

# Principal Islamic Money Market Fund

Annual Report

For The Financial Year Ended 30 November 2022

**PRINCIPAL ISLAMIC MONEY MARKET FUND**  
**ANNUAL REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2022**

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**INVESTORS' LETTER**

Dear Valued Investor,

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

Firstly, allow me to wish you a very Happy New Year! The new year marks a fresh start and an opportunity to establish new goals. While many of us had a challenging year in 2022, we look forward to 2023 and hope it will be a better year for everyone.

We are pleased to bring you a copy of the Annual Fund Report of the Principal Islamic Money Market Fund for the financial year ended 30 November 2022. You may also download this report from our website at [www.principal.com.my](http://www.principal.com.my).

We are pleased to share that Principal Malaysia was accorded with the ESG Asset Management Company of the Year-Highly Commended (Malaysia) award at The Asset Triple A Sustainable Investing Awards 2022 for Institutional Investor, ETF, and Asset Servicing Providers 2022. Principal Malaysia was also awarded the Top Investment House, Asset Manager-Highly Commended (Malaysia) award at the Asset Benchmark Research Asian Local Currency Bond Benchmark Review 2022.

Digital innovation is central to our strategy, as we use data and technology to develop the right solutions for you. We will continue to advance our digital capabilities to provide easy access to your investment portfolio and enable you to carry out transactions seamlessly. Please continue to check out our website ([www.principal.com.my](http://www.principal.com.my)), like our Facebook page (@PrincipalAssetMY) and follow us on our Instagram account (@principalassetmanagement\_my) and LinkedIn page (Principal Asset Management Berhad) for the latest updates, market insights and investment articles.

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

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

**Munirah Khairuddin**  
Chief Executive Officer

## MANAGER'S REPORT

### FUND OBJECTIVE AND POLICY

#### What is the investment objective of the Fund?

The Fund aims to provide investors with liquidity and regular income, whilst maintaining capital stability by investing primarily in money market instruments that conform with Shariah principles.

#### Has the Fund achieved its objective?

For the financial year under review, the Fund is in line with its stated objective.

#### What are the Fund investment policy and principal investment strategy?

The Fund will place at least 90% of its Net Asset Value ("NAV") in Islamic money market instruments such as Islamic Accepted Bills, Islamic Negotiable Instruments of Deposits, and Islamic Repurchase Agreements ("Repo-i") as well as in any other Islamic fixed income instruments and placements of Islamic deposits, all of which are highly liquid and have a remaining maturity period of less than 365 days. Up to 10% of the Fund's NAV may be invested in Islamic fixed income instruments, which have a remaining maturity period of more than 365 days but less than 732 days. The Fund will be actively managed with frequency that will depend on the market conditions and market outlook. The strategy is to invest in liquid and low risk short-term investments for capital preservation\*. The investment strategy adheres to the Guidelines of Unit Trust Funds ("GUTF") pertaining to investments for a money market fund.

*\*The Fund is neither a capital guaranteed fund, nor a capital protected fund.*

The asset allocation strategy for this Fund is as follows:

- at least 90% of the Fund's NAV will be invested in Islamic money market instruments and/or Islamic deposits; and
- up to 10% of the Fund's NAV may be invested in Islamic fixed income instruments, which have a remaining maturity period of more than 365 days but less than 732 days.

The ratings of the Islamic money market instruments and Islamic fixed income instruments will be at least a "BBB3" or "P2" rating by RAM Holdings 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.

#### Fund category/type

Money Market (Islamic)/Income

#### When was the Fund launched?

Name of Class	Launch date
Class AI	17 March 2008
Class AR	13 August 2021
Class D	7 June 2022

\* With effect from 13 August 2021, the Fund were split into Class AI and AR where individual unitholders were designated to Class AR and non-individual unit holders were designated to Class AI.

#### What was the size of the Fund as at 30 November 2022?

RM1,340.49 million (1,260.94 million units)

#### What is the Fund's benchmark?

CIMB Islamic 1-Month Fixed Return Income Account-i ("FRIA-i")

*Note: The Fund's benchmark is for comparison purpose only.*

**FUND OBJECTIVE AND POLICY (CONTINUED)**

**What is the Fund distribution policy?**

Monthly, depending on the level of income (if any) the Fund generates.

**What was the net income distribution for the financial year ended 30 November 2022?**

The Fund distributed a total net income of RM34.04 million to unit holders for the financial year ended 30 November 2022.

The Fund's NAV per unit were as follows:

Date	NAV per unit (before distribution) RM	NAV per unit (after distribution) RM
31.12.2021		
- Class AI	1.0698	1.0674
- Class AR	1.0698	1.0674
31.01.2022		
- Class AI	1.0691	1.0667
- Class AR	1.0691	1.0667
28.02.2022		
- Class AI	1.0685	1.0663
- Class AR	1.0685	1.0663
31.03.2022		
- Class AI	1.0682	1.0662
- Class AR	1.0682	1.0662
29.04.2022		
- Class AI	1.0670	1.0650
- Class AR	1.0670	1.0650
31.05.2022		
- Class AI	1.0669	1.0648
- Class AR	1.0669	1.0648
30.06.2022		
- Class AI	1.0666	1.0644
- Class AR	1.0666	1.0645
- Class D	1.0663	1.0642
29.07.2022		
- Class AI	1.0663	1.0642
- Class AR	1.0664	1.0643
- Class D	1.0040	1.0034
30.08.2022		
- Class AI	1.0669	1.0648
- Class AR	1.0669	1.0648
- Class D	1.0061	1.0044
30.09.2022		
- Class AI	1.0666	1.0645
- Class AR	1.0666	1.0645
- Class D	1.0063	1.0045
31.10.2022		
- Class AI	1.0673	1.0652
- Class AR	1.0673	1.0652
- Class D	1.0072	1.0055
30.11.2022		
- Class AI	1.0676	1.0655
- Class AR	1.0676	1.0655
- Class D	1.0079	1.0064

**PRINCIPAL ISLAMIC MONEY MARKET FUND**

**PERFORMANCE DATA**

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

	<b>30.11.2022</b>	<b>30.11.2021</b>	<b>30.11.2020</b>
	%	%	%
Unquoted Sukuk and Islamic commercial papers	67.37	96.51	61.80
Shariah-compliant deposits with licensed Islamic financial institutions	-	-	27.74
Cash and other assets	33.55	4.54	10.58
Liabilities	(0.92)	(1.05)	(0.12)
	<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:

	<b>30.11.2022</b>	<b>30.11.2021</b>	<b>30.11.2020</b>
NAV (RM Million)*			
- Class AI	1,224.94	1,204.88	1,269.51
- Class AR	63.46	124.86	-
- Class D	52.09	-	-
Units in circulation (Million)			
- Class AI	1,149.62	1,128.30	1,178.29
- Class AR	59.56	116.92	-
- Class D	51.76	-	-
NAV per unit (RM)*			
- Class AI	1.0655	1.0679	1.0774
- Class AR	1.0655	1.0679	-
- Class D	1.0064	-	-
Highest NAV per unit (RM)			
- Class AI	1.0698	1.0789	1.0854
- Class AR	1.0698	1.0711	-
- Class D	1.0100	-	-
Lowest NAV per unit (RM)*			
- Class AI	1.0642	1.0677	1.0774
- Class AR	1.0643	1.0678	-
- Class D	0.0000	-	-
Total return (%)			
- Class AI	2.21	2.10	2.65
- Class AR	2.21	2.10	-
- Capital growth (%)			
- Class AI	(0.22)	(0.88)	(0.49)
- Class AR	(0.22)	(0.88)	-
- Income distribution (%)			
- Class AI	2.44	3.01	3.13
- Class AR	2.44	3.01	-
*Ex-distribution			
Total Expense Ratio ("TER") (%)	0.42	0.53	0.53
Portfolio Turnover Ratio ("PTR") (times) #	0.68	0.77	1.06

^ The Fund's TER for the financial year under review decreased from 0.53% to 0.42% due to the increased in average NAV.

# The Fund's PTR for the financial year under review decreased from 0.77 times to 0.68 times compared to the previous year's corresponding period due to the decreased number of transactions.

PERFORMANCE DATA (CONTINUED)

**Class AI**

<b>Date of distribution</b>	<b>30.11.2022</b>	<b>30.11.2021</b>	<b>30.11.2020</b>
<b>Gross/Net distribution per unit (sen)</b>			
Distribution on 31 December 2021	0.24	-	-
Distribution on 29 January 2022	0.24	-	-
Distribution on 26 February 2022	0.22	-	-
Distribution on 31 March 2022	0.20	-	-
Distribution on 30 April 2022	0.20	-	-
Distribution on 31 May 2022	0.21	-	-
Distribution on 30 June 2022	0.21	-	-
Distribution on 30 July 2022	0.21	-	-
Distribution on 30 August 2022	0.21	-	-
Distribution on 30 September 2022	0.21	-	-
Distribution on 29 October 2022	0.21	-	-
Distribution on 30 November 2022	0.21	-	-
Distribution on 31 December 2020	-	0.39	-
Distribution on 29 January 2021	-	0.26	-
Distribution on 26 February 2021	-	0.27	-
Distribution on 31 March 2021	-	0.24	-
Distribution on 30 April 2021	-	0.26	-
Distribution on 31 May 2021	-	0.28	-
Distribution on 30 June 2021	-	0.27	-
Distribution on 30 July 2021	-	0.25	-
Distribution on 30 August 2021	-	0.24	-
Distribution on 30 September 2021	-	0.25	-
Distribution on 29 October 2021	-	0.24	-
Distribution on 30 November 2021	-	0.24	-
Distribution on 31 December 2019	-	-	0.30
Distribution on 31 January 2020	-	-	0.31
Distribution on 28 February 2020	-	-	0.30
Distribution on 31 March 2020	-	-	0.26
Distribution on 30 April 2020	-	-	0.29
Distribution on 29 May 2020	-	-	0.22
Distribution on 30 June 2020	-	-	0.42
Distribution on 30 July 2020	-	-	0.21
Distribution on 28 August 2020	-	-	0.20
Distribution on 30 September 2020	-	-	0.15
Distribution on 30 October 2020	-	-	0.32
Distribution on 30 November 2020	-	-	0.36

**Class AR**

Distribution on 31 December 2021	0.24	-	-
Distribution on 29 January 2022	0.24	-	-
Distribution on 26 February 2022	0.22	-	-
Distribution on 31 March 2022	0.20	-	-
Distribution on 30 April 2022	0.20	-	-
Distribution on 31 May 2022	0.21	-	-
Distribution on 30 June 2022	0.21	-	-
Distribution on 30 July 2022	0.21	-	-
Distribution on 30 August 2022	0.21	-	-
Distribution on 30 September 2022	0.21	-	-
Distribution on 29 October 2022	0.21	-	-
Distribution on 30 November 2022	0.21	-	-



**PERFORMANCE DATA (CONTINUED)**

Date of distribution (continued) Gross/Net distribution per unit (sen) (continued) Class AR (continued)	30.11.2022	30.11.2021	30.11.2020
Distribution on 30 August 2021	-	0.24	-
Distribution on 30 September 2021	-	0.25	-
Distribution on 29 October 2021	-	0.24	-
Distribution on 30 November 2021	-	0.24	-

**Class D**

Distribution on 30 July 2022	0.06	-	-
Distribution on 30 August 2022	0.17	-	-
Distribution on 30 September 2022	0.18	-	-
Distribution on 29 October 2022	0.17	-	-
Distribution on 30 November 2022	0.15	-	-

	30.11.2022	30.11.2021	30.11.2020	30.11.2019	30.11.2018
	%	%	%	%	%
Annual total return					
- Class AI	2.21	2.10	2.65	3.48	3.73
- Class AR*	2.21	2.10	2.65	3.48	3.73
(Launch date: 17 March 2008)					

\*The effective launch date of Class AR will be the date of the Fund is split into Class AI and AR.

	Since inception to 30.11.2022 %
Annual total return	
- Class D	1.37
(Launch date: 7 June 2022)	

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 DECEMBER 2021 TO 30 NOVEMBER 2022)**

During the financial year under review, Bank Negara Malaysia (“BNM”) raised the Overnight Policy Rate (“OPR”) by 100 basis points (“bps”) from 1.75% to 2.75%, as the domestic growth recovered strongly following the loosening and reopening of the economy from April 2022 onwards. In addition, the headline inflation rate climbed to as high as 4.7% year-on-year (“YoY”) in August 2022, before moderating to 4.0% in YoY in October 2022. BNM states that the Monetary Policy Committee (“MPC”) decided to further adjust the OPR to pre-emptively manage the risk of price pressures against the backdrop of continued positive growth prospects for the local economy. They also mentioned that the MPC is not on any pre-set course, and any further decisions is dependent on evolving conditions and their implications on the overall outlook to domestic inflation and growth.

Malaysia’s growth recovered strongly in 2022, with the latest reading of +14.2% YoY in the third quarter of 2022 – bringing the Year-To-Date (“YTD”) 2022 growth to 9.3% YoY. The strong growth was achieved on the back of strong domestic demand, favourable employment market and ongoing policy support. BNM opines that the economy will continue to expand albeit at a more moderate pace in fourth quarter of 2022. It is noted that GDP growth for 2022 was revised up by Ministry of Finance (“MoF”) recently to 6.5% to 7.0% from 5.3% to 6.3% earlier.

**MARKET REVIEW (1 DECEMBER 2021 TO 30 NOVEMBER 2022) (CONTINUED)**

In the 15<sup>th</sup> General Election, Anwar Ibrahim was sworn in as the 10<sup>th</sup> Prime Minister forming Unity Government led by Pakatan Harapan (“PH”) with the support of Barisan National (“BN”) and the parties from Borneo and other party blocs. First Parliament sitting will be on 19 December 2022, starting with a vote of confidence to solidify the political stability. It is expected that Budget 2023 will be tabled in the first quarter of 2023.

Exports continued to expand in October 2022 amid at a slower pace of 15% YoY as compared to 30.1% in September 2022. The moderation in exports was broad based across all key export categories with the exception of crude petroleum and top three key export markets. Meanwhile, imports growth continued to outpace exports growth rising at 29.2% YoY in October 2022 (September 2022: 32.8% YoY). Hence, trade surplus shrank 32% to RM18.1 billion.

**FUND PERFORMANCE**

<b>Class AI &amp; AR</b>	<b>1 year to 30.11.2022</b>	<b>3 years to 30.11.2022</b>	<b>5 years to 30.11.2022</b>	<b>Since inception to 30.11.2022</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Income Distribution	2.44	8.83	16.64	44.16
Capital Growth	(0.22)	(1.57)	(1.42)	6.55
Total Return	2.21	7.12	14.98	53.60
Benchmark	1.77	5.66	12.39	45.83
Average Total Return	2.21	2.32	2.83	2.96

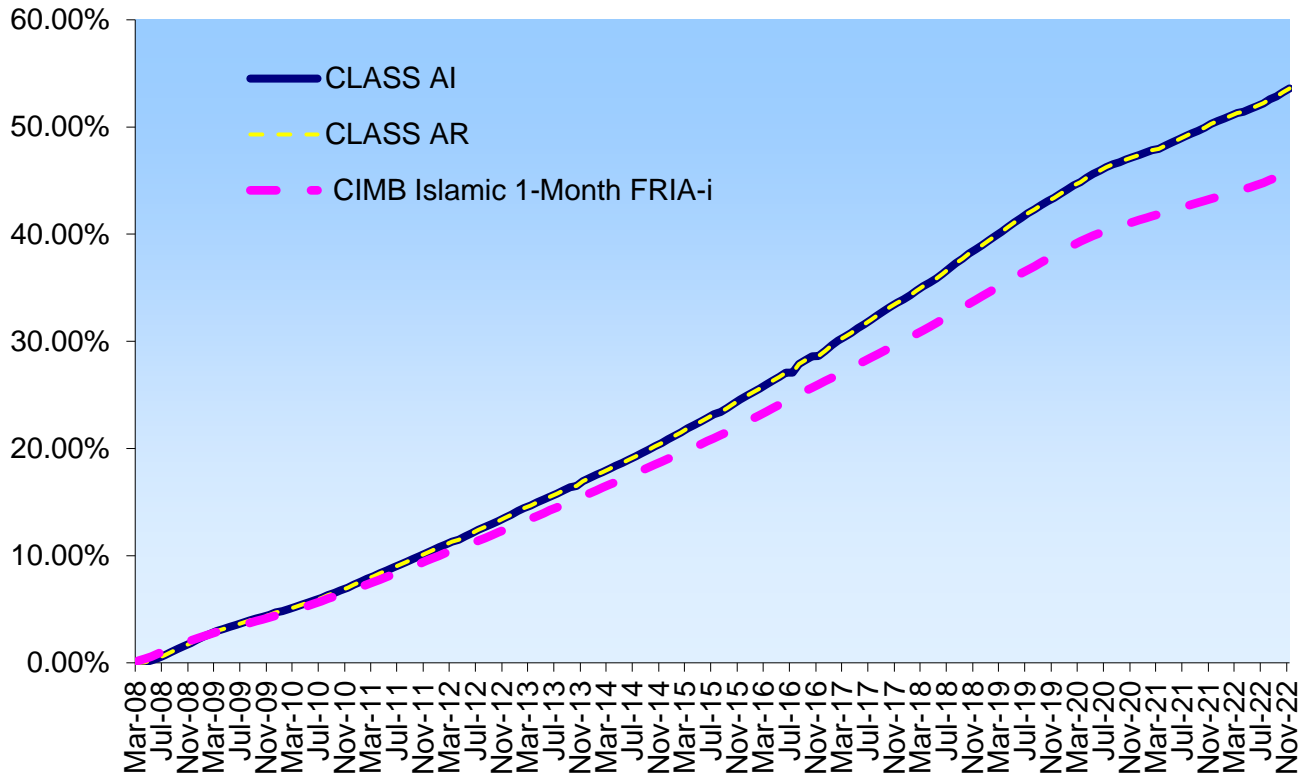
<b>Class D</b>	<b>Since inception to 30.11.2022</b>
	<b>%</b>
Income Distribution	0.73
Capital Growth	0.64
Total Return	1.37
Benchmark	16.61
Average Total Return	2.85

As at 30 November 2022, the total return for both Class AI and AR on a 1 year, 3 years, and 5 years basis stood at 2.21%, 7.12% and 14.98% respectively, which outperformed the benchmark in the respective periods. Since inception, the Fund achieved a total return of 53.60%, also outperforming the benchmark returns. Since inception, the total return for Class D stood at 1.37%.

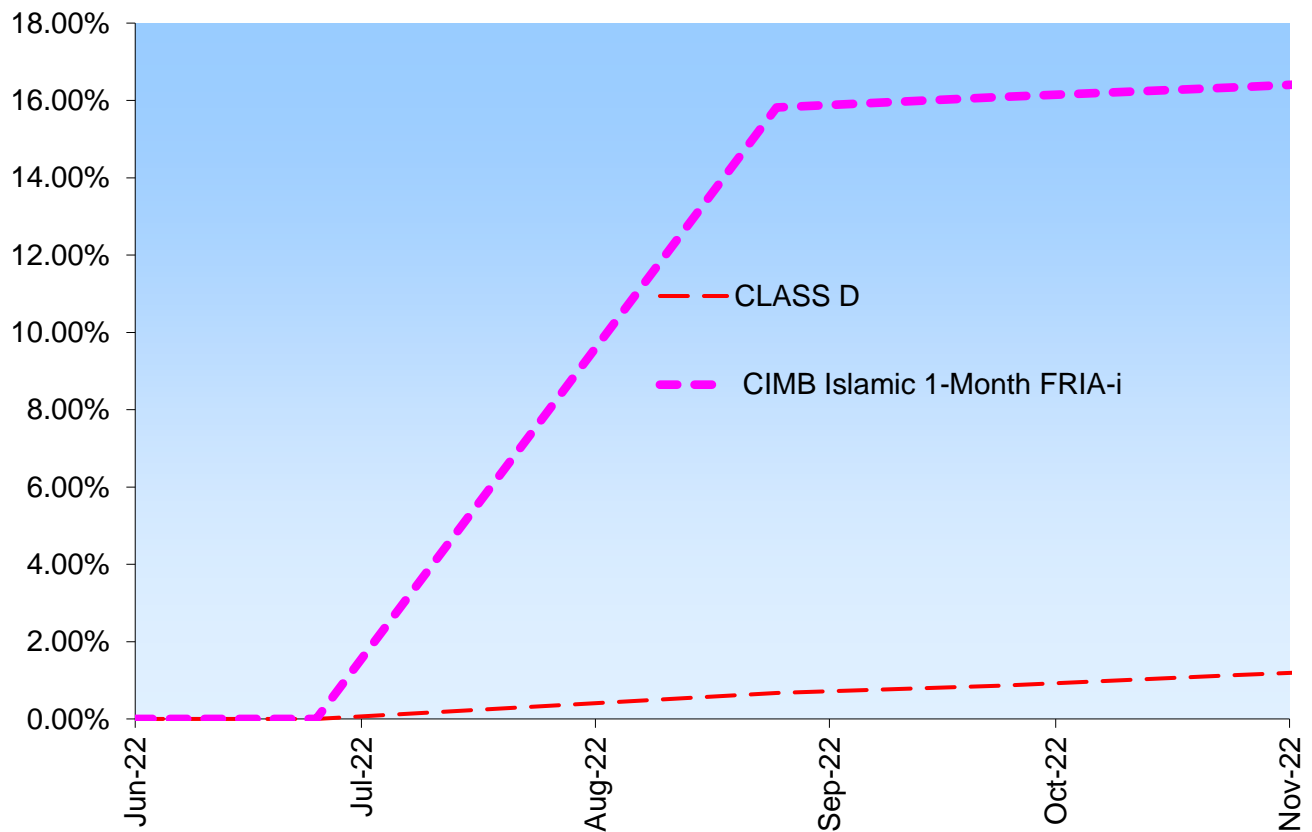
FUND PERFORMANCE

Since inception

Class AI & AR



Class D



**FUND PERFORMANCE (CONTINUED)**

**Changes in NAV**

	<b>30.11.2022</b>	<b>30.11.2021</b>	<b>Changes %</b>
<b>CLASS AI</b>			
NAV (RM Million)*	1,224.94	1,204.88	1.66
NAV/Unit (RM)*	1.0655	1.0679	(0.22)
<b>CLASS AR</b>			
NAV (RM Million)*	63.46	124.86	(49.18)
NAV/Unit (RM)*	1.0655	1.0679	(0.22)
<b>CLASS D</b>			
NAV (RM Million)*	52.09	-	-
NAV/Unit (RM)*	1.0064	-	-

The Fund's NAV for class AI as at 30 November 2022 increased by 1.66% to RM1,224.94 million from RM1,204.88 million on 30 November 2021. Meanwhile, the NAV per unit decreased slightly by 0.22% from RM1.0679 per unit to RM1.0655 per unit.

The Fund's NAV for class AR as at 30 November 2022 decreased by 49.18% to RM63.46 million from RM124.86 million on 30 November 2021. Meanwhile, the NAV per unit decreased slightly by 0.22% from RM1.0679 per unit to RM1.0655 per unit.

The Fund's NAV for class D as at 30 November 2022 stood at RM52.09 million, with a NAV per unit of RM1.0064.

\*Ex-distribution

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**

	<b>30.11.2022</b>	<b>30.11.2021</b>
Unquoted Sukuk and Islamic commercial papers	67.37	96.51
Cash and other assets	33.55	4.54
Liabilities	(0.92)	(1.05)
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

As at 30 November 2022, the Fund was 67.372% invested in unquoted Sukuk and Islamic commercial papers, with the remaining 33.55% in Shariah-compliant deposits, cash and other net assets. The decrease in unquoted Sukuk and Islamic commercial papers is mainly to stabilise the Fund's NAV and volatility due to the rising rate environment.

## **MARKET OUTLOOK\***

With the short-term rates already factoring in another 50 bps hike in the OPR by first half of 2023, we believe that there the market has sufficiently priced in and see opportunities to purchase bonds in the near-term. We intend to deploy the cash in the Fund towards adding short-term bonds.

\*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**

We continue to overweight on quality short term sukuk papers as well as Islamic commercial papers issued by corporates with strong fundamentals.

## **SOFT COMMISSIONS AND REBATES**

Principal Asset Management Berhad (the "Manager"), the sub-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 research and advisory services that assist in the decision making process relating to the Fund's investments. All dealings with brokers are executed on most favourable terms available for the Fund.

During the financial year under review, the Manager, the sub-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 and there was no churning of trades.

## **SECURITIES FINANCING TRANSACTIONS**

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

## **STATE OF AFFAIR OF THE FUND**

Latest changes to the Statement by Manager's signatory as follows:

Mr. Juan Ignacio Eyzaguirre Baraona (retired on 30 June 2022)

Mr. Uday Jayaram (appointed on 30 June 2022)

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

## **CIRCUMSTANCES THAT MATERIALLY AFFECT ANY INTEREST OF UNIT HOLDERS**

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

## **CROSS TRADE**

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

## **UNIT SPLIT**

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

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF  
PRINCIPAL ISLAMIC MONEY MARKET 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 8 to 36 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 November 2022 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

**UDAY JAYARAM**  
Director

Kuala Lumpur  
13 January 2023

**TRUSTEE'S REPORT**

**TO THE UNIT HOLDERS OF  
PRINCIPAL ISLAMIC MONEY MARKET FUND ("Fund")**

We have acted as Trustee of the Fund for the financial year ended 30 November 2022 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Principal Asset Management Berhad has operated and managed the Fund during the year covered by these financial statements in accordance with the following:

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

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

For HSBC (Malaysia) Trustee Berhad

Yap Lay Guat  
Manager, Investment Compliance Monitoring

Kuala Lumpur  
12 January 2023

**SHARIAH ADVISER'S REPORT TO THE UNITHOLDERS OF  
PRINCIPAL ISLAMIC MONEY MARKET FUND**

**To the Unit Holders of Principal Islamic Money Market Fund (the "Fund")**

**For the Financial Year ended 30 November 2022**

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**

**Tan Sri Dr Mohd Daud Bakar**  
Executive Chairman

Kuala Lumpur  
12 January 2023



**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
PRINCIPAL ISLAMIC MONEY MARKET FUND**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

*Opinion*

We have audited the financial statements of Principal Islamic Money Market Fund (the "Fund"), which comprise the statement of financial position as at 30 November 2022 of the Fund, 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 8 to 36.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 November 2022, 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 MONEY MARKET FUND (CONTINUED)**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

*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 MONEY MARKET FUND (CONTINUED)**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

*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 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 MONEY MARKET FUND (CONTINUED)**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

**OTHER MATTERS**

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

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

Yeo Beng Yean  
No. 03013/10/2024 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
13 January 2023

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2022**

	Note	2022 RM	2021 RM
<b>INCOME</b>			
Profit income from unquoted Sukuk at fair value through profit or loss		4,426,352	4,996,332
Profit income from Shariah-compliant deposits with licensed Islamic financial institutions at amortised cost and Hibah earned		34,894,774	29,779,403
Net (loss)/gain on financial assets at fair value through profit or loss	8	<u>(2,633,712)</u>	<u>882,063</u>
		<u>36,687,414</u>	<u>35,657,798</u>
<b>EXPENSES</b>			
Management fee	4	5,646,181	6,493,935
Trustee fee	5	282,309	287,489
Audit fee		9,090	8,400
Tax agent's fee		4,000	5,425
Other expenses		<u>19,646</u>	<u>17,322</u>
		<u>5,961,226</u>	<u>6,812,571</u>
<b>PROFIT BEFORE DISTRIBUTION AND TAXATION</b>		<u>30,726,188</u>	<u>28,845,227</u>
Distributions:	6		
- Class AI		31,620,632	39,787,987
- Class AR		2,127,936	1,121,727
- Class D		<u>291,480</u>	<u>-</u>
		<u>34,040,048</u>	<u>40,909,714</u>
<b>LOSS BEFORE TAXATION</b>		<u>(3,313,860)</u>	<u>(12,064,487)</u>
Taxation	7	<u>-</u>	<u>-</u>
<b>LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR</b>		<u>(3,313,860)</u>	<u>(12,064,487)</u>
Loss after taxation is made up as follows:			
Realised amount		(729,500)	(12,909,686)
Unrealised amount		<u>(2,584,360)</u>	<u>845,199</u>
		<u>(3,313,860)</u>	<u>(12,064,487)</u>

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

STATEMENT OF FINANCIAL POSITION  
AS AT 30 NOVEMBER 2022

	Note	2022 RM	2021 RM
<b>ASSETS</b>			
Cash and cash equivalents	9	441,771,337	28,753,111
Financial assets at fair value through profit or loss (Shariah-compliant)	8	903,062,537	1,293,916,044
Amount due from Manager		7,928,987	20,966,968
<b>TOTAL ASSETS</b>		<u>1,352,762,861</u>	<u>1,343,636,123</u>
<b>LIABILITIES</b>			
Amount due to Manager		11,791,545	13,400,181
Accrued management fee		443,801	458,316
Amount due to Trustee		22,190	22,916
Distribution payable		1,032	345
Other payables and accruals		14,216	15,926
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)</b>		<u>12,272,784</u>	<u>13,897,684</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>1,340,490,077</u>	<u>1,329,738,439</u>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>1,340,490,077</u>	<u>1,329,738,439</u>
<b>REPRESENTED BY:</b>			
<b>FAIR VALUE OF OUTSTANDING UNITS</b>			
- Class AI		1,224,942,333	1,204,881,973
- Class AR		63,457,260	124,856,466
- Class D		52,090,484	-
		<u>1,340,490,077</u>	<u>1,329,738,439</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>			
- Class AI		1,149,619,482	1,128,299,230
- Class AR		59,554,207	116,920,308
- Class D		51,761,608	-
	10	<u>1,260,935,297</u>	<u>1,245,219,538</u>
<b>NET ASSET VALUE PER UNIT (RM) (EX-DISTRIBUTION)</b>			
- Class AI		1.0655	1.0679
- Class AR		1.0655	1.0679
- Class D		1.0064	-

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 30 NOVEMBER 2022**

	Note	2022 RM	2021 RM
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		<u>1,329,738,439</u>	<u>1,269,507,765</u>
Movement due to units created and cancelled during the financial year:			
Creation of units from applications			
- Class AI		1,100,526,623	608,100,533
- Class AR		71,914,427	146,668,617
- Class D		80,530,499	-
		<u>1,252,971,549</u>	<u>754,769,150</u>
Creation of units from distributions			
- Class AI		31,620,632	39,781,384
- Class AR		2,120,559	1,121,637
- Class D		291,480	-
		<u>34,032,671</u>	<u>40,903,021</u>
Cancellation of units			
- Class AI		(1,108,897,283)	(700,724,089)
- Class AR		(135,220,932)	(22,652,921)
- Class D		(28,820,507)	-
		<u>(1,272,938,722)</u>	<u>(723,377,010)</u>
Total comprehensive loss for the financial year		(3,313,860)	(12,064,487)
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR</b>		<u>1,340,490,077</u>	<u>1,329,738,439</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 30 NOVEMBER 2022**

	Note	2022 RM	2021 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from disposal of unquoted Sukuk and Islamic commercial papers		230,484,378	201,976,915
Purchase of unquoted Sukuk and Islamic commercial papers		(1,694,871,349)	(1,793,802,504)
Proceeds from maturity of unquoted Sukuk and Islamic commercial papers		1,831,600,000	1,061,800,000
Proceeds from redemption of unquoted Sukuk and Islamic commercial papers		20,424,944	-
Profit income received from Shariah-compliant deposits with licensed Islamic financial institutions and Hibah received		14,686,616	20,103,176
Profit income received from unquoted Sukuk and Islamic commercial papers		25,216,332	34,298,369
Proceeds from maturity of Shariah-compliant deposits with licensed Islamic financial institutions		-	354,098,555
Management fee paid		(5,660,696)	(6,556,684)
Trustee fee paid		(283,035)	(295,837)
Payments for other fees and expenses		(34,446)	(28,622)
<b>Net cash generated from /(used in) operating activities</b>		<u>421,562,744</u>	<u>(128,406,632)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		1,266,009,530	734,177,182
Payments for cancellation of units		(1,274,547,358)	(710,926,491)
Distributions paid		(6,690)	(7,784)
<b>Net cash (used in)/generated from financing activities</b>		<u>(8,544,518)</u>	<u>23,242,907</u>
Net increase/(decrease) in cash and cash equivalents		413,018,226	(105,163,725)
Cash and cash equivalents at the beginning of financial year		<u>28,753,111</u>	<u>133,916,836</u>
Cash and cash equivalents at the end of financial year	<b>9</b>	<u><u>441,771,337</u></u>	<u><u>28,753,111</u></u>
<u>Cash and cash equivalents comprised of:</u>			
Bank balance		457,193	10,733
Shariah-compliant deposits with licensed Islamic financial institutions		<u>441,314,144</u>	<u>28,742,378</u>
Cash and cash equivalents at the end of the financial year	<b>9</b>	<u><u>441,771,337</u></u>	<u><u>28,753,111</u></u>

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2022****1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES**

Principal Islamic Money Market Fund (the “Fund”) is governed by a 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 Fifteenth Supplemental Master Deed dated 21 September 2012, a Seventeenth Supplemental Master Deed dated 25 March 2015, a Nineteenth Supplemental Master Deed dated 18 June 2019, a Twentieth Supplemental Master Deed dated 9 April 2021, a Twenty First Supplemental Master Deed dated 15 April 2021, and a Twenty Second Supplemental Master Deed dated 7 December 2021 (collectively referred to as the “Deeds”) made between Principal Asset Management Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

The Fund will place at least 90% of its NAV in Islamic money market instruments such as Islamic Accepted Bills, Islamic Negotiable Instruments of Deposits and Repo-i as well as in any other Islamic fixed income instruments and placements of Islamic deposits, all of which are highly liquid and have a remaining maturity period of less than 365 days. Up to 10% of the Fund’s NAV may be invested in Islamic fixed income instruments, which have a remaining maturity period of more than 365 days but less than 732 days. The Fund will be actively managed with frequency that will depend on the market conditions and market outlook. The strategy is to invest in liquid and low risk short-term investments for capital preservation. The investment strategy adheres to the SC GUTF.

The asset allocation strategy for this Fund is as follows:

- at least 90% of the Fund’s NAV will be invested in Islamic money market instruments and/or Islamic deposits; and
- up to 10% of the Fund’s NAV may be invested in Islamic fixed income instruments, which have a remaining maturity period of more than 365 days but less than 732 days.

The ratings of the Islamic money market instruments and Islamic fixed income instruments will be at least a “BBB3” or “P2” rating by RAM or equivalent rating by MARC or by local rating agency(ies) of the country of issuance; or “BBB-” S&P or equivalent rating by any other international rating agencies.

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

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

**2. 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 assumptions and estimates are significant to the financial statements are disclosed in Note 2(j).

There are no other standards, amendments to standards or interpretations effective for financial year beginning on 1 December 2021 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 financial year beginning on/after 1 December 2022 that are applicable 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 contractual cash flows of the Fund's debt securities are solely payment of principal and interest<sup>1</sup> ("SPPI"). However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents, Profit Receivables and amount due from Manager 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.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(b) Financial assets and financial liabilities (continued)**Recognition and measurement

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.

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 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.

Unquoted Sukuk denominated in Malaysian Ringgit ("MYR") are revalued on a daily basis based on fair value prices quoted by a Bond Pricing Agency ("BPA") registered with the SC as per the GUTF. Refer to Note 2(j) for further explanation.

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

Financial assets at amortised cost and other financial liabilities are subsequently carried at amortised cost using the effective profit method.

Impairment on assets carried at amortised costs

The Fund measures credit risk and expected credit losses ("ECL") using probability of default, exposure at default and loss given default. The Manager considers both historical analysis and forward-looking information in determining any ECL. The Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month ECL as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(b) Financial assets and financial liabilities (continued)**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**

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 rate 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 unquoted Sukuk and Islamic commercial papers are accounted for as the difference between the net disposal proceeds and the carrying amount of unquoted Sukuk and Islamic commercial papers, 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 balance and Shariah-compliant deposits with licensed Islamic financial institutions 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.

**(f) 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.

**(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 year in which it is approved by the Trustee.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(h) 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 GUTF.

**(i) Unit holders' contributions**

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

The Fund issues cancellable units, in three classes of units, known respectively as the Class AI, Class AR and Class D which are cancelled at the unit holder's option and do not have identical features subject to restrictions as stipulated in the Prospectus and GUTF. The units are classified as financial liabilities. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV of respective classes. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the member exercises the right to put back the unit to the Fund.

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

**(j) Critical accounting estimates and judgements in applying accounting policies**

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

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

**Estimate of fair value of unquoted Sukuk**

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the GUTF.

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.

Islamic commercial papers are revalued at least weekly by reference to bid and offer prices quoted by three (3) independent and reputable financial institutions of similar standing at the close of trading.

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES**

Financial instruments of the Fund were as follows:

	<b>Financial assets at fair value through profit or loss RM</b>	<b>Financial assets at amortised cost RM</b>	<b>Total RM</b>
<b>2022</b>			
Cash and cash equivalents (Note 9)	-	441,771,337	441,771,337
Unquoted Sukuk and Islamic commercial papers (Note 8)	903,062,537	-	903,062,537
Amount due from Manager	-	7,928,987	7,928,987
	<u>903,062,537</u>	<u>449,700,324</u>	<u>1,352,762,861</u>
<b>2021</b>			
Cash and cash equivalents (Note 9)	-	28,753,111	28,753,111
Unquoted Sukuk and Islamic commercial papers (Note 8)	1,293,916,044	-	1,293,916,044
Amount due from Manager	-	20,966,968	20,966,968
	<u>1,293,916,044</u>	<u>60,304,155</u>	<u>1,343,636,123</u>

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

The Fund aims to provide investors with liquidity and regular income, whilst maintaining capital stability by investing primarily in money market instruments that conform with Shariah principles.

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and interest rate risk), credit risk and liquidity risk.

Financial risk management is carried out through internal control process adopted by the Manager and adherence to the investment restrictions as stipulated in the Deeds and GUTF.

**(a) Market risk**

**(i) Price risk**

This is the risk that the fair value of a Shariah-compliant investment in unquoted Sukuk and Islamic commercial papers will fluctuate because of changes in market prices (other than those arising from interest rate risk). The value of unquoted Sukuk and Islamic commercial papers 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.

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

The Fund is exposed to price risk arising from profit rate fluctuation in relation to its investments of RM903,062,537 (2021: RM1,293,916,044) in unquoted Sukuk and Islamic commercial papers. The Fund's exposure to price risk arising from profit rate fluctuation and the related sensitivity analysis are disclosed in "interest rate risk" below.

**(ii) Interest rate risk**

In general, when interest rates rise, unquoted Sukuk and Islamic commercial papers 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 or Islamic commercial papers till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

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

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

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

The table below summarises the sensitivity of the Fund's interest or loss and NAV to movements in prices of unquoted Sukuk and Islamic commercial papers held by the Fund as a result of movement in interest rate at the end of each reporting year. The analysis is based on the assumptions that the interest rate changed by 1% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

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

(a) Market risk (continued)

(ii) Interest rate risk (continued)

% Change in interest rate	Impact on profit or loss/NAV	
	2022 RM	2021 RM
+1%	(134,009)	(145,393)
-1%	<u>134,163</u>	<u>145,433</u>

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

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

The Fund's exposure to interest rate risk associated with Shariah-compliant deposits with licensed Islamic financial institutions is expected to be minimal as the Shariah-compliant deposits are held on short-term basis. The weighted average effective interest rate per annum is as follows:

	2022 %	2021 %
Shariah-compliant deposits with licensed Islamic financial institutions	<u>3.48</u>	<u>1.75</u>

(b) Credit risk

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

Investment in unquoted Sukuk and Islamic commercial papers 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 Islamic commercial papers and subsequently depress the NAV of the Fund. Usually, credit risk is more apparent for an investment with a longer tenure, i.e. the longer the duration, the higher the credit risk.

Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the Manager imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the investment in accordance with the objective of the Fund. For this Fund, the unquoted Sukuk and Islamic commercial papers investments must satisfy a minimum rating requirement of at least a "BBB3" or "P2" rating by RAM or equivalent rating by MARC or by local rating agency(ies) of the country of issuance; or "BBB-" by S&P or equivalent rating by any other international rating agencies.

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

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



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	Financial assets at fair value through profit or loss RM	Amount due from Manager RM	Total RM
<b>2022</b>				
AAA	256,892,302	121,408,591	-	378,300,893
AA	-	65,630,355	-	65,630,355
AA1	84,832,391	35,444,675	-	120,277,066
AA2	-	60,684,600	-	60,684,600
AA3	100,046,644	344,632,008	-	444,678,652
A3	-	18,759,397	-	18,759,397
AA4	-	31,371,203	-	31,371,203
GB	-	32,891,783	-	32,891,783
P1	-	76,520,356	-	76,520,356
Not rated	-	115,719,569	7,928,987	123,648,556
	<u>441,771,337</u>	<u>903,062,537</u>	<u>7,928,987</u>	<u>1,352,762,861</u>
<b>2021</b>				
A1	-	7,888,774	-	7,888,774
AA1	-	151,702,745	-	151,702,745
AA2	-	136,280,294	-	136,280,294
AA3	-	371,471,015	-	371,471,015
AAA	28,753,111	395,660,212	-	424,413,323
P1	-	200,942,604	-	200,942,604
Not rated	-	29,970,400	20,966,968	50,937,368
	<u>28,753,111</u>	<u>1,293,916,044</u>	<u>20,966,968</u>	<u>1,343,636,123</u>

For the financial year ended 30 November 2022, the Shariah-compliant deposits with licensed Islamic financial institutions of the Fund have an average maturity of 67 days (2021: Nil).

(c) Liquidity risk

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

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balances, Shariah-compliant deposits with licensed Islamic financial institutions and other instruments, which are capable of being converted into cash within 7 business days. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the 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. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk

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

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
<b>2022</b>			
Amount due to Manager	11,791,545	-	11,791,545
Accrued management fee	443,801	-	443,801
Amount due to Trustee	22,190	-	22,190
Distribution payable	1,032	-	1,032
Other payables and accruals	-	14,216	14,216
Net assets attributable to unitholders*	<u>1,340,490,077</u>	<u>-</u>	<u>1,340,490,077</u>
<b>Contractual undiscounted cash flows</b>	<u><u>1,352,748,645</u></u>	<u><u>14,216</u></u>	<u><u>1,352,762,861</u></u>
<b>2021</b>			
Amount due to Manager	13,400,181	-	13,400,181
Accrued management fee	458,316	-	458,316
Amount due to Trustee	22,916	-	22,916
Distribution payable	345	-	345
Other payables and accruals	-	15,926	15,926
Net assets attributable to unitholders*	<u>1,329,738,439</u>	<u>-</u>	<u>1,329,738,439</u>
<b>Contractual undiscounted cash flows</b>	<u><u>1,343,620,197</u></u>	<u><u>15,926</u></u>	<u><u>1,343,636,123</u></u>

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

(d) Capital risk management

The capital of the Fund is represented net assets attributable to unit holders of RM1,340,490,077 (2021: RM1,329,738,439). The amount of capital can change significantly on a daily basis as the Fund is subjected to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

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

#### (e) Fair value estimation

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

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

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

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

#### (i) Fair value hierarchy

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

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

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

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

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

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

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2022</b>				
Financial assets at fair value through profit or loss:				
- Unquoted Sukuk and Islamic commercial papers	-	903,062,537	-	903,062,537
	<u>-</u>	<u>903,062,537</u>	<u>-</u>	<u>903,062,537</u>
<b>2021</b>				
Financial assets at fair value through profit or loss:				
- Unquoted Sukuk and Islamic commercial papers	-	1,293,916,044	-	1,293,916,044
	<u>-</u>	<u>1,293,916,044</u>	<u>-</u>	<u>1,293,916,044</u>

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted Sukuk and Islamic commercial papers.

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, profit receivables, amount due from Manager, 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 3.00% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 30 November 2022, the management fee for the respective classes is recognised at the following rates (2021: 0.50% per annum).

The new rate is effective on 1 July 2022 upon the issuance of new prospectus.

Class AI	Class AR	Class D
0.40%	0.40%	0.40%

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

**5. TRUSTEE FEE**

In accordance with the Deeds, the Trustee is entitled to a maximum Trustee fee of 0.02% per annum calculated daily based on the NAV of the Fund. The Trustee fee includes the local custodian fee but excludes the foreign sub-custodian fees and charges (if any).

For the financial year ended 30 November 2022, the Trustee fee for the respective classes is recognised at the following rates (2021: 0.03% per annum).

The new rate is effective on 1 July 2022 upon the issuance of new prospectus.

<b>Class AI</b>	<b>Class AR</b>	<b>Class D</b>
0.02%	0.02%	0.02%

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

**6. DISTRIBUTION**

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

	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
Profit income	8,498,766	11,535,765
Net realised loss on disposal of unquoted Sukuk and Islamic commercial papers	(2,190,669)	(3,918,555)
Prior financial year's realised income	<u>28,787,308</u>	<u>35,679,035</u>
	35,095,405	43,296,245
Less:		
Expenses	<u>1,055,357</u>	<u>2,386,531</u>
Net distribution amount	<u><u>34,040,048</u></u>	<u><u>40,909,714</u></u>

<b>CLASS AI</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
<b>Gross/Net distribution per unit (sen)</b>		
Distribution on 31 December 2021	0.24	-
Distribution on 29 January 2022	0.24	-
Distribution on 26 February 2022	0.22	-
Distribution on 31 March 2022	0.20	-
Distribution on 30 April 2022	0.20	-
Distribution on 31 May 2022	0.21	-
Distribution on 30 June 2022	0.21	-
Distribution on 30 July 2022	0.21	-
Distribution on 30 August 2022	0.21	-
Distribution on 30 September 2022	0.21	-
Distribution on 29 October 2022	0.21	-
Distribution on 30 November 2022	0.21	-
Distribution on 31 December 2021	0.24	-
Distribution on 31 December 2020	-	0.39
Distribution on 29 January 2021	-	0.26
Distribution on 26 February 2021	-	0.27
Distribution on 31 March 2021	-	0.24

6. DISTRIBUTION (CONTINUED)

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

	2022 RM	2021 RM
<b>CLASS AI (continued)</b>		
<b>Gross/Net distribution per unit (sen) (continued)</b>		
Distribution on 30 April 2021	-	0.26
Distribution on 31 May 2021	-	0.28
Distribution on 30 June 2021	-	0.27
Distribution on 30 July 2021	-	0.25
Distribution on 30 August 2021	-	0.24
Distribution on 30 September 2021	-	0.25
Distribution on 29 October 2021	-	0.24
Distribution on 30 November 2021	-	0.24
<b>Class AR</b>		
Distribution on 31 December 2021	0.24	-
Distribution on 29 January 2022	0.24	-
Distribution on 26 February 2022	0.22	-
Distribution on 31 March 2022	0.20	-
Distribution on 30 April 2022	0.20	
Distribution on 31 May 2022	0.21	
Distribution on 30 June 2022	0.21	
Distribution on 30 July 2022	0.21	-
Distribution on 30 August 2022	0.21	-
Distribution on 30 September 2022	0.21	-
Distribution on 29 October 2022	0.21	-
Distribution on 30 November 2022	0.21	-
Distribution on 30 August 2021	-	0.24
Distribution on 30 September 2021	-	0.25
Distribution on 29 October 2021	-	0.24
Distribution on 30 November 2021	-	0.24
<b>Class D</b>		
Distribution on 30 July 2022	0.06	-
Distribution on 30 August 2022	0.17	-
Distribution on 30 September 2022	0.18	-
Distribution on 29 October 2022	0.17	-
Distribution on 30 November 2022	0.15	-
	5.95	4.16

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

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

There were unrealised losses of RM2,584,360 (2021: nil) during the financial year ended 30 November 2022.

7. TAXATION

	2022 RM	2021 RM
Tax charged for the financial year:		
- Current taxation	-	-
A numerical reconciliation between the loss before taxation multiplied by the Malaysian statutory income tax rate and tax expense of the Fund is as follows:		
	2022 RM	2021 RM
Loss before taxation	(3,313,860)	(12,064,487)
Taxation at Malaysian statutory rate of 24% (2021: 24%)	(795,326)	(2,895,477)
Tax effects of:		
- Income not subject to tax	(8,804,979)	(8,557,872)
- Expenses not deductible for tax purposes	8,243,040	9,892,664
- Restriction on tax deductible expenses for Unit Trust Funds	1,357,265	1,560,685
Taxation	-	-

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RM	2021 RM
At fair value through profit or loss:		
- Unquoted Sukuk	826,542,181	1,263,945,644
- Islamic commercial papers	76,520,356	29,970,400
	<u>903,062,537</u>	<u>1,293,916,044</u>
Net (loss)/gain on financial assets at fair value through profit or loss:		
- Realised (loss)/gain on disposals	(8,691,962)	9,416,010
- Unrealised fair value gain/(loss)	6,058,250	(8,533,947)
	<u>(2,633,712)</u>	<u>882,063</u>

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2022</b>				
<b>UNQUOTED SUKUK</b>				
Aeon Co. M Bhd 3.65% 14/07/2023 (AA2)	60,000,000	60,855,676	60,684,600	4.53
AL Dzahab Assets Bhd 5.00% 16/03/2023 (AAA)	20,000,000	20,272,213	20,248,000	1.51
Aman Sukuk Bhd 4.75% 28/02/2023 (AAA)	5,000,000	5,087,343	5,075,914	0.38
AZRB Capital Sdn Bhd 4.70% 23/12/2022 (AA3)	19,000,000	19,395,218	19,389,052	1.45
Bermaz Auto Bhd 3.26% 18/12/2023 (AA3)	3,830,000	3,882,297	3,844,354	0.29

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2022 (CONTINUED)</b>				
<b>UNQUOTED SUKUK</b>				
<b>(CONTINUED)</b>				
Cagamas Bhd 2.47% 02/02/2023 (AAA)	30,000,000	30,253,767	30,203,667	2.25
DRB-Hicom Bhd 4.15% 12/12/2022 (A3)	18,400,000	18,759,185	18,759,397	1.40
Edra Energy Sdn Bhd 5.67% 05/01/2023 (AA3)	25,000,000	25,647,702	25,622,651	1.91
Edra Energy Sdn Bhd 5.70% 05/07/2023 (AA3)	10,000,000	10,394,485	10,330,785	0.77
Fortune Premiere Sdn Bhd 4.65% 21/12/2022 (AA)	1,000,000	1,021,609	1,021,246	0.08
Fortune Premiere Sdn Bhd 4.80% 13/3/2023 (AA)	38,500,000	39,080,536	39,003,601	2.91
Gamuda Bhd 4.785% 16/3/2023 (AA3)	5,000,000	5,076,908	5,062,000	0.38
Government Investment Issues 4.44% 22/05/2024 (GB)	32,500,000	33,010,081	32,891,783	2.45
Jimah East Power Sdn Bhd 5.17% 02/12/2022 (AA3)	5,000,000	5,125,597	5,125,455	0.38
Johor Port Bhd 29/12/2022 (Not Rating)	25,000,000	24,934,652	24,937,500	1.86
Kedah Cement Sdn Bhd 4.55% 07/07/2023 (AA3)	9,500,000	9,740,026	9,666,073	0.72
Lafarge Cement Sdn Bhd 4.40% 11/12/2023AA3	30,000,000	30,893,031	30,531,111	2.28
Lafarge Cement Sdn Bhd 4.60% 13/01/2023 (AA3)	55,000,000	56,070,171	55,996,042	4.18
Malakoff Power Bhd 5.35% 16/12/2022 (AA4)	20,000,000	20,509,759	20,504,162	1.53
Malaysia Airports Capital Bhd 4.68% 16/12/2022 (AAA)	35,000,000	35,777,104	35,767,641	2.67
Malaysian Resources Corporation Bhd 3.75% 14/04/2023 (AA3)	30,000,000	30,049,249	30,040,327	2.24
MMC Corporation Bhd 5.29% 26/04/2023 (AA4)	10,750,000	10,902,722	10,867,041	0.81
NORTHPORT 5.00% 02/12/2022 (AA)	25,000,000	25,606,078	25,605,508	1.91
Pengurusan Air SPV Bhd 4.22% 07/02/2023 (AAA)	7,500,000	7,621,700	7,609,769	0.57
Perbadanan Kemajuan Negeri Selangor 5.013% 31/10/2023 (AA3)	2,000,000	2,033,909	2,021,275	0.15
Projek Lebuhraya Usahasama Bhd 4.48% 12/01/2023 (AAA)	5,000,000	5,097,893	5,092,445	0.38
Putrajaya Holding Sdn Bhd 4.55% 19/09/2023AAA	5,000,000	5,078,595	5,074,927	0.38



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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2022 (CONTINUED) UNQUOTED SUKUK (CONTINUED)</b>				
Quantum Solar Park Green Sri Sukuk 5.20% 6/4/2023 (AA3)	4,100,000	4,161,022	4,151,078	0.31
Ranhill Powertron II Sdn Bhd 5.15% 16/06/2023 (AAA)	10,000,000	10,343,482	10,293,686	0.77
Sabah Credit Corporation 4.835% 23/06/2023 (AA1)	10,000,000	10,313,676	10,261,145	0.77
Sepangar Bay Power Corporation 4.80% 03/07/2023 (AA1)	5,000,000	5,154,176	5,128,080	0.38
SME Bank Bhd 19/01/2023 (Not Rating)	41,670,000	41,484,367	41,489,569	3.10
Southern Power Generation 4.76% 28/04/2023 (AA3)	5,000,000	5,056,394	5,040,114	0.38
UEM Sunrise Bhd 3.90% 21/09/2023 (AA3)	12,650,000	12,763,480	12,683,223	0.95
UEM Sunrise Bhd 12/04/2023 (Not Rating)	50,000,000	49,373,113	49,292,500	3.68
UEM Sunrise Bhd 4.00% 09/06/2023 (AA3)	12,000,000	12,246,916	12,203,502	0.91
UEM Sunrise Bhd 5.00% 19/05/2023 (AA3)	13,500,000	13,596,119	13,559,263	1.01
UEM Sunrise Bhd 5.06% 09/12/2022 (AA3)	43,500,000	44,546,580	44,539,900	3.32
WCT Holdings Bhd 4.05% 31/03/2023 (AA3)	9,500,000	9,566,544	9,540,465	0.71
WCT Holdings Bhd 5.17% 23/10/2023 (AA3)	45,000,000	45,513,898	45,285,338	3.38
Westports M'sia Sdn Bhd 5.25% 03/05/2024 (AAA)	2,000,000	2,042,147	2,042,542	0.15
Widad Concession Sdn Bhd 3.31% 30/03/2023 (AA1)	20,000,000	20,116,489	20,055,450	1.50
<b>TOTAL UNQUOTED SUKUK</b>	<b>816,900,000</b>	<b>828,455,909</b>	<b>826,542,181</b>	<b>61.66</b>
<b>ISLAMIC COMMERCIAL PAPERS</b>				
Bermaz Auto Bhd 16/12/2022 (P1)	15,000,000	14,982,287	14,980,500	1.12
Sabah Credit Corporation 24/03/2023 (P1)	25,000,000	24,721,947	24,723,250	1.84
Tenaga Nasional Bhd 28/12/2022 (P1)	36,900,000	36,809,791	36,816,606	2.75
<b>TOTAL ISLAMIC COMMERCIAL PAPERS</b>	<b>76,900,000</b>	<b>76,514,025</b>	<b>76,520,356</b>	<b>5.71</b>

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2022 (CONTINUED)</b>				
<b>UNQUOTED SUKUK (CONTINUED)</b>				
<b>TOTAL UNQUOTED SUKUK AND ISLAMIC COMMERCIAL PAPERS</b>	<b><u>893,800,000</u></b>	<b>904,969,934</b>	<b><u>903,062,537</u></b>	<b><u>67.37</u></b>
<b>ACCUMULATED UNREALISED LOSS ON UNQUOTED SUKUK AND ISLAMIC COMMERCIAL PAPERS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>(1,907,397)</u></b>		
<b>TOTAL UNQUOTED SUKUK AND ISLAMIC COMMERCIAL PAPERS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b><u>903,062,537</u></b>		
<b>2021</b>				
<b>UNQUOTED SUKUK</b>				
Abu Dhabi National Energy Co (TAQA) 4.65% 03/03/2022 (NR)	129,000,000	132,005,045	130,900,965	9.74
Aeon Co. (M) Bhd 3.095% 13/07/2022 (AA2)	40,150,000	40,649,499	40,740,238	3.03
Al Dzahab Assets Berhad 4.9% 27/03/2022 (AAA)	15,000,000	15,431,763	15,242,663	1.14
Aman Sukuk Bhd 4.29% 06/05/2022 (AAA)	5,000,000	5,105,766	5,060,916	0.38
Aman Sukuk Bhd 4.75% 28/02/2023 (AAA)	5,000,000	5,247,764	5,209,714	0.39
Ambank Islamic Bhd 3.55% 25/03/2022 (AA3)	65,000,000	65,802,125	65,618,275	4.90
Anih Bhd 5.22% 29/11/2022 (AA2)	5,000,000	5,240,430	5,126,080	0.39
Bank Pembangunan Malaysia Berhad 4.28% 02/03/2022 (AAA)	50,000,000	51,396,244	50,784,044	3.78
Cagamas Berhad 2.33% 28/11/2022 (AAA)	80,000,000	80,025,534	80,181,534	6.03
Cerah Sama Sdn Bhd 4.68% 31/01/2022 (AA3)	5,000,000	5,176,496	5,096,696	0.38
DRB-Hicom Bhd 4.15% 12/12/2022 (A1)	7,700,000	7,894,626	7,888,774	0.58

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2021 (CONTINUED) UNQUOTED SUKUK (CONTINUED)</b>				
Edra Energy Sdn Bhd 5.61% 05/01/2022 (AA3)	5,000,000	5,206,005	5,128,655	0.38
Encorp Systembilt Bhd 4.95% 18/11/2022 (AA1)	5,000,000	5,183,815	5,133,165	0.39
Fortune Premiere Sdn Bhd 4.65% 21/12/2022 (AA2)	1,000,000	1,047,716	1,039,696	0.08
Fortune Premiere Sdn Bhd 4.8% 13/03/2023 (AA2)	1,500,000	1,556,159	1,551,029	0.12
Gamuda Berhad 4.825% 23/11/2022 (AA3)	15,000,000	15,509,863	15,325,463	1.15
Gulf Investment Corporation 5.1% 20/06/2022 (AAA)	5,000,000	5,246,973	5,186,423	0.38
Imtiaz Sukuk li Bhd 4.58% 27/05/2022 (AA2)	50,000,000	50,741,598	50,592,048	3.80
Infracap Resources Sukuk 2.83% 15/04/2022 (AAA)	35,000,000	35,160,044	35,171,644	2.64
Jimah Energy Ventures Sdn Bhd 9.5% 12/05/2022 (AA3)	5,000,000	5,348,181	5,179,231	0.39
Kapar Energy Ventures Sdn Bhd 4.63% 05/07/2022 (AA1)	5,000,000	5,252,253	5,156,953	0.38
Kedah Cement Sdn Bhd 4.55% 07/07/2023 (AA3)	2,300,000	2,387,343	2,385,871	0.18
Kimanis Power Sdn Bhd 4.95% 08/08/2022 (AA2)	5,000,000	5,189,829	5,164,679	0.38
Konsortium Kajv Sdn Bhd 5.25% 13/05/2022 (AA3)	2,500,000	2,525,957	2,520,257	0.19
Lafarge Cement Sdn Bhd 5.06% 08/07/2022 (AA3)	10,000,000	10,370,627	10,326,027	0.76
Malakoff Power Bhd 5.25% 17/12/2021 (AA3)	20,000,000	20,848,261	20,505,411	1.51
Malakoff Power Bhd 5.35% 16/12/2022 (AA3)	20,000,000	21,272,062	21,049,362	1.55
Malaysia (Govt Of) 4.194% 15/07/2022 (NR)	10,000,000	10,419,711	10,306,711	0.76
Malaysia T-Bill 0% 21/02/2022 (NR)	60,000,000	58,990,438	59,761,800	4.49
Manjung Island Energy Bhd 4.22% 25/11/2022 (AAA)	5,000,000	5,142,318	5,101,068	0.38
MMC Corporation Bhd 5.29% 26/04/2023 (AA3)	2,000,000	2,082,835	2,073,655	0.16
Projek Lebuhraya Usahasama Bhd 4.4% 12J/01/2022 (AAA)	65,000,000	67,081,408	66,273,208	4.90
Quantum Solar Park Green Sri Sukuk 5.16% 06/10/2022 (AA3)	5,000,000	5,177,334	5,131,784	0.38

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2021 (CONTINUED) UNQUOTED SUKUK (CONTINUED)</b>				
Ranhill Powertron li Sdn Bhd 5.7% 17/06/2022 (AA2)	5,000,000	5,354,291	5,211,191	0.38
Rantau Abang Capital Bhd 4.57% 19/10/2022 (AAA)	25,000,000	25,821,877	25,636,827	1.92
Sabah Credit Corporation 2.65% 28/03/2022 (AA1)	80,000,000	80,417,534	80,423,134	0.75
Sabah Credit Corporation 2.95% 25/04/2022 (AA1)	10,000,000	10,039,904	10,047,804	6.02
Sabah Credit Corporation 4.77% 05/05/2022 (AA1)	10,000,000	10,387,478	10,129,278	0.76
Sarawak Energy Bhd 4.5% 19/01/2022 (AAA)	60,000,000	62,282,480	61,188,230	4.53
Sepangar Bay Power Corporation Sdn Bhd 4.7% 01/07/2022 (AA1)	20,000,000	20,872,127	20,671,277	1.53
Southern Power Generation Sdn Bhd 4.76% 28/04/2023 (AA3)	10,000,000	10,389,036	10,307,536	0.77
Tanjung Bin Power Sdn Bhd 4.84% 16/08/2022 (AA2)	10,000,000	10,338,135	10,308,885	0.76
Teknologi Tenaga Perlis Consortium Sdn Bhd 4.71% 29/07/2022 (AA1)	15,000,000	15,641,016	15,483,466	1.15
UEM Edgenta Bhd 4.85% 26/04/2022 (AA3)	46,000,000	47,182,344	46,623,924	3.49
UEM Sunrise Bhd 4.8% 08/04/2022 (AA3)	2,500,000	2,535,017	2,531,342	0.19
UMW Holdings Bhd 4.83% 22/06/2022 (AA1)	4,500,000	4,663,818	4,657,668	0.34
United Growth Bhd 4.73% 21/06/2022 (AA2)	16,000,000	16,735,888	16,546,448	1.22
WCT Holdings Bhd 5.05% 21/10/2022 (AA3)	9,500,000	9,659,032	9,655,792	9.41
WCT Holdings Bhd 5.32% 11/05/2022 (AA3)	124,160,000	126,067,824	125,475,484	0.71
Westports Malaysia Sdn Bhd 5.1% 03/05/2022 (AAA)	5,000,000	5,229,224	5,079,274	0.37
<b>TOTAL UNQUOTED SUKUK</b>	<b><u>1,245,110,000</u></b>	<b><u>1,272,121,026</u></b>	<b><u>1,263,945,644</u></b>	<b><u>94.26</u></b>

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2021 (CONTINUED) UNQUOTED SUKUK (CONTINUED)</b>				
<b>ISLAMIC COMMERCIAL PAPERS</b>				
Bermaz Auto Berhad ICP 0% Cp 17/12/2021 (P1)	20,000,000	19,779,605	19,981,800	1.50
Sunway Treasury Sukuk ICP 0% Cp 20/12/2021 (P1)	10,000,000	9,981,060	9,988,600	0.75
<b>TOTAL ISLAMIC COMMERCIAL PAPERS</b>	<b>30,000,000</b>	<b>29,760,665</b>	<b>29,970,400</b>	<b>2.25</b>
<b>TOTAL UNQUOTED SUKUK AND ISLAMIC COMMERCIAL PAPERS</b>	<b>1,275,110,000</b>	<b>1,301,881,691</b>	<b>1,293,916,044</b>	<b>96.51</b>
<b>ACCUMULATED UNREALISED LOSS ON UNQUOTED SUKUK AND ISLAMIC COMMERCIAL PAPERS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>(7,965,647)</b>		

9. CASH AND CASH EQUIVALENTS

	2022 RM	2021 RM
Short term Shariah-compliant deposits with licensed Islamic financial institutions	441,314,144	28,742,378
Bank balance	457,193	10,733
	<u>441,771,337</u>	<u>28,753,111</u>

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2022 No. of units	2021 No. of units
(i) Class AI	1,149,619,482	1,128,299,230
(ii) Class AR	59,554,207	116,920,308
(iii) Class D	51,761,608	-
	<u>1,260,935,297</u>	<u>1,245,219,538</u>

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

	<u>2022</u>	<u>2021</u>
	No. of units	No. of units
(i) Class AI		
At the beginning of the financial year	1,128,299,230	1,178,289,465
Add: Creation of units from applications	27,158,273	566,551,567
Add: Creation of units from distributions	1,033,971,630	37,151,933
Less: Cancellation of units	<u>(1,039,809,651)</u>	<u>(653,693,735)</u>
At the end of the financial year	<u>1,149,619,482</u>	<u>1,128,299,230</u>
(ii) Class AR		
At the beginning of the financial year	116,920,308	-
Add: Creation of units from applications	1,879,670	137,044,263
Add: Creation of units from distributions	67,356,253	1,050,028
Less: Cancellation of units	<u>(126,602,024)</u>	<u>(21,173,983)</u>
At the end of the financial year	<u>59,554,207</u>	<u>116,920,308</u>
(iii) Class D		
At the beginning of the financial year	-	-
Add: Creation of units from applications	289,963	-
Add: Creation of units from distributions	80,127,260	-
Less: Cancellation of units	<u>(28,655,615)</u>	<u>-</u>
At the end of the financial year	<u>51,761,608</u>	<u>-</u>

11. TOTAL EXPENSE RATIO ("TER")

	<u>2022</u>	<u>2021</u>
	%	%
TER	<u>0.42</u>	<u>0.53</u>

TER is derived based on the following calculation:

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

A = Management fee

B = Trustee fee

C = Audit fee

D = Tax agent's fee

E = Other expenses

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 RM1,410,232,132 (2021: RM1,290,163,533).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2022	2021
PTR (times)	0.68	0.77

PTR is derived from the following calculation:

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

where:

total acquisition for the financial year = RM1,703,028,851 (2021: RM1,783,510,494)  
 total disposal for the financial year = RM228,786,841 (2021: RM199,711,050)

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 shareholder of the Manager
CIMB Bank Bhd	Fellow related party to the Manager
CIMB Islamic Bank Bhd	Fellow related party to the Manager

Units held by the Manager and parties related to the Manager

	2022		2021	
	No. of units	RM	No. of units	RM
<b>Manager</b>				
Principal Asset Management Berhad				
- Class AI	79,209	84,397	156,809	167,456
- Class AR	68,474	72,959	139,488	148,959
- Class D	89,230	89,801	-	-

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

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.

	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
<u>Significant related party balance</u>		
Bank balance:		
- CIMB Islamic Bank Bhd	60,553	-
Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	26,009,000	-

**14. TRANSACTIONS WITH BROKERS/DEALERS**

Details of transactions with the top 10 brokers/dealers for the financial year ended 30 November 2022 are as follows:

<b>Brokers/Dealers</b>	<b>Value of trades</b>	<b>Percentage of total trades</b>
	<b>RM</b>	<b>%</b>
RHB Investment Bank Bhd	619,114,313	22.71
Malayan Banking Bhd (Maybank)	366,206,138	19.79
CIMB Bank Bhd #	173,828,175	12.09
RHB Bank Berhad	168,533,288	7.74
Hwang-DBS Investment Bank Bhd	106,483,748	7.65
Ambank (M) Bhd	101,518,172	6.51
OSK Investment Bank Bhd	92,244,515	6.39
HLG Securities Sendirian Bhd	87,230,949	6.07
Hong Leong Bank Bhd	58,578,617	4.13
CIMB Islamic Bank Bhd #	43,656,342	4.07
Others	109,379,671	2.85
	<u>1,926,773,928</u>	<u>100.00</u>



**14. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)**

Details of transactions with the top 10 brokers/dealers for the financial year ended 30 November 2021 are as follows:

<b>Brokers/Dealers</b>	<b>Value of trades RM</b>	<b>Percentage of total trades %</b>
RHB Investment Bank Bhd	445,772,000	22.71
RHB Bank Bhd	388,373,626	19.79
Malayan Banking Bhd	237,236,075	12.09
CIMB Islamic Bank Bhd #	151,884,700	7.74
CIMB Bank Bhd #	150,206,060	7.65
Hong Leong Investment Bank Bhd	127,685,962	6.51
Affin Hwang Investment Bank Bhd	125,442,210	6.39
AmBank (M) Bhd	119,066,411	6.07
Hong Leong Bank Bhd	80,995,000	4.13
Bank Islam Malaysia Bhd	80,000,000	4.07
Others	56,156,000	2.85
	<u>1,962,818,044</u>	<u>100.00</u>

# Included in the transactions are trades conducted with CIMB Bank Bhd and CIMB Islamic Bank Bhd, fellow related parties to the Manager amounting to RM173,828,175 (2021: RM150,206,060) and RM43,656,342 (2021: RM151,884,700). 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 parties.

**15. SIGNIFICANT EVENT DURING THE YEAR**

The COVID-19 pandemic, with its related lockdowns and movement restrictions, together with geopolitical tensions and heightened inflationary environment globally have had, and will continue to have, a significant impact on global economic conditions and the environment which the Fund operates.

The Manager continues to closely monitor the macroeconomic outlook affected by these factors and their impact to the Fund's performance and will be managing the risks to achieve the Fund's objective.

**16. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue by the Manager on 13 January 2023.

## DIRECTORY

### Head Office of the Manager

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

### Website

[www.principal.com.my](http://www.principal.com.my)

### E-mail address

[service@principal.com.my](mailto:service@principal.com.my)

### Customer Care Centre

(03) 7723 7260

### Chat with us via WhatsApp

+60 16-299 9792

### Trustee for the Principal Islamic Money Market Fund

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

### Shariah Adviser of the Principal Islamic Money Market Fund

Amanie Advisors Sdn. Bhd. (Company No.: 200501007003 (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

### Auditors of the Fund

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

**Principal Asset Management Berhad**  
**199401018399 (304078-K)**

Enquiries:

Customer Care Centre  
(603)7723 7260

Chat with us via WhatsApp  
+60 16-299 9792

Email  
[service@principal.com.my](mailto:service@principal.com.my)

Website  
[www.principal.com.my](http://www.principal.com.my)