

PRINCIPAL MALAYSIA GOVERNMENT BOND FUND

QUARTERLY REPORT

FOR THE QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2024

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INVESTORS' LETTER

Dear Valued Investor,

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

We are pleased to bring you a copy of the Quarterly Fund Report of the Principal Malaysia Government Bond Fund for the financial period ended 30 June 2024. You may also download this report from our website at www.principal.com.my.

We are proud to announce that Principal Malaysia has received numerous accolades in 2024. At the Asia Asset Management 2024 Best of the Best Awards, we won the Best of the Best Performance Award: China A-Share Equity (3 years) and Best Institutional House – Malaysia. At the 2024 Global Banking & Finance Awards, our CEO, Munirah Khairuddin, was named Asset Management CEO of the Year Malaysia, and we were recognized as Asset Management Company of the Year Malaysia. We also received the Best International Equity Fund Manager for MSCI EM Latin America 2023 at the EPF External Fund Managers Awards 2023.

At the Alpha Southeast Asia Fund Management Awards 2024, we won three awards: Best Absolute Return Strategy, Best Online & Mobile Platform (Asset Manager), and Best Asset Manager (Income Oriented, Money Market & Alternative Investment Funds). At the Triple A Sustainable Investing Awards 2024, we secured the Asset Management Company of the Year (Malaysia) award. The World Business Outlook magazine awarded us Best Investment Management and Solutions Provider Malaysia, Best Institutional House Malaysia, and Asset Management CEO (Munirah Khairuddin) of the Year Malaysia. Additionally, we received three awards at the iFast Awards 2024, seven at the LSEG Lipper Fund Awards 2024, and ten at the FSMOne Recommended Funds 2023/2024.

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

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

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

Munirah Khairuddin
Chief Executive Officer
Malaysia & Global Shariah & Managing Director,
Strategic Distribution & Institutional Client Relations
(Southeast Asia & Global Shariah)
Non-Independent Executive Director

MANAGER’S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to provide regular income through investments primarily in Malaysian government debt instruments.

Has the Fund achieved its objective?

For the financial period under review, the Fund is in line with its stated objective.

What are the Fund investment policy and principal investment strategy?

The Fund seeks to achieve its Fund objective by investing up to 98% of its NAV in a portfolio of Malaysian Government debt instruments, which includes but not limited to Malaysia Government Securities (“MGS”), Government Investment Issue (“GI”) and Government Guaranteed Issuances (“GG”). At least 2% of its NAV may be invested in money market instruments and/or deposits for liquidity purposes.

The Manager will formulate an interest rate outlook through examining factors such as the Malaysian inflation rate, monetary policy, and economic growth. With an interest rate outlook and yield curve analysis, The Manager will identify the weighting of the investment tenure, credit, and sector for the Fund.

The Manager will adopt a buy-and-hold strategy for the Fund where debt instruments purchased will be held until the maturity of the debt instruments. However, The Manager reserve the right to deal with the debt instruments in the best interest of the Unit holders including but not limited to circumstances where there is a change in the laws, rules, regulations, policies and/ or market/economic outlook, which may affect the investment of the Fund, or simply to meet withdrawal requests.

Asset Allocation

- Up to 98% of its NAV in Malaysian government debt instruments; and
- At least 2% of its NAV in liquid assets such as money market instruments and/or deposits.

Fund category/type

Wholesale Fund (Bond)/Income

When was the Fund launched?

Name of Class	Launch Date
Class B	15 April 2020
Class C	15 April 2020
Class D	15 April 2020

What was the size of the Fund as at 30 September 2024?

RM723.84 million (714.83 million units)

What is the Fund’s benchmark?

The Thomson Reuters (“TR”) Bond Pricing Agency Malaysia (“BPAM”) All Bond Index – Government – 1Y to 3Y for performance comparison purpose only.

Note: The Information on the benchmark can be obtained from <https://www.bpam.com.my>.

FUND OBJECTIVE AND POLICY (CONTINUED)

What is the Fund distribution policy?

Monthly, depending on the availability of realised income and/or realised gains and at the Manager discretion. The Manager have the right to make provisions for reserves in respect of distribution of the Fund. If the income available is too small or insignificant, any distribution may not be of benefit to unit holder as the total cost to be incurred in any such distribution may be higher than the amount for distribution. The Manager have the discretion to decide on the amount to be distributed to unit holder. The Manager also have the discretion to make income distribution on an ad-hoc basis, taking into consideration the level of its realised income and/or realised gains, as well as the performance of the Fund.

What was the net income distribution for the financial period from 1 July 2024 to 30 September 2024?

The Fund distributed a total net income of RM6.81 million to unit holders for the financial period from 1 July 2024 to 30 September 2024.

Breakdown of distribution were as follows:

	30.09.2024		30.09.2023	
	RM	%	RM	%
Source of distribution				
Distribution out of current period income	6,813,201	100.00	4,220,800	100.00
Distribution out of prior period income/capital	-	-	-	-
Total	6,813,201	100.00	4,220,800	100.00

PERFORMANCE DATA

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

	30.09.2024	30.09.2023	30.09.2022
	%	%	%
Unquoted fixed income securities	89.07	55.24	50.59
Deposits with licensed financial institutions with maturity more than 3 months	6.93	-	-
Cash and other assets	4.01	44.77	49.42
Liabilities	(0.01)	(0.01)	(0.01)
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	30.09.2024	30.09.2023	30.09.2022
NAV (RM Million)			
- Class B	0.00*	0.00*	0.00*
- Class C	0.00*	0.00*	0.00*
- Class D	723.83	647.49	453.82
Units in circulation (Million)			
- Class B	0.00*	0.00*	0.00*
- Class C	0.00*	0.00*	0.00*
- Class D	714.84	646.86	458.51
NAV per unit (RM)			
- Class B	1.0890	1.0466	1.0052
- Class C	1.0893	1.0468	1.0053
- Class D	1.0125	1.0009	0.9897

Note: 0.00* denotes fair value less than 1 million.

PERFORMANCE DATA (CONTINUED)

Performance details of the Fund for the last three unaudited financial periods were as follows (continued):

	01.07.2024 to 30.09.2024	01.07.2023 to 30.09.2023	01.07.2022 to 30.09.2022
Highest NAV per unit (RM)			
- Class B	1.0891	1.0466	1.0087
- Class C	1.0894	1.0469	1.0088
- Class D	1.0159	1.0071	0.9972
Lowest NAV per unit (RM)			
- Class B	1.0766	1.0381	0.9986
- Class C	1.0769	1.0383	0.9987
- Class D	1.0108	0.9994	0.9871
Total return (%)			
- Class B	1.14	0.82	0.67
- Class C	1.14	0.83	0.67
- Class D	1.11	0.83	0.68
Capital growth (%)			
- Class B	1.14	0.82	0.67
- Class C	1.14	0.83	0.67
- Class D	0.16	0.17	0.27
Income Distribution (%)			
- Class B	-	-	-
- Class C	-	-	-
- Class D	0.95	0.66	0.40
Total Expense Ratio ("TER") (%)	0.02	0.02	0.02
Portfolio Turnover Ratio ("PTR") (times) #	0.47	0.10	0.12

The Fund's PTR for the financial period under review increased from 0.10 times to 0.47 times compared to the previous year's corresponding period due to the increase in number of transactions.

Gross/Net distribution per unit (sen)

Distribution on 31 July 2024				
- Class D	0.32	-	-	-
Distribution on 31 August 2024				
- Class D	0.35	-	-	-
Distribution on 30 September 2024				
- Class D	0.29	-	-	-
Distribution on 27 September 2023				
- Class D	-	0.66	-	-
Distribution on 28 September 2022				
- Class D	-	-	-	0.40
	30.09.2024	30.09.2023	30.09.2022	Since inception to 30.09.2021
	%	%	%	%
Annual total return				
- Class B	4.05	4.12	0.73	(0.21)
- Class C	4.05	4.14	0.73	(0.20)
- Class D	3.92	4.14	0.76	(0.21)

(Launch date: 15 April 2020)

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 period have been extracted from Lipper.

MARKET REVIEW (1 JULY 2024 TO 30 SEPTEMBER 2024)

Bank Negara Malaysia (“BNM”) kept the Overnight Policy Rate (“OPR”) unchanged at 3.00% at its September meeting. The Monetary Policy Committee (“MPC”) noted that the current rate is supportive of economic growth and aligns with their inflation and growth outlook. They emphasized a neutral monetary stance but remain watchful of domestic and inflationary trends heading into 2025. The MPC’s assessment on growth outlook continues to see upside from global tech upcycle, robust tourist spending and faster investment project implementation, while the downside risk to growth comes mainly from external demand.

In August 2024, the headline inflation rate moderated to 1.9% year-on-year (“y-o-y”), slightly down from 2.0% in July 2024. For the first eight months of 2024, inflation averaged 1.8%, compared to 2.5% for the whole of 2023. The broadening of the services tax base and its rate increase from 6% to a range of 6% to 8% had a mild impact on services inflation, which remained at 2.2% y-o-y. Additionally, adjustments in diesel prices in Peninsular Malaysia had a muted effect on inflation so far.

The unemployment rate remained steady at 3.3% in July 2024, the same as the previous month. The number of unemployed persons decreased slightly by 0.3%, reflecting a stable labor market. This stability is supported by continuous economic growth, with sectors such as services, manufacturing, and construction showing positive employment trends.

In August 2024, Malaysia's trade saw strong double-digit growth, with a y-o-y increase of 18.6%, reaching RM252.65 billion, the fastest growth rate in 22 months. Exports rose by 12.1% to RM129.16 billion, while imports surged 26.2% to RM123.49 billion. This marked the 52nd consecutive month of trade surplus since May 2020. Export growth was driven by high demand for Electrical & Electronic (“E&E”) products, palm oil, machinery, and scientific equipment. Exports to key markets like ASEAN, China, the US, and the European Union (“EU”) also expanded, with US exports hitting a record high due to strong semiconductor demand.

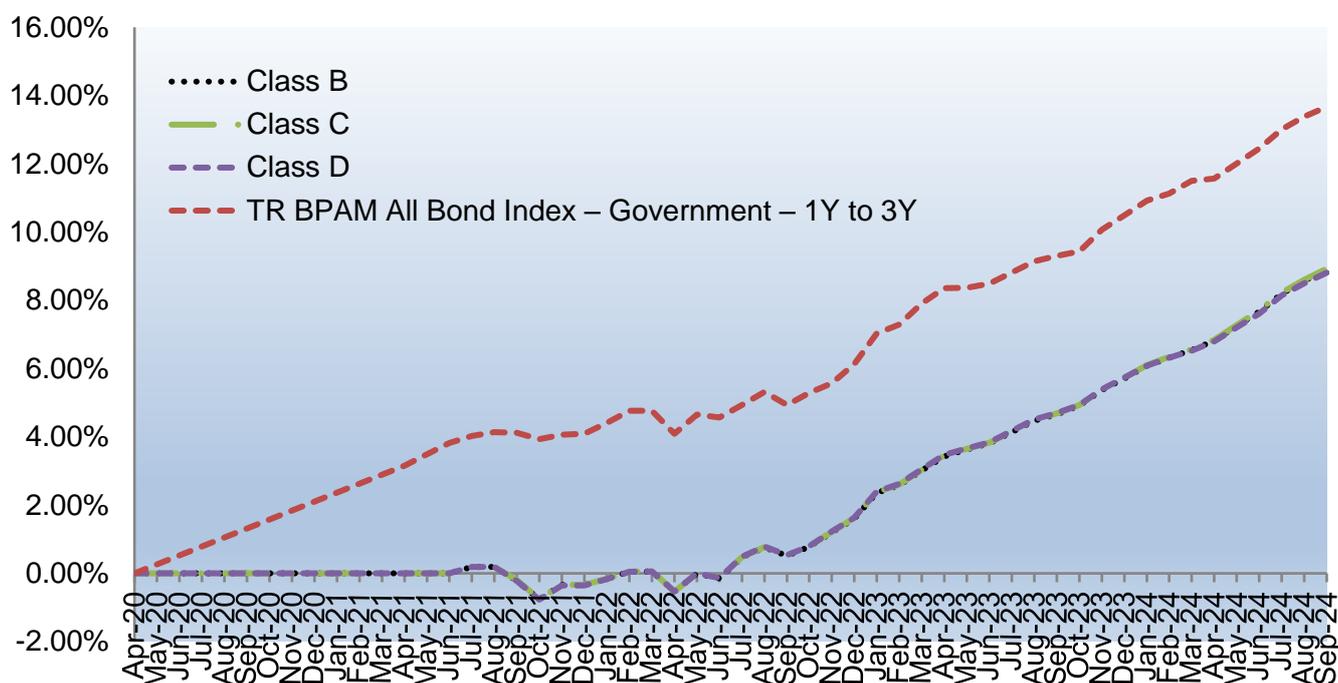
FUND PERFORMANCE

	3 months to	6 months to	1 years to	3 years to	Since
	30.09.2024	30.09.2024	30.09.2024	30.09.2024	inception
	%	%	%	%	to
					30.09.2024
					%
Income Distribution					
- Class B	-	-	-	-	-
- Class C	-	-	-	-	-
- Class D	0.95	1.84	2.74	7.47	7.47
Capital Growth					
- Class B	1.14	2.22	4.05	9.13	8.90
- Class C	1.14	2.22	4.05	9.15	8.93
- Class D	0.16	0.30	1.15	1.47	1.25
Total Return					
- Class B	1.14	2.22	4.05	9.13	8.90
- Class C	1.14	2.22	4.05	9.15	8.93
- Class D	1.11	2.15	3.92	9.05	8.81
Benchmark					
- Class B	1.08	1.95	4.00	9.17	13.67
- Class C	1.08	1.95	4.00	9.17	13.67
- Class D	1.08	1.95	4.00	9.17	13.67
Average Total Return					
- Class B	4.61	4.47	4.05	2.95	1.93
- Class C	4.61	4.49	4.05	2.96	1.94
- Class D	4.48	4.32	3.92	2.93	1.91

FUND PERFORMANCE (CONTINUED)

As of 30 September 2024, the 1-year return for Class B, Class C and Class D stood at 4.05%, 4.05% and 3.92% respectively. Class B and Class C outperformed the benchmark in the respective periods except for Class D. Since inception, the Class B, Class C and Class D achieved a total return of 8.90%, 8.93% and 8.81% respectively, underperforming the benchmark returns.

Since inception



Changes in NAV

	30.09.2024	31.12.2023 Audited	Changes %
CLASS B			
NAV (RM Million)	0.00*	0.00*	-
NAV/Unit (RM)	1.0890	1.0570	3.03
CLASS C			
NAV (RM Million)	0.00*	0.00*	-
NAV/Unit (RM)	1.0893	1.0570	3.06
CLASS D			
NAV (RM Million)	723.83	653.90	10.69
NAV/Unit (RM)	1.0125	1.0081	0.44

Note: 0.00* denotes fair value less than 1 million.

The NAV per unit as of 30 September 2024 for Class B, Class C and Class D increased by 3.03%, 3.06% and 0.44% respectively from RM1.0570, RM1.0570 and RM 1.0081 to RM1.0890, RM1.0893 and RM1.0125 respectively.

The Fund’s NAV for class D as of 30 September 2024 increased by 10.69% to RM723.83 million from RM653.90 million on 31 December 2023.

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)	30.09.2024	31.12.2023 Audited
Unquoted fixed income	89.07	89.69
Deposits with licensed financial institutions	6.93	8.49
Cash and other assets	4.01	1.83
Liabilities	(0.01)	(0.01)
TOTAL	100.00	100.00

As at 30 September 2024, the Fund was 89.07% invested in unquoted fixed income securities, with the remaining in cash and other net assets (net of liabilities).

MARKET OUTLOOK*

We remain positive on the local bond market as we believe that the tightening trend on monetary policy has reached its peak with the OPR at 3.00% for 2024.

Domestic inflation remains subdued, as the impact of the Single Stage Tax (“SST”) hikes in March 2024 and the diesel subsidy rationalization in June 2024 has been unexpectedly muted. Given that the RON95 subsidy rationalization is unlikely to occur this year, inflation could settle in the low 2% range for full year 2024. Inflation is expected to remain manageable going into 2025. However, inflation outlook remains subject to the details of implementation of domestic policy measures. Upside risk depends on spillover effect of policy measures, global commodity prices and market developments.

* 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

We continue to diversify the investments in MGS, GII and government guaranteed issuances as well as deposit with decent yields.

SOFT COMMISSIONS AND REBATES

Principal Malaysia (the “Manager”) and the Trustee will not retain any form of rebate from, or otherwise share in any commission with, any broker or dealer in consideration for directing dealings in the investments of the Principal Malaysia Funds (“Funds”). Accordingly, any rebate or shared commission will be directed to the account of the Fund. The Manager may retain goods and services (soft commission) provided by any broker or dealer if the following conditions are met:

- (a) the soft commission brings direct benefit or advantage to the management of the Fund and may include research and advisory related services;
- (b) any dealings with the broker or dealer is executed on terms which are the most favourable for the Fund; and
- (c) the availability of soft commission is not the sole or primary purpose to perform or arrange transactions with such broker or dealer, and we and the fund the manager will not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commission.

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 for the benefit of the fund such as financial wire services and stock quotations system incidental to investment management of the Funds and there was no churning of trades.

SECURITIES FINANCING TRANSACTIONS

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

STATE OF AFFAIR OF THE FUND

There were no significant changes in the state of affairs of the Fund during the period and up to the date of Manager's report, not otherwise disclosed in the financial statements.

CIRCUMSTANCES THAT MATERIALLY AFFECT ANY INTEREST OF UNIT HOLDERS

There were no circumstances that had materially affected the interest of the unit holders during the financial period under review.

CROSS TRADE

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

UNIT SPLIT

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

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 JULY 2024 TO 30 SEPTEMBER 2024**

	01.07.2024 to 30.09.2024	01.07.2023 to 30.09.2023
	RM	RM
INCOME/(LOSS)		
Interest income from deposits with licensed financial institutions and current account	497,163	3,382,934
Interest income from unquoted fixed income securities	6,381,535	2,102,326
Net gain/(loss) on financial assets at fair value through profit or loss	1,300,832	(138,477)
	<u>8,179,530</u>	<u>5,346,783</u>
EXPENSES		
Management fee	126,744	112,691
Trustee fee	36,213	32,197
Audit fee	3,343	3,352
Tax agent's fee	1,257	1,260
Other expenses	327	1,596
	<u>167,884</u>	<u>151,096</u>
PROFIT BEFORE DISTRIBUTION AND TAXATION	8,011,646	5,195,687
Distribution:		
- Class D	6,813,201	4,220,800
	<u>1,198,445</u>	<u>974,887</u>
PROFIT BEFORE TAXATION	1,198,445	974,887
Taxation	-	-
PROFIT AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	<u>1,198,445</u>	<u>974,887</u>
Profit after taxation is made up as follows:		
Realised amount	(102,388)	1,113,363
Unrealised amount	1,300,833	(138,476)
	<u>1,198,445</u>	<u>974,887</u>

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2024

	30.09.2024	31.12.2023
	RM	Audited RM
ASSETS		
Cash and cash equivalents	29,024,976	18,028,057
Deposits with licensed financial institutions with maturity more than 3 months	50,157,493	55,345,245
Financial assets at fair value through profit or loss	644,712,969	580,594,680
Amount due from Manager	6,150	5,200
TOTAL ASSETS	<u>723,901,588</u>	<u>653,973,182</u>
LIABILITIES		
Accrued management fee	41,473	38,815
Amount due to Trustee	11,850	11,091
Other payables and accruals	12,001	18,300
TOTAL LIABILITIES	<u>65,324</u>	<u>68,206</u>
NET ASSET VALUE OF THE FUND	<u>723,836,264</u>	<u>653,904,976</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	<u>723,836,264</u>	<u>653,904,976</u>
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS		
- Class B	1,089	1,057
- Class C	1,089	1,057
- Class D	723,834,086	653,902,862
	<u>723,836,264</u>	<u>653,904,976</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)		
- Class B	1,000	1,000
- Class C	1,000	1,000
- Class D	714,829,820	648,614,219
	<u>714,831,820</u>	<u>648,616,219</u>
NET ASSET VALUE PER UNIT		
- Class B	1.0890	1.0570
- Class C	1.0893	1.0570
- Class D	<u>1.0125</u>	<u>1.0081</u>

**UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE FINANCIAL PERIOD FROM 1 JULY 2024 TO 30 SEPTEMBER 2024**

	01.07.2024 to 30.09.2024	01.07.2023 to 30.09.2023
	RM	RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>715,806,087</u>	<u>612,281,078</u>
Movement due to units created and cancelled during the financial period:		
Creation of units from applications		
- Class D	18,531	30,015,960
Creation of units from distributions		
- Class D	6,813,201	4,220,800
Total comprehensive income for the financial period	<u>1,198,445</u>	<u>974,887</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL PERIOD	<u>723,836,264</u>	<u>647,492,725</u>

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 JULY 2024 TO 30 SEPTEMBER 2024**

	01.07.2024 to 30.09.2024	01.07.2023 to 30.09.2023
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from disposal of unquoted fixed income securities	345,972,301	-
Purchase of unquoted fixed income securities	(338,030,121)	(125,500,375)
Proceeds from maturity of deposits with licensed financial institutions	20,000,000	-
Placement of deposits with licensed financial Institutions with maturity more than 3 months	(43,993,044)	-
Interest income received from deposits with licensed financial institutions	497,163	3,382,934
Interest income received from unquoted fixed income securities	11,358,095	2,669,350
Management fee paid	(126,279)	(108,827)
Trustee fee paid	(36,079)	(31,093)
Payment for other fees and expenses	(327)	(14,898)
Net cash used in operating activities	<u>(4,358,291)</u>	<u>(119,602,909)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from units created	17,851	30,017,610
Net cash generated from financing activities	<u>17,851</u>	<u>30,017,610</u>
Net decrease in cash and cash equivalents	(4,340,440)	(89,585,299)
Cash and cash equivalent at the beginning of financial period	33,365,416	379,443,477
Cash and cash equivalents at the end of the financial period	<u>29,024,976</u>	<u>289,858,178</u>
<u>Cash and cash equivalents comprised of:</u>		
Deposits in licensed financial institutions	20,578,832	288,578,075
Bank balances	8,446,144	1,280,103
Cash and cash equivalents at the end of financial period	<u>29,024,976</u>	<u>289,858,178</u>

DIRECTORY

Head office of the Manager

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