

PRINCIPAL ISLAMIC RETIREE EASY INCOME

UNAUDITED SEMI-ANNUAL REPORT

FOR THE FINANCIAL PERIOD FROM 20 APRIL 2022 (DATE OF LAUNCH) TO 28 FEBRUARY 2023

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MEMBERS' LETTER

Dear Valued Members,

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 unaudited Semi-Annual Fund Report of the Principal Islamic RetireEasy Income for the financial period financial period from 20 April 2022 (date of launch) to 28 February 2023. You may also download this report from our website at www.principal.com.my.

We are pleased to share that we continue to win accolades – the most recent recognition coming from the Refinitiv Lipper Fund Awards 2023 with five awards where Principal Asia Titans Fund won Best Equity Asia Pacific ex-Japan (Provident) in the 10-year category, while Principal Islamic Asia Pacific Dynamic Equity won the same award in the Islamic universe in the three-, five- and 10-year categories. Principal Global Titans MYR won the Best Equity Global (Malaysia) award in the five-year category.

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) 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

PRS PROVIDER’S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund seeks to provide sustainable total return and to grow the total investment over the long term.

Has the Fund achieved its objective?

The Fund is in line to meet its objective to provide sustainable total return as stated in the Investment Objective section.

What are the Fund investment policy and principal investment strategy?

The Fund aims to achieve its objective by investing primarily in a diversified portfolio of Shariah-compliant income generating assets. The Fund will seek exposure from various asset classes which includes but not limited to Shariah-compliant equities, Sukuk, Islamic money market instruments and/or Islamic Deposits, which can be accessed directly through the market or indirectly via Collective Investment Scheme (“CIS”) (including Islamic Exchange-Traded Fund (“ETF”) and Islamic Real Estate Investment Trust (“REITs”)).

The asset allocation strategy for this Fund is as follows:

Up to 100% of the Fund’s NAV may be invested in Islamic CIS (including Islamic ETF and Islamic REITs), Shariah-compliant equities, Sukuk, Islamic money market instruments and/or Islamic Deposits. Notwithstanding,

- up to 40% of the Fund’s NAV may be invested in Unrated Sukuk; and
- up to 10% of the Fund’s NAV may be invested in unlisted Shariah-compliant securities.

Information on the Target Fund

Fund Manager : Principal Asset Management Berhad
 Fund Sub-Manager : Principal Global Investors, LLC (“PGI”)
 Regulatory authority : Securities Commission Malaysia (“SC”)
 Country of domicile : Malaysia

Fund category/type

Core – Mixed asset

When was the Fund launched?

Name of Class	Launch Date
Class A	20 April 2022
Class C	20 April 2022
Class X	20 April 2022

What was the size of the Fund as at 28 February 2023?

RM51.15 million (202.07 million units)

What is the Fund’s benchmark?

The performance of this Fund cannot be compared directly with any specific publicly available benchmark. However, the Fund has a target return of 3.5% to 4.5% per annum over rolling 5-year. Please note that the Fund’s benchmark is for performance comparison purpose only and the risk profile of the Fund is not the same as the risk profile of the benchmark.

What is the Fund distribution policy?

Given the Fund’s objective, the Fund is not expected to pay any distribution. Distributions, if any, are at PRS Provider discretion and will vary from period to period depending on the performance of the Fund.

FUND OBJECTIVE AND POLICY (CONTINUED)

What was the net income distribution for the financial period from 20 April 2022 (date of launch) to 28 February 2023?

There was no distribution made for the financial period from 20 April 2022 (date of launch) to 28 February 2023.

PERFORMANCE DATA

Details of portfolio composition of the Fund for the financial period are as follows:

	28.02.2023
	%
Collective investment scheme	99.27
Cash and other assets	0.81
Liabilities	(0.08)
	<u>100.00</u>

Performance details of the Fund for the financial period are as follows:

	Since inception to 28.02.2023
NAV (RM Million)	
- Class A	32.68
- Class C	11.86
- Class X	6.61
Units in circulation (Million)	
- Class A	129.07
- Class C	46.89
- Class X	26.11
NAV per unit (RM)	
- Class A	0.2532
- Class C	0.2530
- Class X	0.2532
Highest NAV per unit (RM)	
- Class A	0.2546
- Class C	0.2546
- Class X	0.2547
Lowest NAV per unit (RM)	
- Class A	0.2466
- Class C	0.2465
- Class X	0.2466
Total return (%)	
- Class A	1.28
- Class C	1.20
- Class X	1.28
Capital growth (%)	
- Class A	1.28
- Class C	1.20
- Class X	1.28
Income distribution (%)	
- Class A	-
- Class C	-
- Class X	-

PERFORMANCE DATA (CONTINUED)

Performance details of the Fund for the financial period are as follows: (continued)

	28.02.2023
Total Expense Ratio (“TER”) (%)	1.25
Portfolio Turnover Ratio (“PTR”) (times) #	0.81

The Fund’s PTR stood at 0.81 times during the financial period under review. The ratio reflects the trading activities of the Fund during the financial period under review.

	Since inception to 28.02.2023
	%
Annual total return	
- Class A	1.28
- Class C	1.20
- Class X	1.28

(Launch date: 20 April 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 (20 APRIL 2022 (DATE OF LAUNCH) TO 28 FEBRUARY 2023)

During the financial period, the Federal Reserve (“the Fed”) started its policy rate normalization with half a percentage point raise in May 2022, whilst most Asian central banks would have to follow a similar path or risk weakness in their currencies.

Towards the end of 2022, markets expected to near the last leg of rate hike increases with bulk of the monetary policy tightening being implemented in 2022. Post the congress meeting, China has surprised the market in which the speed it is reopening the economy and its intention to turnaround the property and internet sectors that were previously impacted from self-inflicted regulations.

Meanwhile, recent economic data in the US has questioned the magnitude of the disinflation trend given the strong labour market and inflation that declined slower than expected. The “peak” Fed Funds policy rate has been revised upwards to between 50 basis points (“bps”) to 75bps rate hikes this year.

FUND PERFORMANCE

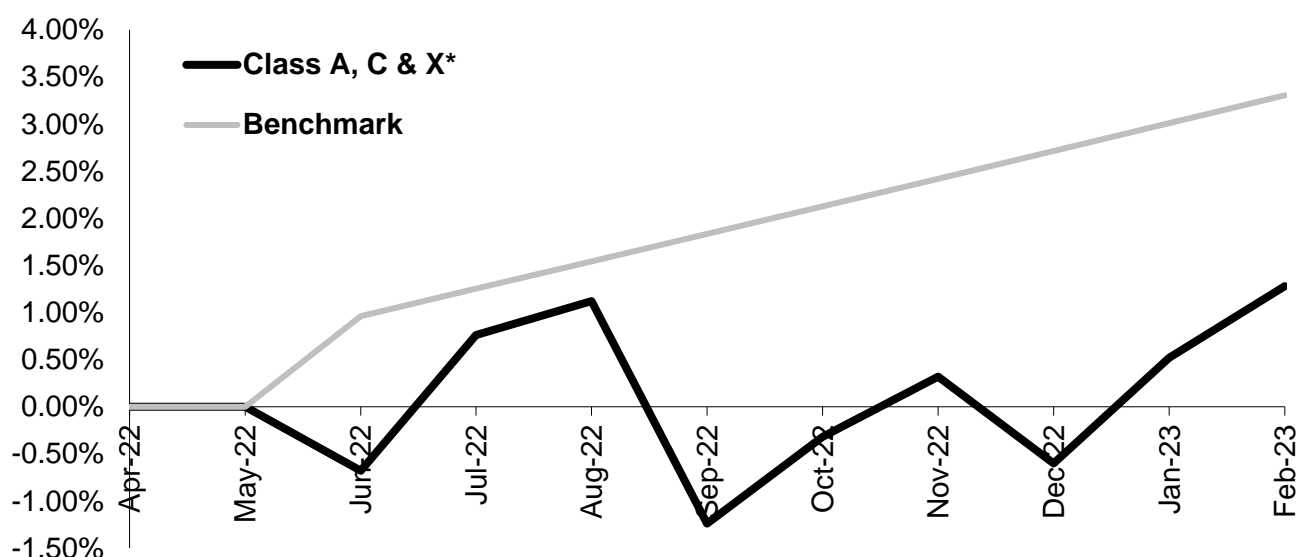
	6 months to 28.02.2023		
	Class A	Class C	Class X
	%	%	%
Income Distribution	-	-	-
Capital Growth	0.28	0.24	0.32
Total Return	0.28	0.24	0.32
Benchmark	1.73	1.73	1.73
Average Total Return	0.56	0.48	0.64

FUND PERFORMANCE (CONTINUED)

	Since inception to 28.02.2023		
	Class A %	Class C %	Class X %
Income Distribution	-	-	-
Capital Growth	1.28	1.20	1.28
Total Return	1.28	1.20	1.28
Benchmark	3.31	3.31	3.31
Average Total Return	1.48	1.39	1.48

For the financial period under review, all classes recorded positive returns as Class A, Class C and Class X increased by 0.28%, 0.24%, and 0.32% respectively. Meanwhile, the benchmark for all 3 classes recorded a 1.73% increased during the same financial period under review.

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

28.02.2023

CLASS A

NAV (RM Million)	32.68
NAV/Unit (RM)	0.2532

CLASS C

NAV (RM Million)	11.86
NAV/Unit (RM)	0.2530

CLASS X

NAV (RM Million)	6.61
NAV/Unit (RM)	0.2532

Changes in NAV (continued)

For the financial period under review, the Fund's NAV for Class A, Class C and Class X stood at RM32.68 million, RM11.86 million, and RM6.61 million respectively.

In addition, the Fund's NAV per unit for Class A, Class C and Class X stood at RM0.2532, RM0.2530, and RM0.2532 respectively. This reflects the changes in value of the Fund's asset.

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

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	28.02.2023
Collective investment scheme	99.27
Cash and other assets	0.81
Liabilities	(0.08)
Total	100.00

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

Top holdings of the Target Fund for the financial period ended:

	% of NAV
Top holdings*	28.02.2023
Principal Islamic Lifetime Sukuk Fund	44.60
Principal Islamic Global Sukuk Fund MYR	22.30
Principal Islamic Asia Pacific Dynamic Equity Fund	12.86
Principal DALI Global Equity Fund	10.09
Principal Islamic Enhanced Opportunities Fund	4.59
Principal DALI Equity Fund	4.55
Principal Islamic Small Cap Opportunities Fund	1.01

* As per disclosed in Fund Fact Sheet.

MARKET OUTLOOK*

Still early in its recovery phase, we are expecting China's economic momentum to pick up throughout the year. The tailwinds of reopening and more pro-growth policies such as those observed in property and internet are still in place. Key risks remain such as the monetary policy path, US-China tensions which can range from various sanctions, financial markets such as Chinese listings in the US, military conflicts etc.

* This market outlook does not constitute an offer, invitation, commitment 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

The Fund will continue to remain fully invested in a diversified portfolio of Shariah-compliant income generating assets with minimal cash kept for liquidity purposes

SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (the “PRS Provider”), 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 assists 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. Any rebates will be directed to the account of the Fund.

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

SECURITIES FINANCING TRANSACTIONS

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

STATE OF AFFAIR OF THE FUND

There were no significant changes in the state of affair of the Fund during the financial period 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 members during the financial period under review.

CROSS TRADE

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

UNIT SPLIT

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

**STATEMENT BY THE PRS PROVIDER TO THE MEMBERS OF
PRINCIPAL ISLAMIC RETIREE EASY INCOME**

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 unaudited financial statements set out on pages 4 to 20 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the statement of financial position of the Fund as at 28 February 2023 and of its financial performance, changes in net assets attributable to members and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 - Interim Financial Reporting and International Accounting Standards (“IAS”) 34 - Interim Financial Reporting.

For and on behalf of the PRS Provider

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

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

UDAY JAYARAM
Director

Kuala Lumpur
20 April 2023

TRUSTEE'S REPORT

TO THE MEMBERS OF PRINCIPAL ISLAMIC RETIREEASY INCOME ("Fund")

We have acted as Trustee for Principal Islamic RetireEasy Income (the "Fund") for the financial period ended from 20 April 2022 (date of launch) to 28 February 2023. To the best of our knowledge, for the financial period 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 has been carried out in accordance with the Deed(s) of the Fund and any regulatory requirement; 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.

For Deutsche Trustees Malaysia Berhad

SOON LAI CHING
Senior Manager, Trustee Operations

JIVA MUNUSAMY
Head, Client Management

Kuala Lumpur
20 April 2023

**SHARIAH ADVISER'S REPORT TO THE MEMBERS OF
PRINCIPAL ISLAMIC PRS PLUS EQUITY**

To the Members of Principal Islamic RetireEasy Income

For The Financial Period Ended 28 February 2023

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

20 April 2023

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 20 APRIL 2022 (DATE OF LAUNCH) TO 28 FEBRUARY 2023**

	Note	20.04.2022 (date of launch) to 28.02.2023 RM
INCOME/(LOSS)		
Dividend income		479,525
Net gain on financial assets at fair value through profit or loss	8	566,460
		1,045,985
EXPENSES		
Management fee	4	371,224
Trustee fee	5	19,331
Private Pension Administrator administration fee		29,604
Audit fee		6,847
Tax agent fee		5,316
Other expenses		6,906
		439,228
PROFIT BEFORE TAXATION		606,757
Taxation	7	-
PROFIT AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		606,757
Profit after taxation is made up as follows:		
Realised amount		379,270
Unrealised amount		227,487
		606,757

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2023**

	Note	28.02.2023 RM
ASSETS		
Cash and cash equivalents	9	207,945
Financial assets at fair value through profit or loss	8	50,777,273
Amount due from the PRS Provider		
- creation of units		201,734
- Sale of collective investment scheme		2,643
- management fee rebates		100,217
TOTAL ASSETS		51,289,812
LIABILITIES		
Amount due to the PRS Provider		
- cancellation of units		55,162
- purchase of collective investment scheme		4,988
- management fee		47,860
Amount due to Trustee		1,841
Other payables and accruals		25,966
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO MEMBERS)		135,817
NET ASSET VALUE OF THE FUND		51,153,995
NET ASSETS ATTRIBUTABLE TO MEMBERS		51,153,995
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS		
- CLASS A		32,680,033
- CLASS C		11,862,815
- CLASS X		6,611,147
		51,153,995
NUMBER OF UNITS IN CIRCULATION (UNITS)		
- CLASS A		129,067,344
- CLASS C		46,888,550
- CLASS X		26,113,085
	10	202,068,979
NET ASSET VALUE PER UNIT (RM)		
- CLASS A		0.2532
- CLASS C		0.2530
- CLASS X		0.2532

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

**UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO MEMBERS
FOR THE FINANCIAL PERIOD FROM 20 APRIL 2022 (DATE OF LAUNCH) TO 28 FEBRUARY 2023**

	20.04.2022 (date of launch) to 28.02.2023 RM
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE BEGINNING OF THE FINANCIAL PERIOD	-
Movement due to units created and cancelled during the financial year:	
Creation of units from applications	
- Class A	38,119,158
- Class C	14,460,316
- Class X	7,121,414
	59,700,888
Cancellation of units	
- Class A	(5,798,673)
- Class C	(2,729,223)
- Class X	(625,754)
	(9,153,650)
Total comprehensive income for the financial year	606,757
NET ASSETS ATTRIBUTABLE TO MEMBERS AT THE END OF THE FINANCIAL PERIOD	51,153,995

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

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 20 APRIL 2022 (DATE OF LAUNCH) TO 28 FEBRUARY 2023**

	20.04.2022 (date of launch) to 28.02.2023 RM
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from disposal of collective investment scheme	3,288,718
Purchase of collective investment scheme	(53,861,832)
Dividend income received	479,525
Rebates management fee	264,429
Management fee	(323,364)
Trustee fee paid	(17,490)
Private Pension Administrator administration fee paid	(12,115)
Payment for other fees and expenses	(10,592)
Net cash used in operating activities	<u>(50,192,721)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash proceeds from units created	59,499,154
Payments for cancellation of units	(9,098,488)
Net cash generated from financing activities	<u>50,400,666</u>
Net increase in cash and cash equivalents	207,945
Cash and cash equivalents at the beginning of the financial year	-
Cash and cash equivalents at the end of the financial year	<u>207,945</u>
<u>Cash and cash equivalents comprised of:</u>	
Bank balance	<u>207,945</u>
Cash and cash equivalents at the end of the financial year	<u>207,945</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 20 APRIL 2022 (DATE OF LAUNCH) TO 28 FEBRUARY 2023**

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

Principal Islamic RetireEasy Income (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 aims to achieve its objective by investing primarily in a diversified portfolio of Shariah-compliant income generating assets. The Fund will seek exposure from various asset classes which includes but not limited to Shariah-compliant equities, Sukuk, Islamic money market instruments and/or Islamic Deposits, which can be accessed directly through the market or indirectly via CIS) (including Islamic ETF and Islamic REITs).

The asset allocation strategy for this Fund is as follows:

Up to 100% of the Fund’s NAV may be invested in Islamic CIS (including Islamic ETF and Islamic REITs), Shariah-compliant equities, Sukuk, Islamic money market instruments and/or Islamic Deposits. Notwithstanding,

- up to 40% of the Fund’s NAV may be invested in Unrated Sukuk; and
- up to 10% of the Fund’s NAV may be invested in unlisted Shariah-compliant securities.

All investments are subjected to the SC Guidelines on 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.

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 PRS Provider to exercise their judgement in the process of applying the Fund's accounting policies. Although these estimates and assumptions 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 other standards, amendments to standards or interpretations that are effective for annual periods beginning on 20 April 2022 that have a material effect on the financial statements of the Fund.

None of the standards, amendments to standards or interpretations that are effective for the financial year beginning on/after 1 February 2023 are applicable to the Fund.

(b) Financial assets and financial liabilities

Classification

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

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

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

Investment in collective investment scheme is debt instrument with contractual cash flow that do not represent solely payment of principal and interest¹ ("SPPI") and therefore is classified as fair value through profit or loss.

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.

¹For 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. 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 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.

Collective investment scheme is valued based on the most recent published NAV per unit or share of such 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 loss ("ECL") using probability of default, exposure at default and loss given default. The PRS Provider considers both historical analysis and forward looking information in determining any ECL. The PRS Provider 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 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.

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

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

Realised gain or loss on disposal of collective investment scheme is accounted for as the difference between the net disposal proceeds and the carrying amount of collective investment scheme, 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" or "RM"), 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 the 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 reinvested 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 reinvest the unit to the Fund.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balance 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 profit/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 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 there are no accounting policies which require significant judgement to be exercised.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The investment objective of the Fund is to provide sustainable total return and to grow the total investment over the long term.

The Fund is exposed to a variety of risks which include 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 the Fund's investment will fluctuate because of changes in market prices. The value of investment 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 collective investment scheme and other financial instruments within specified limits according to the Deeds.

(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 cash and cash equivalents is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

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

(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 balance and other instruments, which are capable of being converted into cash within 7 business days. The Fund's investments in collective investment scheme are realisable which are capable of being converted into cash within 10 business days. This is expected to reduce the risk for the entire portfolio without limiting to the Fund's growth potential.

(d) Capital risk management

The capital of the Fund is represented by net assets attributable to members. The amount of net assets attributable to members can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of the 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 the 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.

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

(e) Fair value estimation (continued)

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.

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
28.02.2023				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	50,777,273	-	-	50,777,273

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include collective investment scheme. 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).

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

(e) Fair value estimation (continued)

- (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 period from 20 April 2022 (date of launch) to 28 February 2023, the management fee for the respective classes is recognised at the following rates:

Class A	Class C	Class X
1.20%	1.30%	1.20%

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

The Private Pension Administrator administration fee is recognised at a rate of 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 fees and charges but excludes foreign custodian fees and charges, subject to a minimum fee of RM24,000.00 per annum.

For the financial period from 20 April 2022 (date of launch) to 28 February 2023, the Trustee fee is recognised at a rate of 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. TAXATION

20.04.2022
(date of launch)
to 28.02.2023
RM

Tax charged for the financial year:

- Current taxation	-
	-
	-

Income from PRS approved by the SC in accordance with the Capital Markets and Services Act 2007 is exempted from tax in accordance with Schedule 6, Paragraph 20 of the Income Tax Act, 1967 ("ITA").

6. TAXATION (CONTINUED)

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:

	20.04.2022 (date of launch) to 28.02.2023 RM
Profit before taxation	<u>606,757</u>
Taxation at Malaysian statutory rate of 24% (2021: 24%)	145,622
Tax effects of:	
- Income not subject to tax	(163,521)
- Expenses not deductible for tax purposes	7,573
- Restriction on tax deductible expenses for PRS Funds	<u>10,326</u>
Taxation	<u>-</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	28.02.2023 RM
At fair value through profit or loss:	
- Collective investment scheme	<u>50,777,273</u>
	20.04.2022 (date of launch) to 28.02.2023
Net gain on financial assets at fair value through profit or loss:	
- Realised loss on disposals	(25,673)
- Unrealised fair value gain	227,487
Private Pension Administrator Administration fee rebate	<u>364,646</u>
	<u>566,460</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
28.02.2023				
COLLECTIVE				
INVESTMENT SCHEME				
Principal DALI Equity Fund	2,325,831	2,296,086	2,215,587	4.33
Principal DALI Global Equity Fund	16,576,643	5,087,234	5,161,967	10.09
Principal Islamic Asia Pacific Dynamic Equity Fund	11,173,242	6,520,285	6,318,469	12.35
Principal Islamic Enhanced Opportunities Fund	3,581,540	2,276,143	2,273,920	4.45
Principal Islamic Global Sukuk Fund (Class MYR)	46,767,775	11,686,511	11,635,821	22.75
Principal Islamic Lifetime Sukuk Fund	17,851,644	22,203,614	22,669,803	44.32
Principal Islamic Small Cap Opportunities Fund	788,474	479,913	501,706	0.98
TOTAL COLLECTIVE INVESTMENT SCHEME	<u>99,065,149</u>	<u>50,549,786</u>	<u>50,777,273</u>	<u>99.27</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>227,487</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>50,777,273</u>		

8. CASH AND CASH EQUIVALENTS

	28.02.2023 RM
Bank balance	<u>207,945</u>

9. NUMBER OF UNITS IN CIRCULATION (UNITS)

	28.02.2023 No. of units
Class A (i)	129,067,344
Class C (ii)	46,888,550
Class X (iii)	26,113,085
	<u>202,068,979</u>

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

20.04.2022
(date of launch) to
28.02.2023

(i) Class A

At the beginning of the financial year	-
Add : Creation of units from applications	152,224,087
Less: Cancellation of units	(23,156,743)
At the end of the financial year	<u>129,067,344</u>

(ii) Class C

At the beginning of the financial year	-
Add : Creation of units from applications	57,754,107
Less: Cancellation of units	(10,865,557)
At the end of the financial year	<u>46,888,550</u>

(iii) Class X

At the beginning of the financial year	-
Add : Creation of units from applications	28,631,181
Less: Cancellation of units	(2,518,096)
At the end of the financial year	<u>26,113,085</u>

11. TOTALEXPENSE RATIO ("TER")

28.02.2023
%

TER	<u>1.25</u>
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TER is derived from the following calculation:

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

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 is RM35,092,749.

12. PORTFOLIO TURNOVER RATIO (“PTR”)

28.02.2023

PTR (times) 0.81

PTR is derived based on the following calculation:

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

where:

total acquisition for the financial year = RM53,866,820

total disposal for the financial year = RM3,291,361

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:

<u>Related parties</u>	<u>Relationship</u>
Principal Asset Management Bhd	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
CIMB Bank Bhd	Fellow related party to the PRS Provider
CIMB Investment Bank Bhd	Fellow related party to the PRS Provider

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

	<u>28.02.2023</u>	
Directors of the PRS Provider - Class X	No. of units	RM

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

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

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.

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

	28.02.2023
	RM
<u>Significant related party balances</u>	
Collective investment scheme managed by the PRS Provider:	
- Principal DALI Equity Fund	2,215,587
- Principal DALI Global Equity Fund	5,161,967
- Principal Islamic Asia Pacific Dynamic Equity Fund	6,318,469
- Principal Islamic Enhanced Opportunities Fund	2,273,920
- Principal Islamic Global Sukuk Fund (Class MYR)	11,635,821
- Principal Islamic Lifetime Sukuk Fund	22,669,803
- Principal Islamic Small Cap Opportunities Fund	501,706
	<u>50,777,273</u>

14. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the brokers/dealers for the financial period ended from 20 April 2022 (date of launch) to 28 February 2023 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Principal Global Investors, LLC#	43,329,785	75.81	-	-
Deutsche Bank (Malaysia) Bhd	13,828,396	25.19	-	-
	<u>57,158,181</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Included in the transactions are trades conducted with Principal Global Investors LLC, fellow related parties to the Manager amounting to RM43,329,785. 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 FINANCIAL PERIOD

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.

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