

Principal KLCI-Linked Fund

Annual Report

For The Financial Year Ended 30 September 2021

PRINCIPAL KLCI-LINKED FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021

CONTENTS	PAGE(S)
INVESTORS' LETTER	1
MANAGER'S REPORT	2 - 8
Fund Objective and Policy	
Performance Data	
Market Review	
Fund Performance	
Portfolio Structure	
Market Outlook	
Investment Strategy	
Unit Holdings Statistics	
Soft Commissions and Rebates	
STATEMENT BY MANAGER	9
TRUSTEE'S REPORT	10
INDEPENDENT AUDITORS' REPORT	11 - 14
STATEMENT OF COMPREHENSIVE INCOME	15
STATEMENT OF FINANCIAL POSITION	16
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	17
STATEMENT OF CASH FLOWS	18
NOTES TO THE FINANCIAL STATEMENTS	19 - 40
DIRECTORY	41

INVESTORS' LETTER

Dear Valued Investor,

Greetings from Principal Asset Management Berhad and thank you for investing with us!

We are pleased to bring you a copy of the Annual Fund Report of the Principal KLCI-Linked Fund for the financial period ended 30 September 2021. You may also download this report from our website at www.principal.com.my.

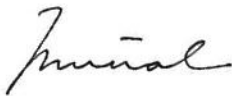
We are happy to share that we recently won the Most Innovative New Money Market Fund – Principal e-Cash Fund at the Global Business Outlook Awards 2021. Principal was also recognised as the Best Online & Mobile Platform (Asset Manager) Malaysia 2021 at the World Business Outlook Annual Awards 2021.

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

We also wish to inform that Ernst & Young PLT (“EY”) has been appointed as the auditor of the Fund in respect of the audit for the financial year ended 31 August 2021 onwards. The appointment of the Fund Auditor by the Trustee of the Fund, HSBC (Malaysia) Trustee Berhad, is in accordance with the provisions of the Deed in relation to the 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 Fund aims to achieve medium to long-term capital appreciation by seeking to match the performance of the Financial Times Stock Exchange ("FTSE") Bursa Malaysia ("FBM") Kuala Lumpur Composite Index ("FBMKLCI").

Has the Fund achieved its objective?

For the financial year under review, the Fund has performed in line with its objectives as stated in its investment objective section.

What are the Fund investment policy and principal investment strategy?

The Fund is an index fund which aims to track the movement of the FBMKLCI. The Fund's indexing strategy is to hold a representative sample of the securities that make up its underlying index. Thus, the Fund normally invests at least 90% of its Net Asset Value ("NAV") in the index stocks representing the top 95%-98% of the index weights. As such, the Fund may invest up to 30 index stocks, being the representative index stocks of the FBMKLCI. The Fund may also utilise index futures to ensure it is fully invested at all times and to reduce transaction costs.

The asset allocation strategy for this Fund is as follows:

- up to 99.5% of the Fund will be invested in securities and other permissible investments; and
- at least 0.5% in liquid assets.

Fund category/type

Equity/Index-tracking

When was the Fund launched?

8 June 2000

What was the size of the Fund as at 30 September 2021?

RM17.09 million (13.09 million units)

What is the Fund's benchmark?

FBMKLCI

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

What is the Fund distribution policy?

No distribution is expected to be paid, however, distribution, if any, will be incidental and will vary from period to period depending on interest rates, market conditions and the performance of the Fund.

PERFORMANCE DATE

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

	30.09.2021	30.09.2020	30.09.2019
	%	%	%
Quoted securities			
- Consumer Products & Services	12.10	10.90	12.22
- Energy	2.23	3.75	3.27
- Financial Services	31.44	28.10	32.72
- Health Care	8.93	16.64	6.61
- Industrial Products & Services	10.41	6.51	7.53
- Plantation	6.91	9.19	8.64
- Real Estate Investment Trust (“REITs”)	-	0.77	-
- Telecommunications & Media	11.88	10.90	10.81
- Transportation & Logistics	2.47	2.40	4.04
- Utilities	9.63	10.80	12.28
Cash and other net assets	4.43	1.31	2.22
Liabilities	(0.43)	(1.27)	(0.34)
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

	30.09.2021	30.09.2020	30.09.2019
NAV (RM Million)	17.09	16.88	18.00
Units in circulation (Million)	13.09	13.62	14.09
NAV per unit (RM)	1.3057	1.2397	1.2778
Highest NAV per unit (RM)	1.3854	1.3224	1.4153
Lowest NAV per unit (RM)	1.2038	1.0027	1.2703
Total return (%)	5.34	(2.91)	(9.54)
- Capital growth (%)	5.34	(2.91)	(9.54)
- Income distribution (%)	-	-	-
Management Expense Ratio (“MER”) (%) ^	1.29	1.20	1.14
Portfolio Turnover Ratio (“PTR”) (times) #	0.09	0.13	0.12

^ The Fund’s MER increased from 1.20% to 1.29% due to decreased in average NAV during the financial year.

During the financial year under review, the Fund’s PTR decreased to 0.09 times from 0.13 times. The PTR changes reflect the index-tracking status of the Fund.

PERFORMANCE DATA (CONTINUED)

	30.09.2021	30.09.2020	30.09.2019	30.09.2018	30.09.2017
	%	%	%	%	%
Annual total return	5.34	(2.91)	(9.54)	4.83	8.00

(Launch date: 8 June 2000)

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

Characteristics and general composition of the Index

Sector	Percentage of Index (Market Capitalisation) %
Consumer Products & Services	12.08
Energy	2.19
Financial Services	35.05
Health Care	8.90
Industrial Products & Services	10.60
Plantation	7.06
Telecommunications & Media	11.93
Transportation & Logistics	2.44
Utilities	9.75
TOTAL	100.00

MARKET REVIEW (1 OCTOBER 2020 TO 30 SEPTEMBER 2021)

For the 1-year period under review, the FBMKLCI rose by 2.19% from 1,504.82 points to 1,537.80 points.

In October 2020, the FBMKLCI fell -2.52% as the market continued its downtrend due to a resurgence in Coronavirus Disease 2019 (“COVID-19”) cases and rising political uncertainty contributed to the softer market. Energy -9.9% Construction -5.7% and REIT -4.7% were the worst performing sectors in October 2020. While the best performing sectors were Technology +8.4% and Healthcare +7.1%.

The FBMKLCI inched up by 6.53% in November 2020 as investors continued to position into the COVID-19 recovery play in the market, following news of COVID-19 vaccine breakthroughs in November 2020. On top of that, the Ministry of Health (“MOH”) announced that it has revised the quarantine period from two weeks to 10 days for all travellers and close contacts of COVID-19 positive patients. On the budget front, the opposition failed in its attempt to thwart Budget 2021 as it was passed in the final approval stage in the Dewan Rakyat today via an en bloc vote.

The FBMKLCI ended the month higher by 4.13% month-on-month (“m-o-m”) and the year by 2.42%. Positive sentiments from successful COVID-19 vaccines testing spill over to December 2020. Sector wise, Energy +11.1%, Finance +11.0%, Industrial +10.9% and Property +10.6% were the top performers for the month.

In January 2021, the FBMKLCI eased during the month giving up 60.8pts or 3.73% year-to-date (“YTD”) to end the month at 1566.4 points. The softer sentiment in the market was dampened by the jump in the number of COVID-19 cases that reached new peak over 5000 cases per day. Despite the market weakness, the Tech sector remained robust at +17.6% YTD whilst on the other end, the Construction sector was the worst performer -13.2% YTD followed by the Energy sector -1.5% and Property sector -8.9%.

MARKET REVIEW (1 OCTOBER 2020 TO 30 SEPTEMBER 2021) (CONTINUED)

The FBMKLCI gained marginally +0.72% for the month of February 2021 and -3.04% YTD. Despite better breath whereby most sector generated positive gains in February, FBMKLCI performance was impacted by sell down in healthcare sector which is down 11.29% led by gloves makers. The best performing sectors were cyclical in nature such as Energy, Industrial and Technology and the worst performer was Healthcare.

The FBMKLCI ended March 2021 flat at 1,573 points, down 4 points or -0.3%. A plunge on the last day of the month with all 30 constituents in the red, largely attributed to Morgan Stanley Capital International ("MSCI") rebalancing and sell-off on gloves which wiped out over 2% of the index. The latest tally placed Property and Construction as top performing sector indices, up 8% and 6% respectively during the month, while Healthcare (-9%) and Technology (-6%) were the worst performers.

In April 2021, the FBMKLCI rose 28pts or 1.8% to 1,601.65pts. Gloves rallied on the back of the surge in COVID-19 cases domestically and abroad especially in India, while reopening plays took a hit. The Healthcare sector index was up 15%, followed by Industrial (+4), Transport (+4%), Tech (+3%) and Construction (+2%), while Energy and Finance were the worst performers, down 3% and 2% respectively.

FBMKLCI fell 18 points or just over 1% to 1,583.55pts in May 2021. Investors were spooked by the surge in US Customer Price Index ("CPI") reading for the month of April 2021 which came in at 4.2%, the sharpest increase since the Global Financial Crisis ("GFC"), while Malaysia instituted much stricter movement controls due the surge in COVID-19 cases domestically. Except Financials where sentiment was lifted by prospects of rising interest rates and strong quarterly results reported during the month, all sectors were in the red led by Energy (-9%), Construction (-8%), Tech (-8%). Healthcare was also not spared, down 3%, with gloves the hardest hit.

FBMKLCI fell 51 points or over 3% to 1,533.35pts in June 2021. While Gloves and Plantations were the key culprits for the decline, overall market sentiment was affected by the Malaysian Government resorting to a total lockdown from 1 June to battle surging COVID-19 cases domestically. Thus, the delay of transitioning into Phase 2 of the National Recovery Plan. To recap, Phase 2, which was slated to commence 1 July, was conditional upon daily cases falling below 4,000, the public health system no longer under significant strain and 10% of the population immunized. With the exception of Financials, Transport and REITs, all the other sectors were in the red led by Healthcare (mainly Gloves) (-11%), Plantations (-7%), Property (-4%), Energy (-3%). Fun fact: Gloves now account for less than 7% (after SUCB was replaced by MRDIY on 21 June) of the KLCI from over 30% at one stage.

In July 2021, the FBMKLCI fell 38 points or 2.5% to 1,494.60 points, which was a fresh low for the year. It was a relatively broad-based sell-off, but Plantation (-6%) and Energy (-6%) stocks were the worst hit. Financials (-3%), which were quite resilient in the past few months, also succumbed to selling pressure. Sentiment was badly affected by political issues domestically, while weakness in regional markets perhaps aggravated the sell-off. Only sector that showed positive returns in July was Tech (+12%), partly buoyed by the compression in global bond yields and strong corporate results.

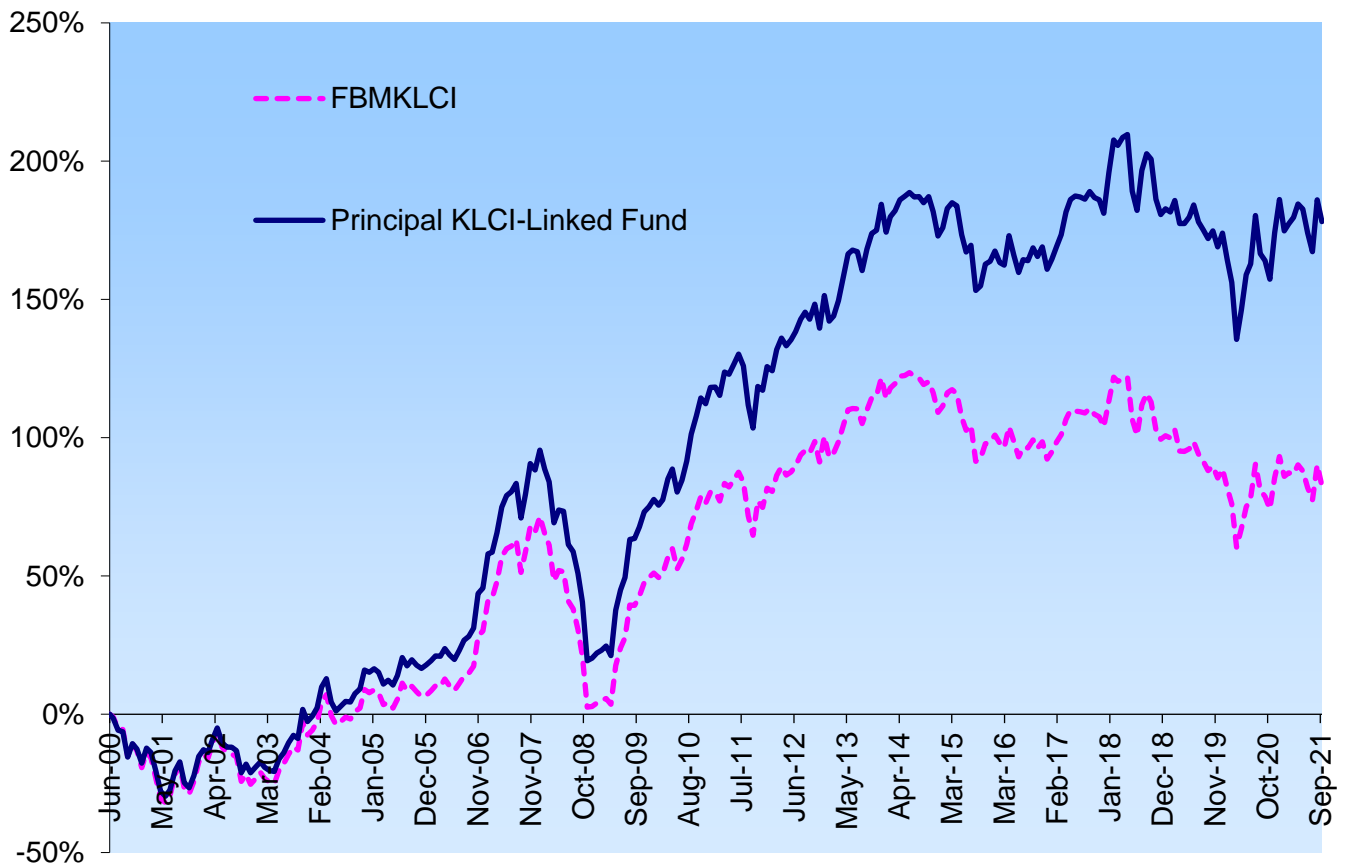
The FBMKLCI rose by 106 points or 7% to 1,601.38 points in August 2021, a level not seen since June 2021 before the whole domestic political debacle started and it was the best monthly performance in over a decade. Although Plantations stocks led the pack, reopening plays, dominated by large-caps, were in focus - Transport (+6%), Finance (+6%), Industrials (+6%) and Consumer (4%).

In September 2021, the FBMKLCI lost 64 pints or 4% to 1,537pts. Investors were spooked by a surprise move by the Ministry of Finance ("MoF") seeking local banks to waive interest payments for loans under moratorium in fourth quarter of 2021 for borrowers in the bottom 40% ("B40") category, and concerns that the Government might be imposing a windfall tax levy or capital gains tax to shore up revenues to fund stimulus measures. China's Evergrande debacle and US taper tantrums may have also added to the pessimism.

FUND PERFORMANCE

	1 year to 30.09.2021	3 years to 30.09.2021	5 years to 30.09.2021	Since inception to 30.09.2021
	%	%	%	%
Income Distribution	-	-	-	-
Capital Growth	5.34	(7.49)	4.73	178.15
Total Return	5.34	(7.49)	4.73	178.15
Benchmark	2.19	(14.24)	(6.94)	82.58
Average Total Return	5.34	(2.56)	0.93	4.91

During the financial year under review, the Fund grew by 5.34%, outperforming the benchmark, which increased by 2.19%.



Changes in NAV

	30.09.2021	30.09.2020	Changes %
NAV (RM Million)	17.09	16.88	1.24
NAV/Unit (RM)	1.3057	1.2397	5.32
FBMKLCI	1,537.80	1,504.82	2.19

For the financial year under review, the total NAV increased by 1.24%, while the NAV per unit increased by 5.32%. The higher NAV per unit was due to positive market performance.

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)	30.09.2021	30.09.2020
Quoted securities	96.00	99.96
Cash and other net assets	4.43	1.31
Liabilities	(0.43)	(1.27)
TOTAL	100.00	100.00

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

MARKET OUTLOOK*

We remain positive on Malaysia as movement controls ease, paving way for a full reopening of the economy, and domestic political issues abating. We continue to be selective on stocks from a bottom-up basis that plays into the reopening theme and thus remain constructive on sectors such as Financial, cyclical themes such as Consumer Discretionary and select Transport. Sectors that benefit from certain government reforms such as systems providers, and fiscal pump-priming to resuscitate the economy such as Construction and Building Materials, could be in focus next. We continue to overweight selective Technology companies and underweight Glove given their earnings prospects and Environment, Social & Governance (“ESG”) issues. Whilst turning neutral on Plantation as the major companies seek to address ESG concerns and valuations have factored such concerns.

* This market outlook does not constitute an offer, invitation, commitment, advice or recommendation to make a purchase of any investment. The information given in this article represents the views of Principal Asset Management Berhad (“Principal Malaysia”) or based on data obtained from sources believed to be reliable by Principal Malaysia. Whilst every care has been taken in preparing this, Principal Malaysia makes no guarantee, representation or warranty and is under no circumstances liable for any loss or damage caused by reliance on, any opinion, advice or statement made in this market outlook.

INVESTMENT STRATEGY

As this is an index fund, the Fund will continue to remain fully invested in the benchmark index stocks with minimal cash kept for liquidity purposes in order to track the performance of the benchmark.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 30 September 2021 are as follows:

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	357	0.95	7.26
5,001 – 10,000	174	1.29	9.85
10,001 – 50,000	264	5.46	41.71
50,001 – 500,000	41	3.72	28.42
500,001 and above	2	1.67	12.76
Total	838	13.09	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 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 year under review, the Manager and the Trustee did not receive any rebates from the brokers or dealers but the Manager has retained soft commission in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds.

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
PRINCIPAL KLCI-LINKED 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 15 to 40 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 September 2021 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
19 November 2021

**TRUSTEE'S REPORT TO THE UNITHOLDERS OF
PRINCIPAL KLCI-LINKED FUND**

We have acted as Trustee of Principal KLCI-Linked Fund ("the Fund") for the financial year ended 30 September 2021. To the best of our knowledge, Principal Asset Management Berhad ("the Manager"), has operated and managed the Fund in accordance with the following:

- a) limitations imposed on the investment powers of the Manager and the Trustee under the Deeds, the Securities Commission's Guidelines on 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 any regulatory requirements; and
- c) creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirements.

For HSBC (Malaysia) Trustee Berhad

Yap Lay Guat
Manager, Investment Compliance Monitoring

Kuala Lumpur
15 November 2021

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL KLCI-LINKED FUND**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Principal KLCI-Linked Fund (the "Fund"), which comprise the statement of financial position as at 30 September 2021, and statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows of the Fund for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 40.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 September 2021, and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL KLCI-LINKED FUND (cont'd.)**

Report on the audit of the financial statements (cont'd.)

Information other than the financial statements and auditors' report thereon

The Manager of the Fund (the "Manager") is responsible for the other information. The other information comprises the information included in the annual report of the Fund, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation of financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

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

The Trustee is responsible for overseeing the Fund's financial reporting process. The Trustee is also responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL KLCI-LINKED FUND (cont'd.)**

Report on the audit of the financial statements (cont'd.)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

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

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL KLCI-LINKED FUND (cont'd.)**

Report on the audit of the financial statements (cont'd.)

Other matters

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

The financial statements of the Fund for the year ended 30 September 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 12 November 2020.

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

Yeo Beng Yean
No. 03013/10/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
19 November 2021

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021**

	Note	2021 RM	2020 RM
INCOME/(LOSS)			
Dividend income		808,286	582,663
Interest income from deposits with licensed financial institutions at amortised cost		3,873	8,817
Net loss on financial assets at fair value through profit or loss	7	<u>326,365</u>	<u>(845,148)</u>
		<u>1,138,524</u>	<u>(253,668)</u>
EXPENSES			
Management fee	4	162,225	165,037
Trustee fee	5	11,954	12,161
Audit fee		9,400	13,600
Tax agent's fee		12,527	5,600
Transaction costs		10,374	18,016
Other expenses		<u>13,826</u>	<u>11,566</u>
		<u>220,306</u>	<u>225,980</u>
PROFIT/(LOSS) BEFORE TAXATION		918,218	(479,648)
Taxation	6	<u>-</u>	<u>-</u>
PROFIT/(LOSS) AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR		<u>918,218</u>	<u>(479,648)</u>
Profit/(Loss) after taxation is made up as follows:			
Realised amount		584,243	390,856
Unrealised amount		<u>333,975</u>	<u>(870,504)</u>
		<u>918,218</u>	<u>(479,648)</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021**

	Note	2021 RM	2020 RM
ASSETS			
Cash and cash equivalents	8	625,747	153,819
Financial assets at fair value through profit or loss	7	16,405,900	16,877,973
Amount due from Manager		900	2,891
Dividends receivable		130,172	59,889
Tax recoverable		-	3,826
TOTAL ASSETS		<u>17,162,719</u>	<u>17,098,398</u>
LIABILITIES			
Amount due to Manager		40,090	178,431
Accrued management fee		13,370	13,282
Amount due to Trustee		985	979
Other payables and accruals		19,700	21,300
TOTAL LIABILITIES		<u>74,145</u>	<u>213,992</u>
NET ASSET VALUE OF THE FUND		<u>17,088,574</u>	<u>16,884,406</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	9	<u>17,088,574</u>	<u>16,884,406</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	<u>13,087,078</u>	<u>13,619,241</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.3057</u>	<u>1.2397</u>

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

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021**

	Note	2021 RM	2020 RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR		16,884,406	18,004,467
Movement in unit holders' contributions:			
- Creation of units from applications		2,604,825	2,902,443
- Cancellation of units		(3,318,875)	(3,542,856)
		(714,050)	(640,413)
Total comprehensive income/(loss) for the financial year		918,218	(479,648)
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR	9	17,088,574	16,884,406

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

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021**

	2021	2020
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from disposal of quoted securities	1,858,220	2,276,980
Purchase of quoted securities	(1,070,154)	(2,351,546)
Dividend income received	737,907	642,610
Interest income received from deposits with licensed financial institutions	3,873	8,817
Management fee paid	(162,137)	(165,887)
Trustee fee paid	(11,948)	(12,223)
Tax refund	-	3,478
Payments for other fees and expenses	(33,432)	(25,064)
Net cash generated from operating activities	1,322,329	377,165
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	2,606,815	2,903,035
Payments for cancellation of units	(3,457,216)	(3,394,677)
Net cash used in financing activities	(850,401)	(491,642)
Net increase/(decrease) in cash and cash equivalents	471,928	(114,477)
Cash and cash equivalents at the beginning of the financial year	153,819	268,296
Cash and cash equivalents at the end of the financial year	8 625,747	153,819
<u>Cash and cash equivalents comprised of:</u>		
Deposits with licensed financial institutions	559,027	134,006
Bank balance	66,720	19,813
Cash and cash equivalents at the end of the financial year	8 625,747	153,819

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal KLCI-Linked Fund (the “Fund”) is governed by a Master Deed dated 30 November 2007, a First Supplemental Master Deed dated 25 June 2008, a Second Supplemental Master Deed dated 14 July 2008, a Third Supplemental Deed dated 16 July 2009, a Fourth Supplemental Deed dated 26 July 2013, a Fifth Supplemental Deed dated 23 March 2015 and a Sixth Supplemental Deed dated 21 October 2019 (collectively referred to as the “Deeds”), made between Principal Asset Management Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

The Fund is an index fund which aims to track the movement of the FBMKLCI. The Fund’s indexing strategy is to hold a representative sample of the securities that make up its underlying index. Thus, the Fund normally invests at least 90% of its NAV in the index stocks representing the top 95%-98% of the index weights. As such, the Fund may invest up to 30 index stocks, being the representative index stocks of the FBMKLCI. The Fund may also utilise index futures to ensure it is fully invested at all times and to reduce transaction costs.

The asset allocation strategy for this Fund is as follows:

- up to 99.5% of the Fund will be invested in securities and other permissible investments; and
- at least 0.5% in liquid assets.

All investments are subjected to the Securities Commission Malaysia (“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-Principal KLCI-Linked Fund to Principal KLCI-Linked Fund following the issuance of the Replacement Master Prospectus dated 17 April 2020.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the MFRS as issued by the Malaysian Accounting Standards Board (“MASB”) and IFRS as issued by the International Accounting Standards Board (“IASB”).

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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 financial year beginning on 1 October 2020 that have a material effect on the financial statements of the Fund.

None of the standards, amendments to standards or interpretations that are effective for the financial year beginning on/after 1 June 2021 are applicable to the Fund.

(b) Financial assets and financial liabilities

Classification

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

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

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

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

All of the Fund's financial liabilities (excluding the Net Assets Attributable to Unit Holders) are 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. Investments are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income.

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

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

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

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.

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.

If a valuation based on the market price does not represent the fair value of the 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 quoted securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the 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.

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest 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 interest rate 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. Management consider both historical analysis and forward looking information in determining any ECL. Management 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 management as any contractual payment which is more than 30 days past due.

Definition of default and credit-impaired financial assets

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

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

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

(c) Income recognition

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

Interest income from deposits with licensed financial institutions is recognised on a time proportionate basis using effective interest rate method on an accrual basis.

Interest income is calculated by applying the effective interest 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 interest 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 quoted securities is accounted for as the difference between the net disposal proceeds and the carrying amount of 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 RM, which is the Fund's functional and presentation currency.

(e) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalent comprise bank balances and 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.

(f) Taxation

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

Withholding taxes on investment income from Shariah-compliant investment are based on tax regime of the respective countries that the Fund invests in. They are presented within other expenses line in the statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(g) 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, advisors, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

(h) Unit holders' contribution

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.

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

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

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

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Funds' 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. 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
2021			
Cash and cash equivalents (Note 8)	-	625,747	625,747
Quoted securities (Note 7)	16,405,900	-	16,405,900
Amount due from Manager	-	900	900
Dividends receivable	-	130,172	130,172
	<u>16,405,900</u>	<u>756,819</u>	<u>17,162,719</u>
2020			
Cash and cash equivalents (Note 8)	-	153,819	153,819
Quoted securities (Note 7)	16,877,973	-	16,877,973
Amount due from Manager	-	2,891	2,891
Dividends receivable	-	59,889	59,889
	<u>16,877,973</u>	<u>216,599</u>	<u>17,094,572</u>

All of the Fund's financial liabilities (excluding the Net Assets Attributable to Unit Holders) are measured at amortised cost.

The investment objective of the Fund is to achieve medium to long-term capital appreciation by seeking to match the performance of the FBMKLCI.

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

(a) Market risk

(i) Price risk

Price risk is the risk that the fair value of an investment in quoted securities will fluctuate because of changes in market prices (other than those arising from interest rate risk). The value of 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 portfolio diversification and selection of quoted securities and other financial instruments within specified limits according to the Deeds.

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

	2021 RM	2020 RM
Financial assets at fair value through profit or loss:		
- Quoted securities	16,405,900	16,877,973

The table below summarises the sensitivity of the Fund's profit or loss and NAV to movements in prices of quoted securities and derivative liabilities at the end of each reporting year. The analysis is based on the assumptions that the price of the quoted securities fluctuates by 10% (2020: 10%) with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the FBMKLCI Index quoted securities and derivatives liabilities, having regard to the historical volatility of the index.

% Change in price of quoted securities and derivative liabilities	Fair value RM	Impact on profit or loss/NAV RM
2021		
-10 %	15,585,605	(820,295)
0 %	16,405,900	-
10 %	17,226,195	820,295
2020		
-10 %	15,190,176	(1,687,797)
0 %	16,877,973	-
10 %	18,565,770	1,687,797

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

(a) Market risk

(ii) Interest rate risk

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

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 investment in money market instrument. The interest rate risk is expected to be minimal as the Fund's investments comprise mainly short term deposits with approved licensed financial institutions.

Cash flow interest rate risk is the risk that the futures cash flows of financial instruments which fluctuate because of changes in market interest rate.

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 interest rate per annum is as follows:

	2021	2020
	%	%
Deposits with licensed financial institutions	<u>1.75</u>	<u>1.75</u>

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

(b) Credit risk

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

The credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed 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 exchanges. The credit risk is minimal as all transactions in quoted securities are settled/paid upon delivery using approved stockbrokers.

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

	Cash and cash equivalents RM	Amount due from Manager RM	Dividends receivable RM	Total RM
2021				
AAA	625,747	-	-	625,747
Not Rated	-	900	130,172	131,072
	<u>625,747</u>	<u>900</u>	<u>130,172</u>	<u>756,819</u>

	Cash and cash equivalents RM	Amount due from Manager RM	Dividends receivable RM	Total RM
2020				
AAA	153,819	-	-	153,819
Not Rated	-	2,891	59,889	62,780
	<u>153,819</u>	<u>2,891</u>	<u>59,889</u>	<u>216,599</u>

All deposits with licensed financial institutions of the Fund have an average remaining maturity of 1 day (2020: 1 day).

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

(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 and deposits with licensed financial institutions, which are capable of being converted into cash within 7 business days. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

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

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2021			
Amount due to Manager	40,090	-	40,090
Accrued management fee	13,370	-	13,370
Amount due to Trustee	985	-	985
Other payables and accruals	-	19,700	19,700
Contractual undiscounted cash flows	54,445	19,700	74,145
2020			
Amount due to Manager	178,431	-	178,431
Accrued management fee	13,282	-	13,282
Amount due to Trustee	979	-	979
Other payables and accruals	-	21,300	21,300
Contractual undiscounted cash flows	192,692	21,300	213,992

(d) Capital risk management

The capital of the Fund is represented by net assets attributable to unit holders of RM17,088,574 (2020: RM16,884,406). The amount of capital can change significantly on a daily basis as the Fund is subjected to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holder and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

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

(e) Fair value estimation

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

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

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

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

(i) Fair value hierarchy

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

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

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

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

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

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

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2021				
Financial assets at fair value through profit or loss:				
- Quoted securities	<u>16,405,900</u>	<u>-</u>	<u>-</u>	<u>16,405,900</u>
2020				
Financial assets at fair value through profit or loss:				
- Quoted securities	<u>16,877,973</u>	<u>-</u>	<u>-</u>	<u>16,877,973</u>

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

- (ii) The carrying values of cash and cash equivalents, amount due from 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 1.50% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 30 September 2021, the management fee is recognised at a rate of 0.95% per annum (2020: 0.95% per annum).

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

5. TRUSTEE FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.20% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 30 September 2021, the Trustee fee is recognised at a rate of 0.07% per annum (2020: 0.07% per annum).

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

6. TAXATION

	2021	2020
	RM	RM
Tax charged for the financial year:		
- Current taxation	-	-

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

	2021	2020
	RM	RM
Profit/(Loss) before taxation	<u>918,218</u>	<u>(479,648)</u>
Taxation at Malaysian statutory rate of 24% (2020: 24%)	220,373	(115,115)
Tax effects of:		
(Investment income not subject to tax)/Loss not deductible to tax purposes	(273,246)	60,880
Expenses not deductible for tax purposes	9,750	8,980
Restriction on tax deductible expenses for Unit Trust Funds	<u>43,123</u>	<u>45,255</u>
Taxation	<u>-</u>	<u>-</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	RM	RM
At fair value through profit or loss:		
- Quoted securities	<u>16,405,900</u>	<u>16,877,973</u>
Net gain/(loss) on financial assets at fair value through profit or loss:		
- Realised (loss)/gain on disposals	(7,610)	25,356
- Unrealised fair value gain/(loss)	<u>333,975</u>	<u>(870,504)</u>
	<u>326,365</u>	<u>(845,148)</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2021				
QUOTED SECURITIES				
Consumer Products & Services				
Genting Bhd	80,800	628,485	407,232	2.38
Genting Malaysia Bhd	98,600	353,992	295,800	1.73
Mr D.I.Y. Group (M) Bhd	37,500	147,353	146,250	0.86
Nestle Malaysia Bhd	2,100	229,330	279,510	1.63
Petronas Dagangan Bhd	12,100	240,344	231,352	1.35
PPB Group Bhd	23,440	297,110	430,358	2.52
Sime Darby Bhd	123,145	224,329	279,539	1.63
	<u>377,685</u>	<u>2,120,943</u>	<u>2,070,041</u>	<u>12.10</u>
Energy				
Dialog Group Bhd	159,100	523,586	380,249	2.23
Financial Services				
CIMB Group Holdings Bhd	240,926	1,410,162	1,151,626	6.74
Hong Leong Bank Bhd	23,400	286,437	442,260	2.59
Hong Leong Financial Group Bhd	8,510	124,347	155,733	0.91
Malayan Banking Bhd	203,968	1,663,415	1,641,942	9.61
Public Bank Bhd	411,620	1,232,168	1,675,294	9.80
RHB Bank Bhd	56,078	298,187	306,186	1.79
	<u>944,502</u>	<u>5,014,716</u>	<u>5,373,041</u>	<u>31.44</u>
Health Care				
Hartalega Holding Bhd	51,100	364,632	314,265	1.84
IHH Healthcare Bhd	103,300	417,861	692,110	4.05
Top Glove Corporation Bhd	180,200	361,074	518,976	3.04
	<u>334,600</u>	<u>1,143,567</u>	<u>1,525,351</u>	<u>8.93</u>
Industrial Products & Services				
Hap Seng Consolidated Bhd	22,400	196,930	178,080	1.04
Petronas Chemicals Group Bhd	97,600	657,324	849,120	4.97
Press Metal Aluminum Holding Bhd	131,100	321,948	752,514	4.40
	<u>251,100</u>	<u>1,176,202</u>	<u>1,779,714</u>	<u>10.41</u>
Plantation				
IOI Corporation Bhd	109,080	476,602	411,232	2.41
Kuala Lumpur Kepong Bhd	16,321	310,608	328,379	1.92
Sime Darby Plantation Bhd	123,045	676,119	440,501	2.58
	<u>248,446</u>	<u>1,463,329</u>	<u>1,180,112</u>	<u>6.91</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2021 (CONTINUED)				
QUOTED SECURITIES (CONTINUED)				
Telecommunications & Media				
Axiata Group Bhd	160,737	690,704	628,482	3.68
Digi.com Bhd	126,300	385,263	562,035	3.29
Maxis Bhd	94,600	551,015	443,674	2.60
Telekom Malaysia Bhd	69,300	289,078	395,010	2.31
	<u>450,937</u>	<u>1,916,060</u>	<u>2,029,201</u>	<u>11.88</u>
Transportation & Logistics				
MISC Bhd	<u>61,100</u>	<u>358,073</u>	<u>422,201</u>	<u>2.47</u>
Utilities				
Petronas Gas Bhd	19,900	265,463	334,718	1.96
Tenaga Nasional Bhd	<u>135,462</u>	<u>1,491,170</u>	<u>1,311,272</u>	<u>7.67</u>
	<u>155,362</u>	<u>1,756,633</u>	<u>1,645,990</u>	<u>9.63</u>
TOTAL QUOTED SECURITIES	<u>2,982,832</u>	<u>15,473,109</u>	<u>16,405,900</u>	<u>96.00</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>932,791</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>16,405,900</u>		

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2020				
QUOTED SECURITIES				
Consumer Products & Services				
Genting Bhd	83,300	652,548	264,894	1.57
Genting Malaysia Bhd	109,100	391,689	226,928	1.35
Nestle (Malaysia) Bhd	2,200	240,250	311,080	1.84
Petronas Dagangan Bhd	12,900	256,439	254,646	1.51
PPB Group Bhd	24,540	309,378	466,260	2.76
Sime Darby Bhd	126,645	230,705	315,346	1.87
	<u>358,685</u>	<u>2,081,009</u>	<u>1,839,154</u>	<u>10.90</u>
Energy				
Dialog Group Bhd	166,100	547,644	632,841	3.75
Financial Services				
CIMB Group Holdings Bhd	251,826	1,479,055	775,624	4.59
Hong Leong Bank Bhd	24,500	296,912	368,480	2.18
Hong Leong Financial Group Bhd	8,510	124,347	121,523	0.72
Malayan Banking Bhd	214,868	1,752,161	1,551,347	9.19
Public Bank Bhd	106,344	1,575,875	1,669,601	9.89
RHB Bank Bhd	56,578	300,903	258,561	1.53
	<u>662,626</u>	<u>5,529,253</u>	<u>4,745,136</u>	<u>28.10</u>
Health Care				
Hartalega Holdings Bhd	49,100	308,070	795,420	4.71
IHH Healthcare Bhd	108,500	434,980	564,200	3.34
Top Glove Corporation Bhd	174,700	302,187	1,450,010	8.59
	<u>332,300</u>	<u>1,045,237</u>	<u>2,809,630</u>	<u>16.64</u>
Industrial Products & Services				
Hap Seng Consolidated Bhd	24,100	212,206	172,074	1.02
Petronas Chemicals Group Bhd	103,500	695,060	580,635	3.44
Press Metal Aluminium Holdings Bhd	67,400	328,694	346,436	2.05
	<u>195,000</u>	<u>1,235,960</u>	<u>1,099,145</u>	<u>6.51</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2020 (CONTINUED)				
QUOTED SECURITIES (CONTINUED)				
Plantation				
IOI Corporation Bhd	114,880	502,623	512,365	3.03
Kuala Lumpur Kepong Bhd	16,921	321,965	385,799	2.28
Sime Darby Plantation Bhd	129,645	715,679	654,707	3.88
	<u>261,446</u>	<u>1,540,267</u>	<u>1,552,871</u>	<u>9.19</u>
REIT				
KLCCP Stapled Group	<u>16,900</u>	<u>138,698</u>	<u>130,468</u>	<u>0.77</u>
Telecommunications & Media				
Axiata Group Bhd	170,337	733,912	502,494	2.98
DiGi.Com Bhd	132,100	399,612	532,363	3.15
Maxis Bhd	99,200	580,187	503,936	2.98
Telekom Malaysia Bhd	73,000	301,125	301,490	1.79
	<u>474,637</u>	<u>2,014,836</u>	<u>1,840,283</u>	<u>10.90</u>
Transportation & Logistics				
MISC Bhd	<u>53,900</u>	<u>308,659</u>	<u>404,250</u>	<u>2.40</u>
Utilities				
Petronas Gas Bhd	20,700	276,135	339,894	2.01
Tenaga Nasional Bhd	141,362	1,561,459	1,484,301	8.79
	<u>162,062</u>	<u>1,837,594</u>	<u>1,824,195</u>	<u>10.80</u>
TOTAL QUOTED SECURITIES	<u>2,683,656</u>	<u>16,279,157</u>	<u>16,877,973</u>	<u>99.96</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>598,816</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>16,877,973</u>		

8. CASH AND CASH EQUIVALENTS

	2021 RM	2020 RM
Deposits with licensed financial institutions	559,027	134,006
Bank balance	66,720	19,813
	<u>625,747</u>	<u>153,819</u>

9. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

Net assets attributable to unit holders as at the reporting date comprise:

	2021 RM	2020 RM
Unit holders' contributions	94,524	808,574
Retained earnings	16,994,050	16,075,832
	<u>17,088,574</u>	<u>16,884,406</u>

The movement in the components of net assets attributable to unit holders for the year were as follows:

	Unit holders' contributions RM	Retained earnings RM	Total RM
Balance as at 1 October 2020	808,574	16,075,832	16,884,406
Movement in unit holders' contributions:			
- Creation of units from applications	2,604,825	-	2,604,825
- Cancellation of units	(3,318,875)	-	(3,318,875)
Total comprehensive income for the financial year	-	918,218	918,218
Balance as at 30 September 2021	<u>94,524</u>	<u>16,994,050</u>	<u>17,088,574</u>
Balance as at 1 October 2019	1,448,987	16,555,480	18,004,467
Movement in unit holders' contributions:			
- Creation of units from applications	2,902,443	-	2,902,443
- Cancellation of units	(3,542,856)	-	(3,542,856)
Total comprehensive loss for the financial year	-	(479,648)	(479,648)
Balance as at 30 September 2020	<u>808,574</u>	<u>16,075,832</u>	<u>16,884,406</u>

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2021	2020
	No. of units	No. of units
At the beginning of the financial year	13,619,241	14,089,474
Add : Creation of units from applications	1,984,766	2,422,555
Less: Cancellation of units	<u>(2,516,929)</u>	<u>(2,892,788)</u>
At the end of the financial year	<u>13,087,078</u>	<u>13,619,241</u>

11. MANAGEMENT EXPENSE RATIO (“MER”)

	2021	2020
	%	%
MER	<u>1.29</u>	<u>1.20</u>

MER is derived from the following calculation:

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

- A = Management fee
- B = Trustee’s fee
- C = Audit fee
- D = Tax Agent’s fee
- E = Other expenses excluding CDS transfer 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 RM17,096,402 (2020: RM17,374,831).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2021	2020
PTR (times)	<u>0.09</u>	<u>0.13</u>

PTR is derived from the following calculation:

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

where:

- total acquisition for the financial year = RM1,066,453 (2020: RM2,342,678)
- total disposal for the financial year = RM1,864,892 (2020: RM2,286,127)

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

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

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

Units held by the Manager and parties related to the Manager

The units in the Fund, held by the Manager are as follows:

	<u>2021</u>		<u>2020</u>	
	<u>No. of units</u>	<u>RM</u>	<u>No. of units</u>	<u>RM</u>
Manager				
Principal Asset Management Berhad	8,673	11,324	2,448	3,035

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.

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

Units held by the Manager and parties related to the Manager (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.

	2021	2020
	RM	RM
<u>Significant related party transactions</u>		
Dividend income		
- CIMB Group Holdings Bhd	36,544	64,784

14. TRANSACTIONS WITH BROKERS/DEALERS/FINANCIAL INSTITUTIONS

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

Brokers/Dealers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
RHB Investment Bank Bhd	482,496	16.46	1,229	18.92
Hong Leong Investment Bank Bhd	356,054	12.15	850	13.08
Alliance Investment Bank Bhd	315,919	10.78	792	12.19
Citigroup Global Markets Malaysia Sdn Bhd	309,210	10.55	755	11.62
Affin Hwang Investment Bank Bhd	285,073	9.72	699	10.75
CGS-CIMB Securities Sdn Bhd #	276,408	9.43	640	9.85
UBS Securities (M) Sdn Bhd	262,539	8.96	184	2.83
J.P. Morgan Sec (M) Sdn Bhd	235,220	8.02	165	2.53
Maybank Investment Bank Bhd	167,514	5.71	757	11.66
CLSA Securities Malaysia Sdn Bhd	122,029	4.16	85	1.31
Others	118,883	4.06	341	5.26
	<u>2,931,345</u>	<u>100.00</u>	<u>6,497</u>	<u>100.00</u>

14. TRANSACTIONS WITH BROKERS/DEALERS/FINANCIAL INSTITUTIONS (CONTINUED)

Details of transactions with the top 10 brokers/dealers for the financial year ended 30 September 2020 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Credit Suisse Securities (Malaysia) Sdn Bhd	882,475	19.09	2,125	17.93
Hong Leong Investment Bank Bhd	751,338	16.25	1,938	16.35
CGS-CIMB Securities Sdn Bhd #	574,492	12.43	1,476	12.45
Maybank Investment Bank Bhd	553,726	11.98	1,383	11.66
Affin Hwang Investment Bank Bhd	545,042	11.79	1,569	13.23
RHB Investment Bank Bhd	536,819	11.61	1,281	10.80
CLSA Securities Malaysia Sdn Bhd	476,583	10.31	1,250	10.54
J.P. Morgan Sec (M) Sdn Bhd	302,192	6.54	834	7.04
	<u>4,622,667</u>	<u>100.00</u>	<u>11,856</u>	<u>100.00</u>

Included in the transactions are trades conducted with CGS-CIMB Securities Sdn Bhd, fellow related parties to the Manager amounting to RM276,408 (2020: RM574,492). 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.

15. SIGNIFICANT EVENT DURING THE YEAR

The COVID-19 pandemic and related lockdowns and movement restrictions have had, and will continue to have, a significant impact on global economic conditions and the environment in which the Fund operates. The Manager continues to closely monitor the macro-economic outlook as a result of COVID-19 pandemic and its impact to the Fund's performance and will be managing the risks to achieve the Fund's objective.

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 19 November 2021.

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) 7723 7260

Trustee for the Principal KLCI-Linked Fund

HSBC (Malaysia) Trustee Berhad (Company No.: 193701000084 (1281-T))
13th Floor, HSBC South Tower,
No 2, Lebu Ampang,
50100, Kuala Lumpur, MALAYSIA.
Tel: (03) 2075 7800
Fax: (03) 2179 6511

Auditors of the Fund and of the Manager

PricewaterhouseCoopers PLT (Company No.: 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

Auditors of the Fund (for financial year ended 30 September 2021) and of the Manager (for the financial year ended 31 December 2020)

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

Auditors of the Fund (for financial year ended 30 September 2020) and of the Manager (for the financial year ended 31 December 2019)

PricewaterhouseCoopers PLT (Company No.: 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