

Principal Islamic Small Cap Opportunities Fund

(formerly known as CIMB Islamic Small Cap Fund)

Annual Report

For The Financial Year Ended 31 May 2020

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB Islamic Small Cap Fund)

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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INVESTORS' LETTER

Dear Valued Investor,

In Malaysia, things are looking much closer to the “old norm” now, yet with proper social distancing protocols still in place. We’re taking each day and each decision with a mix of enthusiasm and caution. This is how we can continue to flatten the curve of Coronavirus Disease 2019 (“COVID-19”) and remain a viable and dynamic economy. And, this is how our team handle your investments with us. We do our best to make the right decisions to maximise fund returns to help you meet your long-term investment needs.

Markets globally continue to look positive and show signs that the economies worldwide are on the path to recovery. We are increasing exposure to equities vis-à-vis fixed income, as policymakers are assessing the impact of the policies implemented earlier this year to help revive economies. We are positive on Asian equities on a 12-month basis and have added Association of Southeast Asian Nations (“ASEAN”) names in anticipation of a broader market recovery going forward. For our:

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

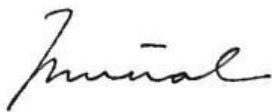
Continue to log on to our website (www.principal.com.my) to receive updates on our latest insights and investing articles.

We are pleased to share that we have won awards for Best Asset Manager (Money Market & Balanced funds) and Best Absolute Return Strategy at the Alpha Southeast Asia Fund Management Awards 2020.

Please be informed that effective 31 December 2019, the Fund has been renamed as Principal Islamic Small Cap Opportunities Fund following the issuance of the Master Prospectus (Islamic Fund).

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

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



Munirah Khairuddin
Chief Executive Officer

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The objective of the Fund is to seek medium to long-term growth in capital by investing principally in emerging companies listed on Bursa Securities and this must be in accordance with the Shariah principles.

Has the Fund achieved its objective?

For the financial year under review, the Fund registered a loss of -3.13%, while the benchmark registered a loss of -3.86%. The Fund has not achieved its objective of capital growth during the financial year under review due to unfavorable macro environment. Nevertheless, the Fund's objective of providing capital over the medium to long-term is still in place.

What are the Fund investment policy and principal investment strategy?

The Fund may invest a minimum of 70% and up to a maximum of 98% of its Net Asset Value ("NAV") in Shariah-compliant stocks of emerging companies*. The investment policy and strategy of the Fund will therefore focus on investments in Shariah-compliant instruments of such emerging companies* with potential growth and hands-on management policies but may be lacking in track records. The Fund may also invest up to 28% of its NAV in other permissible Shariah-compliant investments such as Islamic fixed income securities for the purpose of cash management. The Fund may also opt to seek investment exposure via Islamic collective investment scheme that is in line with the Fund's objective, subject to the requirements of the Securities Commission Malaysia ("SC") Guidelines. In addition, Islamic liquid assets may be strategically used if we feel that the market downside risk is high in the short-term.

* Emerging companies in this context refers to companies that are listed on Bursa Malaysia with market capitalisation of up to three (3) billion Ringgit Malaysia ("RM") at the point of purchase. However, should there be lack of liquidity or when we deem necessary to reduce volatility of the Fund, the Fund may invest up to 20% of its NAV in companies with market capitalization above three (3) billion RM at the point of purchase. #

With effective 1 March 2020, the Fund may invest up to 20% of its NAV in companies with market capitalization above three (3) billion at the point of purchase.

The asset allocation strategy for this Fund is as follows:

- between 70% to 98% (both inclusive) of the Fund's NAV will be invested in Shariah-compliant equities;
- up to 28% of the Fund's NAV in other permissible Shariah-compliant investments; and
- at least 2% of the Fund's NAV in Islamic liquid assets.

Fund category/type

Equity (small cap) (Shariah-compliant)/Growth

How long should you invest for?

Recommended three (3) years or more

When was the Fund launched?

30 April 2003

What was the size of the Fund as at 31 May 2020?

RM173.84 million (192.09 million units)

What is the Fund's benchmark?

Financial Times Stock Exchange ("FTSE") Bursa Malaysia ("FBM") Small Cap ("FBMSCAP") Index.

What is the Fund distribution policy?

The Manager has the discretion to distribute part or all of the Fund's distributable income. The distribution (if any) may vary from period to period depending on the investment objective and the performance of the Fund.

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB Islamic Small Cap Fund)

FUND OBJECTIVE AND POLICY (CONTINUED)

What was the net income distribution for the financial year ended 31 May 2020?

There was no distribution made for the financial year ended 31 May 2020.

PERFORMANCE DATA

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

	31.05.2020	31.05.2019	31.05.2018
	%	%	%
Shariah-compliant quoted securities			
- Construction	2.59	5.97	10.26
- Consumer Products & Services	7.93	8.76	13.41
- Energy	3.39	5.94	-
- Financial Services	0.62	1.66	-
- Health Care	8.30	4.41	-
- Industrial Products & Services	10.68	15.38	24.18
- Infrastructure Project Companies ("IPC")	-	-	0.87
- Plantation	1.34	2.76	-
- Property	2.29	1.91	3.34
- Real Estate Investment Trusts ("REIT")	8.65	3.01	-
- Technology	16.88	17.40	22.48
- Telecommunications & Media	3.51	2.66	-
- Transportation & Logistics	-	1.92	-
- Trading/Services	-	-	15.79
- Utilities	6.80	3.09	-
Cash and other net assets	27.02	25.13	9.67
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Note: Effective 24 September 2018, Bursa Malaysia has changed its sectorial index and classification.

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

	31.05.2020	31.05.2019	31.05.2018
NAV (RM Million)	173.84	146.37	157.78
Units in circulation (Million)	192.09	156.69	175.40
NAV per unit (RM)	0.9049	0.9341	0.8995
Highest NAV per unit (RM)	1.0523	1.0428	1.1964
Lowest NAV per unit (RM)	0.6996	0.7823	0.8582
Total return (%)	(3.13)	3.87	(20.12)
- Capital growth (%)	(3.13)	3.87	(20.12)
- Income distribution (%)	-	-	-
Management Expense Ratio ("MER") (%) ^	1.94	1.96	2.08
Portfolio Turnover Ratio ("PTR") (times) #	0.70	0.80	0.91

^ The Fund's MER has decreased from 1.96% to 1.94% for the financial year under review due to decrease in expenses during the financial year.

The Fund's PTR was decreased from 0.80 times to 0.70 times for the financial year under review due to lesser trading activities.

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB Islamic Small Cap Fund)

PERFORMANCE DATA

	31.05.2020	31.05.2019	31.05.2018	31.05.2017	31.05.2016
	%	%	%	%	%
Annual total return (Launch date: 30 April 2003)	(3.13)	3.87	(20.12)	16.16	1.91

Performance data 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 JUNE 2019 TO 31 MAY 2020)

For the financial year under review, the FBMSCAP Index decreased by 3.86% from 12,546.52 points to 12,061.84 points.

After the sell-down in the month of May 2019, Malaysian equities benefitted from relief rally in June 2019 stemming from expectation of the Federal Reserve (the “Fed”) rate cuts and de-escalation of US-China trade war. Domestic factors which also helped to boost the market include dissipating concern over regulatory risk particularly for airport operator Malaysia Airports Holdings Bhd (“MAHB”) following the release of the latest consultation paper on the implementation of Regulatory Asset Base (“RAB”) framework. We also observed improving investors’ risk appetite for small and mid-cap stocks judging by FBMSCAP Index’s gain of 3.6% in June 2019.

However, the rally continued in July 2019 despite broad market weakness largely due to the optimism in companies exposed to 5th generation mobile network (“5G”) and Internet-of-Things. However, the rally was halted due to the breakdown in Axiata-Telenor merger talks. After staying side-line for almost 2 months, market rebounded as risk appetite returned on the back of easing US-China trade war concern, and the Fed further monetary easing. In addition, financial results from companies related to 5G, Internet-of-Things and oil and gas are showing signs of recoveries, hence, the outperformance of FBMSCAP Index as compared to FBM Kuala Lumpur Composite Index (“KLCI”). The latter’s underperformance was due to the facts that financials, telecommunications and petrochemical companies were still showing margin compressions.

However, the rally was dented towards the end of November 2019 due to persisting concerns on US - China trade deal and ongoing civil unrest in Hong Kong. Furthermore, Malaysia along with other ASEAN markets were facing fund outflows in November 2019 due to MSCI rebalancing as the weightage for ASEAN was reduced to accommodate higher weighting for China and Saudi Arabia.

In December 2019, FBM100 Index found a footing as market sentiment was boosted by the Phase 1 trade deal between US and China. The optimism in the market did not last as equities slumped and bonds rallied on heightened concerns that the spread of the COVID-19 virus will slam global economic growth.

Subsequently, Bank Negara Malaysia (“BNM”) has surprised the market in January 2020 by cutting the Overnight Policy Rate (“OPR”) by 25 basis points (“bps”) to 2.75% as the Central Bank took pre-emptive measure to support the economic growth trajectory amid benign inflationary pressure and still uncertain geopolitical tensions and policy uncertainties in a number of countries

MARKET REVIEW (1 JUNE 2019 TO 31 MAY 2020) (CONTINUED)

FBMSCAP Index continued to descend amid concerns over uncertainty in domestic politics, COVID-19 outbreak and the poor set of lackluster corporate results. Political uncertainty engulfed Malaysia again following the shocked resignation of Tun Dr Mahathir as Prime Minister after losing a majority support in the parliament. However, the uncertainty of not having a functioning Federal Government was short-lived as the King has appointed Tan Sri Muhyiddin Yasin as the 8th Prime Minister after determining that the latter is likely to get a majority support in the parliament. In his last act as interim prime minister, Tun Dr Mahathir unveiled a Malaysian Ringgit (“MYR”) 20 billion stimulus package to mitigate the adverse economic impact from the Covid-19 outbreak. He further lowers Malaysia Gross Domestic Product (“GDP”) growth forecast in 2020 from 4.8% to 3.2% to 4.2% while raising the fiscal deficit target from 3.2% to 3.4%.

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

Subsequently, a liquidity driven relief rally commenced in April 2020. Small and mid-cap stocks, led mainly by technology stocks, staged a much stronger rebound as the FBMSCAP Index surged 20.2% in April 2020. The sharp turnaround in investors’ sentiment was driven by coordinated fiscal and monetary responses globally following the COVID-19 outbreak which led to a sharp recession as economic activities came to a halt.

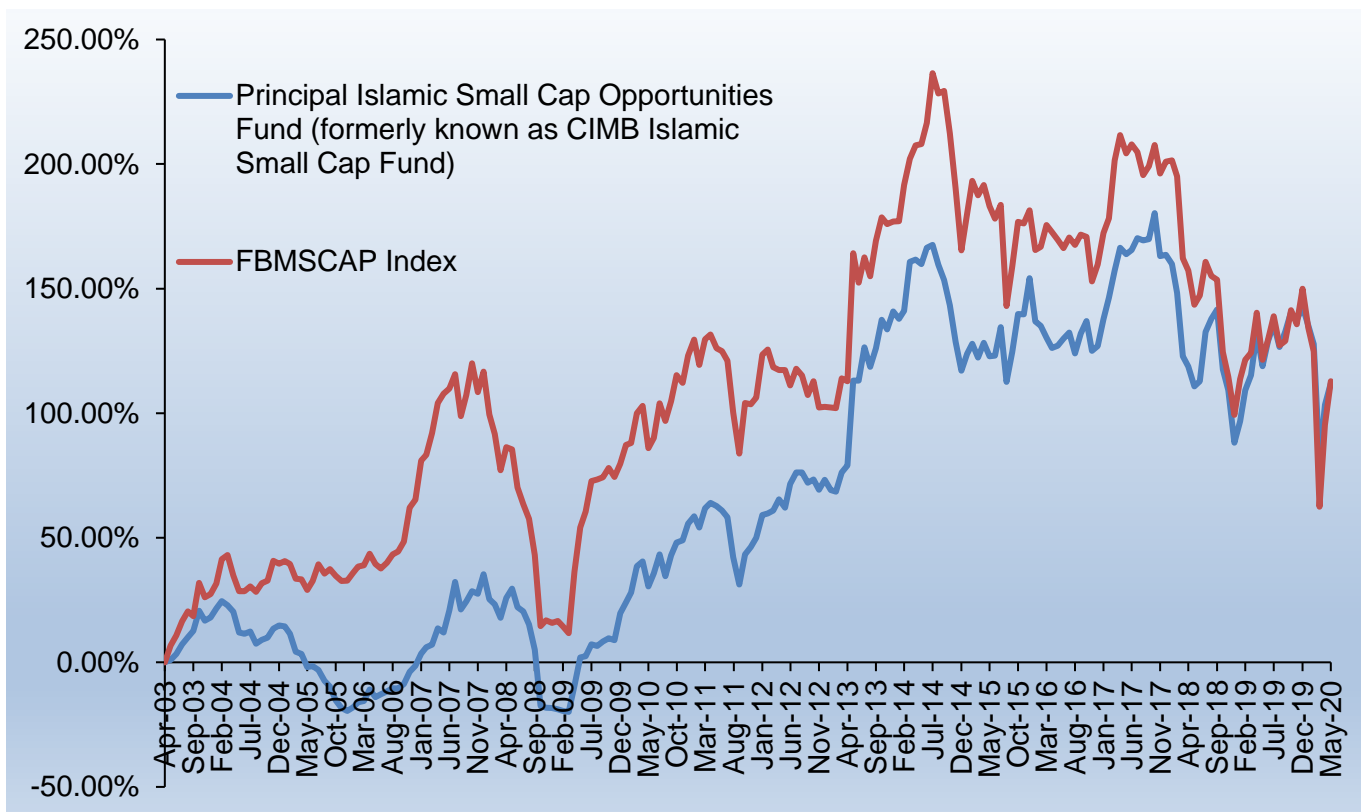
The rally continued in May 2020 driven largely by glove-related stocks as Comfort Gloves on the back of rising ASP amid tight global supply of medical gloves. First quarter of 2020 GDP growth fell sharply to 0.7% as the impact of the global pandemic and the subsequent lockdown severely impacted macroeconomic conditions. Exports fell sharply by 7.1% due to global supply chain disruption following lockdowns. Gross fixed capital formation fell 4.6% as businesses and government curtailed investment spending given uncertain outlook. While second quarter of 2020, GDP is expected to slide further given the full impact of nationwide lockdown during the MCO, recovery is expected from third quarter onwards as the nation prepares to exit from lockdown. In line with other countries, expectations are rising that the Government will end the MCO soon. This will set the stage for a much broader economic recovery as almost all business activities will resume although the pace of recovery will likely be gradual as social distancing practice will remain a norm for some time to come. To provide further boost to the domestic economy, the government has announced an additional RM35 billion stimulus package on 5 June 2020 to aid the economy during its post-lockdown recovery phase. This is in addition to the RM260 billion Prihatin Rakyat Economic Stimulus Package which has been announced earlier. The Central Bank has also played its role in ensuring that its monetary stance remains accommodative and has cut OPR by a further 50 bps to 2.0% in early May 2020.

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB Islamic Small Cap Fund)

FUND PERFORMANCE

	1 year to 31.05.2020	3 years to 31.05.2020	5 years to 31.05.2020	Since inception to 31.05.2020
	%	%	%	%
Income Distribution	-	-	-	-
Capital Growth	(3.13)	(19.62)	(4.85)	112.03
Total Return	(3.13)	(19.62)	(4.85)	112.03
Benchmark	(3.86)	(30.06)	(24.81)	112.86
Average Total Return	(3.13)	(7.02)	(0.99)	4.49

For the financial year under review, the Fund declined by 3.13% outperformed FBMSCAP Index by 0.73% as we turned defensive and started to sell cyclical stocks while at the same time raising the cash portion to withstand the broad market correction before deploying into companies with strong balance sheet that have been unfairly sold down.



PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB Islamic Small Cap Fund)

Changes in NAV

	31.05.2020	31.05.2019	Changes %
NAV (RM Million)	173.84	146.37	18.76
NAV/Unit (RM)	0.9049	0.9341	(3.13)

The Fund's NAV per unit increased by 18.76% due to fund creation while NAV per unit declined by 3.13% due to worsened investment performance during the financial year under review.

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

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	31.05.2020	31.05.2019
Shariah-compliant quoted securities	72.98	74.87
Cash and other net assets	27.02	25.13
TOTAL	100.00	100.00

Asset allocation decreased from 74.87% as at 31 May 2019 to 72.98% as at 31 May 2020 to reflect our more cautious view on the Malaysian equity market.

MARKET OUTLOOK*

While second quarter GDP is expected to slide further given the full impact of nationwide lockdown during the MCO, recovery is expected from third quarter of 2020 onwards as the nation prepares to exit from lockdown. In line with other countries, expectations are rising that the Government will end the conditional MCO ("CMCO") soon. This will set the stage for a much broader economic recovery as almost all business activities will resume although the pace of recovery will likely be gradual as social distancing practice will remain a norm for some time to come.

* 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

Despite elevated equity valuation and earnings risk, we are cognizant that equity risk premium are not excessive following the sharp decline in risk-free rates and that the capital market is flushed with liquidity now following coordinated interest rate cuts by Central Banks while governments try to revive their economies with massive fiscal stimulus. As such, we are taking a more neutral stance on the Malaysia equity market, given the prevalent expectation of swift earnings rebound in 2021.

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB Islamic Small Cap Fund)

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 31 May 2020 are as follows:

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	4,212	10.75	5.60
5,001 to 10,000	2,337	17.15	8.93
10,001 to 50,000	3,409	73.45	38.23
50,001 to 500,000	791	81.10	42.22
500,001 and above	10	9.64	5.02
Total	10,759	192.09	100.00

SOFT COMMISSIONS AND REBATES

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

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

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB Islamic Small Cap Fund)

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
*(formerly known as CIMB Islamic Small Cap Fund)***

We, being the Directors of Principal Asset Management Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 16 to 44 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 May 2020 and of its financial performance, changes in equity and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

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

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
14 July 2020

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND**
(formerly known as CIMB Islamic Small Cap Fund)

We, Universal Trustee (Malaysia) Berhad, being the Trustee of Principal Islamic Small Cap Opportunities Fund (*formerly known as CIMB Islamic Small Cap Fund*) (the "Fund"), are of the opinion that Principal Asset Management Berhad (the "Manager"), acting in the capacity of Manager of the Fund, have fulfilled their duties in the following manner for the financial year ended 31 May 2020:

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

For and on behalf of the Trustee
Universal Trustee (Malaysia) Berhad

ONG TEE VANN
Chief Executive Officer

Kuala Lumpur
14 July 2020

SHARIAH ADVISER'S REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB Islamic Small Cap Fund)

For the Financial Year from 1 June 2019 to 31 May 2020

We have acted as the Shariah Adviser of Principal Islamic Small Cap Opportunities Fund (*formerly known as CIMB Islamic Small Cap Fund*) ("the Fund"). Our responsibility is to ensure that the procedures and processes employed by Principal Asset Management Berhad, (the "Manager") are in accordance with Shariah principles.

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

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

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

For **Amanie Advisors Sdn Bhd**,

DATUK DR MOHD DAUD BAKAR
Executive Chairman

14 July 2020

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
*(formerly known as CIMB Islamic Small Cap Fund)***

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Principal Islamic Small Cap Opportunities Fund (*formerly known as CIMB Islamic Small Cap Fund*) (the "Fund") give a true and fair view of the financial position of the Fund as at 31 May 2020, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 May 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 16 to 44.

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' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND (CONTINUED)**
(formerly known as CIMB Islamic Small Cap Fund)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises the Manager'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 Manager for the financial statements

The Manager 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 Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

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

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND (CONTINUED)**
(formerly known as CIMB Islamic Small Cap Fund)

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:

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- (e) 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.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND (CONTINUED)**
(formerly known as CIMB Islamic Small Cap Fund)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the unit holders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
14 July 2020

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB Islamic Small Cap Fund)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	Note	2020 RM	2019 RM
INCOME			
Dividend income		2,872,705	3,513,486
Profit income from Shariah-compliant deposits with licensed Islamic financial institutions and Hibah earned		1,056,320	680,998
Net gain on financial assets at fair value through profit or loss	7	<u>1,238,281</u>	<u>6,043,722</u>
		<u>5,167,306</u>	<u>10,238,206</u>
EXPENSES			
Management fee	4	2,647,414	2,842,504
Trustee's fee	5	85,862	92,189
Transaction costs		475,973	657,110
Audit fee		13,600	13,600
Tax agent's fee		4,600	4,600
Other expenses		<u>60,192</u>	<u>55,945</u>
		<u>3,287,641</u>	<u>3,665,948</u>
PROFIT BEFORE TAXATION		1,879,665	6,572,258
Taxation	6	<u>-</u>	<u>(3,099)</u>
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>1,879,665</u>	<u>6,569,159</u>
Profit after taxation is made up as follows:			
Realised amount		6,651,828	(12,917,818)
Unrealised amount		<u>(4,772,163)</u>	<u>19,486,977</u>
		<u>1,879,665</u>	<u>6,569,159</u>

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

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB Islamic Small Cap Fund)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2020

	Note	2020 RM	2019 RM
ASSETS			
Cash and cash equivalents	8	50,730,868	37,278,838
Financial assets at fair value through profit or loss (Shariah-compliant)	7	126,871,832	109,588,994
Amount due from stockbrokers		2,481,145	-
Amount due from Manager		1,652,243	17,500
Dividends receivable		343,086	90,860
TOTAL ASSETS		<u>182,079,174</u>	<u>146,976,192</u>
LIABILITIES			
Amount due to stockbrokers		7,595,711	-
Amount due to Manager		363,763	336,548
Accrued management fee		253,357	236,015
Amount due to Trustee		8,217	7,655
Other payables and accruals		18,656	22,896
TOTAL LIABILITIES		<u>8,239,704</u>	<u>603,114</u>
NET ASSET VALUE OF THE FUND		<u>173,839,470</u>	<u>146,373,078</u>
EQUITY			
Unit holders' capital		121,161,315	95,574,588
Retained earnings		52,678,155	50,798,490
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>173,839,470</u>	<u>146,373,078</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	9	<u>192,089,589</u>	<u>156,685,042</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.9049</u>	<u>0.9341</u>

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

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB Islamic Small Cap Fund)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 June 2019			
Movement in unit holders' contributions:	95,574,588	50,798,490	146,373,078
- Creation of units from applications	70,185,597	-	70,185,597
- Cancellation of units	(44,598,870)	-	(44,598,870)
Total comprehensive income for the financial year	-	1,879,665	1,879,665
Balance as at 31 May 2020	<u>121,161,315</u>	<u>52,678,155</u>	<u>173,839,470</u>
Balance as at 1 June 2018			
Movement in unit holders' contributions:	113,550,270	44,229,331	157,779,601
- Creation of units from applications	16,444,095	-	16,444,095
- Cancellation of units	(34,419,777)	-	(34,419,777)
Total comprehensive income for the financial year	-	6,569,159	6,569,159
Balance as at 31 May 2019	<u>95,574,588</u>	<u>50,798,490</u>	<u>146,373,078</u>

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

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB Islamic Small Cap Fund)

STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	Note	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of Shariah-compliant quoted securities		89,334,538	145,044,586
Purchase of Shariah-compliant quoted securities		(100,740,503)	(105,759,192)
Profit income received from Shariah-compliant deposits with licensed Islamic financial institutions and Hibah earned		1,056,320	680,998
Dividend income received		2,620,479	3,491,554
Management fee paid		(2,630,072)	(2,867,416)
Trustee's fee paid		(85,300)	(92,995)
Payments for other fees and expenses		(82,630)	(90,180)
Net cash (used in)/generated from operating activities		<u>(10,527,169)</u>	<u>40,407,355</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		68,550,854	16,431,995
Payments for cancellation of units		(44,571,655)	(35,455,792)
Net cash generated from/(used in) financing activities		<u>23,979,199</u>	<u>(19,023,797)</u>
Net increase in cash and cash equivalents		13,452,030	21,383,558
Cash and cash equivalents at the beginning of the financial year		<u>37,278,838</u>	<u>15,895,280</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>50,730,868</u></u>	<u><u>37,278,838</u></u>
<u>Cash and cash equivalents comprised of:</u>			
Shariah-compliant deposits with licensed Islamic financial institutions		50,695,409	37,190,655
Bank balances		<u>35,459</u>	<u>88,183</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>50,730,868</u></u>	<u><u>37,278,838</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal Islamic Small Cap Opportunities Fund (*formerly known as CIMB Islamic Small Cap Fund*) (the “Fund”) is governed by a Principal Master Deed dated 15 May 2008, a Fourth Supplemental Master Deed dated 25 June 2008, a Sixth Supplemental Master Deed dated 14 July 2008, a Seventh Supplemental Master Deed dated 19 November 2008, a Fifteenth Supplemental Master Deed dated 21 September 2012, a Seventeenth Supplemental Master Deed dated 25 March 2015 and Nineteenth Supplemental Master Deed dated 18 June 2019 (collectively referred to as the “Deeds”), made between Principal Asset Management Berhad (the “Manager”) and Universal Trustee (Malaysia) Berhad (the “Trustee”).

The Fund may invest a minimum of 70% and up to a maximum of 98% of its Net Asset Value (“NAV”) in Shariah-compliant stocks of emerging companies*. The investment policy and strategy of the Fund will therefore focus on investments in Shariah-compliant instruments of such emerging companies* with potential growth and hands-on management policies but may be lacking in track records. The Fund may also invest up to 28% of its NAV in other permissible Shariah-compliant investments such as Islamic fixed income securities for the purpose of cash management. The Fund may also opt to seek investment exposure via Islamic collective investment scheme that is in line with the Fund’s objective, subject to the requirements of the SC Guidelines. In addition, Islamic liquid assets may be strategically used if we feel that the market downside risk is high in the short-term.

* Emerging companies in this context refers to companies that are listed on Bursa Malaysia with market capitalisation of up to three (3) billion Ringgit Malaysia (“RM”) at the point of purchase. However, should there be lack of liquidity or when we deem necessary to reduce volatility of the Fund, the Fund may invest up to 20% of its NAV in companies with market capitalization above three (3) billion RM at the point of purchase. #

With effective 1 March 2020, the Fund may invest up to 20% of its NAV in companies with market capitalization above three (3) billion at the point of purchase.

The asset allocation strategy for this Fund is as follows:

- between 70% to 98% (both inclusive) of the Fund’s NAV will be invested in Shariah-compliant equities;
- up to 28% of the Fund’s NAV in other permissible Shariah-compliant investments; and
- at least 2% of the Fund’s NAV in Islamic liquid assets.

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

The Fund has changed its name from CIMB Islamic Small Cap Fund to Principal Islamic Small Cap Opportunities Fund following the issuance of the Master Prospectus (Islamic Fund) dated 31 December 2019.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the MFRS and IFRS.

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

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

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

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

Standards, amendments to published standards or interpretation that are effective and relevant:

The Fund has applied the following amendments to published standards for the first time for the financial year beginning 1 March 2019:

- Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income ("OCI") or equity) depends on where the past transactions that generated distributable profits were recognised.

Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 June 2019 that have a material effect on the financial statements of the Fund.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 OCI.

The Fund classifies cash and cash equivalents, amount due from stockbrokers, amount due from Manager and dividends receivable as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

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

Recognition and measurement

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Recognition and measurement (continued)

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

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

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

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

Impairment for assets carried at amortised costs

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income recognition

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

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

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

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

(d) Functional and presentation currency

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

(e) Unit holders’ contributions

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

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

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

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

(f) Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Taxation

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

(h) Transaction costs

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

(i) Amount due from/to stockbrokers

Amounts due from/to stockbrokers represent receivables for Shariah-compliant quoted securities sold and payables for Shariah-compliant quoted securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB Islamic Small Cap Fund)

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2020			
Cash and cash equivalents (Note 8)	-	50,730,868	50,730,868
Shariah-compliant quoted securities (Note 7)	126,871,832	-	126,871,830
Amount due from stockbrokers	-	2,481,145	2,481,145
Amount due from Manager	-	1,652,243	1,652,243
Dividends receivable	-	343,086	343,086
	<u>126,871,832</u>	<u>55,207,342</u>	<u>182,079,174</u>
2019			
Cash and cash equivalents (Note 8)	-	37,278,838	37,278,838
Shariah-compliant quoted securities (Note 7)	109,588,994	-	109,588,994
Amount due from Manager	-	17,500	17,500
Dividend receivable	-	90,860	90,860
	<u>109,588,994</u>	<u>37,387,198</u>	<u>146,976,192</u>

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

The Fund aims to seek medium to long-term growth in capital by investing principally in emerging companies listed on Bursa Malaysia and this must be in accordance with the Shariah principles.

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

Financial risk management is carried out through internal control process adopted by the Manager and adherence to the investment restrictions as stipulated in the Deeds and SC Guidelines on Unit Trust Funds.

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

(a) Market risk

(i) Price risk

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

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

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

	2020	2019
	RM	RM
Financial assets at fair value through profit or loss:		
- Shariah-compliant quoted securities	<u>126,871,832</u>	<u>109,588,994</u>

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

% Change in price of Shariah-compliant quoted securities	Market value	Impact on profit or loss/NAV
	RM	RM
2020		
-5%	120,528,240	(6,343,592)
0%	126,871,830	-
5%	<u>133,215,424</u>	<u>6,343,592</u>
2019		
-5%	104,109,544	(5,479,450)
0%	109,588,994	-
5%	<u>115,068,444</u>	<u>5,479,450</u>

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

(a) Market risk (continued)

(ii) Interest rate risk

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

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

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

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

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

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

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

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

	2020	2019
	%	%
Shariah-compliant deposits with licensed Islamic financial institutions	1.95	3.04

(b) Credit risk

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

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

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

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

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB Islamic Small Cap Fund)

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

(b) Credit risk (continued)

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

	Cash and cash equivalents	Amount due from stockbrokers	Amount due from Manager	Dividends receivable	Total
	RM	RM	RM	RM	RM
2020					
- AAA	50,730,868	-	-	-	50,730,868
- Not Rated	-	2,481,145	1,652,243	343,086	4,476,474
	<u>50,730,868</u>	<u>2,481,145</u>	<u>1,652,243</u>	<u>343,086</u>	<u>55,207,342</u>
2019					
- AAA	37,278,838	-	-	-	37,278,838
- Not Rated	-	-	17,500	90,860	108,360
	<u>37,278,838</u>	<u>-</u>	<u>17,500</u>	<u>90,860</u>	<u>37,387,198</u>

Shariah-compliant deposits with licensed Islamic financial institutions of the Fund have an average maturity of 3 days (2019: 10 days).

(c) Liquidity risk

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

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balances, Shariah-compliant deposits with licensed Islamic financial institutions and other instruments, which are capable of being converted into cash within 7 business days. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

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.

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB Islamic Small Cap Fund)

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

(c) Liquidity risk

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2020			
Amount due to stockbroker	7,595,711		7,595,711
Amount due to Manager	363,763	-	363,763
Accrued management fee	253,357	-	253,357
Amount due to Trustee	8,217	-	8,217
Other payables and accruals	-	18,656	18,656
Contractual undiscounted cash flows	<u>8,221,048</u>	<u>18,656</u>	<u>8,239,704</u>
2019			
Amount due to Manager	336,548	-	336,548
Accrued management fee	236,015	-	236,015
Amount due to Trustee	7,655	-	7,655
Other payables and accruals	-	22,896	22,896
Contractual undiscounted cash flows	<u>580,218</u>	<u>22,896</u>	<u>603,114</u>

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital of RM121,161,315 (2019: RM95,574,588) and retained earnings of RM52,678,155 (2019: RM50,798,490). The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Fair value estimation

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

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

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

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

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

(e) Fair value estimation (Continued)

(i) Fair value hierarchy (continued)

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
2020				
Financial assets at fair value through profit or loss:				
- Shariah- compliant quoted securities	<u>126,871,832</u>	<u>-</u>	<u>-</u>	<u>126,871,832</u>

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2019				
Financial assets at fair value through profit or loss:				
- Shariah-compliant quoted securities	109,588,994	-	-	109,588,994

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

- (i) The carrying values of cash and cash equivalents, amount due from stockbrokers, amount due from stockbroker, Manager, dividends receivable and all liabilities are a reasonable approximation of their fair values due to their short term nature.

4. MANAGEMENT FEE

In accordance with the Deeds, the Manager is entitled to a maximum management fee of 3.00% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 31 May 2020, the management fee is recognised at a rate of 1.85% per annum (2019: 1.85% per annum).

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

5. TRUSTEE'S FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.06% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 31 May 2020, the Trustee's fee is recognised at a rate of 0.06% per annum (2019: 0.06% per annum).

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

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6. TAXATION

	2020	2019
	RM	RM
Tax charged for the financial year:		
- Current taxation	<u>-</u>	<u>3,099</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:

	2020	2019
	RM	RM
Profit before taxation	<u>1,879,665</u>	<u>6,572,258</u>
Taxation at Malaysian statutory rate of 24%	451,120	1,577,342
Tax effects of:		
- Income not subject to tax	(1,240,153)	(2,457,169)
- Expenses not deductible for tax purposes	144,038	189,229
- Restriction on tax deductible expenses for Unit Trust Funds	644,995	690,598
Income subject to withholding tax	<u>-</u>	<u>3,099</u>
Taxation	<u>-</u>	<u>3,099</u>

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

	2020	2019
	RM	RM
At fair value through profit or loss:		
- Shariah-compliant quoted securities	<u>126,871,832</u>	<u>109,588,994</u>
Net gain on financial assets at fair value through profit or loss:		
- Realised gain/(loss) on disposals	6,010,444	(13,443,255)
- Unrealised fair value (loss)/gain	<u>(4,772,163)</u>	<u>19,486,977</u>
	<u>1,238,281</u>	<u>6,043,722</u>

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
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**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (SHARIAH-COMPLIANT)
(CONTINUED)**

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2020				
SHARIAH-COMPLIANT QUOTED SECURITIES				
Construction				
Gabungan AQRS Bhd	491,408	615,814	466,838	0.27
Kerjaya Prospek Group Bhd	911,180	1,134,393	929,404	0.53
Muhibbah Engineering (M) Bhd	510,400	1,264,684	454,256	0.26
Sunway Construction Group Bhd	1,417,700	2,749,111	2,665,276	1.53
	<u>3,330,688</u>	<u>5,764,002</u>	<u>4,515,774</u>	<u>2.59</u>
Consumer Products & Services				
Aeon Co. (M) Bhd	1,833,100	3,175,997	1,851,431	1.06
DRB-Hicom Bhd	1,114,900	2,554,083	1,839,585	1.06
Power Root Bhd	2,668,800	6,172,627	6,965,568	4.01
Success Transformer Corporation Bhd	5,129,500	4,898,005	3,128,995	1.80
	<u>10,746,300</u>	<u>16,800,712</u>	<u>13,785,579</u>	<u>7.93</u>
Energy				
Dayang Enterprise Holdings Bhd	601,200	1,383,719	769,536	0.44
Hibiscus Petroleum Bhd	3,693,800	3,468,895	2,068,528	1.19
Serba Dinamik Holdings Bhd	484,400	624,958	779,884	0.45
Yinson Holdings Bhd	406,100	1,741,544	2,274,160	1.31
	<u>5,185,500</u>	<u>7,219,116</u>	<u>5,892,108</u>	<u>3.39</u>
Financial Services				
Syarikat Takaful Malaysia Keluarga Bhd	252,600	1,327,216	1,086,180	0.62
Health Care				
Duopharma Biotech Bhd	3,405,908	4,099,747	5,790,044	3.33
Kossan Rubber Industries Bhd	595,700	2,289,213	5,182,590	2.98
KPJ Healthcare Bhd	3,860,000	3,315,026	3,454,700	1.99
	<u>7,861,608</u>	<u>9,703,986</u>	<u>14,427,334</u>	<u>8.30</u>

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
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**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (SHARIAH-COMPLIANT)
(CONTINUED)**

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2020 (CONTINUED)				
SHARIAH-COMPLIANT (CONTINUED)				
QUOTED SECURITIES (CONTINUED)				
Industrial Products & Services				
ATA IMS Bhd	867,100	1,300,092	867,100	0.50
Chemical Co. Malaysia Bhd	3,214,233	7,487,548	4,724,923	2.72
HSS Engineers Bhd	1,496,200	1,432,681	1,024,897	0.59
Rohas Tecnic Bhd	4,275,800	3,975,655	1,774,457	1.02
Solarvest Holdings Bhd	4,860,200	5,569,700	5,978,046	3.44
Uchi Technologies Bhd	734,700	2,077,979	1,844,097	1.06
V.S. Industry Bhd	2,648,650	5,033,041	2,344,055	1.35
	<u>18,096,883</u>	<u>26,876,696</u>	<u>18,557,575</u>	<u>10.68</u>
Plantations				
FGV Holdings Bhd	<u>2,281,100</u>	<u>2,197,437</u>	<u>2,326,722</u>	<u>1.34</u>
Property				
Malaysian Resources Corporation Bhd	3,410,300	3,055,030	1,909,768	1.10
SP Setia Bhd	<u>2,175,800</u>	<u>1,998,907</u>	<u>2,077,889</u>	<u>1.19</u>
	<u>5,586,100</u>	<u>5,053,937</u>	<u>3,987,657</u>	<u>2.29</u>
REIT				
Axis REIT	<u>7,260,985</u>	<u>13,575,848</u>	<u>15,030,239</u>	<u>8.65</u>
Technology				
D&O Green Technologies Bhd	5,726,500	4,324,389	3,750,858	2.16
Globetronics Technology Bhd	714,066	1,361,354	1,399,569	0.80
Inari Amertron Bhd	1,122,100	1,955,278	1,671,929	0.96
I-Stone Group Bhd	7,471,982	996,256	1,270,237	0.73
JHM Consolidation	5,035,500	5,586,681	4,330,530	2.49
Malaysian Pacific Industries Bhd	261,200	2,631,655	2,873,200	1.65
Unisem Bhd	2,348,500	4,391,205	4,720,485	2.72
UWC Bhd	1,208,000	3,563,310	3,611,920	2.08
ViTrox Corporation Bhd	<u>664,200</u>	<u>5,265,198</u>	<u>5,712,120</u>	<u>3.29</u>
	<u>24,552,048</u>	<u>30,075,326</u>	<u>29,340,848</u>	<u>16.88</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2020 (CONTINUED)				
SHARIAH-COMPLIANT (CONTINUED)				
QUOTED SECURITIES (CONTINUED)				
Telecommunications & Media				
Binasat Communications Bhd	513,300	217,242	202,753	0.11
Media Chinese International Ltd	15,585,600	3,218,907	3,039,192	1.75
Time dotCom Bhd	267,600	2,230,774	2,863,320	1.65
	<u>16,366,500</u>	<u>5,666,923</u>	<u>6,105,265</u>	<u>3.51</u>
Utilities				
Malakoff Corporation Bhd	5,800,700	4,917,582	5,104,616	2.94
Ranhill Utilities Bhd	1,058,380	1,064,030	1,026,629	0.59
Taliworks Corporation Bhd	6,849,766	5,462,657	5,685,306	3.27
	<u>13,708,846</u>	<u>11,444,269</u>	<u>11,816,551</u>	<u>6.80</u>
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES	<u>115,229,158</u>	<u>135,705,468</u>	<u>126,871,832</u>	<u>72.98</u>
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(8,833,636)</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>126,871,8302</u>		

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB Islamic Small Cap Fund)

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019				
SHARIAH-COMPLIANT QUOTED SECURITIES				
Construction				
Gabungan AQRS Bhd	1,533,008	1,921,106	2,008,240	1.37
Kerjaya Prospek Group Bhd	567,480	811,152	698,000	0.48
Muhibbah Engineering (M) Bhd	686,600	1,701,278	1,888,150	1.29
Sunway Construction Group Bhd	1,238,200	2,439,905	2,426,872	1.66
TRC Synergy Bhd	1,954,900	1,184,969	1,270,685	0.87
Vizione Holdings Bhd	458,171	406,070	442,135	0.30
	<u>6,438,359</u>	<u>8,464,480</u>	<u>8,734,082</u>	<u>5.97</u>
Consumer Products & Services				
Aeon Co. (M) Bhd	2,565,100	4,480,088	3,873,301	2.65
Bermaz Auto Bhd	1,271,500	2,808,996	2,924,450	2.00
Bioalpha Holdings Bhd	10,796,600	2,604,841	2,159,320	1.48
DRB-Hicom Bhd	1,045,700	2,156,436	2,175,056	1.48
Magni-Tech Industries Bhd	367,300	2,275,930	1,689,580	1.15
	<u>16,046,200</u>	<u>14,326,291</u>	<u>12,821,707</u>	<u>8.76</u>
Energy				
Dayang Enterprise Holdings Bhd	812,300	639,345	791,993	0.54
Sapura Energy Bhd	4,486,100	1,388,062	1,323,400	0.90
Serba Dinamik Holdings Bhd	356,000	964,531	1,459,600	1.00
Uzma Bhd	1,563,200	1,852,917	1,180,216	0.81
Yinson Holdings Bhd	799,200	3,427,338	3,940,056	2.69
	<u>8,016,800</u>	<u>8,272,193</u>	<u>8,695,265</u>	<u>5.94</u>
Financial Services				
Syarikat Takaful Malaysia Keluarga Bhd	386,000	2,178,449	2,427,940	1.66
Health Care				
Duopharma Biotech Bhd	3,054,562	3,342,686	4,093,113	2.80
Kossan Rubber Industries Bhd	595,700	2,289,213	2,358,972	1.61
	<u>3,650,262</u>	<u>5,631,899</u>	<u>6,452,085</u>	<u>4.41</u>

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
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**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (SHARIAH-COMPLIANT)
(CONTINUED)**

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED)				
SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
Industrial Products & Services				
ATA IMS Bhd	867,100	1,300,092	1,448,057	0.99
Chemical Co. Malaysia Bhd	2,817,433	7,065,493	5,578,517	3.81
EG Industries Bhd	1,569,475	1,249,459	659,180	0.45
EG Industries Bhd - Preference shares	1,389,691	660,103	583,670	0.40
HSS Engineers Bhd	1,511,200	1,447,044	1,601,872	1.09
Pecca Group Bhd	1,752,400	2,155,529	1,857,544	1.27
Rohas Tecnic Bhd	3,058,800	3,168,469	1,712,928	1.17
Success Transformer Corporation Bhd	5,240,700	5,054,307	4,166,356	2.85
Uchi Technologies Bhd	798,200	2,243,781	2,290,834	1.56
V.S. Industry Bhd	2,648,650	5,033,041	2,622,164	1.79
	<u>21,653,649</u>	<u>29,377,318</u>	<u>22,521,122</u>	<u>15.38</u>
Plantation				
FGV Holdings Bhd	<u>3,543,000</u>	<u>4,247,412</u>	<u>4,039,020</u>	<u>2.76</u>
Property				
Malaysian Resources Corporation Bhd	<u>3,000,100</u>	<u>2,614,962</u>	<u>2,790,093</u>	<u>1.91</u>
REIT				
Axis REIT	<u>2,577,300</u>	<u>4,575,113</u>	<u>4,407,183</u>	<u>3.01</u>
Technology				
Frontken Corporation Bhd	2,039,600	705,783	2,569,896	1.76
Globetronics Technology Bhd	2,558,066	5,154,450	4,041,744	2.76
Inari Amertron Bhd	1,592,200	2,774,435	2,451,988	1.67
JHM Consolidation Bhd	4,828,400	5,470,244	5,456,092	3.73
MI Technovation Bhd	100,200	230,835	167,334	0.11
Pentamaster Corporation Bhd	2,058,892	4,132,336	8,544,402	5.84
Revenue Group Bhd	1,826,100	2,196,425	2,246,103	1.53
	<u>15,003,458</u>	<u>20,664,508</u>	<u>25,477,559</u>	<u>17.40</u>
Telecommunications & Media				
Binasat Communications Bhd	4,776,200	2,021,417	1,528,384	1.04
Time Dotcom Bhd	267,600	2,230,774	2,376,288	1.62
	<u>5,043,800</u>	<u>4,252,191</u>	<u>3,904,672</u>	<u>2.66</u>

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
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**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (SHARIAH-COMPLIANT)
(CONTINUED)**

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED)				
SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
Transportation & Logistics				
E.A. Technique Bhd	5,299,600	4,393,356	2,384,820	1.63
Pos Malaysia Bhd	316,200	677,826	423,708	0.29
	<u>5,615,800</u>	<u>5,071,182</u>	<u>2,808,528</u>	<u>1.92</u>
Utilities				
Malakoff Corporation Bhd	768,300	636,383	637,689	0.44
Ranhill Holdings Bhd	346,680	361,158	405,616	0.28
Taliworks Corporation Bhd	3,809,266	2,976,928	3,466,433	2.37
	<u>4,924,246</u>	<u>3,974,469</u>	<u>4,509,738</u>	<u>3.09</u>
TOTAL SHARIAH-COMPLIANT QUOTED SECURITIES	<u>95,898,974</u>	<u>113,650,467</u>	<u>109,588,994</u>	<u>74.87</u>
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(4,061,473)</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>109,588,994</u>		

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8. CASH AND CASH EQUIVALENTS

	2020	2019
	RM	RM
Shariah-compliant deposits with licensed Islamic financial institutions	35,604	37,190,655
Bank balances	50,695,409	88,183
	50,731,013	37,278,838

9. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2020	2019
	No. of units	No. of units
At the beginning of the financial year	156,685,042	175,398,087
Add: Creation of units from applications	81,288,927	17,541,282
Less: Cancellation of units	(45,884,380)	(36,254,327)
At the end of the financial year	192,089,589	156,685,042

10. MANAGEMENT EXPENSE RATIO (“MER”)

	2020	2019
	%	%
MER	1.94	1.96

MER is derived from the following calculation:

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

A = Management fee

B = Trustee’s fee

C = Audit fee

D = Tax agent’s fee

E = Other expenses excluding CDS fee and withholding tax

F = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial year calculated on a daily basis is RM142,994,738 (2019: RM153,733,802).

11. PORTFOLIO TURNOVER RATIO (“PTR”)

	2020	2019
PTR (times)	0.70	0.80

PTR is derived from the following calculation:

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

where:

total acquisition for the financial year = RM108,085,141 (2019: RM103,961,660)

total disposal for the financial year = RM92,040,581 (2019: RM142,942,059)

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

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

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

Units held by the Manager and parties related to the Manager

	<u>2020</u>		<u>2019</u>	
	<u>No. of units</u>	<u>RM</u>	<u>No. of units</u>	<u>RM</u>
Manager				
Principal Asset Management Berhad	23,688	21,435	4,066	3,798

In the opinion of the Manager, the above units were transacted at the prevailing market price.

The units are held beneficially by the Manager for booking purposes. Other than the above, there were no units held by the Directors or parties related to the Manager.

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12. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER, AND SIGNIFICANT RELATED PARTY 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 Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

	2020	2019
	RM	RM
<u>Significant related party transactions</u>		
Profit income from Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	276,121	159,937
Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	535,096,000	248,372,000
<u>Significant related party balances</u>		
Amount due to related broker:		
- CGS-CIMB Securities Sdn Bhd	2,856,030	-
Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	9,369,502	-

13. TRANSACTIONS WITH BROKERS

Details of transactions with the top 10 brokers for the financial year ended 31 May 2020 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total Brokerage Fees %
CLSA Securities (M) Sdn Bhd	33,073,257	16.53	50,103	14.42
UBS Securities (M) Sdn Bhd	29,389,163	14.69	39,283	11.31
Macquarie Capital Securities (M) Sdn Bhd	20,327,141	10.16	36,465	10.50
Affin Hwang Investment Bank Bhd	19,872,509	9.93	44,766	12.89
KAF Equities Sdn Bhd	16,619,181	8.31	37,411	10.77
J.P. Morgan Securities (M) Sdn Bhd	16,223,149	8.11	14,207	4.09
RHB Investment Bank Bhd	14,260,331	7.13	32,165	9.26
Maybank Investment Bank Bhd	14,048,485	7.02	29,236	8.42
CGS-CIMB Securities Sdn Bhd #	13,516,597	6.76	14,143	4.07
Hong Leong Investment Bank Bhd	11,271,098	5.63	25,428	7.32
Others	11,456,438	5.73	24,184	6.95
	200,057,349	100.00	347,391	100.00

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND
(formerly known as *CIMB Islamic Small Cap Fund*)

13. TRANSACTIONS WITH BROKERS

Details of transactions with the top 10 brokers for the financial year ended 31 May 2019 are as follows:

Brokers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total Brokerage Fees %
RHB Investment Bank Bhd	26,482,217	11.43	59,347	11.56
Affin Hwang Investment Bank Bhd	24,266,308	10.47	54,736	10.66
KAF Seagroats & Campbell Securities Bhd	22,906,195	9.88	51,598	10.05
Macquarie Capital Securities (M) Sdn Bhd	21,505,856	9.28	48,444	9.43
CIMB Investment Bank Bhd #	20,593,273	8.89	45,926	8.94
JP Morgan Securities (M) Sdn Bhd	19,849,037	8.56	44,438	8.65
CLSA Securities (M) Sdn Bhd	18,264,457	7.88	38,046	7.41
Maybank Investment Bank Bhd	17,994,476	7.76	39,549	7.70
UBS Securities (M) Sdn Bhd	16,821,978	7.26	37,069	7.22
Alliance Investment Bank Bhd	14,959,596	6.45	33,698	6.56
Others	28,130,623	12.14	60,729	11.82
	<u>231,774,016</u>	<u>100.00</u>	<u>513,580</u>	<u>100.00</u>

Included in the transactions are trades conducted with CGS-CIMB Securities Sdn Bhd and CIMB Investment Bank Bhd, related party to the Manager amounting to RM13,516,597 (2019: nil) and nil (2019: RM20,593,273). The Manager is of the opinion that all transactions with the related party have been entered in the normal course of business at agreed terms between the related party.

14. SIGNIFICANT EVENT DURING THE YEAR

The worsening of the macro-economic outlook as a result of COVID-19, both domestically and globally, has impacted the Fund's performance during the financial year. The Manager continues monitoring the situation closely and will be managing the portfolio to achieve the Fund's objective

15. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 14 July 2020.

DIRECTORY

Head Office of the Manager

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

Website

www.principal.com.my

E-mail address

service@principal.com.my

Customer Care Centre

(03) 7718 3000

Trustee for the Principal Islamic Small Cap Opportunities Fund
(formerly known as CIMB Islamic Small Cap Fund)

Universal Trustee (Malaysia) Berhad (Company No.:17540-D)
No. 1 Jalan Ampang (3rd Floor),
50450 Kuala Lumpur, MALAYSIA.
Tel: (03) 2070 8050
Fax: (03) 2031 8715, (03) 2032 3194, (03) 2070 1296

Shariah Adviser of the Principal Islamic Small Cap Opportunities Fund
(formerly known as CIMB Islamic Small Cap Fund)

Amanie Advisors Sdn Bhd (684050-H)
Level 13A-2, Menara Tokio Marine Life,
189 Jalan Tun Razak
50400 Kuala Lumpur, Malaysia
Tel: (03) 2161 0260
Fax: (03) 2161 0262

Auditors of the Fund and of the Manager

PricewaterhouseCoopers (LLP0014401-LCA & AF 1146)
Level 10, 1 Sentral,
Jalan Rakyat, Kuala Lumpur Sentral,
PO Box 10192, 50706 Kuala Lumpur, MALAYSIA.
Tel: (03) 2173 1188
Fax: (03) 2173 1288

Principal Asset Management Berhad
199401018399 (304078-K)

Enquiries:

Customer Care Centre
(603)7718 3000

Email
service@principal.com.my

Website
www.principal.com.my