

Principal Islamic Malaysia Opportunities Fund

Annual Report

For the Financial Year Ended 28 February 2021

PRINCIPAL ISLAMIC MALAYSIA OPPORTUNITIES FUND
ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2021

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INVESTORS' LETTER

Dear Valued Investor,

Fuelled by the pandemic crisis, the world has expedited the digital enablement agenda in view of growing expectations and adoption of new digital offerings. Our investments to foster a digital and customer-first mindset with new technology, training and tooling has given Principal a competitive advantage on this front.

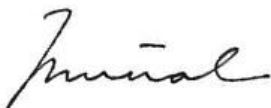
The equity market has had a phenomenal first quarter, recording positive year-to-date ("YTD") returns, led by strong inflows, improving economic data, and reducing number of Coronavirus Disease 2019 ("COVID-19") cases globally. Despite the near-term concerns on higher inflation that can add to the recent volatility, investors should keep a long-term perspective. The key focus should be on growth and recovery of Asian economies, the revitalisation of ASEAN markets, Environmental, Social, and Governance ("ESG"), Biotech and other renewable themes. We remain positive on Asian equities favouring China and more developed Asian economies on a 12-month basis. We've also added more ASEAN names in anticipation of a broader economic recovery which would be strengthened by the greater availability of COVID-19 vaccines by mid-2021.

Visit our website (www.principal.com.my) and follow our Facebook page (@PrincipalAssetMY) for content on investing, retirement, and the latest market outlook.

We also wish to inform that Ernst & Young PLT ("EY") has been appointed as the auditor of the Fund in respect of the audit for the financial year ended 28 February 2021 onwards. The appointment of the Fund Auditor by the Trustee of the Fund, AmanahRaya Trustees Berhad, is in accordance with the provisions of the Deed in relation to the Fund.

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

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



Munirah Khairuddin
Chief Executive Officer

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to achieve consistent capital growth over the medium to long-term.

Has the Fund achieved its objective?

For the financial year under review, the Fund registered a gain of 22.19%, while the benchmark registered a gain of 16.71%. Hence, for the financial year under review, the Fund has achieved its objective of providing long-term capital growth.

What are the Fund investment policy and principal investment strategy?

The Fund seeks to achieve its objective by investing a minimum of 70% and up to 98% of its Net Asset Value ("NAV") in Shariah-compliant Malaysian equities. The Fund may also invest up to 30% of the Fund's NAV in other Shariah-compliant investments, such as Sukuk, and Islamic liquid assets, with at least 2% of the Fund's NAV maintained in the form of Islamic liquid assets such as Islamic money market instruments and/or Islamic deposits for liquidity purpose. For this Fund, the investment in Sukuk must satisfy a minimum credit rating of "A3" or "P2" by RAM Rating Services Berhad ("RAM") or equivalent rating by Malaysian Rating Corporation Berhad ("MARC"); or "BBB-" by S&P Global Ratings ("S&P") or equivalent rating by any other international rating agencies. 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. In line with its objective, the investment strategy and policy of the Fund is to rebalance the portfolio to suit market conditions in order to reduce short-term volatility and provide consistency in capital growth.

The asset allocation strategy for this Fund is as follows:

- Between 70% to 98% (both inclusive) of the Fund's NAV will be invested in Shariah-compliant Malaysian equities; and
- up to 30% of the Fund's NAV in other Shariah-compliant investments and Islamic liquid assets, with at least 2% of the Fund's NAV to be maintained in Islamic liquid assets.

Fund category/type

Equity (Shariah-compliant)/Growth

When was the Fund launched?

1 August 2012

What was the size of the Fund as at 28 February 2021?

RM133.46 million (455.36 million units)

What is the Fund's benchmark?

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

Note: The Fund's benchmark is for performance comparison purpose only. Investors are cautioned that the risk profile of the Fund is higher than the benchmark.

What is the Fund distribution policy?

Given its investment objective, the Fund is not expected to pay any distribution. However, distribution, if any, will be incidental and will vary from period to period depending on the interest rates*, market conditions and the performance of the Fund.

***Note:** The Fund does not invest in interest bearing instruments; the interest rate referred herein is to the general interest rate of the country as a benchmark which may affect the value of the investments of the Fund.

FUND OBJECTIVE AND POLICY (CONTINUED)

What was the net income distribution for the financial year ended 28 February 2021?

The Fund distributed a total net income of RM2.15 million to unit holders, as a result the NAV per unit dropped from RM0.2223 to RM0.2174 on 7 April 2020 for the financial year ended 28 February 2021.

PERFORMANCE DATA

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

	28.02.2021	29.02.2020	28.02.2019
Shariah-compliant quoted securities			
- Construction	4.64	2.61	3.82
- Consumer Products & Services	2.88	4.52	8.88
- Energy	10.45	17.38	13.80
- Financial Services	4.26	4.07	1.70
- Health Care	14.79	7.10	6.25
- Industrial Products & Services	19.41	5.94	8.81
- Plantation	2.82	12.98	11.87
- Property	0.65	4.54	0.47
- Real Estate Investment Trusts ("REITs")	3.13	4.54	-
- Technology	14.44	5.92	10.30
- Telecommunications & Media	9.85	5.56	3.83
- Transportation & Logistics	5.10	1.30	3.91
- Utilities	3.67	9.70	12.31
Cash and other assets	6.61	14.10	15.40
Liabilities	(2.70)	(0.26)	(1.35)
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	28.02.2021	29.02.2020	28.02.2019
NAV (RM Million)	133.46	108.06	83.04
Units in circulation (Million)	455.36	440.56	343.10
NAV per unit (RM)	0.2930	0.2452	0.2420
Highest NAV per unit (RM)	0.2975	0.2673	0.3131
Lowest NAV per unit (RM)	0.1947	0.2380	0.2268
Total return (%)	22.19	1.28	(16.44)
- Capital growth (%)	19.48	1.28	(22.84)
- Income distribution (%)	2.25	-	8.30
Management Expense Ratio ("MER") (%) ^	1.58	1.60	1.61
Portfolio Turnover Ratio ("PTR") (times) #	1.25	0.95	1.30

^ The Fund's MER decreased from 1.60% to 1.58% mainly due to the increase in average NAV during the financial year under review.

The Fund's PTR increased from 0.95% to 1.25% mainly due to increase in trading activities to take advantage of the market opportunities during the financial year.

PERFORMANCE DATA (CONTINUED)

	28.02.2021	29.02.2020	28.02.2019		
Gross/Net distribution per unit (sen)					
Distribution on 7 April 2020	0.49	-	-		
Distribution on 18 April 2018	-	-	2.30		
	28.02.2021	29.02.2020	28.02.2019	28.02.2018	28.02.2017
	%	%	%	%	%
Annual total return	22.19	1.28	(16.44)	13.05	0.67

(Launch date: 1 August 2012)

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 MARCH 2020 TO 28 FEBRUARY 2021)

For the financial year under review, the FBMS Index increased by 1.53% from 11,121.15 points to 12,979.15 points.

Despite Bank Negara Malaysia (“BNM”) has surprised the market in January 2020 by cutting the Overnight Policy Rate (“OPR”) by 25 basis points (“bps”) to 2.75%, FBMS declined -9.14% in March 2020 as concerns over the COVID-19 outbreak intensified which was further exacerbated by the sharp 47% fall in Brent crude oil price following the breakdown in talks between Saudi Arabia and Russia to extend the Organization of the Petroleum Exporting Countries (“OPEC”) production cut agreement. The Malaysian Government has enforced an initial 2-week Movement Control Order (“MCO”) since 18 March 2020 which was extended until 14 April 2020 as the number of new COVID-19 infections spiked. To mitigate the economic impact of COVID-19 and MCO, a RM250 billion stimulus package was announced with the primary focus of (i) sustaining private consumption and confidence; (ii) preserving the viability and continuity of domestic business entities; and (iii) strengthening the domestic economy. Furthermore, on the backdrop of a disappointing fourth quarter of 2019 Gross Domestic Product (“GDP”) growth of 3.6% (versus 4.1% street expectation) and a weaker Purchasing Managers’ Index (“PMI”) reading of 48.5 in February 2020, BNM has followed through with its second interest rate cut this year as it lowers the OPR by 25 bps to 2.50% in its March 2020’s Monetary Policy Committee (“MPC”) meeting. The Central Bank continues to take pre-emptive measure to support the economic growth trajectory amid slower growth outlook due to the COVID-19 outbreak and weak commodity markets.

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

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

MARKET REVIEW (1 MARCH 2020 TO 28 FEBRUARY 2021) (CONTINUED)

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

Subsequently, FBMS Index was facing some profit-taking activities after the strong surge since late March 2020 as there are concern of second wave of COVID-19 new infections after MCO is being lifted gradually. Over the course of June 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 Complete Knocked-Down (“CKD”) and Complete Built-Up (“CBU”) vehicles from 15 June 2020 till 31 December 2020 while property sector will be boosted by reintroduction of the Home Ownership Campaign (“HOC”), exemption of individuals’ real property gains tax (“RPGT”) and the lifting of the maximum loan-to-value ratio (“LTV”) to 70%.

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

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

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

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

MARKET REVIEW (1 MARCH 2020 TO 28 FEBRUARY 2021) (CONTINUED)

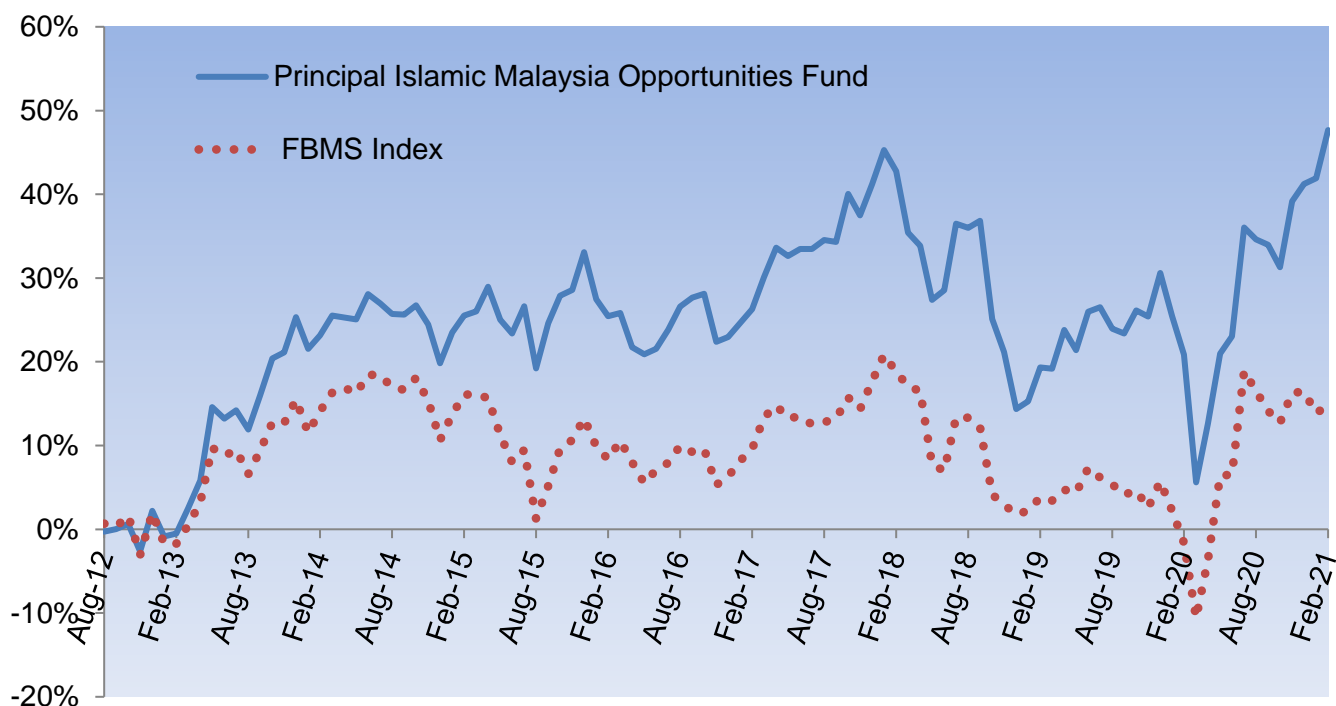
Following the news of COVID-19 vaccine breakthrough in November 2020, FBMS Index along with global markets staged a strong rally as investors switched into the COVID-19 recovery play in the market. However, FBMS Index underperformed FBM Kuala Lumpur Composite Index (“FBMKLCI”) due to profit taking in health care sector as market participants continued to switch from gloves makers to recovery play such as banks, properties, commodities related sectors.

The FBMS Index eased during the month of January 2021 giving up 60.8 points or 3.73% to end the month at 1,566.4 points. The softer sentiment in the market was dampened by the jump in the number of COVID-19 cases that reached new peak over 5,000 cases per day. FBMS Index stayed range-bound into the financial year end as market was spooked by the spike in bond yield as there is a concern that central bankers are behind the curve in arresting rising inflation expectations. Despite the sell-down in gloves names, cyclical sectors such as industrials, materials and financials managed to generate positive returns in the month of February, a positive sign that market breath is improving.

FUND PERFORMANCE

	1 year to 28.02.2021 %	3 years to 28.02.2021 %	5 years to 28.02.2021 %	Since inception to 28.02.2021 %
Income Distribution	2.25	10.74	19.55	26.00
Capital Growth	19.48	(6.59)	(1.54)	17.23
Total Return	22.19	3.43	17.70	47.67
Benchmark	16.71	(3.34)	5.96	14.83
Average Total Return	22.19	1.13	3.31	4.65

For the financial year under review, the Fund’s total return increased by 22.19%, while the benchmark gained by 16.71%. As such, the Fund outperformed its benchmark by 5.48%.



FUND PERFORMANCE (CONTINUED)

Changes in NAV

	28.02.2021	29.02.2020	Changes %
NAV (RM Million)	133.46	108.06	23.51
NAV/Unit (RM)	0.2930	0.2452	19.49

The NAV per unit increased by 19.49% due to positive investment performance while NAV increased by 23.51% due to positive injections coupled with positive investment performance during the financial year under review.

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)	28.02.2021	29.02.2020
Shariah-compliant quoted securities	96.09	86.16
Cash and other assets	6.61	14.10
Liabilities	(2.70)	(0.26)
TOTAL	100.00	100.00

Asset allocation on Shariah-compliant quoted securities increased from 86.16% as at 29 February 2020 to 96.09% as at 28 February 2021 to take advantage of market opportunities during the financial year under review.

MARKET OUTLOOK*

Second MCO (“MCO 2.0”) is being eased gradually as new cases stabilizes while recovery cases increases. The highlight for the country in the month of February 2021 also includes the arrival of vaccines (Pfizer and Sinovac) and the roll-out of the COVID-19 immunisation programme starting with the 500,000 front-liners in the first Phase. While Regulated Short Selling (“RSS”) resumed, intraday short selling (“IDSS”) suspension was extended to 29 August 2021. On the macro end, Malaysia’s PMI eased again in February to 47.7 vs 48.9 in January 2021, remaining below 50 suggesting that growth is not improving at the pace earlier anticipated. However, with global demand showing signs of reviving, production growth should start to pick up again in the second quarter, and it was encouraging to see business optimism about the year ahead improve after its weak start to the year. The effectiveness of vaccine roll-out will be key to ensure the sustainability of the imminent recovery.

*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

In a nutshell, recovery and growth all hinges on our fight against COVID-19. With the vaccine roll-out, the economy will normalize and then recovery and growth in the economy as well as in corporate earnings can take place. We remain constructive on the market and look ahead towards normalization. With that, we maintain our high AA of 94% to 98% and focusing on post COVID-19 recovery theme. The sectors remain in focus are Islamic banking, Consumer Discretionary and Retail, selective Technology and Commodity-related (base metal and energy), whilst underweighting Healthcare and Plantations.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 28 February 2021 are as follows:

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	713	2.60	0.57
5,001-10,000	1,149	8.55	1.88
10,001-50,000	3,976	97.69	21.45
50,001-500,000	2,231	273.72	60.11
500,001 and above	62	72.80	15.99
Total	8,131	455.36	100.00

SOFT COMMISSIONS AND REBATES

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

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

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

We, being the Directors of Principal Asset Management Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 16 to 45 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 28 February 2021 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 Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

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

MUNIRAH KHAIRUDDIN

Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA

Director

Kuala Lumpur

20 April 2021

Trustee's Report

For the Financial Year Ended 28 February 2021

To the Unit Holders of

PRINCIPAL ISLAMIC MALAYSIA OPPORTUNITIES FUND

We, AMANAHRAYA TRUSTEES BERHAD, have acted as Trustee of PRINCIPAL ISLAMIC MALAYSIA OPPORTUNITIES FUND for the financial year ended 28 February 2021. In our opinion, PRINCIPAL ASSET MANAGEMENT BERHAD, the Manager, has operated and managed PRINCIPAL ISLAMIC MALAYSIA OPPORTUNITIES FUND in accordance with the limitations imposed on the investment powers of the management company under the Deeds, securities laws and the applicable Guidelines on Unit Trust Funds during the financial year then ended.

We are of the opinion that:

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

Yours faithfully

AMANAHRAYA TRUSTEES BERHAD

ZAINUDIN BIN SUHAIMI

Chief Executive Officer

Kuala Lumpur

31 March 2021

SHARIAH ADVISER'S REPORT

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

For the Financial Year Ended 28 February 2021

We hereby confirm the following:

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

For Amanie Advisors Sdn Bhd

Datuk Dr Mohd Daud Bakar
Executive Chairman

Kuala Lumpur
9 April 2021

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Principal Islamic Malaysia Opportunities Fund (the "Fund"), which comprise the statement of financial position of the Fund as at 28 February 2021, 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 a summary of significant accounting policies, as set out on pages 16 to 45.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 28 February 2021, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

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

Independence and other ethical responsibilities

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

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC MALAYSIA OPPORTUNITIES 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 Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

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

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

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC MALAYSIA OPPORTUNITIES 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 MALAYSIA OPPORTUNITIES FUND (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.

The financial statements of the Fund for year ended 29 February 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 16 April 2020.

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

Yeo Beng Yean
No. 03013/10/2022 J
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Kuala Lumpur, Malaysia
20 April 2021

PRINCIPAL ISLAMIC MALAYSIA OPPORTUNITIES FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2021**

	Note	2021 RM	2020 RM
INCOME			
Dividend income		3,030,122	1,828,281
Profit income from Shariah-compliant deposits with licensed Islamic financial institutions		264,933	423,761
Hibah		170	106
Net gain on financial assets at fair value through profit or loss	8	<u>26,483,435</u>	<u>25,892</u>
		<u>29,778,660</u>	<u>2,278,040</u>
EXPENSES			
Management fee	4	1,920,315	1,444,599
Trustee fee	5	64,010	48,153
Transaction costs		793,882	478,888
Audit fee		9,400	13,600
Tax agent's fee		9,800	4,600
Other expenses		<u>39,869</u>	<u>43,634</u>
		<u>2,837,276</u>	<u>2,033,474</u>
PROFIT BEFORE TAXATION		26,941,384	244,566
Taxation	7	<u>-</u>	<u>-</u>
PROFIT AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>26,941,384</u>	<u>244,566</u>
Profit after taxation is made up as follows:			
Realised amount		14,479,617	5,325,067
Unrealised amount		<u>12,461,767</u>	<u>(5,080,501)</u>
		<u>26,941,384</u>	<u>244,566</u>

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

PRINCIPAL ISLAMIC MALAYSIA OPPORTUNITIES FUND

**STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2021**

	Note	2021 RM	2020 RM
ASSETS			
Cash and cash equivalents	9	5,876,898	12,583,408
Financial assets at fair value through profit or loss	8	128,235,904	93,100,417
Amount due from stockbrokers		2,432,064	1,097,916
Amount due from Manager		361,650	1,550,533
Dividends receivable		156,697	11,896
TOTAL ASSETS		<u>137,063,213</u>	<u>108,344,170</u>
LIABILITIES			
Amount due to stockbrokers		2,039,476	-
Amount due to Manager		1,386,671	127,129
Accrued management fee		156,871	132,348
Amount due to Trustee		5,229	4,412
Other payables and accruals		19,000	19,300
TOTAL LIABILITIES		<u>3,607,247</u>	<u>283,189</u>
NET ASSET VALUE OF THE FUND		<u>133,455,966</u>	<u>108,060,981</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	10	<u>133,455,966</u>	<u>108,060,981</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	11	<u>455,364,745</u>	<u>440,557,147</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.2930</u>	<u>0.2452</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 28 FEBRUARY 2021**

	Note	2021 RM	2020 RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR		<u>108,060,981</u>	<u>83,044,644</u>
Movement due to units created and cancelled during the financial year:			
- Creation of units from applications		79,101,645	52,364,489
- Creation of units from distribution		2,141,891	-
- Cancellation of units		<u>(80,635,098)</u>	<u>(27,592,718)</u>
		<u>608,438</u>	<u>24,771,771</u>
Total comprehensive income for the financial year		26,941,384	244,566
Distribution	6	<u>(2,154,837)</u>	<u>-</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR	10	<u>133,455,966</u>	<u>108,060,981</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 28 FEBRUARY 2021**

	Note	2021 RM	2020 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of Shariah-compliant quoted securities		154,643,682	81,032,583
Purchase of Shariah-compliant quoted securities		(163,384,287)	(103,369,823)
Dividend income received		2,885,321	1,860,379
Profit income received from Shariah-compliant deposits with licensed Islamic financial institutions and Hibah earned		265,103	423,867
Management fee paid		(1,895,792)	(1,406,451)
Trustee fee paid		(63,193)	(46,881)
Payment of other fees and expenses		(59,370)	(48,899)
Net cash used in operating activities		<u>(7,608,536)</u>	<u>(21,555,225)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		80,290,528	51,255,493
Payments for cancellation of units		(79,375,556)	(27,827,714)
Distribution paid		(12,946)	-
Net cash generated from financing activities		<u>902,026</u>	<u>23,427,779</u>
Net (decrease)/increase in cash and cash equivalents		(6,706,510)	1,872,554
Cash and cash equivalents at the beginning of financial year		<u>12,583,408</u>	<u>10,710,854</u>
Cash and cash equivalents at the end of financial year	9	<u><u>5,876,898</u></u>	<u><u>12,583,408</u></u>
<u>Cash and cash equivalents comprised of:</u>			
Bank balance		92,061	50,464
Shariah-compliant deposits with licensed Islamic financial institutions		<u>5,784,837</u>	<u>12,532,944</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>5,876,898</u></u>	<u><u>12,583,408</u></u>

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

**STATEMENT OF FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2021**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal Islamic Malaysia Opportunities Fund (the “Fund”) is governed by a Principal Master Deed dated 15 May 2008, a Thirteenth Supplemental Master Deed dated 23 February 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 AmanahRaya Trustees Berhad (the “Trustee”).

The Fund seeks to achieve its objective by investing a minimum of 70% and up to 98% of its NAV in Shariah-compliant Malaysian equities. The Fund may also invest up to 30% of the Fund’s NAV in other Shariah-compliant investments, such as Sukuk, and Islamic liquid assets, with at least 2% of the Fund’s NAV maintained in the form of Islamic liquid assets such as Islamic money market instruments and/or Islamic deposits for liquidity purpose. For this Fund, the investment in Sukuk must satisfy a minimum credit rating of “A3” or “P2” by RAM or equivalent rating by MARC; or “BBB-” by S&P or equivalent rating by any other international rating agencies. 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 SC Guidelines. In line with its objective, the investment strategy and policy of the Fund is to rebalance the portfolio to suit market conditions in order to reduce short-term volatility and provide consistency in capital growth.

The asset allocation strategy for this Fund is as follows:

- Between 70% to 98% (both inclusive) of the Fund’s NAV will be invested in Shariah-compliant Malaysian equities; and
- up to 30% of the Fund’s NAV in other Shariah-compliant investments and Islamic liquid assets, with at least 2% of the Fund’s NAV to be maintained 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 as issued by the Malaysian Accounting Standards Board (“MASB”) and IFRS as issued by the International Accounting Standards Board (“IASB”).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

It also requires the Manager to exercise their judgement in the process of applying the Fund's accounting policies. Although these estimates and 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 estimates and assumptions 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 March 2020 that have a material effect on the financial statements of the Fund.

None of the standards, amendments to standards or interpretations that are effective for the financial year beginning on/after 1 March 2021 are applicable to 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 Fund classifies cash and cash equivalents, amount due from stockbrokers, amount due from Manager and dividends receivable as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

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

Recognition and measurement

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Recognition and measurement (continued)

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 Berhad ("Bursa Securities") at the date of the statement of financial position.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

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.

(c) Income recognition

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

Profit income from Shariah-compliant deposits with licensed Islamic financial institutions is recognised on a time proportionate basis using the effective profit method on an accrual basis.

Profit income is calculated by applying the effective profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective profit rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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

(d) Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Malaysian Ringgit ("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 amounts of cash and which are subject to an insignificant risk of changes in value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Unit holders' contributions

The unit holders' contributions to the Fund meets 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.

(g) Taxation

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

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

(h) Transaction costs

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

(i) Distribution

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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

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

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

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

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

(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.

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

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2021			
Cash and cash equivalents (Note 9)	-	5,876,898	5,876,898
Shariah-compliant quoted securities (Note 8)	128,235,904	-	128,235,904
Amount due from stockbrokers	-	2,432,064	2,432,064
Amount due from Manager	-	361,650	361,650
Dividends receivable	-	156,697	156,697
	<u>128,235,904</u>	<u>8,827,309</u>	<u>137,063,213</u>
2020			
Cash and cash equivalents (Note 9)	-	12,583,408	12,583,408
Shariah-compliant quoted securities (Note 8)	93,100,417	-	93,100,417
Amount due from stockbrokers	-	1,097,916	1,097,916
Amount due from Manager	-	1,550,533	1,550,533
Dividends receivable	-	11,896	11,896
	<u>93,100,417</u>	<u>15,243,753</u>	<u>108,344,170</u>

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

The Fund aims to achieve consistent capital growth over the medium to long-term.

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 will fluctuate because of changes in market prices (other than those arising from interest rate risk). The value of Shariah-compliant quoted securities may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's NAV and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

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

(a) Market risk (continued)

(i) Price risk (continued)

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

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

	2021 RM	2020 RM
Financial assets at fair value through profit or loss:		
- Shariah-compliant quoted securities	<u>128,235,904</u>	<u>93,100,417</u>

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

% Change in price of Shariah-compliant quoted securities	Market value RM	Impact on profit or loss/NAV RM
2021		
-5%	121,824,109	(6,411,795)
0%	128,235,904	-
+5%	<u>134,647,699</u>	<u>6,411,795</u>
2020		
-5%	88,445,396	(4,655,021)
0%	93,100,417	-
+5%	<u>97,755,438</u>	<u>4,655,021</u>

(ii) Interest rate risk

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

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

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

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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

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

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

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

As at the end of each financial year, the Fund is not exposed to a material level of interest rate risk.

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

	2021	2020
	%	%
Shariah-compliant deposits with licensed Islamic financial institutions	1.76	2.70

(b) Credit risk

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

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

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

For 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.

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

(b) Credit risk (continued)

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

	Cash and cash equivalents RM	Amount due from stockbrokers RM	Amount due from Manager RM	Dividends receivable RM	Total RM
2021					
- AAA	5,876,898	-	-	-	5,876,898
- Not Rated	-	2,432,064	361,650	156,697	2,950,411
	<u>5,876,898</u>	<u>2,432,064</u>	<u>361,650</u>	<u>156,697</u>	<u>8,827,309</u>
2020					
- AAA	12,583,408	-	-	-	12,583,408
- Not Rated	-	1,097,916	1,550,533	11,896	2,660,345
	<u>12,583,408</u>	<u>1,097,916</u>	<u>1,550,533</u>	<u>11,896</u>	<u>15,243,753</u>

Shariah-compliant deposits with licensed Islamic financial institutions of the Fund have an average remaining maturity of 1 day (2020: 2 days).

(c) Liquidity risk

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

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balance, Shariah-compliant deposits with licensed Islamic financial institutions and other instruments, which are capable of being converted into cash within 7 business days. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

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

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

(c) Liquidity risk (continued)

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2021			
Amount due to stockbrokers	2,039,476	-	2,039,476
Amount due to Manager	1,386,671	-	1,386,671
Accrued management fee	156,871	-	156,871
Amount due to Trustee	5,229	-	5,229
Other payables and accruals	-	19,000	19,000
Contractual undiscounted cash flows	3,588,247	19,000	3,607,247
2020			
Amount due to Manager	127,129	-	127,129
Accrued management fee	132,348	-	132,348
Amount due to Trustee	4,412	-	4,412
Other payables and accruals	-	19,300	19,300
Contractual undiscounted cash flows	263,889	19,300	283,189

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' contributions of RM133,455,966 (2020: RM108,060,981). 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) is based on quoted market prices at the close of trading on the financial year end date. The Fund utilises the last traded market price for financial assets where the last traded market price falls within the bid-ask spread. In circumstances where the last traded market price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

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

(e) Fair value estimation (continued)

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).

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
2021				
Financial assets at fair value through profit or loss:				
- Shariah-compliant quoted securities	<u>128,235,904</u>	<u>-</u>	<u>-</u>	<u>128,235,904</u>
2020				
Financial assets at fair value through profit or loss:				
- Shariah-compliant quoted securities	<u>93,100,417</u>	<u>-</u>	<u>-</u>	<u>93,100,417</u>

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

- (ii) The carrying values of cash and cash equivalents, amount due from stockbrokers, amount due from Manager, dividends receivable and all 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 3.00% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 28 February 2021, the management fee is recognised at a rate of 1.50% per annum (2020: 1.50% per annum).

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

5. TRUSTEE FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.05% per annum, calculated daily based on the NAV of the Fund. The Trustee fee includes local custodian fees and charges.

For the financial year ended 28 February 2021, the Trustee fee is recognised at a rate of 0.05% per annum (2020: 0.05% 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 were derived from the following sources (assessed up to distribution declaration date):

	2021	2020
	RM	RM
Dividend income	741,061	-
Profit income	171,345	-
Net realised gain on disposal of investment	2,064,611	-
	2,977,017	-
Less:		
Expenses	(822,180)	-
Net distribution amount	2,154,837	-
 Gross/Net distribution per unit (sen)		
Distribution on 7 April 2020	0.49	-

Gross distribution was derived using total income less total expenses. Net distribution above was sourced from current financial year's realised income.

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

7. TAXATION

	2021	2020
	RM	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:

	2021	2020
	RM	RM
Profit before taxation	26,941,384	244,566
Taxation at Malaysian statutory rate of 24% (2020: 24%)	6,465,932	58,696
Tax effects of:		
- Income not subject to tax	(7,146,878)	(546,730)
- Expenses not deductible for tax purposes	215,750	135,048
- Restriction on tax deductible expenses for Unit Trust Funds	465,196	352,986
Taxation	-	-

PRINCIPAL ISLAMIC MALAYSIA OPPORTUNITIES FUND

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RM	2020 RM
At fair value through profit or loss:		
- Shariah-compliant quoted securities	<u>128,235,904</u>	<u>93,100,417</u>
Net gain on financial assets at fair value through profit or loss:		
- Realised gain on disposals	14,021,665	5,106,393
- Unrealised fair value gain/(loss)	<u>12,461,770</u>	<u>(5,080,501)</u>
	<u>26,483,435</u>	<u>25,892</u>

	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2021 SHARIAH-COMPLIANT QUOTED SECURITIES				
Construction				
GDB Holdings Bhd	3,866,400	3,714,194	3,344,436	2.51
IJM Corporation Bhd	<u>1,808,800</u>	<u>2,889,967</u>	<u>2,839,816</u>	<u>2.13</u>
	<u>5,675,200</u>	<u>6,604,161</u>	<u>6,184,252</u>	<u>4.64</u>
Consumer Products & Services				
Mr D.I.Y. Group (M) Bhd	<u>974,200</u>	<u>3,048,104</u>	<u>3,838,348</u>	<u>2.88</u>
Energy				
Dayang Enterprise Holdings Bhd	1,478,900	2,244,464	2,233,139	1.67
Dialog Group Bhd	1,358,700	4,933,978	4,388,601	3.29
Hibiscus Petroleum Bhd	6,317,800	4,665,520	4,327,693	3.24
Serba Dinamik Holdings Bhd	509,050	1,060,724	870,476	0.65
Yinson Holdings Bhd	<u>400,300</u>	<u>2,315,730</u>	<u>2,129,596</u>	<u>1.60</u>
	<u>10,064,750</u>	<u>15,220,416</u>	<u>13,949,505</u>	<u>10.45</u>
Financial Services				
BIMB Holdings Bhd	759,500	3,240,167	3,083,570	2.31
Bursa Malaysia Bhd	225,800	2,096,000	2,054,780	1.54
Syarikat Takaful Malaysia Keluarga Berhad	118,800	669,783	546,480	0.41
	<u>1,104,100</u>	<u>6,005,950</u>	<u>5,684,830</u>	<u>4.26</u>

PRINCIPAL ISLAMIC MALAYSIA OPPORTUNITIES FUND

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

	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2021 (CONTINUED)				
SHARIAH-COMPLIANT				
QUOTED				
SECURITIES				
(CONTINUED)				
Health Care				
Duopharma Biotech Bhd	371,000	1,328,174	1,150,100	0.86
Hartalega Holdings Bhd	524,400	6,384,965	5,244,000	3.93
IHH Healthcare Bhd	470,200	2,564,507	2,388,616	1.79
Kossan Rubber Industries Bhd	485,800	2,898,025	1,918,910	1.44
KPJ Healthcare Bhd	1,200,000	1,179,104	1,200,000	0.90
Optimax Holdings Bhd	2,733,400	2,364,770	3,690,090	2.77
Top Glove Corporation Bhd	789,000	4,082,542	4,134,360	3.10
	<u>6,573,800</u>	<u>20,802,087</u>	<u>19,726,076</u>	<u>14.79</u>
Industrial Products & Services				
Ann Joo Resources Bhd	1,039,700	2,121,398	2,453,692	1.84
ATA IMS Bhd	601,100	1,345,429	1,671,058	1.25
Cahaya Mata Sarawak Bhd	792,800	1,733,441	1,839,296	1.38
HSS Engineers Bhd	532,900	315,440	293,095	0.22
Kelington Group Bhd	919,600	1,035,843	2,170,256	1.63
Lion Industries Corporation Bhd	4,558,300	3,724,853	4,011,304	3.01
Petronas Chemicals Group Bhd	534,400	3,684,699	3,970,592	2.98
Press Metal Aluminium Holdings Bhd	464,000	2,410,639	4,496,160	3.37
V.S. Industry Bhd	1,659,634	4,369,214	4,978,902	3.73
	<u>11,102,434</u>	<u>20,740,956</u>	<u>25,884,355</u>	<u>19.41</u>
Plantation				
Kuala Lumpur Kepong Bhd	87,282	2,009,572	2,051,127	1.54
Sime Darby Plantation Bhd	348,115	1,783,895	1,705,764	1.28
	<u>435,397</u>	<u>3,793,467</u>	<u>3,756,891</u>	<u>2.82</u>
Property				
SP Setia Bhd	944,200	873,657	863,943	0.65

PRINCIPAL ISLAMIC MALAYSIA OPPORTUNITIES FUND

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

	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2021 (CONTINUED)				
SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
REITs				
Axis REIT	1,629,364	3,073,147	2,981,736	2.23
KLCCP Stapled Group	174,900	1,401,730	1,203,312	0.90
	<u>1,804,264</u>	<u>4,474,877</u>	<u>4,185,048</u>	<u>3.13</u>
Technology				
D&O Green Technologies Bhd	1,022,900	818,936	4,112,058	3.08
Inari Amertron Bhd	1,860,300	5,134,168	6,697,080	5.02
JHM Consolidation Bhd	583,500	714,919	1,353,720	1.01
MI Technovation Bhd	374,500	1,567,029	1,730,190	1.30
My E.G. Services Bhd	1,532,000	3,204,404	3,247,840	2.43
Revenue Group Bhd	923,700	1,663,733	1,782,741	1.34
Vitrox Corporation Bhd	20,400	352,789	350,880	0.26
	<u>6,317,300</u>	<u>13,455,978</u>	<u>19,274,509</u>	<u>14.44</u>
Telecommunications & Media				
Axiata Group Bhd	1,573,647	6,203,323	5,586,447	4.19
Telekom Malaysia Bhd	1,231,100	6,296,108	7,558,954	5.66
	<u>2,804,747</u>	<u>12,499,431</u>	<u>13,145,401</u>	<u>9.85</u>
Transportation & Logistics				
MISC Bhd	553,000	4,344,027	3,749,340	2.81
Pos Malaysia Bhd	3,081,100	3,437,881	2,742,179	2.05
Westports Holdings Bhd	80,000	313,433	326,400	0.24
	<u>3,714,100</u>	<u>8,095,341</u>	<u>6,817,919</u>	<u>5.10</u>
Utilities				
Taliworks Corporation Bhd	2,111,900	1,801,699	1,742,317	1.30
Tenaga Nasional Bhd	315,100	4,276,241	3,182,510	2.37
	<u>2,427,000</u>	<u>6,077,940</u>	<u>4,924,827</u>	<u>3.67</u>

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

	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2021 (CONTINUED) SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES	<u>53,941,492</u>	121,692,365	<u>128,235,904</u>	<u>96.09</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>6,543,539</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>128,235,904</u>		

PRINCIPAL ISLAMIC MALAYSIA OPPORTUNITIES FUND

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2020				
SHARIAH-COMPLIANT QUOTED SECURITIES				
Construction				
Gamuda Bhd	557,228	2,250,404	1,844,425	1.71
Gamuda Bhd - Warrant	1,794,848	747,608	529,480	0.49
IJM Corporation Bhd	229,600	510,431	445,424	0.41
	<u>2,581,676</u>	<u>3,508,443</u>	<u>2,819,329</u>	<u>2.61</u>
Consumer Products & Services				
Bermaz Auto Bhd	415,300	951,669	739,234	0.68
DRB-Hicom Bhd	1,189,300	2,640,608	2,640,246	2.44
Fraser & Neave Holdings Bhd	35,500	1,164,053	1,090,560	1.01
Sime Darby Bhd	210,300	525,604	420,600	0.39
	<u>1,850,400</u>	<u>5,281,934</u>	<u>4,890,640</u>	<u>4.52</u>
Energy				
Dayang Enterprise Holdings Bhd	1,046,000	2,465,663	2,437,180	2.26
Dialog Group Bhd	1,296,400	4,294,254	4,329,976	4.01
Hibiscus Petroleum Bhd	4,098,100	3,845,063	3,073,575	2.84
Sapura Energy Bhd	7,317,100	2,242,925	1,353,663	1.25
Serba Dinamik Holdings Bhd	698,950	1,456,425	1,537,690	1.42
Serba Dinamik Holdings Bhd - Warrant	1,098,700	408,600	373,558	0.35
Wah Seong Corporation Bhd	1,880,600	2,080,867	2,181,496	2.02
Yinson Holdings Bhd	488,600	2,319,589	3,493,490	3.23
	<u>17,924,450</u>	<u>19,113,386</u>	<u>18,780,628</u>	<u>17.38</u>
Financial Services				
BIMB Holdings Bhd	1,013,500	4,357,722	3,831,030	3.55
Syarikat Takaful Malaysia Keluarga Bhd	118,800	669,783	563,112	0.52
	<u>1,132,300</u>	<u>5,027,505</u>	<u>4,394,142</u>	<u>4.07</u>
Health Care				
Duopharma Biotech Bhd	554,140	643,268	842,293	0.78
Hartalega Holdings Bhd	461,500	2,628,994	2,861,300	2.65
KPJ Healthcare Bhd	583,600	624,960	566,092	0.52
Top Glove Corporation Bhd	602,900	3,030,858	3,400,356	3.15
	<u>2,202,140</u>	<u>6,928,080</u>	<u>7,670,041</u>	<u>7.10</u>

PRINCIPAL ISLAMIC MALAYSIA OPPORTUNITIES FUND

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2020 (CONTINUED)				
SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
Industrial Products & Services				
Chemical Company of Malaysia Bhd	539,200	1,198,723	576,944	0.53
Petronas Chemicals Group Bhd	203,500	1,711,169	1,098,900	1.02
Press Metal Aluminium Holdings Bhd	743,400	3,577,952	3,464,244	3.21
Solarvest Holdings Bhd	552,500	472,914	629,850	0.58
Uchi Technologies Bhd	241,900	675,476	643,454	0.60
	<u>2,280,500</u>	<u>7,636,234</u>	<u>6,413,392</u>	<u>5.94</u>
Plantation				
IOI Corporation Bhd	852,700	3,806,544	3,555,759	3.29
Kuala Lumpur Kepong Bhd	222,282	5,188,876	4,854,639	4.49
Sime Darby Plantation Bhd	1,132,400	5,844,682	5,616,704	5.20
	<u>2,207,382</u>	<u>14,840,102</u>	<u>14,027,102</u>	<u>12.98</u>
Property				
Malaysian Resources Corporation Bhd	1,450,600	1,311,957	826,842	0.77
Sime Darby Property Bhd	2,813,400	2,138,882	2,180,385	2.02
SP Setia Bhd	1,491,700	2,086,332	1,894,459	1.75
	<u>5,755,700</u>	<u>5,537,171</u>	<u>4,901,686</u>	<u>4.54</u>
REITs				
Axis REIT	1,373,286	2,481,498	2,650,442	2.45
KLCCP Stapled Group	276,800	2,233,928	2,253,152	2.09
	<u>1,650,086</u>	<u>4,715,426</u>	<u>4,903,594</u>	<u>4.54</u>
Technology				
D&O Green Technologies Bhd	3,688,700	2,856,456	2,600,534	2.41
Inari Amertron Bhd	327,400	678,635	461,634	0.43
I-Stone Group Bhd	1,243,192	209,195	242,422	0.22
JHM Consolidation Bhd	1,746,600	2,136,218	2,130,852	1.97
My Eg Services Bhd	863,500	1,110,257	967,120	0.89
	<u>7,869,392</u>	<u>6,990,761</u>	<u>6,402,562</u>	<u>5.92</u>

PRINCIPAL ISLAMIC MALAYSIA OPPORTUNITIES FUND

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2020 (CONTINUED) SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
Telecommunications & Media				
Axiata Group Bhd	829,947	3,640,071	3,469,178	3.21
Digi.com Bhd	105,600	472,043	439,296	0.41
Telekom Malaysia Bhd	567,400	2,150,475	2,099,380	1.94
	<u>1,502,947</u>	<u>6,262,589</u>	<u>6,007,854</u>	<u>5.56</u>
Transportation & Logistics				
MISC Bhd	132,400	933,892	1,004,916	0.93
Westports Holdings Bhd	115,800	453,694	398,352	0.37
	<u>248,200</u>	<u>1,387,586</u>	<u>1,403,268</u>	<u>1.30</u>
Utilities				
Ranhill Holdings Bhd	348,620	347,654	329,446	0.30
Taliworks Corporation Bhd	895,100	780,368	742,933	0.69
Tenaga Nasional Bhd	778,000	10,661,409	9,413,800	8.71
	<u>2,021,720</u>	<u>11,789,431</u>	<u>10,486,179</u>	<u>9.70</u>
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES	<u>49,226,893</u>	<u>99,018,648</u>	<u>93,100,417</u>	<u>86.16</u>
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(5,918,231)</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>93,100,417</u>		

9. CASH AND CASH EQUIVALENTS

	2021	2020
	RM	RM
Shariah-compliant deposits with licensed Islamic financial institutions	5,784,837	12,532,944
Bank balance	92,061	50,464
	5,876,898	12,583,408

10. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

Net assets attributable to unit holders as at the reporting date comprise:

	2021	2020
	RM	RM
Unit holders' contributions	115,387,060	114,778,622
Retained earnings	18,068,906	(6,717,641)
	133,455,966	108,060,981

The movement in the components of net assets attributable to unit holders for the financial year are as follows:

	Unit holders' capital	Retained earnings/ (Accumulated losses)	Total
	RM	RM	RM
Balance as at 1 March 2020	114,778,622	(6,717,641)	108,060,981
Movement in unit holders' contributions:			
- Creation of units from applications	79,101,645	-	79,101,645
- Creation of units from distribution	2,141,891	-	2,141,891
- Cancellation of units	(80,635,098)	-	(80,635,098)
Total comprehensive income for the financial year	-	26,941,384	26,941,384
Distribution (Note 6)	-	(2,154,837)	(2,154,837)
Balance as at 28 February 2021	115,387,060	18,068,906	133,455,966
Balance as at 1 March 2019	90,006,851	(6,962,207)	83,044,644
Movement in unit holders' contributions:			
- Creation of units from applications	52,364,489	-	52,364,489
- Cancellation of units	(27,592,718)	-	(27,592,718)
Total comprehensive income for the financial year	-	244,566	244,566
Balance as at 29 February 2020	114,778,622	(6,717,641)	108,060,981

11. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2021	2020
	No. of units	No. of units
At the beginning of the financial year	440,557,147	343,095,049
Add: Creation of units from applications	313,288,993	205,332,162
Add: Creation of units from distribution	9,852,302	-
Less: Cancellation of units	(308,333,697)	(107,870,064)
At the end of the financial year	455,364,745	440,557,147

12. MANAGEMENT EXPENSE RATIO (“MER”)

	2021	2020
	%	%
MER	1.58	1.60

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 year calculated on a daily basis is RM128,398,774 (2020: RM96,230,541).

13. PORTFOLIO TURNOVER RATIO (“PTR”)

	2021	2020
PTR	1.25	0.95

PTR is derived based on the following calculation:

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

where:

- total acquisition for the financial year = RM165,056,391 (2020: RM102,460,546)
- total disposal for the financial year = RM156,404,340 (2020: RM80,760,639)

14. 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 shareholder of the Manager
CIMB Islamic 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

	<u>2021</u>		<u>2020</u>	
	<u>No. of units</u>	<u>RM</u>	<u>No. of units</u>	<u>RM</u>
Manager				
Principal Asset Management Berhad	48,874	14,320	166,363	40,792

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.

PRINCIPAL ISLAMIC MALAYSIA OPPORTUNITIES FUND

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

	2021	2020
	RM	RM
<u>Significant related party transactions</u>		
Profit income received from Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	<u>76,796</u>	<u>99,794</u>
<u>Significant related party balances</u>		
Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	<u>784,110</u>	<u>3,252,481</u>
Bank balance:		
- CIMB Islamic Bank Bhd	<u>92,061</u>	<u>50,464</u>

15. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the top 10 brokers/dealers for the financial year ended 28 February 2021 are as follows:

Brokers/Dealers	Values of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
Macquarie Capital Securities (M) Sdn Bhd	44,502,529	13.85	74,031	13.09
CLSA Securities (M) Sdn Bhd	44,392,400	13.82	68,892	12.18
KAF Equities Sdn Bhd	40,572,341	12.63	89,933	15.90
Maybank Investment Bank Bhd	37,396,467	11.64	63,686	11.26
RHB Investment Bank Bhd	32,024,362	9.97	70,743	12.51
UBS Securities Malaysia Sdn Bhd	25,514,908	7.94	32,818	5.80
JP Morgan Securities (M) Sdn Bhd	24,266,342	7.55	22,729	4.02
Hong Leong Investment Bank Bhd	21,211,306	6.60	47,727	8.44
Affin Hwang Investment Bank Bhd	15,197,445	4.73	34,194	6.04
CGS-CIMB Securities Sdn Bhd #	14,293,977	4.45	20,949	3.70
Others	21,916,055	6.82	39,963	7.06
	<u>321,288,132</u>	<u>100.00</u>	<u>565,665</u>	<u>100.00</u>

15. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

Details of transactions with the top 10 brokers/dealers for the financial year ended 29 February 2020 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage Fees RM	Percentage of brokerage fee %
UBS Securities (Malaysia) Sdn Bhd	23,809,543	13.02	29,612	8.64
Maybank Investment Bank Bhd	23,063,328	12.61	50,751	14.80
CLSA Securities (Malaysia) Sdn Bhd	21,740,996	11.88	33,491	9.77
KAF Equities Sdn Bhd	20,749,278	11.34	46,768	13.64
RHB Investment Bank Bhd	17,526,049	9.58	38,972	11.37
Affin Hwang Investment Bank Bhd	17,064,888	9.33	38,439	11.21
Macquarie Capital Securities (Malaysia) Sdn Bhd	16,114,525	8.81	30,118	8.78
JP Morgan Securities (Malaysia) Sdn Bhd	15,846,315	8.66	19,285	5.62
CGS-CIMB Securities Sdn Bhd #	10,153,604	5.55	18,892	5.51
Hong Leong Investment Bank Bhd	6,882,118	3.76	15,552	4.54
Others	9,987,926	5.46	20,967	6.12
	<u>182,938,570</u>	<u>100.00</u>	<u>342,847</u>	<u>100.00</u>

Included in the transactions are trades conducted with CGS-CIMB Securities Sdn Bhd, fellow related party to the Manager amounting to RM14,293,977 (2020: RM10,153,604). 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.

16. SIGNIFICANT EVENT DURING THE PERIOD

The COVID-19 pandemic and related lockdowns and movement restrictions have had, and will continue to have, a significant impact on global economic conditions and the environment in which the Fund operates.

The PRS Provider continue to closely monitor the macro-economic outlook as a result of COVID-19 pandemic and its impact to the Fund's performance and will be managing the risks to achieve the Fund's objective.

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 20 April 2021.

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