

PRINCIPAL ISLAMIC PRS PLUS ASIA PACIFIC EX JAPAN EQUITY

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2022

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MEMBERS' LETTER

Dear Valued Member,

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

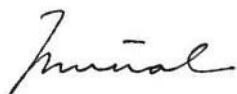
We are pleased to bring you a copy of the Annual Fund Report of the Principal Islamic PRS Plus Asia Pacific Ex Japan Equity for the financial year ended 31 August 2022. You may also download this report from our website at www.principal.com.my.

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.

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), like our Facebook page (@PrincipalAssetMY), 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

PRS PROVIDER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund seeks to provide capital growth over the long-term by investing in a target fund with investments in the emerging and developed markets of Asia Pacific ex Japan region that comply with the Shariah principles.

Has the Fund achieved its objective?

The Fund is in line to achieve its long-term objective to provide capital growth as stated in the Fund Objective section.

What are the Fund investment policy and principal investment strategy?

The Fund will invest at least 85% of its NAV in the Target Fund, a Malaysian domiciled fund established on 2 June 2006, which invests in Shariah-compliant equities listed on the stock exchanges in the emerging and developed markets of Asia Pacific ex Japan. The Fund may also maintain up to 15% of its NAV in Islamic liquid assets.

The asset allocation strategy for this Fund is as follows:

- At least 85% of the Fund's NAV will be invested in the Target Fund; and
- Up to 15% of the Fund's NAV may be invested in Islamic liquid assets for liquidity purpose.

Information on the Target Fund

Target Fund	: Principal Islamic Asia Pacific Dynamic Equity Fund
Target Fund Manager	: Principal Asset Management Berhad
Target Fund Sub-Manager	: Principal Asset Management (S) Pte Ltd ("Principal Singapore")
Regulatory authority	: Securities Commission Malaysia
Country of domicile	: Malaysia

Fund category/ type

Feeder Fund – Equity (Shariah-compliant)

When was the Fund launched?

12 November 2012

What was the size of the Fund as at 31 August 2022?

RM184.87 million (220.49 million units)

What is the Fund's benchmark?

The Fund adheres to the benchmark of the Target Fund for performance comparison purpose. The benchmark of the Target Fund is Morgan Stanley Capital International ("MSCI") All Country ("AC") Asia ex Japan Islamic Index.

Note: The benchmark is for performance comparison purpose only. The risk profile of the Fund is not the same as the risk profile of the benchmark.

What is the Fund distribution policy?

The Fund is not expected to pay any distribution. All income earned by members will automatically be reinvested into the Fund.

What was the net income distribution for the financial year ended 31 August 2022?

The Fund distributed a total net income of RM12.96 million to members for the financial year ended 31 August 2022.

FUND OBJECTIVE AND POLICY (CONTINUED)

What was the net income distribution for the financial year ended 31 August 2022? (continued)

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

Date	NAV per unit (before distribution) RM	NAV per unit (after distribution) RM
15.10.2021		
Class A	1.0730	1.0461
Class C	1.0731	1.0462
Class X	1.0731	1.0462
15.08.2022		
Class A	0.8876	0.8504
Class C	0.8877	0.8505
Class X	0.8877	0.8522

PERFORMANCE DATA

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

	31.08.2022	31.08.2021	31.08.2020
	%	%	%
Shariah-compliant collective investment scheme	99.51	99.39	99.30
Cash and other assets	0.55	0.65	1.24
Liabilities	(0.06)	(0.04)	(0.54)
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	31.08.2022	31.08.2021	31.08.2020
NAV (RM Million)			
- Class A	129.56	145.21	112.30
- Class C	25.84	29.06	18.24
- Class X	29.47	31.43	22.58
Units in circulation (Million)			
- Class A	154.58	135.17	125.19
- Class C	30.83	27.05	20.33
- Class X	35.08	29.25	25.16
NAV per unit (RM)			
- Class A	0.8381	1.0742	0.8970
- Class C	0.8382	1.0743	0.8971
- Class X	0.8399	1.0743	0.8972
Highest NAV per unit (RM)			
- Class A	1.1092	1.1304	0.8971
- Class C	1.1093	1.1305	0.8971
- Class X	1.1093	1.1305	0.8972
Lowest NAV per unit (RM)			
- Class A	0.8331	0.8771	0.6337
- Class C	0.8332	0.8772	0.6338
- Class X	0.8349	0.8772	0.6338
Total return (%)			
- Class A	(16.47)	23.25	25.35
- Class C	(16.47)	23.24	25.35
- Class X	(16.47)	23.23	25.34

PERFORMANCE DATA (CONTINUED)

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

	31.08.2022	31.08.2021	31.08.2020
Capital growth (%)			
- Class A	(21.98)	19.75	25.35
- Class C	(21.98)	19.75	25.35
- Class X	(21.82)	19.74	25.34
Income distribution (%)			
- Class A	7.06	2.92	-
- Class C	7.06	2.92	-
- Class X	6.84	2.92	-
Management Expense Ratio ("MER") (%)	0.09	0.09	0.11
Portfolio Turnover Ratio ("PTR") (times) #	0.07	0.09	0.10

For the financial year under review, the PTR decreased from 0.09 times to 0.07 times as there were lesser trading activities.

Gross/Net distribution per unit (sen)

Distribution on 15 October 2021

- Class A	2.69	-	-
- Class C	2.69	-	-
- Class X	2.69	-	-

Distribution on 15 August 2022

- Class A	3.72	-	-
- Class C	3.72	-	-
- Class X	3.55	-	-

Distribution on 17 December 2020

- Class A	-	2.85	-
- Class C	-	2.85	-
- Class X	-	2.85	-

	31.08.2022	31.08.2021	31.08.2020	31.08.2019	31.08.2018
	%	%	%	%	%
Annual total return					
- Class A	(16.47)	23.25	25.35	(6.08)	(2.35)
- Class C	(16.47)	23.24	25.35	(6.06)	(2.36)
- Class X	(16.47)	23.23	25.34	(6.06)	(2.35)

(Launch date: 12 November 2012)

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

MARKET REVIEW (1 SEPTEMBER 2021 TO 31 AUGUST 2022)

The MSCI AC Asia Pacific ex Japan Islamic Index ("MIAPJ") decreased 18.58% in US Dollar ("USD") terms closing at 1,235.75 points over the financial year under review.

The MIAPJ fell 4.33% (USD terms) in September 2021. The US 10-year bond yield rose 18 basis points ("bps") to 1.49% while the USD Index Rose by 1.7% as we approach the beginning of the bond tapering program towards year end. Meanwhile, high natural gas and coal prices have disrupted economic activity across China and Europe.

MARKET REVIEW (1 SEPTEMBER 2021 TO 31 AUGUST 2022) (CONTINUED)

In October 2021, the MIAPJ increased marginally by 0.05% (USD terms). The US 10-year bond yield rose marginally by 7 bps to 1.55%, its third month of ascent as we approach the US bond tapering program towards year end. Most energy prices across oil, coal and natural gas rose during the month on continued shortage but attempts are made to cool off prices such as that observed in coal in China.

The MIAPJ fell 2.15% in USD terms in November 2021. Concerns over inflation weighed on the markets due to rising commodities prices and higher than expected inflation pressure continued in the Developed markets, arising from supply shock. Moreover, with the power crunch likely to last through fourth quarter of 2021 and resurgence of Coronavirus Disease 2019 (“COVID-19”) in China, China economic growth is likely to take a further hit.

In December 2021, the MIAPJ increased by 4.61% (USD terms). Crude oil rebounded increase 10.0% after previous month’s knee-jerk reaction from the discovery of the Omicron variant. However for the full year, the index declined by 1.38% in USD terms mainly due to negative performance from China with government interventions across various areas in the economy from technology, property to education.

The MIAPJ fell 2.82% (USD terms) in January 2022. Concerns on tightening monetary policy and Russia-Ukraine tensions weighed on markets. The US 10-year bond yield rose by 27 bps to 1.78% while crude oil price rose by 17% to USD91.20 per barrel.

In February 2022, the MIAPJ fell 0.87% (USD terms). The selloff was led by the Russia-Ukraine conflict towards the end of the month, which led to a spike in global energy prices in oil, natural gas and coal. The US 10-year bond yield rose beyond 2.0% during the month before the Ukraine invasion led to a retreat to safe-haven assets, bringing the yield back down to 1.8% subsequently.

The MIAPJ fell 2.0% in March 2022, led by China while Australia and India outperformed. Geopolitical tensions and elevated inflation weighed on investors’ sentiment. Commodity prices across the board continued to rise with Brent oil fluctuating from USD129 per barrel at the height to USD108 per barrel towards month end. The US-10-year bond yield rose meaningfully to 2.34% during the month.

The MIAPJ fell 5.6% in USD terms in April 2022, led by Taiwan, Singapore and China while Indonesia outperformed. The US 10-year bond yield rose meaningfully by 6 0bps to 2.94% and the USD Index appreciated 4.7% during the month as we approach The US Federal Reserve (the “Fed”) much anticipated rate hike in May.

The MIAPJ Index Rose by 1.1% in USD terms in May 2022, led by Taiwan and China while India, Indonesia and Singapore were detractors. The US 10-year bond yield fell marginally by 9 bps to 2.85% while crude oil rose 12% to USD123 per barrel.

In June 2022, the MIAPJ fell 9.0% in USD terms, led by Korea and Taiwan as the Fed tightened the policy rate by 75% points, its third this year and bringing cumulative hikes thus far to 1.5%. Most equity markets posted negative returns except for China. The US 10-year bond yield reached a peak of 3.5% during the month before falling back down to 3.0% on increasing recessionary concerns.

The MIAPJ rose 1.8% in USD terms in July 2022 as most countries posted positive returns except for China due to a brewing mortgage crisis and fluid COVID-19 situation. The US 10-year bond yield declined 36 bps to 2.65% as the Fed commented on slowing the pace of rate increases.

The MIAPJ fell 0.5% in USD terms in August 2022 with India, Indonesia and Thailand outperforming while Singapore, North Asia and China were laggards. The US 10-year bond yield rose by 54 bps to 3.2% with a more hawkish commentary by the Fed Chairman during its Jackson Hole meeting. Crude oil declined 12% amidst recessionary concerns, which could lead Organization of the Petroleum Exporting Countries (“OPEC”) to adjust its supply in the coming months.

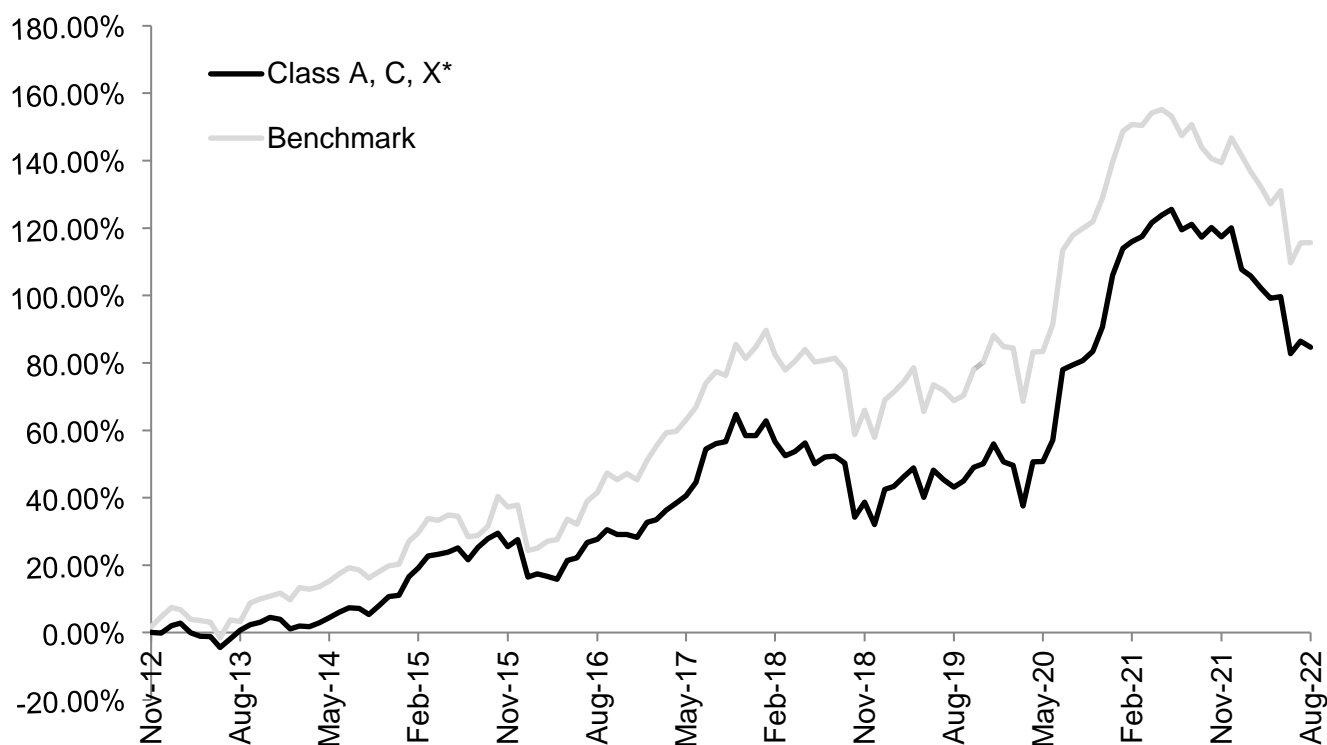
FUND PERFORMANCE

	1 year to 31.08.2022			3 years to 31.08.2022		
	Class A %	Class C %	Class X %	Class A %	Class C %	Class X %
Income Distribution	7.06	7.06	6.84	10.18	10.18	9.96
Capital Growth	(21.98)	(21.98)	(21.82)	17.12	17.12	17.34
Total Return	(16.47)	(16.47)	(16.47)	29.04	29.04	29.02
Benchmark	(13.97)	(13.97)	(13.97)	33.93	33.93	33.93
Average Total Return	(16.47)	(16.47)	(16.47)	8.87	8.87	8.87

	5 years to 31.08.2022			Since inception to 31.08.2022		
	Class A %	Class C %	Class X %	Class A %	Class C %	Class X %
Income Distribution	10.18	10.18	9.96	(5.28)	(5.28)	(5.28)
Capital Growth	7.42	7.42	7.64	94.98	95.00	95.00
Total Return	18.36	18.35	18.36	84.68	84.70	84.71
Benchmark	27.63	27.63	27.63	126.69	126.69	126.69
Average Total Return	3.43	3.43	3.43	6.45	6.45	6.45

For the financial year under review, all classes recorded negative returns as Class A, Class C and Class X decreased by 16.47%. Meanwhile, the benchmark for all 3 classes recorded a 13.97% decrease during the same Financial year under review. The underperformance of the Fund relative to its benchmark was mostly driven by stock selection within the Target Fund (Principal Islamic Asia Pacific Dynamic Equity Fund).

Since Inception



* Performance of Class A, Class C and Class X are almost the same. Slight variation was due to different timing of units created for each of the class.

Changes in NAV

	31.08.2022	31.08.2021	Changes %
CLASS A			
NAV (RM Million)	129.56	135.17	(4.15)
NAV/Unit (RM)	0.8381	1.0742	(21.98)
CLASS C			
NAV (RM Million)	25.84	27.05	(4.47)
NAV/Unit (RM)	0.8382	1.0743	(21.98)
CLASS X			
NAV (RM Million)	29.47	29.25	0.75
NAV/Unit (RM)	0.8399	1.0743	(21.82)

For the financial year under review, the Fund's NAV for Class A and Class C decrease by 4.15% and 4.47% respectively while Class X increased by 0.75%.

In addition, the Fund's NAV per unit for Class A, Class C and Class X decreased by 21.98%, 21.98%, and 21.82% respectively. This was due to negative investment performance as described in the Market Review section.

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

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	31.08.2022	31.08.2021
Shariah-compliant collective investment scheme	99.51	99.39
Cash and other assets	0.55	0.65
Liabilities	(0.06)	(0.04)
TOTAL	100.00	100.00

The Fund was fully invested during the financial year under review. A minimal level of liquid assets was maintained primarily for redemption purposes.

MARKET OUTLOOK*

As the Fed continues to tighten its monetary policy, most Asian central banks would have to follow a similar path. The resultant economic growth in reaction to the rate hike cycle would be keenly watched. The inflation trajectory would be the key determinant of the Fed's ability to slow down its pace of rate hikes or even reverse course depending on the extent of the economic and/ or financial market slowdown. Although still a distance from the Fed's target of 2%, the inflation as measured by the US core Personal Consumption Expenditures ("PCE") is trending downwards in the right direction.

US-China relationship remains frosty, although some progress has been made with regards to allowing the US Public Company Accounting Oversight Board to vet the work of audit firms in mainland China and Hong Kong SAR for the first time. The Politburo also announced the much anticipated five-yearly congress will begin on 16 October 2022. Clarity on wide-ranging policies and its approach toward zero-COVID-19 post meeting would be key. We remain stock selective in China, favoring sectors that have secular tailwinds such as renewables or where regulatory headwinds are behind us.

PORTFOLIO STRUCTURE (CONTONUED)

Risks to watch out for include the path of monetary policy normalization led by the Fed and reaction from Asian central banks, US-China tensions which can range from company specific sanctions, financial markets such as Chinese listings in the US, military conflicts etc.

* 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

As this is a Feeder Fund under the PRS, the Fund will continue to remain fully invested in the Target Fund with minimal cash kept for liquidity purposes.

MEMBERS STATISTICS AS AT 31 AUGUST 2022

CLASS A

Size of unit holdings (units)	No. of members	No. of units held (million)	% of units held
5,000 and below	16,536	35.44	22.93
5,001-10,000	3,715	25.81	16.69
10,001-50,000	2,682	50.16	32.45
50,001-500,000	259	32.43	20.98
500,001 and above	14	10.74	6.95
Total	23,206	154.58	100.00

CLASS C

Size of unit holdings (units)	No. of members	No. of units held (million)	% of units held
5,000 and below	2,591	5.51	17.87
5,001-10,000	692	4.80	15.57
10,001-50,000	575	10.27	33.31
50,001-500,000	63	8.03	26.05
500,001 and above	3	2.22	7.20
Total	3,924	30.83	100.00

CLASS X

Size of unit holdings (units)	No. of members	No. of units held (million)	% of units held
5,000 and below	2,694	4.09	11.66
5,001-10,000	805	5.67	16.14
10,001-50,000	691	12.99	37.04
50,001-500,000	71	6.62	18.88
500,001 and above	5	5.71	16.28
Total	4,266	35.08	100.00

SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (the “PRS provider”), 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 PRS provider and the Trustee did not receive any rebates from the brokers or the dealers, but the PRS provider 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.

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 PRS provider’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 PRS provider’s report, not otherwise disclosed in the financial statements.

CIRCUMSTANCES THAT MATERIALLY AFFECT ANY INTEREST OF MEMBERS

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 THE PRS PROVIDER TO THE MEMBERS OF
PRINCIPAL ISLAMIC PRS PLUS ASIA PACIFIC EX JAPAN EQUITY**

We, being the Directors of Principal Asset Management Berhad (the “PRS Provider”), do hereby state that, in the opinion of the PRS Provider, the accompanying audited financial statements set out on pages 8 to 28 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 31 August 2022 and of its financial performance, changes in net assets attributable to members 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 PRS Provider

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

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

UDAY JAYARAM
Director

Kuala Lumpur
25 October 2022

**TRUSTEE'S REPORT
TO THE MEMBERS OF PRINCIPAL ISLAMIC PRS PLUS ASIA PACIFIC EX JAPAN EQUITY**

We have acted as Trustee for Principal Islamic PRS Plus Asia Pacific Ex Japan Equity (the "Fund") for the financial year ended 31 August 2022. To the best of our knowledge, for the financial year under review, Principal Asset Management Berhad (the "PRS Provider") has operated and managed the Fund in accordance with the following:-

- (a) limitations imposed on the investment powers of the PRS Provider under the Deed(s), the Securities Commission's Guidelines on Private Retirement Schemes, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation and pricing for the Fund is carried out in accordance with the Deed(s) of the Fund and any regulatory requirements; and
- (c) creation and cancellation of units for the Fund are carried out in accordance with the Deed(s) of the Fund and any regulatory requirement.

We are of the view that the distribution made during for the financial year ended 31 August 2022 by the PRS Provider is not inconsistent with the objective of the Fund.

For Deutsche Trustees Malaysia Berhad

SOON LAI CHING
Senior Manager, Trustee Operations

GERARD ANG
Chief Executive Officer

Kuala Lumpur
25 October 2022

**SHARIAH ADVISER'S REPORT TO THE MEMBERS OF
PRINCIPAL ISLAMIC PRS PLUS ASIA PACIFIC EX JAPAN EQUITY**

To the Members of Principal Islamic PRS Plus Asia Pacific Ex Japan Equity

For the Financial Year Ended 31 August 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

25 October 2022

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PRINCIPAL ISLAMIC PRS PLUS ASIA PACIFIC EX JAPAN EQUITY**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Principal Islamic PRS Plus Asia Pacific Ex Japan Equity (the "Fund") which comprise the statement of financial position of the Fund as at 31 August 2022, and statement of comprehensive income, statement of changes in net assets attributable to members 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 28.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 August 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 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 Ethics Standards Board for Accountants' 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 MEMBERS OF
PRINCIPAL ISLAMIC PRS PLUS ASIA PACIFIC EX JAPAN EQUITY (CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The PRS Provider of the Fund is responsible for the other information. The other information comprises PRS Provider's report 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 PRS Provider for the financial statements

The PRS Provider of the Fund is responsible for the preparation of the 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 PRS Provider is also responsible for such internal control as the PRS Provider 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 PRS Provider 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 PRS Provider either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PRINCIPAL ISLAMIC PRS PLUS ASIA PACIFIC EX JAPAN EQUITY (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 scepticism 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 PRS Provider.
- Conclude on the appropriateness of the PRS Provider'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 PRS Provider 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 MEMBERS OF
PRINCIPAL ISLAMIC PRS PLUS ASIA PACIFIC EX JAPAN EQUITY (CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other matters

This report is made solely to the PRS Provider of the Fund, as a body, in accordance with the Guidelines on Private Retirement Scheme 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
25 October 2022

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2022**

	Note	2022 RM	2021 RM
(LOSS)/INCOME			
Dividend income		3,062,945	5,320,949
Net (loss)/profit on financial assets at fair value through profit or loss	8	<u>(38,783,315)</u>	<u>31,558,500</u>
		<u>(35,720,370)</u>	<u>36,879,449</u>
EXPENSES			
Private Pension Administrator administration fee	4	79,707	75,464
Trustee fee	5	79,707	75,464
Audit fee		8,100	8,100
Tax agent's fee		7,159	5,300
Other expenses		<u>13,618</u>	<u>12,590</u>
		<u>188,291</u>	<u>176,918</u>
(LOSS)/PROFIT BEFORE DISTRIBUTION AND TAXATION		(35,908,661)	36,702,531
Distribution:			
- Class A		9,169,884	3,615,148
- Class C		1,811,737	680,835
- Class X		<u>1,982,763</u>	<u>743,184</u>
	6	<u>12,964,384</u>	<u>5,039,167</u>
(LOSS)/PROFIT BEFORE TAXATION		(48,873,045)	31,663,364
Taxation	7	<u>-</u>	<u>-</u>
(LOSS)/PROFIT AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR		<u>(48,873,045)</u>	<u>31,663,364</u>
(Loss)/Profit after taxation is made up as follows:			
Realised amount		(9,236,049)	2,781,069
Unrealised amount		<u>(39,636,996)</u>	<u>28,882,295</u>
		<u>(48,873,045)</u>	<u>31,663,364</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2022**

	Note	2022 RM	2021 RM
ASSETS			
Cash and cash equivalents	9	721,527	844,683
Financial assets at fair value through profit or loss	8	183,974,605	204,439,975
Amount due from the PRS Provider			
- Creation of units		290,843	487,270
TOTAL ASSETS		<u>184,986,975</u>	<u>205,771,928</u>
LIABILITIES			
Amount due to the PRS Provider			
- Cancellation of units		82,869	44,730
Amount due to Private Pension Administrator			
administration fee		6,326	6,979
Amount due to Trustee		6,326	6,979
Other payables and accruals		18,100	16,502
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO MEMBERS)		<u>113,621</u>	<u>75,190</u>
NET ASSET VALUE OF THE FUND		<u>184,873,354</u>	<u>205,696,738</u>
NET ASSETS ATTRIBUTABLE TO MEMBERS		<u>184,873,354</u>	<u>205,696,738</u>
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDING UNITS			
- Class A		129,562,931	145,211,569
- Class C		25,843,214	29,055,713
- Class X		29,467,209	31,429,456
		<u>184,873,354</u>	<u>205,696,738</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)			
- Class A		154,578,544	135,174,036
- Class C		30,829,616	27,045,042
- Class X		35,080,867	29,253,850
	10	<u>220,489,027</u>	<u>191,472,928</u>
NET ASSET VALUE PER UNIT (RM)			
- Class A		0.8381	1.0742
- Class C		0.8382	1.0743
- Class X		<u>0.8399</u>	<u>1.0743</u>

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

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO MEMBERS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2022**

	2022	2021
	RM	RM
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE BEGINNING OF THE FINANCIAL YEAR	<u>205,696,738</u>	<u>153,119,742</u>
Movement due to units created and cancelled during the financial year:		
Creation of units from applications		
- Class A	20,528,540	29,647,197
- Class C	5,553,019	10,855,486
- Class X	4,137,750	3,928,834
	<u>30,219,309</u>	<u>44,431,517</u>
Creation of units from distribution		
- Class A	9,169,884	3,615,148
- Class C	1,811,737	680,835
- Class X	1,982,763	743,184
	<u>12,964,384</u>	<u>5,039,167</u>
Cancellation of units		
- Class A	(10,909,691)	(23,046,035)
- Class C	(3,618,911)	(5,018,266)
- Class X	(605,430)	(492,751)
	<u>(15,134,032)</u>	<u>(28,557,052)</u>
Total comprehensive (loss)/income for the financial year	<u>(48,873,045)</u>	<u>31,663,364</u>
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL YEAR	<u>184,873,354</u>	<u>205,696,738</u>

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

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2022**

	Note	2022 RM	2021 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of Shariah-compliant collective investment scheme		4,590,000	6,700,000
Purchase of Shariah-compliant collective investment scheme		(22,907,944)	(27,825,949)
Dividend income received		3,062,945	5,320,949
Private Pension Administrator administration fee paid		(80,360)	(73,550)
Trustee fee paid		(80,360)	(73,550)
Payments for other fees and expenses		(27,280)	(22,789)
Net cash used in operating activities		<u>(15,442,999)</u>	<u>(15,974,889)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		30,415,736	44,897,242
Payments for cancellation of units		(15,095,893)	(29,016,931)
Net cash generated from financing activities		<u>15,319,843</u>	<u>15,880,311</u>
Net decrease in cash and cash equivalents		(123,156)	(94,578)
Cash and cash equivalents at the beginning of the financial year		844,683	939,261
Cash and cash equivalents at the end of the financial year	9	<u>721,527</u>	<u>844,683</u>
<u>Cash and cash equivalents comprised of:</u>			
Bank balance		721,527	844,683
Cash and cash equivalents at the end of the financial year	9	<u>721,527</u>	<u>844,683</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 31 AUGUST 2022**

1. THE FUND, THE PRS PROVIDER AND ITS PRINCIPAL ACTIVITIES

Principal Islamic PRS Plus Asia Pacific Ex Japan Equity (the “Fund”) is governed by a Deed dated 8 November 2012, a First Supplemental Deed dated 2 January 2014, a Second Supplemental Deed dated 25 November 2014, a Third Supplemental Deed dated 3 February 2020 and a Fourth supplemental Deed dated 17 December 2021 (collectively referred to as the “Deeds”) made between Principal Asset Management Berhad (the “PRS Provider”) and Deutsche Trustees Malaysia Berhad (the “Trustee”).

The Fund offers three classes of units known respectively as Class A, Class C and Class X. In accordance with the Disclosure Document, subject to the PRS Provider’s absolute discretion, Class A and Class C are for an individual who has attained the age 18 years as of the date of opening a private pension account while Class X is for Member who participates via his/her employer. Class A and Class C have different Sales Charge and Management Fee while Class X has no Sales Charge.

The Fund will invest at least 85% of its NAV in the Target Fund, a Malaysian domiciled fund established on 2 June 2006, which invests in Shariah-compliant equities listed on the stock exchanges in the emerging and developed markets of Asia Pacific ex Japan. The Fund may also maintain up to 15% of its NAV in Islamic liquid assets.

The asset allocation strategy for this Fund is as follows:

- At least 85% of the Fund’s NAV will be invested in the Target Fund; and
- Up to 15% of the Fund’s NAV may be invested in Islamic liquid assets for liquidity purpose.

Information on the Target Fund

Target Fund	: Principal Islamic Asia Pacific Dynamic Equity Fund
Target Fund Manager	: Principal Asset Management Berhad
Target Fund Sub-Manager	: Principal Singapore
Regulatory authority	: Securities Commission Malaysia
Country of domicile	: Malaysia

Principal Singapore was appointed to provide investment advice for the Fund. Principal Singapore will provide investment research and recommendation in accordance with the investment objective and within the investment restrictions of the Fund.

All investments are subjected to the SC Guidelines on Private Retirement Schemes (“PRS”), 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 PRS Provider, 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 PRS Provider 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.

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 PRS Provider to exercise their judgement in the process of applying the Fund’s accounting policies. Although these estimates and judgements are based on the PRS Provider’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 standards, amendments to standards or interpretations effective for financial year beginning on 1 September 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 September 2022 that are applicable to the financial statements of the Fund.

Classification

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

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

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

The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income (“OCI”).

Investment in Shariah-compliant collective investment schemes has contractual cash flows that do not represent solely payment of principal and interest¹ (“SPPI”), and therefore are classified as fair value through profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (continued)**Classification (continued)

The Fund classifies cash and cash equivalents and amount due from the PRS Provider - Creation of units 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.

(b) Financial assets and financial liabilitiesRecognition 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 instruments are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

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

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

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

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

Shariah-compliant collective investment scheme is valued based on the most recent published NAV per unit or share of such Shariah-compliant collective investment scheme or, if unavailable, on the last published price of such unit or share (excluding any sales charge included in such selling price).

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

Impairment for assets carried at amortised costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets and financial liabilities (continued)**Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

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

(c) Income recognition

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

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

(d) Functional and presentation currency

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

(e) Members' contributions

The members' 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 Class A, Class C and Class X, which are cancelled at the member's option and do not have identical features subject to restrictions as stipulated in the Disclosure Document and SC Guidelines on PRS. 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 statement of financial position if the member exercises the right to put back the unit to the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Members' contributions (continued)

Units are created and cancelled at the member's 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.

(f) Distribution

Any distribution to the Fund's members is accounted for as a deduction in profit or loss from realised reserves and recognised in the statement of comprehensive income, as the members' capital are classified as financial liabilities as per Note 2(e). Distribution is reinvested into the PRS on the ex-date. Reinvestment of units is based on the NAV per unit on the ex-date, which is also the time of creation. Proposed distributions are recognised as a liability in the financial year in which it is approved by the Trustee.

(g) Cash and cash equivalents

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

(h) 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.

(i) Realised and unrealised portions of profit or loss after taxation

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

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

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

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund were as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2022			
Cash and cash equivalents (Note 9)	-	721,527	721,527
Shariah-compliant collective investment scheme (Note 8)	183,974,605	-	183,974,605
Amount due from the PRS Provider			
- Creation of units	-	290,843	290,843
	<u>183,974,605</u>	<u>1,012,370</u>	<u>184,986,975</u>
2021			
Cash and cash equivalents (Note 9)	-	844,683	844,683
Shariah-compliant collective investment scheme (Note 8)	204,439,975	-	183,974,605
Amount due from the PRS Provider			
- Creation of units	-	487,270	487,270
	<u>204,439,975</u>	<u>1,331,953</u>	<u>205,771,928</u>

All liabilities are financial liabilities which are carried at amortised cost except net assets attributable to members which are carried at fair value through profit or loss.

The investment objective of the Fund is to provide capital growth over the long-term by investing in a target fund with investments in the emerging and developed markets of Asia Pacific ex Japan region that comply with the Shariah principles.

The Fund is exposed to a variety of risks which includes market risk (inclusive of price risk), credit risk and liquidity risk. Financial risk management is carried out through internal control process adopted by the PRS Provider and adherence to the investment restrictions as stipulated in the Deeds and SC Guidelines on PRS.

(a) Market risk

(i) Price risk

This is the risk that the fair value of an investment in Shariah-compliant collective investment scheme will fluctuate because of changes in market prices. The value of an investment in Shariah-compliant collective investment scheme may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's NAV and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

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

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

(a) Market risk (continued)

(i) Price risk (continued)

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

	2022 RM	2021 RM
Financial assets at fair value through profit or loss:		
- Shariah-compliant collective investment scheme	<u>183,974,605</u>	<u>204,439,975</u>

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

% Change in price of Shariah-compliant collective investment scheme	Market value RM	Impact on profit or loss/NAV RM
2022		
-5%	174,775,875	(9,198,730)
0%	183,974,605	-
+5%	<u>193,173,335</u>	<u>9,198,730</u>
2021		
-5%	194,217,976	(10,221,999)
0%	204,439,975	-
+5%	<u>214,661,974</u>	<u>10,221,999</u>

(b) Credit risk

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

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

For amount due from the PRS Provider in relation to creation of units, the settlement terms of the proceeds from the creation of units receivables from the PRS Provider are governed by the SC Guidelines on PRS.

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 at the end of each reporting year:

	Cash and cash equivalents RM	Amount due from the PRS Provider - Creation of units RM	Total RM
2022			
- AA1	721,527	-	721,527
- Not Rated	-	290,843	290,843
	<u>721,527</u>	<u>290,843</u>	<u>1,012,370</u>
2021			
- AA1	844,683	-	844,683
- Not Rated	-	487,270	487,270
	<u>844,683</u>	<u>487,270</u>	<u>1,331,953</u>

(c) Liquidity risk

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

The PRS Provider manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by members. Liquid assets comprise bank balances which are capable of being converted into cash within 7 business days.

The Fund's investments in Shariah-compliant collective investment scheme realizable which are capable of being converted into cash within 10 business days. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

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

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2022			
Amount due to the PRS Provider			
- Cancellation of units	82,869	-	82,869
Amount due to Private Pension Administrator	6,326	-	6,326
Amount due to Trustee	6,326	-	6,326
Other payables and accruals	-	18,100	18,100
Net assets attributable to members*	<u>184,873,354</u>	<u>-</u>	<u>184,873,354</u>
Contractual undiscounted cash flows	<u>184,968,875</u>	<u>18,100</u>	<u>184,986,975</u>

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

(c) Liquidity risk (continued)

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2021			
Amount due to the PRS Provider			
- Cancellation of units	44,730	-	44,730
Amount due to Private Pension Administrator	6,979	-	6,979
Amount due to Trustee	6,979	-	6,979
Other payables and accruals	-	16,502	16,502
Net assets attributable to members*	<u>205,696,738</u>	<u>-</u>	<u>205,696,738</u>
Contractual undiscounted cash flows	<u>205,755,426</u>	<u>16,502</u>	<u>205,771,928</u>

* Outstanding units are redeemed on demand at the member's option, subject to requirements in the SC Guidelines on PRS. However, the PRS Provider does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as members of these instruments typically retain them for the medium and long term.

(d) Capital risk management

The capital of the Fund was represented by net assets attributable to members amounting to RM184,873,354 (2021: RM205,696,738). 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 members. 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 members and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Fair value estimation

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

The fair values 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 PRS Provider 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.

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

(e) Fair value estimation (continued)

(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.

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2022				
Financial assets at fair value through profit or loss:				
- Shariah-compliant collective investment scheme	183,974,605	-	-	183,974,605
Financial liabilities at fair value through profit or loss:				
- Net assets attributable to members	184,873,354	-	-	184,873,354

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

2021

Financial assets at fair value through profit or loss:

- Shariah-compliant collective investment scheme

204,439,975	-	-	204,439,975
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Financial liabilities at fair value through profit or loss:

- Net assets attributable to members

205,696,738	-	-	205,696,738
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Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include Shariah-compliant collective investment scheme. Net assets attributable to members are valued based on the NAV per unit as at the financial year end. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

(ii) The carrying values of cash and cash equivalents, amount due from the PRS Provider - Creation of units and all current liabilities are a reasonable approximation of their fair values due to their short-term nature.

4. MANAGEMENT FEE AND PRIVATE PENSION ADMINISTRATOR ADMINISTRATION FEE

In accordance with the Deeds, the PRS Provider is entitled to a maximum management fee of 3.00% per annum for each unit class, calculated daily based on the NAV of the Fund.

For the financial year ended 31 August 2022 and 31 August 2021, the management fee for the respective classes is recognised at the following rates:

Class A	Class C	Class X
1.40%	1.50%	1.40%

Nonetheless, no management fee is charged on the Fund for the financial year as the management fee has been waived by the PRS Provider.

The Private Pension Administrator administration fee was recognised at a rate of 0.04% per annum (2021: 0.04% per annum) for each unit class, calculated daily based on the NAV of the Fund.

There was no further liability in respect of management fee and Private Pension Administrator administration fee other than the amount recognised above.

5. TRUSTEE FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.04% per annum for each unit class, calculated daily based on the NAV of the Fund. The Trustee fee includes local custodian fee but excludes foreign sub-custodian fees.

For the financial year ended 31 August 2022, the Trustee fee was recognised at a rate of 0.04% per annum (2021: 0.04% per annum) for each unit class.

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

6. DISTRIBUTION

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

	2022	2021
	RM	RM
Dividend income	5,143,376	1,415,869
Net realised gain from disposal of collective investment scheme	1,650,693	258,810
Prior financial year's realised income	6,412,551	3,386,068
	13,206,620	5,060,747
Less:		
Expenses	(242,236)	(21,580)
Net distribution amount	12,964,384	5,039,167

Gross/Net distribution per unit (sen)

Distribution on 15 October 2021

- Class A	2.69	-
- Class C	2.69	-
- Class X	2.69	-

Distribution on 15 August 2022

- Class A	3.72	-
- Class C	3.72	-
- Class X	3.55	-

Distribution on 17 December 2020

- Class A	-	2.85
- Class C	-	2.85
- Class X	-	2.85
	19.06	8.55

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

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

For the financial year ended 31 August 2022, the Fund incurred unrealised loss of RM 39,636,996 (2021:Nil).

7. TAXATION

	2022	2021
	RM	RM
Tax charged for the financial year:		
- Current taxation	<u>-</u>	<u>-</u>

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

	2022	2021
	RM	RM
(Loss)/Profit before taxation	<u>(48,873,045)</u>	<u>31,663,364</u>
Taxation at Malaysian statutory rate of 24% (2021:24%)	(11,729,531)	7,599,207
Tax effects of:		
- Loss not deductible for tax purposes/(income not subject to tax)	8,572,889	(8,851,068)
- Expenses not deductible for tax purposes	3,153,713	1,248,284
- Restriction on tax deductible expenses for PRS Funds	<u>2,929</u>	<u>3,577</u>
Taxation	<u>-</u>	<u>-</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	RM	RM
At fair value through profit or loss:		
- Shariah-compliant collective investment scheme	<u>183,974,605</u>	<u>204,439,975</u>
Net (loss)/gain on financial assets at fair value through profit or loss:		
- Realised gain on disposals	853,681	2,676,205
- Unrealised fair value (loss)/ gain	<u>(39,636,996)</u>	<u>28,882,295</u>
	<u>(38,783,315)</u>	<u>31,558,500</u>

Name of counter	Quantity	Aggregate	Market	Percentage
	Units	cost	value	of NAV
		RM	RM	%
2022				
SHARIAH-COMPLIANT				
COLLECTIVE				
INVESTMENT SCHEME				
Principal Islamic Asia Pacific Dynamic Equity Fund	<u>309,409,023</u>	<u>169,949,662</u>	<u>183,974,605</u>	<u>99.51</u>
TOTAL SHARIAH-				
COMPLIANT				
COLLECTIVE				
INVESTMENT SCHEME	<u>309,409,023</u>	<u>169,949,662</u>	<u>183,974,605</u>	<u>99.51</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2022 (CONTINUED SHARIAH-COMPLIANT COLLECTIVE INVESTMENT SCHEME				
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>14,024,943</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>183,974,605</u>		
2021 SHARIAH-COMPLIANT COLLECTIVE INVESTMENT SCHEME				
Principal Islamic Asia Pacific Dynamic Equity Fund	<u>282,688,018</u>	<u>150,778,036</u>	<u>204,439,975</u>	<u>99.39</u>
TOTAL SHARIAH- COMPLIANT COLLECTIVE INVESTMENT SCHEME	<u>282,688,018</u>	<u>150,778,036</u>	<u>204,439,975</u>	<u>99.39</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>53,661,939</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>204,439,975</u>		

9. CASH AND CASH EQUIVALENTS

	2022 RM	2021 RM
Bank balance	<u>721,527</u>	<u>844,683</u>

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2022	2021
	No. of units	No. of units
Class A (i)	154,578,544	135,174,036
Class C (ii)	30,829,616	27,045,042
Class X (iii)	35,080,867	29,253,850
	<u>220,489,027</u>	<u>191,472,928</u>
(i) Class A		
At the beginning of the financial year	135,174,036	125,187,928
Add: Creation of units from applications	20,647,901	29,069,283
Add: Creation of units from distribution	9,976,794	3,698,361
Less: Cancellation of units	(11,220,187)	(22,781,536)
At the end of the financial year	<u>154,578,544</u>	<u>135,174,036</u>
(ii) Class C		
At the beginning of the financial year	27,045,042	20,329,770
Add: Creation of units from applications	5,480,661	10,938,225
Add: Creation of units from distribution	1,974,884	696,435
Less: Cancellation of units	(3,670,971)	(4,919,388)
At the end of the financial year	<u>30,829,616</u>	<u>27,045,042</u>
(iii) Class X		
At the beginning of the financial year	29,253,850	25,161,583
Add: Creation of units from applications	4,283,941	3,816,824
Add: Creation of units from distribution	2,153,766	760,213
Less: Cancellation of units	(610,690)	(484,770)
At the end of the financial year	<u>35,080,867</u>	<u>29,253,850</u>

11. MANAGEMENT EXPENSE RATIO (“MER”)

	2022	2021
	%	%
MER	<u>0.09</u>	<u>0.09</u>

MER was derived based on the following calculation:

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

- A = Private Pension Administrator administration 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 was RM199,502,676 (2021: RM188,859,529).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2022	2021
PTR (times)	<u>0.07</u>	<u>0.09</u>

12. PORTFOLIO TURNOVER RATIO (“PTR”) (CONTINUED)

PTR was derived based on the following calculation:

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

where:

total acquisition for the financial year = RM22,907,945 (2021: RM27,525,949)
 total disposal for the financial year = RM4,590,000 (2021: RM6,700,000)

13. UNITS HELD BY THE PRS PROVIDER AND PARTIES RELATED TO THE PRS PROVIDER, AND SIGNIFICANT RELATED PARTIES TRANSACTIONS AND BALANCES

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

Related parties	Relationship
Principal Asset Management Berhad	The PRS Provider
Principal Financial Group, Inc.	Ultimate holding company of shareholder of the PRS Provider
Principal International (Asia) Ltd	Shareholder of the PRS Provider
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 PRS Provider
CIMB Group Holdings Bhd	Ultimate holding company of shareholder of the PRS Provider
CIMB Group Sdn Bhd	Shareholder of the PRS Provider
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 PRS Provider

Units held by the PRS Provider and parties related to the PRS Provider

	<u>2022</u>		<u>2021</u>	
	No. of units	RM	No. of units	RM
Directors of the PRS Provider				
- Class X	42,671	35,839	39,938	42,905

There were no units held by the PRS Provider or parties related to the PRS Provider as at the end of each financial year.

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The PRS Provider 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.

14. TRANSACTIONS WITH BROKER/DEALER

Details of transactions with the broker/dealer for the financial year ended 31 August 2022 were as follows:

Broker/Dealer	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Principal Asset Management Berhad #	<u>27,497,945</u>	<u>100</u>	<u>-</u>	<u>-</u>

Details of transactions with the broker/dealer for the financial year ended 31 August 2021 were as follows:

Broker/Dealer	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Principal Asset Management Berhad #	<u>34,225,949</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Included in the transactions are trades conducted with Principal Asset Management Berhad, the PRS Provider of the Fund, amounting to RM27,497,945 (2021: RM34,225,949). The PRS Provider is of the opinion that all transactions 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 PRS Provider 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 PRS Provider on 25 October 2022.

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