

Principal Islamic Small Cap Opportunities Fund

Interim Report

For the Six Months Financial Period Ended 30 November 2020

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND

INTERIM REPORT

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 NOVEMBER 2020

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INVESTORS' LETTER

Dear Valued Investor,

Firstly, allow me to wish you a very Happy New Year! Every year is a new beginning, for us to look back at our achievements and set new goals. My guess is all of us will remember 2020 as one of the most interesting, if not most challenging periods of our lives. Families, businesses and communities are all adjusting as we face new challenges and opportunities.

Here at Principal, it means a renewed commitment to helping our customers. In 2021, we will continue to deliver exciting new investment opportunities and digital innovations for our customers. We are grateful for the opportunity to serve you and for the trust you place in us.

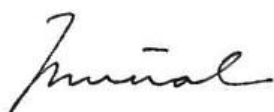
Amid a global pandemic, it might be tempting to think about delaying your investment goals. But, in reality “now” is always a better time than “later” for pursuing your goals and dreams. At Principal, customers are a top priority. We will always work to help you reach your goals, as we did last year throughout the pandemic. We will continue to focus on finding ways to make it easier for you to do investments with us, by offering new solutions around digital payments, digital submissions and digital onboarding to name a few. And, we're just getting started.

We continue to prefer equities over fixed income and remain positive on Asian equities favouring China and more developed Asian economies on a 12-month basis. We've also added more ASEAN names in anticipation of a broader economic recovery which would be strengthened by the greater availability of Coronavirus 2019 (“COVID-19”) vaccines by mid-2021.

As we look towards this year, the team is excited to bring you more insights, tips and innovative solutions to help you manage your investments and reach your long-term financial goals. Visit our website (www.principal.com.my) and follow our Facebook page (@PrincipalAssetMY) in order not to miss these updates and promotions.

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?

The Fund has achieved its objective of providing long-term capital growth. Since inception, the Fund has gained 180.54%.

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 RM 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

When was the Fund launched?

30 April 2003

What was the size of the Fund as at 30 November 2020?

RM235.68 million (196.82 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.

What was the net income distribution for the six months financial period ended 30 November 2020?

There was no distribution made for the six months financial period ended 30 November 2020.

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND

PERFORMANCE DATA

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

	30.11.2020	30.11.2019	30.11.2018
	%	%	%
Shariah-compliant quoted securities			
- Construction	6.97	4.52	6.65
- Consumer Products & Services	6.28	11.17	13.62
- Energy	6.50	9.59	6.24
- Financial Services	0.50	0.71	-
- Health Care	9.79	4.56	5.18
- Industrial Products & Services	10.45	13.01	19.70
- Plantation	3.46	1.80	0.25
- Property	1.40	1.77	2.04
- Real Estate Investment Trusts ("REITs")	6.26	3.25	-
- Technology	21.76	12.15	27.36
- Telecommunications & Media	3.84	2.69	2.93
- Transportation/Logistics	-	1.40	3.35
- Utilities	5.22	3.13	1.65
Cash and other net assets	17.57	30.25	11.03
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	30.11.2020	30.11.2019	30.11.2018
NAV (RM Million)	235.68	143.70	146.00
Units in circulation (Million)	196.82	141.85	163.47
NAV per unit (RM)	1.1974	1.0130	0.8931
	01.06.2020	01.06.2019	01.06.2018
	to 30.11.2020	to 30.11.2019	to 30.11.2018
Highest NAV per unit (RM)	1.1974	1.0361	1.0428
Lowest NAV per unit (RM)	0.8948	0.9284	0.8629
Total return (%)	32.31	8.45	(0.72)
Capital growth (%)	32.31	8.45	(0.72)
Income distribution (%)	-	-	-
Management Expense Ratio ("MER") ^	0.97	0.98	0.97
Portfolio Turnover Ratio ("PTR") #	0.89	0.24	0.35

^ The Fund's MER has decreased from 0.98% to 0.97% for the financial period under review due to increase in average NAV during the financial period.

The Fund's PTR increased from 0.24 times to 0.89 times due to higher trading activities.

PERFORMANCE DATA (CONTINUED)

	30.11.2020	30.11.2019	30.11.2018	30.11.2017	30.11.2016
	%	%	%	%	%
Annual total return	18.19	13.46	(20.48)	16.93	(6.15)

(Launch date: 30 April 2003)

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 period have been extracted from Lipper.

MARKET REVIEW (1 JUNE 2020 TO 30 NOVEMBER 2020)

For the financial period under review, the FBMSCAP Index gained by 22.11% from 12,061.84 points to 14,728.78 points.

After the strong surge since late-March up to early June 2020, FBMSCAP Index saw some profit-taking activities as there are concern of second wave of COVID-19 new infections after Movement Control Order (“MCO”) is being lifted gradually. Over the course of June 2020, the Government has announced further RM35 billion stimulus under National Economic Recovery Plan (“PENJANA”) which consists of RM10 billion in direct fiscal injections, RM8 billion in tax incentives and the rest via measures by public sector entities. The Government also announced that it is offering up to 100% sales tax exemption for Complete Knocked-Down (“CKD”) and Completely Built-Up (“CBU”) vehicles from 15 June 2020 till 31 December 2020 while property sector will be boosted by reintroduction of the Home Ownership Campaign (“HOC”), exemption of individuals’ Real Property Gain Tax (“RPGT”) and the lifting of the maximum loan-to-value ratio (“LTV”) to 70%.

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

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

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

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

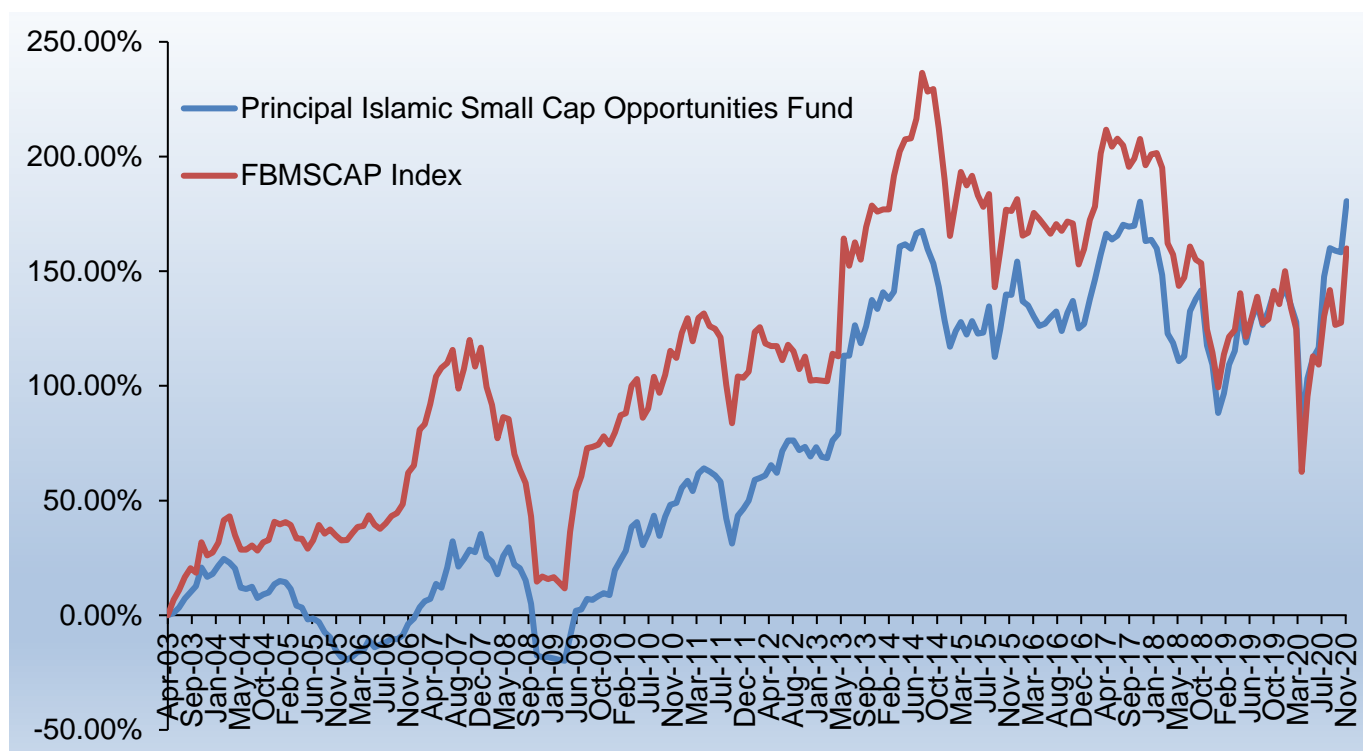
FBMSCAP Index ended the financial period with a rally amidst the successful test trials of several COVID-19 vaccines and passing of the 2020 Budget by parliament.

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND

FUND PERFORMANCE

	6 months to 30.11.2020	1 year to 30.11.2020	3 years to 30.11.2020	5 years to 30.11.2020	Since inception to 30.11.2020
	%	%	%	%	%
Income Distribution	-	-	-	-	-
Capital Growth	32.31	18.19	6.64	17.04	180.54
Total Return	32.31	18.19	6.64	17.04	180.54
Benchmark	22.11	10.29	(12.27)	(5.89)	159.90
Average Total Return	N/A	7.36	(2.69)	1.50	5.54

For the financial period under review, the Fund gained by 32.31%, while the benchmark gained by 22.11%. As such, the Fund outperformed its benchmark by 10.20%.



Changes in NAV

	30.11.2020	31.05.2020 Audited	Changes %
NAV (RM Million)	235.68	173.84	35.57
NAV/Unit (RM)	1.1974	0.9049	32.32

The NAV per unit has increased by 32.32% due to positive investment performance, and the NAV has increased even more by 35.57% due to cash injections.

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 period have been extracted from Lipper.

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	30.11.2020	31.05.2020 Audited
Shariah-compliant quoted securities	82.43	72.98
Cash and other net assets	17.57	27.02
TOTAL	100.00	100.00

Asset allocation increased from 72.98% as at 31 May 2020 to 82.43% as at 30 November 2020 to reflect our more constructive view on the equity market.

MARKET OUTLOOK*

The Government has proposed a 2021 Budget of RM322.5 billion (+2.5% year-on-year (“y-o-y”)) or 20.4% of GDP. Of the total, Operating Expenses amounted to RM236.5 billion (+4.3%), development expenditure of RM69 billion (+38% y-o-y) and COVID-19 fund of RM17 billion. GDP projected to rebound sharply in 2021 by 6.5%-7.5% in 2021 (versus -4.5% in 2020). After a challenging year, all signs are signaling a buoyant 2021 as COVID-19 vaccine progress continues and policy remains extremely supportive. Construction was one of the beneficiaries seen out of the budget. After all, mega-infra projects now seem to be back in the limelight with mentions of the The Metro Rail Transit 3 (“MRT3”) and High-speed Rail (“HSR”) by Finance Minister. Other than MRT3, the Government will also continue with the Kuala Lumpur–Singapore HSR, subject to negotiations with Singapore.

The Government has also decided to relax the Employees Provident Fund (“EPF”) withdrawal process for the needy and decided not to give a blanket approval for loan moratorium. This has sparked the rebound for Financial stocks post-budget voting.

The global oil market surged on vaccine hopes but a return to pre-crisis oil market fundamentals is some time away. The pandemic meanwhile accelerates the energy transition aided by a wide set of policy support and stimulus measures. Crude oil climbed to its highest level since early March 2020 on optimism surrounding the vaccine announcements, with sentiment also boosted by US election results. Oil futures turned into backwardation to reflect tighter conditions. Vaccines improve the economic outlook and future oil demand over the 2-year to 3-year horizon but are unlikely to boost demand significantly in the near-term. Rising commodity prices, particularly oil and gas and palm oil, will bode well for Malaysia as these sectors are the major exports and consumption pillars for the country.

On COVID-19 front, the Malaysian Government said it has signed an agreement with China and Pfizer Incorporation to cooperate on the development of a safe and efficacious vaccine, as part of efforts to combat the COVID-19 pandemic. Continuous positive development on the vaccines will instill consumer confidence and sentiment.

* 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

On valuations, FBMKLCI is currently trading at 2021 price-to-earnings ratio (“PE”) of 15.0 times (ex-Glove 15.8 times) as compared to its 10-year mean of 15.4 times. We expect the low interest rate environment to be sustained until the economy is on a firmer footing. With such a low interest rate, Equity Risk Premium (“ERP”) has widened significantly to 3.85%, approximately 2-standard deviation over mean of 2.72%. This means that equity valuation is actually very cheap now relative to fixed income. We value KLCI at 1,730 for the base case for 2021 as we peg it to 17.1 times PE. All things being considered, we are positive on Malaysia market from valuations perspective

The approval of 2021 Budget by the Parliament was the biggest short-term positive development that would help to alleviate political risk in Malaysia. Despite noises of a possible no confidence vote against the Prime Minister and the Budget 2021, it was passed smoothly and all measures will be implemented in 2021. With major headwinds such as US Presidential Election and Malaysia Budget 2021 are now being addressed and cheap valuations, we are now cautiously optimistic for first half of 2021 (“1H2021”). Earlier hope for rapid recovery in fourth quarter of 2020 may be dented (due to resurgence of COVID-19 globally) but we are now confident of a sustainable economic recovery in 1H2021. As a result, we will continue to increase our asset allocation towards 90-95% and focusing on post COVID-19 recovery theme. Sector in focus will be on Bank and Financial Services, Consumer, Technology and Commodity-related, whilst at the same time reducing our position on the Healthcare and REIT sectors.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 30 November 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	4,798	12.47	6.34
5,001 to 10,000	2,634	19.30	9.81
10,001 to 50,000	3,697	80.22	40.76
50,001 to 500,000	760	75.44	38.33
500,001 and above	10	9.39	4.76
Total	11,899	196.82	100.00

SOFT COMMISSIONS AND REBATES

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

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

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

We, being the Directors of Principal Asset Management Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 11 to 36 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 November 2020 and of its financial performance, changes in equity and cash flows for the financial period then ended in accordance with the Malaysian Financial Reporting Standards (“MFRS”) 134 - Interim Financial Reporting and International Accounting Standards (“IAS”) 34 - Interim Financial Reporting.

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
13 January 2021

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND**

We, Universal Trustee (Malaysia) Berhad, being the Trustee of Principal Islamic Small Cap Opportunities 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 six months financial period ended 30 November 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
13 January 2021

Shariah Adviser's Report

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

For the Six Months Financial Period ended 30 November 2020

We hereby confirm the following:

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

For Amanie Advisors Sdn Bhd

Datuk Dr Mohd Daud Bakar
Executive Chairman

Kuala Lumpur
13 January 2021

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 NOVEMBER 2020**

	Note	01.06.2020 to 30.11.2020 RM	01.06.2019 to 30.11.2019 RM
INCOME			
Dividend income		2,259,256	1,640,009
Profit income from Shariah-compliant deposits with licensed Islamic financial institutions at amortised cost and Hibah earned		236,736	562,907
Net gain on financial assets at fair value through profit or loss	7	<u>60,086,430</u>	<u>11,654,507</u>
		<u>62,582,422</u>	<u>13,857,423</u>
EXPENSES			
Management fee	4	1,996,916	1,387,223
Trustee fee	5	64,765	44,991
Audit fee		5,050	8,550
Tax agent's fee		3,826	1,750
Transaction costs		873,605	168,457
Other expenses		<u>59,154</u>	<u>35,181</u>
		<u>3,003,316</u>	<u>1,646,152</u>
PROFIT BEFORE TAXATION		59,579,106	12,211,271
Taxation	6	<u>-</u>	<u>-</u>
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u>59,579,106</u>	<u>12,211,271</u>
Profit after taxation is made up as follows:			
Realised amount		33,203,857	11,900,563
Unrealised amount		<u>26,375,249</u>	<u>310,708</u>
		<u>59,579,106</u>	<u>12,211,271</u>

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

PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2020**

	Note	30.11.2020	31.05.2020
		RM	Audited
			RM
ASSETS			
Cash and cash equivalents	8	38,373,074	50,730,868
Financial assets at fair value through profit or loss (Shariah-compliant)	7	194,278,388	126,871,832
Amount due from stockbrokers		4,888,172	2,481,145
Amount due from Manager		2,483,515	1,652,243
Dividends receivable		339,838	343,086
TOTAL ASSETS		<u>240,362,987</u>	<u>182,079,174</u>
LIABILITIES			
Amount due to stockbrokers		3,451,681	7,595,711
Amount due to Manager		863,353	363,763
Accrued management fee		341,833	253,357
Amount due to Trustee		11,086	8,217
Other payables and accruals		14,552	18,656
TOTAL LIABILITIES		<u>4,682,505</u>	<u>8,239,704</u>
NET ASSET VALUE OF THE FUND		<u>235,680,482</u>	<u>173,839,470</u>
EQUITY			
Unit holders' capital		123,423,221	121,161,315
Retained earnings		112,257,261	52,678,155
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>235,680,482</u>	<u>173,839,470</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	9	<u>196,816,059</u>	<u>192,089,589</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.1974</u>	<u>0.9049</u>

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 NOVEMBER 2020**

	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 June 2020			
Movement in unit holders' contributions:	121,161,315	52,678,155	173,839,470
- Creation of units from applications	96,936,112	-	96,936,112
- Cancellation of units	(94,674,206)	-	(94,674,206)
Total comprehensive income for the financial period	-	59,579,106	59,579,106
Balance as at 30 November 2020	<u>123,423,221</u>	<u>112,257,261</u>	<u>235,680,482</u>
Balance as at 1 June 2019	95,574,588	50,798,490	146,373,078
Movement in unit holders' contributions:			
- Creation of units from applications	7,248,479	-	7,248,479
- Cancellation of units	(22,133,413)	-	(22,133,413)
Total comprehensive income for the financial period	-	12,211,271	12,211,271
Balance as at 30 November 2019	<u>80,689,654</u>	<u>63,009,761</u>	<u>143,699,415</u>

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

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 NOVEMBER 2020**

	01.06.2020 to 30.11.2020 RM	01.06.2019 to 30.11.2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from disposal of Shariah-compliant quoted securities	185,046,794	41,654,548
Purchases of Shariah-compliant quoted securities	(199,791,581)	(23,841,732)
Profit income received from Shariah-compliant deposits with licensed Islamic financial institutions and Hibah earned	236,736	562,907
Dividend income received	2,227,726	1,588,412
Management fees paid	(1,908,440)	(1,398,638)
Trustee and custodian fees paid	(61,896)	(45,362)
Payments of other fees and expenses	(37,357)	(21,486)
Net cash (used in)/generated from operating activities	(14,288,018)	18,498,649
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	96,104,840	7,255,860
Payments for cancellation of units	(94,174,616)	(21,945,849)
Net cash generated from/(used in) financing activities	1,930,224	(14,689,989)
Net (decrease)/increase in cash and cash equivalents	(12,357,794)	3,808,660
Cash and cash equivalents at the beginning of the financial period	50,730,868	37,278,838
Cash and cash equivalents at the end of the financial period	38,373,074	41,087,498
<u>Cash and cash equivalents comprise of</u>		
Shariah-compliant deposits with licensed Islamic financial institutions	38,314,069	41,040,258
Bank balances	59,005	47,240
Cash and cash equivalents at the end of the financial period	38,373,074	41,087,498

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 NOVEMBER 2020**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal Islamic Small Cap Opportunities 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 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 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 RM 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 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 International Financial Reporting Standards (“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 period.

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

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

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 June 2020 that have a material effect on the financial statements of the Fund.

There are no applicable standards, amendments to standards or interpretations that are effective for financial period beginning on/after 1 December 2020 to the financial statements of 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 OCI.

The contractual cash flows of the Fund’s debt securities are solely principal and profit. However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund’s business model’s objective. Consequently, all investments are measured at fair value through profit or loss.

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

The contractual cash flows of the Fund's debt securities are solely payment of principal and interest¹ ("SPPI"). However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents, 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 period which they arise.

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

Shariah-compliant quoted securities in Malaysia are valued at the last traded market price quoted on Bursa Malaysia Securities Bhd ("Bursa Securities") at the date of the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Recognition and measurement (continued)

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

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 period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(c) Functional and presentation currency**

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

(d) 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 rate method on an accrual basis.

Realised gain or loss on disposal of Shariah-compliant quoted securities are 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.

(e) 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Taxation

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

Withholding taxes on investment income from investments are based on tax regime of the respective countries that the Fund invests in. Such withholding taxes are not “income tax” in nature and are recognised and measured based on the requirements of MFRS 137. They are presented within other expenses line in the statement of comprehensive income.

(g) Transactions 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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 period 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.

(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 initially at fair value and subsequently measured 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.

(i) Amount due from/to stockbrokers (continued)

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 judgement 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 investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC Guidelines on Unit Trust Funds.

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

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

(a) Market risk

(i) Price risk

Price risk is the risk that the fair value of 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.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk

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

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 requirements.

The Fund's exposure to fair value interest rate risk arises from Shariah-compliant deposits with licensed financial institutions. The interest rate risk is expected to be minimal as the Fund's investments comprise mainly short term Shariah-compliant 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 profit 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 period, the Fund is not exposed to a material level of interest rate risk.

(b) Credit risk

Credit risk refers to the risk that 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 Manager, the settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Guidelines on Unit Trust Funds.

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

(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.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) **Liquidity risk (continued)**

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

(d) **Capital risk management**

The capital of the Fund is represented by equity consisting of unit holders' capital and retained earnings. 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 period end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

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

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

(i) Fair value hierarchy

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

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

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

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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
30.11.2020				
Financial asset at fair value through profit or loss:				
- Shariah-compliant quoted securities	<u>194,278,388</u>	<u>-</u>	<u>-</u>	<u>194,278,388</u>
31.05.2020				
Audited				
Financial asset 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>

Shariah-compliant investments whose 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).

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

4. MANAGEMENT FEE

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

For the six months financial period ended 30 November 2020, the management fee is recognised at a rate of 1.85% per annum (30.11.2019: 1.85% per annum).

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

5. TRUSTEE 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 six months financial period ended 30 November 2020, the Trustee fee is recognised at a rate of 0.06% per annum (30.11.2019: 0.06% per annum).

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

6. TAXATION

	01.06.2020 to 30.11.2020	01.06.2019 to 30.11.2019
	RM	RM
Tax charged for the financial period:		
- Current taxation	<u>-</u>	<u>-</u>

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

	01.06.2020 to 30.11.2020	01.06.2019 to 30.11.2019
	RM	RM
Profit before taxation	<u>59,579,106</u>	<u>12,211,271</u>
Taxation at Malaysian statutory rate of 24%	14,298,985	2,930,705
Tax effects of:		
- Income not subject to tax	(15,019,781)	(3,325,782)
- Expenses not deductible for tax purposes	239,667	59,151
- Restriction on tax deductible expenses for Unit Trust Funds	<u>481,129</u>	<u>335,926</u>
Taxation	<u>-</u>	<u>-</u>

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

	30.11.2020	31.05.2020
	RM	Audited RM
At fair value through profit or loss:		
- Shariah-compliant quoted securities	<u>194,278,388</u>	<u>126,871,832</u>

	01.06.2020 to 30.11.2020	01.06.2019 to 30.11.2019
	RM	RM
Net gain on financial assets at fair value through profit or loss:		
- Realised gain on disposals	33,711,181	11,343,802
- Unrealised fair value gain	<u>26,375,249</u>	<u>310,705</u>
	<u>60,086,430</u>	<u>11,654,507</u>

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 %
30.11.2020				
SHARIAH-COMPLIANT QUOTED SECURITIES				
Construction				
Econpile Holdings Bhd	1,962,500	1,248,416	922,375	0.39
Gabungan AQRS Bhd	491,408	615,814	339,071	0.14
IJM Corp Bhd	1,633,300	2,335,129	2,645,946	1.12
Kerjaya Prospek Group Bhd	920,291	1,143,868	915,690	0.39
MGB Bhd	2,929,700	2,209,189	1,757,820	0.75
Solarvest Holdings Bhd	4,305,600	5,007,470	7,233,408	3.07
Sunway Construction Group Bhd	1,417,700	2,749,111	2,608,568	1.11
	<u>13,660,499</u>	<u>15,308,997</u>	<u>16,422,878</u>	<u>6.97</u>
Consumer Products & Services				
DRB-Hicom Bhd	1,400,800	2,767,035	2,787,592	1.18
Mr D.I.Y. Group (M) Bhd	2,071,900	4,712,665	5,449,097	2.31
Power Root Bhd	3,127,400	7,165,447	6,567,540	2.79
	<u>6,600,100</u>	<u>14,645,147</u>	<u>14,804,229</u>	<u>6.28</u>
Energy				
Dialog Group Bhd	1,139,200	4,340,263	4,101,120	1.74
Hibiscus Petroleum Bhd	13,151,100	8,868,426	7,890,660	3.35
Yinson Holdings Bhd	634,700	3,699,710	3,313,134	1.41
	<u>14,925,000</u>	<u>16,908,399</u>	<u>15,304,914</u>	<u>6.50</u>
Financial Services				
Syarikat Takaful Malaysia Keluarga Bhd	252,600	1,327,216	1,189,746	0.50
Health Care				
Duopharma Biotech Bhd	1,436,000	5,654,869	5,815,800	2.47
Hartalega Holdings Bhd	397,200	5,530,850	5,719,680	2.43
Kossan Rubber Industries	720,800	3,091,451	4,490,584	1.91
KPJ Healthcare Bhd	3,860,000	3,315,026	3,686,300	1.56
Top Glove Corporation Bhd	469,100	3,229,677	3,339,992	1.42
	<u>6,883,100</u>	<u>20,821,873</u>	<u>23,052,356</u>	<u>9.79</u>

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 %
30.11.2020 (CONTINUED)				
SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
Industrial Products & Services				
ATA IMS Bhd	2,838,800	6,283,025	6,273,748	2.66
HSS Engineers Bhd	1,496,200	1,432,681	710,695	0.30
Kelington Group Bhd	4,748,200	5,348,388	8,641,724	3.67
SKP Resources Bhd	252,950	336,016	516,018	0.22
Success Transformer Corporation Bhd	5,129,500	4,898,005	3,539,355	1.50
Uchi Technologies Bhd	1,491,200	4,074,365	4,100,800	1.74
V.S. Industry Bhd	360,648	538,195	847,523	0.36
	<u>16,317,498</u>	<u>22,910,675</u>	<u>24,629,863</u>	<u>10.45</u>
Plantation				
FGV Holdings Bhd	<u>6,745,400</u>	<u>8,111,893</u>	<u>8,161,934</u>	<u>3.46</u>
Property				
LBS Bina Group Bhd	2,148,157	957,586	837,781	0.36
Malaysian Resources Corporation Bhd	2,659,900	2,382,803	1,250,153	0.53
SP Setia Bhd	1,493,300	1,385,990	1,209,573	0.51
	<u>6,301,357</u>	<u>4,726,379</u>	<u>3,297,507</u>	<u>1.40</u>
REITs				
Axis REIT	<u>6,895,085</u>	<u>13,013,622</u>	<u>14,755,482</u>	<u>6.26</u>
Technology				
D&O Green Technologies Bhd	6,848,200	5,872,628	12,189,796	5.17
Globetronics Technology Bhd	2,491,266	6,320,085	7,423,973	3.15
Greatech Technology Bhd	174,500	1,160,152	1,570,500	0.67
Inari Amertron Bhd	2,393,600	6,179,410	6,414,848	2.72
I-STONE Group Bhd	19,403,282	4,125,876	4,656,788	1.98
JHM Consolidation Bhd	4,124,000	4,462,466	7,959,320	3.38
Malaysian Pacific Industries Bhd	51,400	517,868	1,288,084	0.55
MI Technovation Bhd	1,844,700	7,487,900	7,360,353	3.12
Pentamaster Corporation Bhd	485,600	2,378,598	2,403,720	1.02
	<u>37,816,548</u>	<u>38,504,983</u>	<u>51,267,382</u>	<u>21.76</u>

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 %
30.11.2020 (CONTINUED) SHARIAH-COMPLIANT QUOTED SECURITIES (CONTINUED)				
Telecommunications & Media				
Binasat Communications Bhd	513,300	217,242	184,788	0.08
Media Chinese International Ltd	15,585,600	3,218,907	2,415,768	1.02
TIME dotCom Bhd	471,900	4,721,211	6,465,030	2.74
	<u>16,570,800</u>	<u>8,157,360</u>	<u>9,065,586</u>	<u>3.84</u>
Utilities				
Gas Malaysia Bhd	231,700	652,572	632,541	0.27
Malakoff Corporation Bhd	5,800,700	4,917,582	5,191,626	2.20
Ranhill Holdings Bhd	1,296,663	1,267,420	1,056,780	0.45
Taliworks Corporation Bhd	6,849,766	5,462,657	5,445,564	2.30
	<u>14,178,829</u>	<u>12,300,231</u>	<u>12,326,511</u>	<u>5.22</u>
TOTAL SHARIAH- COMPLIANT QUOTED SECURITIES	<u>147,146,816</u>	<u>176,736,775</u>	<u>194,278,388</u>	<u>82.43</u>
ACCUMULATED UNREALISED GAIN ON SHARIAH-COMPLIANT QUOTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>17,541,613</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>194,278,388</u>		

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 %
31.05.2020				
Audited				
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>

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 %
31.05.2020 (CONTINUED)				
Audited (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>

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 %
31.05.2020 (CONTINUED)				
Audited (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>		

8. CASH AND CASH EQUIVALENTS

	30.11.2020	31.05.2020
	RM	Audited RM
Shariah-compliant deposits with licensed Islamic financial institutions	38,314,069	50,695,409
Bank balances	59,005	35,459
	38,373,074	50,730,868

9. NUMBER OF UNITS IN CIRCULATION (UNITS)

	01.06.2020 to 30.11.2020	01.06.2019 to 31.05.2020
	No. of units	Audited No. of units
At the beginning of the financial period/year	192,089,589	156,685,042
Add: Creation of units from applications	93,458,692	81,288,927
Less: Cancellation of units	(88,732,222)	(45,884,380)
At the end of the financial period/year	196,816,059	192,089,589

10. MANAGEMENT EXPENSE RATIO (“MER”)

	01.06.2020 to 30.11.2020	01.06.2019 to 30.11.2019
	%	%
MER	0.97	0.98

MER is derived from the following calculation:

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

A = Management fee

B = Trustee fee

C = Audit fee

D = Tax Agent’s fee

E = Other expenses excluding withholding tax

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

The average NAV of the Fund for the financial period calculated on a daily basis is RM215,692,031 (30.11.2019: RM149,533,441).

11. PORTFOLIO TURNOVER RATIO (“PTR”)

	01.06.2020 to 30.11.2020	01.06.2019 to 30.11.2019
PTR (times)	0.89	0.24

PTR is derived from the following calculation:

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

where:

total acquisition for the financial period = RM195,243,674 (30.11.2019: RM24,866,268)

total disposal for the financial period = RM187,823,547 (30.11.2019: RM45,872,605)

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
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
Principal Asset Management (S) Pte Ltd	Investment Adviser of the Fund
CGS-CIMB Securities (Singapore) Pte Ltd	Fellow related party to the Manager
CIMB Islamic Bank Bhd	Fellow related party to the Manager
CIMB Investment Bank Bhd	Fellow related party to the Manager

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

Units held by the Manager and parties related to the Manager

	30.11.2020		31.05.2020 Audited	
	No. of units	RM	No. of units	RM
Manager				
Principal Asset Management Berhad	57,538	68,896	23,688	21,435

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

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

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

	01.06.2020 to 30.11.2020 RM	01.06.2019 to 30.11.2019 RM
<u>Significant related party transactions</u>		
Profit income from Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	70,313	116,585
Cash placements with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	551,034,000	189,878,000
	30.11.2020	31.05.2020
	RM	Audited
		RM
<u>Significant related party balances</u>		
Shariah-compliant deposits with licensed Islamic financial institution:		
- CGS-CIMB Securities Sdn Bhd	-	2,856,030
Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	17,123,751	9,369,502

13. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the top 10 brokers/dealers for the six months financial period ended 30 November 2020 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Macquarie Capital Securities (M) Sdn Bhd	56,282,517	14.70	103,662	15.41
KAF Equities Sdn Bhd	56,141,489	14.66	123,047	18.29
Maybank Investment Bank Bhd	51,993,438	13.58	81,546	12.12
CLSA Securiteis (Malaysia) Bhd	47,121,549	12.30	65,996	9.81
RHB Investment Bank Bhd	38,502,367	10.05	84,255	12.52
JP Morgan Securities (Malaysia) Sdn Bhd	33,179,688	8.66	24,716	3.67
Hong Leong Investment Bank Bhd	25,064,922	6.54	55,239	8.21
Affin Hwang Investment Bank Bhd	23,030,094	6.01	50,375	7.49
CGS-CIMB Securities Sdn Bhd #	23,021,423	6.01	35,943	5.34
UBS Securities Malaysia Sdn Bhd	21,473,822	5.61	37,803	5.62
Others	7,165,689	1.88	10,210	1.52
	<u>382,976,998</u>	<u>100.00</u>	<u>672,792</u>	<u>100.00</u>

13. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

Details of transactions with the top 10 brokers/dealers for six months financial period ended 30 November 2019 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
UBS Securities Malaysia Sdn Bhd	11,664,528	16.50	12,707	10.01
CLSA Securiteis (Malaysia) Bhd	10,154,158	14.36	13,473	10.62
Kaf Seagroatt & Campbell Securities Sdn Bhd	7,768,562	10.99	17,479	13.77
Macquarie Capital Securities (M) Sdn Bhd	6,648,776	9.40	13,208	10.41
RHB Investment Bank Bhd	6,288,053	8.89	14,219	11.20
Affin Hwang Investment Bank Bhd	6,211,793	8.78	14,029	11.05
Maybank Investment Bank Bhd	5,411,578	7.65	12,222	9.63
Hong Leong Investment Bank Bhd	4,608,045	6.52	10,410	8.20
JP Morgan Securities (Malaysia) Sdn Bhd	4,370,988	6.18	4,298	3.39
CGS-CIMB Securities Sdn Bhd #	4,009,394	5.67	6,809	5.37
Others	3,573,941	5.06	8,059	6.35
	<u>70,709,816</u>	<u>100.00</u>	<u>126,913</u>	<u>100.00</u>

Included in the transactions are trades conducted CGS-CIMB Securities Sdn Bhd fellow related parties to the Manager amounting to RM23,021,423 (30.11.2019: RM4,009,394) respectively. The Manager is of the opinion that all transactions with the related party have been entered into in the normal course of business at agreed terms between the related party.

14. SIGNIFICANT EVENT DURING THE PERIOD

The worsening macro-economic outlook as a result of COVID-19, both domestically and globally, has impacted the fund performance during the financial period.

The Manager is monitoring the situation closely and will be actively managing the portfolio to achieve the Fund's objective.

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