rate has fallen significantly since BNM cut interest rate by 125 bps YTD to 1.75% in response to the COVID-19 pandemic. With such a low interest rate, equity risk premium ("ERP") has widened significantly to 3.85%, +2 standard deviation ("SD") over mean of 2.72% which suggests equity valuation is still relatively cheap.

We reiterated our cautious view due to the recent rise in COVID-19 cases locally and on the global market perspective driven by US Presidential Election. As such, volatility remains elevated in the near term before potential correction in fourth quarter of 2020 in the event earnings rebound is slower than anticipated. Uncertainty ahead of a potential snap election will also be a dampener. However, any correction will unlikely to re-test March 2020's low given the supportive monetary and fiscal stimulus footing this time around.

Sukuk

At its latest MPC held on 10 September 2020, BNM kept hold its OPR at 1.75%. Nevertheless, the OPR remains at historic low levels after a total of 125 bps have been reduced this year. The September 2020 MPC statement sounded mildly neutral albeit still reiterating risks faced to the local and global economy due to the pandemic.

Investors are likely to trade sideways as major local players will avoid taking on large positions and trading sentiment may slowly ebb as traditionally going into the final quarter of the year liquidity is thin. We expect yields to stay range bound. There are 7 auctions remaining for 2020 with only one 15-year MGS and one 30-year MGS. The rest are short to mid tenure part of the curve. Barring any surprises coming out from Budget 2021, the market should still remain supportive.

With MGS yields and spreads still relatively low, the market has been seeing more primary issuances from the corporate bond segment. The influx of supply from primary issuances could pave way for higher adjusted yields.

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

INVESTMENT STRATEGY

Equity

We maintain our neutral stance as the heighten volatility in the coming months present a good opportunity to position all portfolios for first half of 2021 but do remain cautious on the global market perspective driven by US Presidential Election. Our tactical approach remains as we look to buy into high growth and yield stocks but remain selective on quality names with resilient earnings and track record.

Sukuk

We aim to be fully invested. We expect the local bond market to be range bound while waiting for a clearer view of the path of interest rates going forward and the modes of financing the recently announced fiscal stimulus. Market players will continue to look for opportunities to put cash to work and we would be looking to put on positions on dips. Our core holdings remain anchored in the corporate segment and will focus on corporates with strong and resilient credit metrics that can withstand this economic condition. We will participate in government auctions opportunistically where we see value.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 30 September 2020 are as follows:

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	355	1.07	2.64
5,001-10,000	270	1.92	4.73
10,001-50,000	508	11.25	27.74
50,001-500,000	124	13.14	32.40
500,001 and above	7	13.17	32.49
Total	1,264	40.55	100.00

SOFT COMMISSIONS AND REBATES

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

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

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

We, being the Directors of Principal Asset Management Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 13 to 41 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 September 2020 and of its financial performance, changes in equity and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 - Interim Financial Reporting and International Accounting Standards (“IAS”) 34 - Interim Financial Reporting.

For and on behalf of the Manager

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

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
12 November 2020

**TRUSTEE'S REPORT TO THE UNITHOLDERS OF
PRINCIPAL ISLAMIC LIFETIME ENHANCED SUKUK FUND**

We have acted as Trustee of Principal Islamic Lifetime Enhanced Sukuk Fund ("the Fund") for the financial period ended 30 September 2020. To the best of our knowledge, Principal Asset Management Berhad ("the Manager") has operated and managed the Fund in accordance with the following:-

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

During this financial period, a total distribution of 2.57 sen per unit (gross) has been distributed to the unitholders of the Fund. We are of the view that the distribution is not inconsistent with the objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

Vicknesan Balakrishnan
Chief Executive Officer

Kuala Lumpur
12 November 2020

**SHARIAH ADVISER'S REPORT TO THE MEMBERS OF
PRINCIPAL ISLAMIC LIFETIME ENHANCED SUKUK FUND**

For the Financial Period from 1 April 2020 to 30 September 2020

We have acted as the Shariah Adviser of Principal Islamic Lifetime Enhanced Sukuk Fund ("the Fund"). Our responsibility is to ensure that the procedures and processes employed by Principal Asset Management Berhad (the "Manager") are in accordance with Shariah principles.

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

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

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

For Amanie Advisors Sdn Bhd,

DATUK DR MOHD DAUD BAKAR
Executive Chairman

12 November 2020

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

	Note	01.04.2020 to 30.09.2020 RM	01.04.2019 to 30.09.2019 RM
INCOME			
Dividend income		50,135	72,284
Profit income from Shariah-compliant deposits with licensed Islamic financial institutions at amortised cost		42,739	36,078
Profit income from unquoted Sukuk at fair value through profit or loss		604,339	535,231
Net gain on financial assets at fair value through profit or loss	8	<u>3,041,842</u>	<u>576,598</u>
		<u>3,739,055</u>	<u>1,220,191</u>
EXPENSES			
Management fee	4	186,543	145,648
Trustee fee	5	13,058	10,196
Audit fee		5,050	8,787
Tax agent's fee		1,500	2,000
Transaction costs		33,630	34,004
Other expenses		<u>7,038</u>	<u>12,043</u>
		<u>246,819</u>	<u>212,678</u>
PROFIT BEFORE TAXATION		3,492,236	1,007,513
Taxation	7	<u>-</u>	<u>-</u>
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u>3,492,236</u>	<u>1,007,513</u>
Profit after taxation is made up as follows:			
Realised amount		1,053,563	472,174
Unrealised amount		<u>2,438,673</u>	<u>535,339</u>
		<u><u>3,492,236</u></u>	<u><u>1,007,513</u></u>

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

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

		30.09.2020	31.03.2020
	Note	RM	Audited RM
ASSETS			
Cash and cash equivalents	9	3,753,935	5,736,833
Financial assets at fair value through profit or loss (Shariah-compliant)	8	39,222,640	28,231,679
Amount due from Manager		283,509	497,618
Dividends receivable		18,557	31,660
TOTAL ASSETS		43,278,641	34,497,790
LIABILITIES			
Amount due to Manager		122,328	26,073
Accrued management fee		34,833	26,959
Amount due to Trustee		2,438	1,887
Other payables and accruals		12,550	16,100
TOTAL LIABILITIES		172,149	71,019
NET ASSET VALUE OF THE FUND		43,106,492	34,426,771
EQUITY			
Unit holders' capital		39,761,087	33,676,188
Retained earnings		3,345,405	750,583
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		43,106,492	34,426,771
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	40,547,559	34,866,274
NET ASSET VALUE PER UNIT (RM)		1.0631	0.9873

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

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

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 April 2020		33,676,188	750,583	34,426,771
Movement in unit holders' contributions:				
- Creation of units from applications		14,063,978	-	14,063,978
- Creation of units from distribution		888,308	-	888,308
- Cancellation of units		(8,867,387)	-	(8,867,387)
Total comprehensive income for the financial period		-	3,492,236	3,492,236
Distribution	6	-	(897,414)	(897,414)
Balance as at 30 September 2020		<u>39,761,087</u>	<u>3,345,405</u>	<u>43,106,492</u>
Balance as at 1 April 2019		24,928,071	1,538,155	26,466,226
Movement in unit holders' contributions:				
- Creation of units from applications		10,553,628	-	10,553,628
- Creation of units from distribution		1,175,146	-	1,175,146
- Cancellation of units		(9,400,787)	-	(9,400,787)
Total comprehensive income for the financial period		-	1,007,513	1,007,513
Distribution	6	-	(1,193,601)	(1,193,601)
Balance as at 30 September 2019		<u>27,256,058</u>	<u>1,352,067</u>	<u>28,608,125</u>

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

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

	01.04.2020 to 30.09.2020	01.04.2019 to 30.09.2019
Note	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from disposal of Shariah-compliant quoted securities	4,589,626	6,077,903
Proceeds from disposal of unquoted Sukuk	125,368	2,008,120
Proceeds from redemption of unquoted Sukuk	-	2,000,000
Purchase of Shariah-compliant quoted securities	(6,231,340)	(5,754,786)
Purchase of unquoted Sukuk	(6,455,072)	(5,808,625)
Profit income received from Shariah-compliant deposits with licensed Islamic financial institutions	42,739	36,078
Profit income received from unquoted Sukuk	593,008	521,706
Dividends received	63,077	70,481
Management fee paid	(178,669)	(144,716)
Trustee fee paid	(12,507)	(10,131)
Payments for other fees and expenses	(16,977)	(23,225)
Net cash used in operating activities	(7,480,747)	(1,027,195)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	14,278,087	10,538,789
Payments for cancellation of units	(8,771,132)	(9,369,187)
Distribution paid	(9,106)	(18,455)
Net cash generated from financing activities	5,497,849	1,151,147
Net (decrease)/increase in cash and cash equivalents	(1,982,898)	123,952
Cash and cash equivalents at the beginning of the financial period	5,736,833	1,078,858
Cash and cash equivalents at the end of the financial period	3,753,935	1,202,810
<u>Cash and cash equivalents comprise of:</u>		
Shariah-compliant deposits with licensed Islamic financial institutions	3,714,164	1,169,099
Bank balances	39,771	33,711
Cash and cash equivalents at the end of the financial period	3,753,935	1,202,810

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

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

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 and a Nineteenth Supplemental Master Deed dated 18 June 2019 (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 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 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 the Securities Commission Malaysia (“SC”) Guidelines.

The Fund may invest up to 30% of its NAV in foreign markets where the regulatory authorities are ordinary or associate members of the IOSCO. Where necessary, the Manager will obtain the licenses/permits for investments in countries that require licenses/permits. If the Manager are unable to obtain the necessary licenses/permits, or the licenses/permits are revoked or not renewed (as the case may be), the Manager will seek to invest in other accessible markets. Notwithstanding the aforesaid, the Manager 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.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the MFRS and International Financial Reporting Standards (“IFRS”).

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

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

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

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

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

(b) Financial assets and financial liabilities

Classification

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

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

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

The contractual cash flows of the Fund’s debt securities are solely payment of 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Classification (continued)

The 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.

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

Recognition and measurement

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

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

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

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

Unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income within net gain or loss on financial assets at fair value through profit or loss in the financial period which they arise.

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

Shariah-compliant quoted securities in Malaysia are valued at the last done market price quoted on Bursa Malaysia Securities Bhd ("Bursa Securities") at the date of the statement of financial position.

If a valuation based on the market price does not represent the fair value of the Shariah-compliant 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 securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the Shariah-compliant securities are valued as determined in good faith by the Manager, based on the methods or basis approved by the Trustee after appropriate technical consultation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Recognition and measurement

Unquoted Sukuk denominated in MYR are revalued on a daily basis based on fair value prices quoted by a Bond Pricing Agency (“BPA”) registered with the SC as per the SC Guidelines on Unit Trust Funds. Refer to Note 2(k) 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 financial 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 loss (“ECL”) using probability of default, exposure at default and loss given default. The Manager consider both historical analysis and forward looking information in determining any ECL. The Manager consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month ECL as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income recognition

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

Profit income 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).

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.

When a financing and receivable is impaired, the Fund reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective profit rate of the instrument, and continue unwinding the discount as profit income. Profit income on impaired financing and receivables are recognised using the original effective profit rate.

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

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

(d) Functional and presentation currency

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

(e) Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Taxation

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

Withholding taxes on investment income from investments are based on tax regime of the respective countries that the Fund invests in. Such withholding taxes are not “income tax” in nature and are recognised and measured based on the requirements of MFRS 137. They are presented within other expenses line in the statement of comprehensive income.

(g) Distribution

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

(h) Transactions costs

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

(i) Unit holders’ contribution

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Estimate of fair value of unquoted Sukuk

In undertaking any of the Fund's Shariah-compliant investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC Guidelines on Unit Trust Funds.

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

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund aims to grow the value of Unit holders' investments over the medium-term in Sukuk portfolio with most tenures ranging from 3 to 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 SC Guidelines on Unit Trust Funds.

(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 of Shariah-compliant quoted securities and unquoted Sukuk may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's NAV and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

The price risk is managed through diversification and selection of Shariah-compliant quoted securities, unquoted Sukuk and other financial instruments within specified limits according to the Deeds.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk

In general, when interest rates rise, unquoted Sukuk 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 rates trend of the Manager, which is based on its continuous fundamental research and analysis.

Although unquoted Sukuk is a non-interest bearing instrument, investors should note that movement in prices of unquoted Sukuk and Shariah-compliant money market instruments are correlated to the movement in interest rates. As such, the investments are exposed to the movement of the interest rates. Even though the Fund does not invest in interest bearing instruments, the interest rate referred herein is to the general interest rate of the country, which may affect the value of the investment of the Fund. 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 placements and deposits are in accordance with Shariah.

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

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

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

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk

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

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 duration of the investment in accordance with the objective of the Fund. For this Fund, the unquoted Sukuk investments must satisfy a minimum rating requirement of at least "BBB3" or "P2" rating by RAM or equivalent rating by MARC or by local rating agency(ies) of the country; "BBB-" by S&P or equivalent rating by any other international rating agency(ies).

The credit risk arising from bank balance and placements of Shariah-compliant deposits in licensed Islamic financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions. For amount due from Manager, the settlement terms of the proceeds from the creation of units' receivable from the Manager are governed by the SC Guidelines on Unit Trust Funds.

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

(c) Liquidity risk

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

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balances 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.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital and retained earnings. 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 period end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

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

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

(i) Fair value hierarchy

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

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

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

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

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

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
30.09.2020				
Financial assets at fair value through profit or loss:				
- Shariah-compliant quoted securities	7,326,451	-	-	7,326,451
- Unquoted Sukuk	-	31,896,189	-	31,896,189
	<u>7,326,451</u>	<u>31,896,189</u>	<u>-</u>	<u>39,222,640</u>

31.03.2020

Audited

Financial assets at fair value through profit or loss:				
- Shariah-compliant quoted securities	3,477,922	-	-	3,477,922
- Unquoted Sukuk	-	24,753,757	-	24,753,757
	<u>3,477,922</u>	<u>24,753,757</u>	<u>-</u>	<u>28,231,679</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 Shariah-compliant 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).

- (ii) 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 six months financial period ended 30 September 2020, the management fee is recognised at a rate of 1.00% per annum (30.09.2019: 1.00% per annum).

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

5. TRUSTEE FEE

In accordance with 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 six months financial period ended 30 September 2020, the Trustee fee is recognised at a rate of 0.07% per annum (30.09.2019: 0.07% per annum).

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

6. DISTRIBUTION

Distribution to unit holders is derived from the following sources:

	01.04.2020 to 30.09.2020 RM	01.04.2019 to 30.09.2019 RM
Dividend income	-	4,712
Profit income	10,783	68,532
Net gain/(loss) on financial assets through profit and loss	133,636	(75,640)
Prior financial period's realised income	<u>759,800</u>	<u>1,223,996</u>
	904,219	1,221,600
Less:		
Expenses	<u>(6,805)</u>	<u>(27,999)</u>
Net distribution amount	<u>897,414</u>	<u>1,193,601</u>
Distribution on 3 April 2020		
Gross/Net distribution per unit (sen)	<u>2.57</u>	<u>-</u>
Distribution on 24 April 2019		
Gross/Net distribution per unit (sen)	<u>-</u>	<u>4.80</u>

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

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

7. TAXATION

	01.04.2020 to 30.09.2020 RM	01.04.2019 to 30.09.2019 RM
Tax charged for the financial period:		
- Current taxation	<u>-</u>	<u>-</u>

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:

	01.04.2020 to 30.09.2020 RM	01.04.2019 to 30.09.2019 RM
Profit before taxation	<u>3,492,236</u>	<u>1,007,513</u>
Taxation at Malaysian statutory rate of 24%	838,137	241,803
Tax effects of:		
Investment income not subject to tax	(897,372)	(292,845)
Expenses not deductible for tax purposes	63,908	54,858
Restriction on tax deductible expenses for Unit Trust Funds	<u>(4,673)</u>	<u>(3,816)</u>
Taxation	<u>-</u>	<u>-</u>

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

	30.09.2020 RM	31.03.2020 Audited RM
At fair value through profit or loss:		
- Shariah-compliant quoted securities	7,326,451	3,477,922
- Unquoted Sukuk	<u>31,896,189</u>	<u>24,753,757</u>
	<u>39,222,640</u>	<u>28,231,679</u>
	01.04.2020 to 30.09.2020 RM	01.04.2019 to 30.09.2019 RM
Net gain on financial assets at fair value through profit or loss:		
- Realised gain on disposals	605,497	43,477
- Unrealised fair value gain	<u>2,436,345</u>	<u>533,121</u>
	<u>3,041,842</u>	<u>576,598</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
30.09.2020				
SHARIAH-COMPLIANT QUOTED SECURITIES				
Construction				
Econpile Holdings Bhd	300,000	203,110	145,500	0.34
Gamuda Bhd	20,075	73,007	70,062	0.16
IJM Corporation Bhd	40,000	78,902	57,600	0.13
	<u>360,075</u>	<u>355,019</u>	<u>273,162</u>	<u>0.63</u>
Consumer Products & Services				
Sime Darby Bhd	60,000	131,818	149,400	0.35
Energy				
Dayang Enterprise Holdings Bhd	300,000	425,839	294,000	0.68
Dialog Group Bhd	42,900	139,443	163,449	0.38
Hibiscus Petroleum Bhd	388,000	272,955	195,940	0.45
	<u>730,900</u>	<u>838,237</u>	<u>653,389</u>	<u>1.51</u>
Financial Services				
Bursa Malaysia Bhd	50,000	496,259	424,000	0.98
Health Care				
Hartalega Holdings Bhd	50,000	354,477	810,000	1.88
Kossan Rubber Industries Bhd	20,000	310,520	273,600	0.64
Top Glove Corporation Bhd	63,200	191,949	524,560	1.22
	<u>133,200</u>	<u>856,946</u>	<u>1,608,160</u>	<u>3.74</u>
Industrial Products & Services				
Kelington Group Bhd	196,700	223,758	239,974	0.56
SKP Resources Bhd	145,100	241,738	268,435	0.62
V.S. Industry Bhd	220,000	302,460	499,400	1.16
	<u>561,800</u>	<u>767,956</u>	<u>1,007,809</u>	<u>2.34</u>
Plantation				
Sime Darby Plantation Bhd	50,000	244,053	252,500	0.59
REIT				
Axis REIT	30,000	55,321	64,800	0.15

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
30.09.2020 (CONTINUED)				
SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
Technology				
D&O Green Technologies Bhd	316,100	246,680	328,744	0.76
Inari Amertron Bhd	180,000	307,389	410,400	0.95
JHM Consolidation Bhd	200,000	264,686	338,000	0.78
MI Technovation Bhd	106,300	426,262	446,460	1.04
Pentamaster Corporation Bhd	50,000	229,710	240,000	0.56
Unisem (M) Bhd	41,100	85,105	146,727	0.34
Vitrox Corporation Bhd	16,000	118,940	195,200	0.45
	<u>909,500</u>	<u>1,678,772</u>	<u>2,105,531</u>	<u>4.88</u>
Telecommunications & Media				
Telekom Malaysia Bhd	<u>40,000</u>	<u>166,957</u>	<u>165,200</u>	<u>0.38</u>
Transportation & Logistics				
MISC Bhd	<u>20,000</u>	<u>162,170</u>	<u>150,000</u>	<u>0.35</u>
Utilities				
Tenaga Nasional Bhd	<u>45,000</u>	<u>610,973</u>	<u>472,500</u>	<u>1.10</u>
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES	<u>2,990,475</u>	<u>6,364,481</u>	<u>7,326,451</u>	<u>17.00</u>
ACCUMULATED UNREALISED GAIN ON SHARIAH-COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>961,970</u>		
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>7,326,451</u>		

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
30.09.2020 (CONTINUED)				
UNQUOTED SUKUK				
Bumitama Agri Ltd 4.10% 22/07/2024 (AA3)	650,000	680,253	680,196	1.58
Danum Capital Bhd 2.97% 13/05/2025 (AAA)	2,000,000	2,054,993	2,054,806	4.77
DRB-Hicom Bhd 4.55% 12/12/2024 (A1)	1,150,000	1,165,913	1,181,012	2.74
Edra Solar Sdn Bhd 4.40% 09/10/2026 (AA2)	150,000	153,092	161,422	0.37
Fortune Premiere Sdn Bhd 4.65% 21/12/2022 (AA2)	2,000,000	2,014,562	2,102,234	4.88
GII Murabahah 3.47% 15/10/2030 (Not rated)	2,500,000	2,732,165	2,720,249	6.31
IJM Land Bhd 4.73% 17/03/2119 (A2)	600,000	601,531	597,389	1.39
IJM Land Bhd 5.65% 17/03/2119 (A2)	1,000,000	1,001,858	1,048,398	2.43
Kedah Cement Sdn Bhd 4.55% 07/07/2023 (A1)	1,000,000	1,011,653	1,015,641	2.36
Mah Sing Group Bhd 4.35% 13/03/2025 (Not rated)	1,500,000	1,503,039	1,555,074	3.61
Malayan Banking Bhd 4.08% 22/02/2117 (AA3)	1,000,000	1,000,671	1,037,791	2.41
MMC Corporation Bhd 5.29% 26/04/2023 (AA3)	2,000,000	2,058,870	2,137,688	4.96
MMC Corporation Bhd 5.80% 12/11/2025 (AA3)	2,000,000	2,045,129	2,242,129	5.20
Penang Port Sdn Bhd 4.68% 26/12/2031 (AA3)	350,000	354,218	393,359	0.91
Press Metal Aluminium Holdings Bhd 4.10% 17/10/2024 (AA3)	950,000	967,821	975,943	2.26
Quantum Solar Park (Semenanjung) Sdn Bhd 5.80% 04/10/2030 (A1)	1,500,000	1,560,568	1,656,442	3.84
Sarawak Energy Bhd 4.70% 24/11/2028 (AAA)	1,000,000	1,047,072	1,145,273	2.66
Sepangar Bay Power Corporation 5.00% 03/07/2025 (AA1)	1,000,000	1,051,723	1,100,639	2.55

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
30.09.2020 (CONTINUED)				
UNQUOTED SUKUK (CONTINUED)				
TAQA Abu Dhabi National Energy 4.65% 03/03/2022 (Not rated)	3,000,000	3,021,417	3,073,913	7.13
Tenaga Nasional Bhd 4.98% 27/08/2038 (AAA)	1,000,000	1,004,639	1,176,139	2.73
TG Excellence Bhd 3.95% 27/02/2120 (AA3)	650,000	652,462	677,227	1.57
UEM Sunrise Bhd 4.98% 31/10/2023 (AA3)	1,000,000	1,022,184	1,061,771	2.46
WCT Holdings Bhd 5.32% 11/05/2022 (AA3)	2,000,000	2,042,330	2,101,454	4.87
TOTAL UNQUOTED SUKUK	<u>30,000,000</u>	<u>30,748,163</u>	<u>31,896,189</u>	<u>73.99</u>
ACCUMULATED UNREALISED GAIN ON UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>1,148,026</u>		
TOTAL UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>31,896,189</u>		

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
31.03.2020				
Audited				
SHARIAH-COMPLIANT				
QUOTED SECURITIES				
Construction				
Econpile Holdings Bhd	300,000	203,110	121,500	0.36
Gamuda Bhd	50,075	182,109	141,713	0.41
IJM Corporation Bhd	50,000	98,628	79,500	0.23
	<u>400,075</u>	<u>483,847</u>	<u>342,713</u>	<u>1.00</u>
Consumer Products & Services				
Nestle Malaysia Bhd	1,000	144,499	136,700	0.40
Sime Darby Bhd	30,000	70,618	50,700	0.15
	<u>31,000</u>	<u>215,117</u>	<u>187,400</u>	<u>0.55</u>
Energy				
Dayang Enterprise Holding Bhd	49,500	90,168	56,925	0.16
Dialog Group Bhd	40,000	126,737	121,600	0.35
Hibiscus Petroleum Bhd	120,000	118,970	40,800	0.12
Wah Seong Corporation Bhd	12,300	15,472	6,519	0.02
Yinson Holdings Bhd	12,900	72,409	61,533	0.18
	<u>234,700</u>	<u>423,756</u>	<u>287,377</u>	<u>0.83</u>
Financial Services				
Syarikat Takaful Malaysia Keluarga Bhd	30,000	141,868	97,500	0.28
Health Care				
Hartalega Holding Bhd	25,000	155,433	172,000	0.50
Top Glove Corporation Bhd	40,000	236,113	258,000	0.75
	<u>65,000</u>	<u>391,546</u>	<u>430,000</u>	<u>1.25</u>
Plantation				
Kuala Lumpur Kepong Bhd	12,074	266,790	250,656	0.73
Sime Darby Plantation Bhd	44,800	222,752	221,312	0.64
	<u>56,874</u>	<u>489,542</u>	<u>471,968</u>	<u>1.37</u>
REIT				
Axis REIT	70,000	129,082	128,100	0.37

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
31.03.2020 (CONTINUED)				
Audited (continued)				
SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
Technology				
D&O Green Technologies Bhd	200,000	151,441	106,000	0.31
Globetronics Technology Bhd	27,400	57,781	44,388	0.13
Unisem Bhd	50,000	110,470	79,000	0.23
Vitrox Corporation Bhd	15,700	109,299	111,941	0.32
	<u>293,100</u>	<u>428,991</u>	<u>341,329</u>	<u>0.99</u>
Telecommunications & Media				
Axiata Group Bhd	72,000	330,134	236,160	0.69
Digi.com Bhd	60,000	280,253	261,000	0.76
Media Chinese International Ltd	357,500	87,016	60,775	0.18
	<u>489,500</u>	<u>697,403</u>	<u>557,935</u>	<u>1.63</u>
Utilities				
Ranhill Holdings Bhd	103,000	143,912	92,700	0.27
Tenaga Nasional Bhd	45,000	610,973	540,900	1.57
	<u>148,000</u>	<u>754,885</u>	<u>633,600</u>	<u>1.84</u>
TOTAL SHARIAH-COMPLIANT QUOTED SECURITIES	<u>1,818,249</u>	<u>4,156,037</u>	<u>3,477,922</u>	<u>10.11</u>
ACCUMULATED UNREALISED LOSS ON SHARIAH-COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(678,115)</u>		
TOTAL SHARIAH-COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>3,477,922</u>		

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
31.03.2020 (CONTINUED)				
Audited (continued)				
UNQUOTED SUKUK				
DRB-Hicom Bhd 4.55% 12/12/2024 (AA)	1,150,000	1,165,913	1,135,035	3.30
Edra Solar Sdn Bhd 4.40% 09/10/2026 (AA2)	150,000	153,128	152,656	0.44
Fortune Premiere Sdn Bhd 4.65% 21/12/2022 (AA)	2,000,000	2,011,979	2,076,879	6.03
IJM Land Bhd 4.73% 17/03/2119 (AA)	600,000	601,672	576,172	1.67
IJM Land Bhd 5.65% 17/03/2119 (A2)	1,000,000	1,002,012	1,022,602	2.97
Mah Sing Group Bhd 4.35% 13/03/2025 (Not rated)	1,500,000	1,503,397	1,505,017	4.37
Malayan Banking Bhd 4.08% 22/02/2117 (AA3)	1,000,000	1,000,782	1,000,612	2.91
MBSB Bank Bhd 5.05% 20/12/2029 (A3)	120,000	121,710	122,773	0.36
MMC Corporation Bhd 5.29% 26/04/2023 (AA3)	2,000,000	2,060,722	2,087,989	6.07
MMC Corporation Bhd 5.80% 12/11/2025 (AA3)	2,000,000	2,044,811	2,135,691	6.20
Penang Port Sdn Bhd 4.68% 26/12/2031 (AA3)	350,000	354,308	360,524	1.05
Press Metal Aluminum Holding Bhd 4.10% 17/10/2024 (AA3)	950,000	967,821	962,672	2.80
Quantum Solar Park (Semenanjung) Sdn Bhd 5.80% 04/10/2030 (A1)	1,500,000	1,560,998	1,554,264	4.51
Sarawak Energy Bhd 4.70% 24/11/2028 (AAA)	1,000,000	1,048,640	1,073,573	3.12
Sepangar Bay Power Corporation 5.00% 03/07/2025 (AA1)	1,000,000	1,055,322	1,065,172	3.09
TAQA Abu Dhabi National Energy 4.65% 03/03/2022 (Not rated)	3,000,000	3,026,712	3,052,651	8.87
Tenaga Nasional Bhd 4.98% 27/08/2038 (AAA)	1,000,000	1,004,502	1,082,512	3.14
TG Excellence Bhd 3.95% 27/02/2120 (AA3)	650,000	652,392	644,754	1.87
UEM Sunrise Bhd 4.98% 31/10/2023 (AA3)	1,000,000	1,022,531	1,056,555	3.07
WCT Holdings Bhd 5.32% 11/05/2022 (AA3)	2,000,000	2,042,639	2,085,654	6.06

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
31.03.2020 (CONTINUED)				
Audited (continued)				
UNQUOTED SUKUK (CONTINUED)				
TOTAL UNQUOTED SUKUK	<u>23,970,000</u>	24,401,991	<u>24,753,757</u>	<u>71.90</u>
ACCUMULATED UNREALISED GAIN ON UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>351,766</u>		
TOTAL UNQUOTED SUKUK AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>24,753,757</u>		

9. CASH AND CASH EQUIVALENTS

	30.09.2020	31.03.2020
	RM	Audited RM
Shariah-compliant deposits with licensed Islamic financial institutions	3,714,164	5,709,712
Bank balances	<u>39,771</u>	<u>27,121</u>
	<u>3,753,935</u>	<u>5,736,833</u>

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	01.04.2020 to 30.09.2020	01.04.2019 to 31.03.2020
	No. of units	Audited No. of units
At the beginning of the financial period/year	34,866,274	25,869,935
Add: Creation of units from applications	13,395,383	25,886,322
Add: Creation of units from distribution	919,859	1,197,663
Less: Cancellation of units	<u>(8,633,957)</u>	<u>(18,087,646)</u>
At the end of the financial period/year	<u>40,547,559</u>	<u>34,866,274</u>

11. MANAGEMENT EXPENSE RATIO (“MER”)

	01.04.2020 to 30.09.2020	01.04.2019 to 30.09.2019
	%	%
MER	<u>0.66</u>	<u>0.61</u>

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial period/year calculated on daily basis is RM32,091,537 (30.09.2019: RM29,075,147).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	01.04.2020 to 30.09.2020	01.04.2019 to 30.09.2019
PTR (times)	<u>0.27</u>	<u>0.33</u>

PTR is derived from the following calculation:

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

where:

- Total acquisition for the financial period = RM12,617,161 (30.09.2019: RM11,436,264)
- Total disposal for the financial period = RM4,730,265 (30.09.2019: RM7,993,196)

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

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

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

Units held by the Manager and parties related to the Manager

	30.09.2020		31.03.2020 Audited	
	No. of units	RM	No. of units	RM
Manager				
Principal Asset Management Berhad	7,278	7,737	5,191	5,125

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)

	01.04.2020 to 30.09.2020 RM	01.04.2019 to 30.09.2019 RM
<u>Significant related party transactions</u>		
Profit income from Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	11,664	8,926
Cash placements with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	137,593,000	35,432,000
	01.04.2020 to 30.09.2020 RM	01.04.2019 to 31.03.2020 Audited RM
<u>Significant related party balances</u>		
Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	1,000,044	2,000,279

14. TRANSACTIONS WITH BROKERS/DEALERS

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

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
CIMB Islamic Bank Bhd #	2,695,000	15.54	-	-
RHB Bank Bhd	2,032,100	11.71	-	-
Hong Leong Investment Bank Bhd	1,801,488	10.38	2,589	11.98
RHB Investment Bank Bhd	1,694,444	9.77	3,813	17.64
CGS-CIMB Securities Sdn Bhd #	1,475,031	8.50	3,099	14.34
Maybank Investment Bank Bhd	1,457,759	8.40	2,514	11.63
J.P. Morgan Securities (M) Sdn Bhd	1,361,540	7.85	1,736	8.03
CIMB Bank Bhd #	1,001,400	5.77	-	-
UBS Securities (M) Sdn Bhd	968,166	5.58	2,054	9.50
Affin Hwang Investment Bank Bhd	948,321	5.47	2,150	9.95
Others	1,912,177	11.03	3,662	16.93
	17,347,426	100.00	21,617	100.00

14. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

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

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
RHB Investment Bank Bhd	6,407,499	32.98	3,184	14.93
UBS Securities (M) Sdn Bhd	2,340,887	12.05	2,075	9.73
Macquarie Capital Securities (M) Sdn Bhd	1,858,510	9.57	3,254	15.26
Malayan Banking Bhd	1,500,480	7.72	-	-
Hong Leong Investment Bank Bhd	1,153,982	5.94	2,771	13.00
Affin Hwang Investment Bank Bhd	1,026,219	5.28	2,462	11.54
KAF-Seagroatt & Campbell Securities Sdn Bhd	893,300	4.60	2,162	10.14
J.P. Morgan Securities (M) Sdn Bhd	842,901	4.34	721	3.38
Maybank Investment Bank Bhd	706,275	3.64	1,641	7.69
AmBank Bhd	652,145	3.36	-	-
Others #	2,047,262	10.52	3,056	14.33
	<u>19,429,460</u>	<u>100.00</u>	<u>21,326</u>	<u>100.00</u>

Included in the transactions are trades conducted with CIMB Bank Bhd, CIMB Islamic Bank Bhd and CGS-CIMB Securities Sdn Bhd, fellow related parties to the Manager amounting to RM1,001,400 (30.09.2019: RM601,200), RM2,695,000 (30.09.2019: Nil) and RM1,475,031 (30.09.2019: Nil) respectively. The Manager is of the opinion that all transactions with the related company have been entered into in the normal course of business at agreed terms between the related party.

15. SIGNIFICANT EVENT DURING THE PERIOD

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

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

DIRECTORY

Head Office of the Manager

Principal Asset Management Berhad (Company No.: 199401018399 (304078-K))
10th Floor, Bangunan CIMB,
Jalan Semantan,
Damansara Heights,
50490 Kuala Lumpur, MALAYSIA.
Tel: (03) 2084 8888

Website

www.principal.com.my

E-mail address

service@principal.com.my

Customer Care Centre

(03) 7718 3000

Trustee for the Principal Islamic Lifetime Enhanced Sukuk Fund

HSBC (Malaysia) Trustee Berhad (Company No. 193701000084 (1281-T))
13th Floor, Bangunan HSBC,
South Tower,
No. 2, Leboh Ampang,
50100 Kuala Lumpur, MALAYSIA.
Tel: (03) 2075 0780
Fax: (03) 2179 6511

Shariah Adviser of the Principal Islamic Lifetime Enhanced Sukuk Fund

Amanie Advisors Sdn. Bhd. (Company No.:0684050-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

Principal Asset Management Berhad
199401018399 (304078-K)

Enquiries:

Customer Care Centre
(603)7718 3000

Email
service@principal.com.my

Website
www.principal.com.my