

Principal Malaysia Opportunities Fund

(formerly known as CIMB-Principal Equity
Aggressive Fund 3)

Annual Report

For the Financial Year Ended 31 December 2020

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as CIMB-Principal Equity Aggressive Fund 3)

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as CIMB-Principal Equity Aggressive Fund 3)

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INVESTORS' LETTER

Dear Valued Investor,

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

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

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

We continue to prefer equities over bonds and are more comfortable with our overweight position. Growth will remain as the core strategy as it is complemented by tactical strategies on value plays. We maintain our preference for Asian over global equities due to higher growth, resilient economies and currencies and higher anticipated inflows.

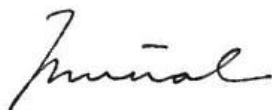
As we look towards this year, the team is excited to bring you more insights, tips and innovative solutions to help you manage your investments and reach your long-term financial goals. Visit our website (www.principal.com.my) and follow our Facebook page (@PrincipalAssetMY) in order not to miss these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

Please be informed that effective 17 April 2020, the Fund has been renamed as Principal Malaysia Opportunities Fund following the issuance of the Replacement Master Prospectus.

We also wish to inform that we have appointed Ernst & Young PLT ("EY") as the auditor of the Fund in respect of the audit for the financial year ended 31 December 2020 onwards. The change of Fund Auditor has been approved by the Trustee of the Fund, Maybank Trustees Berhad, 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 grow the value of investments over the long-term through investment in Malaysian shares.

Has the Fund achieved its objective?

For the financial year under review, the Fund registered a gain of 8.35%, while the benchmark registered a gain of 3.49%. Hence, the Fund has achieved its objective.

What are the Fund investment policy and principal investment strategy?

The Fund may invest between 70% to 98% (both inclusive) of the Fund's Net Asset Value ("NAV") in local equities. The investment policy and strategy of the Fund will be to invest in stocks which are selected based on their future growth prospects. The Fund may opt to seek investment exposure via collective investment scheme that is in line with the Fund's objective, subject to the requirement of the Securities Commission Malaysia ("SC") Guidelines. In addition, liquid assets may also be strategically used if the Manager feels that the market downside risk is high in the short term.

The Fund will be managed with high tracking error. The investment strategy of the Fund will be predominantly based on bottom up stock selection instead of investing mainly in the stocks represented in the benchmark. Consequently, the Fund's individual stock and sector weightage will deviate significantly from the benchmark, thus leads to high tracking error. The strategy of the Fund includes utilizing liquid assets dynamically in the changing market conditions. For example, high level of cash holdings in the bearish market will result in higher tracking error as the cash positions helps minimize the degree of the decline in Fund's NAV as compared to the benchmark which have 100% exposure to the market downside.

The asset allocation strategy for this Fund is as follows:

- between 70% to 98% (both inclusive) of the Fund's NAV will be invested in local equities; and
- at least 2% of the Fund's NAV in liquid assets.

Fund category/type

Equity/Growth

When was the Fund launched?

12 March 1998

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

RM56.30 million (47.01 million units)

What is the Fund's benchmark?

Financial Times Stock Exchange ("FTSE") Bursa Malaysia ("FBM") Top 100 ("FBM100") Index

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.

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

The Fund distributed a total net income of RM1.75 million to unit holders. As a result, the NAV per unit dropped from RM1.1230 to RM1.0866 on 26 August 2020 for the financial year ended 31 December 2020.

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as *CIMB-Principal Equity Aggressive Fund 3*)

PERFORMANCE DATA

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

	31.12.2020	31.12.2019	31.12.2018
	%	%	%
Quoted securities			
- Construction	2.47	0.70	2.79
- Consumer Products & Services	18.20	8.64	16.07
- Energy	6.01	16.84	6.70
- Financial Services	24.33	29.98	18.25
- Health Care	12.01	1.48	6.07
- Industrial Products & Services	11.74	3.86	8.26
- Plantation	1.46	11.38	-
- Property	-	3.06	-
- Real Estate Investment Trust ("REIT")	-	1.76	-
- Technology	7.00	7.86	10.71
- Telecommunications & Media	-	6.35	2.02
- Transportation & Logistics	7.17	0.64	3.18
- Utilities	5.71	5.28	6.48
Cash and other net assets	3.90	2.17	19.47
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	31.12.2020	31.12.2019	31.12.2018
NAV (RM Million)	56.30	60.62	61.56
Units in circulation (Million)	47.01	53.11	56.40
NAV per unit (RM)	1.1976	1.1414	1.0914
Highest NAV per unit (RM)	1.2233	1.2026	1.3546
Lowest NAV per unit (RM)	0.8130	1.0760	1.0659
Total return (%)	8.35	9.31	(14.78)
- Capital growth (%)	4.83	4.58	(14.78)
- Income distribution (%)	3.35	4.52	-
Management Expense Ratio ("MER") (%)			
^	1.98	1.99	2.03
Portfolio Turnover Ratio ("PTR") (times) #	1.41	1.37	1.30

^ The Fund's MER decreased from 1.99% to 1.98% due to decrease in expenses during the financial year under review.

The Fund's PTR was increased from 1.37 times to 1.41 times decrease in average NAV during the financial year under review.

Date of distribution	26.08.2020	23.08.2019	-
Gross distribution per unit (sen)	3.64	5.00	-

	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
	%	%	%	%	%
Annual total return	8.35	9.31	(14.78)	21.02	(2.36)

(Launch date: 12 March 1998)

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

MARKET REVIEW (1 JANUARY 2020 TO 31 DECEMBER 2020)

For the financial year under review, the FBM100 Index gained by 3.49% from 11,114.55 points to 11,501.99 points.

The optimism in the market towards the end of 2019 did not last as equities slumped and bonds rallied on heightened concerns that the spread of the Coronavirus 2019 (“COVID-19”) virus will slam global economic growth.

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

Malaysian market along with FBM100 Index continued to descend amid concerns over uncertainty in domestic politics, COVID-19 outbreak and the poor set of lackluster corporate results. Political uncertainty engulfed Malaysia again following the shocked resignation of Tun Dr Mahathir as Prime Minister after losing a majority support in the parliament. However, the uncertainty of not having a functioning Federal Government was short-lived as the King has appointed Tan Sri Muhyiddin Yasin as the 8th Prime Minister after determining that the latter is likely to get a majority support in the parliament. In his last act as interim prime minister, Tun Dr Mahathir unveiled a Malaysian Ringgit (“MYR”)20 billion stimulus package to mitigate the adverse economic impact from the COVID-19 outbreak. He furthers lower Malaysia Gross Domestic Product (“GDP”) growth forecast in 2020 from 4.8% to 3.2% to 4.2% while raising the fiscal deficit target from 3.2% to 3.4%.

FBM100 Index declined 9.14% in March 2020 as concerns over the COVID-19 outbreak intensified which was further exacerbated by the sharp 47% fall in Brent crude oil price following the breakdown in talks between Saudi Arabia and Russia to extend the Organization of the Petroleum Exporting Countries (“OPEC”) production cut agreement. The Malaysian Government has enforced an initial 2-week Movement Control Order (“MCO”) since 18 March 2020 which was extended until 14 April 2020 as the number of new COVID-19 infections spiked. To mitigate the economic impact of COVID-19 and MCO, a RM250 billion stimulus package was announced with the primary focus of (i) sustaining private consumption and confidence, (ii) preserving the viability and continuity of domestic business entities; and (iii) strengthening the domestic economy. Furthermore, on the backdrop of a disappointing fourth quarter of 2019 GDP growth of 3.6% (verses 4.1% street expectation) and a weaker Purchasing Managers’ Index (“PMI”) reading of 48.5 in February 2020, BNM has followed through with its second interest rate cut this year as it lowers the OPR by 25 bps to 2.50% in its March 2020 Monetary Policy Committee (“MPC”) meeting. The Central Bank continues to take pre-emptive measure to support the economic growth trajectory amid slower growth outlook due to the COVID-19 outbreak and weak commodity markets.

Subsequently, a liquidity driven relief rally lifted the FBM100 Index by 7.77% in April 2020 led mainly by technology stocks. The sharp turnaround in investors’ sentiment was driven by coordinated fiscal and monetary responses globally following the COVID-19 outbreak which led to a sharp recession as economic activities came to a halt.

MARKET REVIEW (1 JANUARY 2020 TO 31 DECEMBER 2020) (CONTINUED)

The rally continued in May 2020 driven mainly by glove and technology stocks. The former was due to rising average selling price amid tight global supply of medical gloves and the latter on the back of demand resiliency coming from 5G, Internet of Things and medical life-sciences. First quarter of 2020 GDP growth fell sharply to 0.7% as the impact of the global pandemic and the subsequent lockdown severely impacted macroeconomic conditions. Exports fell sharply by 7.1% due to global supply chain disruption following lockdowns. Gross fixed capital formation fell 4.6% as businesses and Government curtailed investment spending given uncertain outlook. While second quarter of 2020 GDP is expected to slide further given the full impact of nationwide lockdown during the MCO, recovery is expected from third quarter of 2020 onwards as the nation prepares to exit from lockdown. In line with other countries, expectations is rising that the Government will end the MCO soon.

This will set the stage for a much broader economic recovery as almost all business activities will resume although the pace of recovery will likely be gradual as social distancing practice will remain a norm for some time to come.

To provide further boost to the domestic economy, the Government has announced an additional RM35 billion stimulus package on 5 June 2020 to aid the economy during its post-lockdown recovery phase. This is in addition to the RM260 billion Prihatin Rakyat Economic Stimulus Package which has been announced earlier. The central bank has also played its role in ensuring that its monetary stance remains accommodative and has cut the OPR by a further 50 bps to 2.0% in early May 2020.

Subsequently, FBM100 Index was facing some profit-taking activities after the strong surge since late March 2020 as there are concern of second wave of COVID-19 new infections after MCO is being lifted gradually. Over the course of June 2020, the Government has announced further RM35 billion stimulus under National Economic Recovery Plan (“PENJANA”) which consists of RM10 billion in direct fiscal injections, RM8 billion in tax incentives and the rest via measures by public sector entities. The Government also announced that it is offering up to 100% sales tax exemption for Completely Knocked Down (“CKD”) and Completely Built-Up (“CBU”) vehicles from 15 June till 31 December while property sector will be boosted by reintroduction of the Home Ownership Campaign (“HOC”), exemption of individuals’ Real Property Gain Tax (“RPGT”) and the lifting of the maximum loan-to-value ratio (“LTV”) to 70%.

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

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

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

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as CIMB-Principal Equity Aggressive Fund 3)

MARKET REVIEW (1 JANUARY 2020 TO 31 DECEMBER 2020) (CONTINUED)

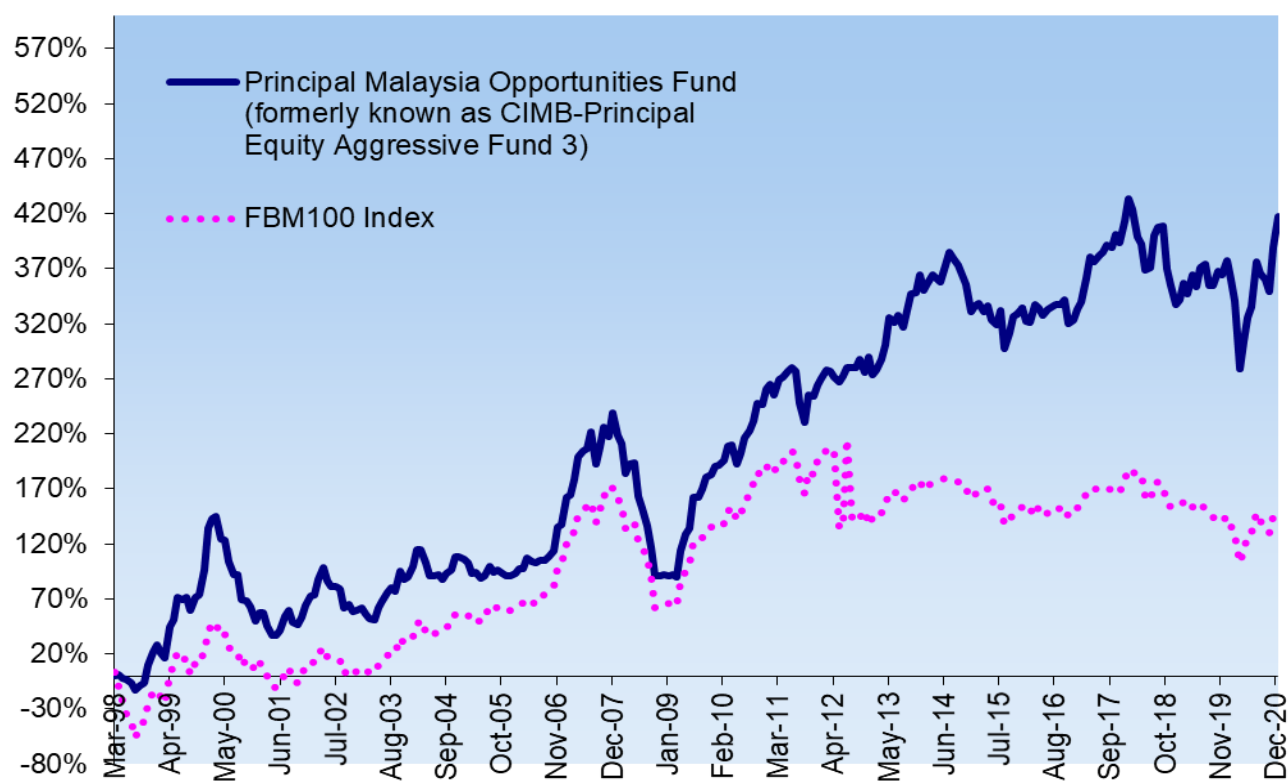
The equity market slipped for third consecutive month in October 2020 since staging a strong rally in July 2020. The sharp rise in COVID-19 post Sabah state election resulted in the implementation of Conditional MCO (“CMCO”). Despite assurance that all economic sectors would be allowed to operate during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

Following the news of COVID-19 vaccine breakthrough in November, FBM100 Index along with global markets staged a strong rally as investors switched into the COVID-19 recovery play in the market. Positive sentiments from successful COVID-19 vaccines testing spillover to December 2020.

FUND PERFORMANCE

	1 year to 31.12.2020	3 years to 31.12.2020	5 years to 31.12.2020	Since inception to 31.12.2020
	%	%	%	%
Income Distribution	3.35	8.02	8.02	8.02
Capital Growth	4.83	(6.58)	10.39	379.07
Total Return	8.35	0.93	19.25	417.47
Benchmark	3.49	(8.82)	0.27	153.92
Average Total Return	8.35	0.31	3.58	7.47

For the financial year under review, the Fund gained by 8.35%, while the benchmark gained by 3.49%. As such, the Fund outperformed its benchmark by 4.86%.



PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as CIMB-Principal Equity Aggressive Fund 3)

FUND PERFORMANCE (CONTINUED)

Changes in NAV

	31.12.2020	31.12.2019	Changes %
NAV (RM Million)	56.30	60.62	(7.13)
NAV/Unit (RM)	1.1976	1.1414	4.92

The NAV has decreased by 7.13% from redemption activities while the NAV per unit has increased by 4.92% due to positive investment 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)	31.12.2020	31.12.2019
Quoted securities	96.10	97.83
Cash and other net assets	3.90	2.17
TOTAL	100.00	31.12.2019

The allocation towards Cash has increased to 3.90% as the Fund took some profit towards the end of 2020.

MARKET OUTLOOK*

The FBM Kuala Lumpur Composite Index (“KLCI”) posted a second consecutive month of gains 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 travelers 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 a bloc vote. The vote ended with 111 Members of Parliament (“MPs”) in favour and 108 MPs against the passing of the budget. Despite the downgrade in rating by Fitch from ‘A-’ to ‘BBB+’, Malaysian Ringgit and bond yield remained stable. To end the year 2020 on a positive note, the Ministry of Finance announced the extension of the vehicle sales tax exemption period, due to expire on 31 December 2020, by a further six months until 30 June 2021.

On valuations, KLCI is currently trading at 2021 price-to-earnings (“PE”) of 14.2 times versus its 10-year mean of 15.4 times. We expect the low interest rate environment to be sustained until the economy is on a firmer footing. With such a low interest rate, equity risk premium has widened significantly to 4.22% as compared to historical mean of 2.72%. This means that equity valuation is actually very cheap now relative to fixed income.

* 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.

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as CIMB-Principal Equity Aggressive Fund 3)

INVESTMENT STRATEGY

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

UNIT HOLDINGS STATISTICS

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

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1,612	5.04	10.73
5,001 - 10,000	833	5.93	12.62
10,001 - 50,000	803	15.64	33.27
50,001 - 500,000	138	14.90	31.69
500,001 and above	3	5.50	11.69
Total	3,389	47.01	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.

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as CIMB-Principal Equity Aggressive Fund 3)

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
PRINCIPAL MALAYSIA OPPORTUNITIES FUND**
(formerly known as CIMB-Principal Equity Aggressive Fund 3)

We, being the Directors of Principal Asset Management (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 15 to 42 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 December 2020 and of its financial performance, changes in equity and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager
Principal Asset Management Berhad (Company No.: 199401018399 (304078-K))

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
16 February 2021

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as CIMB-Principal Equity Aggressive Fund 3)

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as CIMB-Principal Equity Aggressive Fund 3)

We have acted as Trustee for PRINCIPAL MALAYSIA OPPORTUNITIES FUND (*formerly known as CIMB-PRINCIPAL EQUITY AGGRESSIVE FUND 3*) ("the Fund") for the financial year ended 31 December 2020. To the best of our knowledge, Principal Asset Management Berhad (the "Manager") has managed the Fund in the financial year under review in accordance with the following:

1. limitations imposed on the investment powers of the Manager under the deeds, securities laws and Guidelines on Unit Trust Funds;
2. valuation and pricing of the Fund are carried out in accordance with the deeds and any regulatory requirement; and
3. creation and cancellation of units are carried out in accordance with the deeds and any regulatory requirement.

An income distribution of 3.64 sen per unit (gross) declared to the unitholders of the Fund for the financial year ended 31 December 2020.

We are of the view that the distribution is consistent with the investment objective and distribution policy of the Fund.

For **Maybank Trustees Berhad**
(Co. No.: 196301000109 (5004-P))

BERNICE K M LAU
Head, Operations

Kuala Lumpur
10 February 2021

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as CIMB-Principal Equity Aggressive Fund 3)**

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Principal Malaysia Opportunities Fund (formerly known as CIMB-Principal Equity Aggressive Fund 3) (the "Fund"), which comprise the statement of financial position as at 31 December 2020, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 42.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2020, and of its financial performance and cash flows for the 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.

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.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as CIMB-Principal Equity Aggressive Fund 3)**

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

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.

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.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as CIMB-Principal Equity Aggressive Fund 3)**

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

Auditors' responsibilities for the audit of the financial statements (cont'd.)

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

- 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 MALAYSIA OPPORTUNITIES FUND
*(formerly known as CIMB-Principal Equity Aggressive Fund 3)***

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Fund 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 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 13 February 2020.

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

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

Kuala Lumpur, Malaysia
16 February 2021

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as *CIMB-Principal Equity Aggressive Fund 3*)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	2020 RM	2019 RM
INCOME			
Dividend income		1,403,383	1,707,526
Interest income from deposits with licensed financial institutions		78,265	154,018
Net gain on financial assets at fair value through profit or loss	8	<u>4,034,305</u>	<u>5,350,912</u>
		<u>5,515,953</u>	<u>7,212,456</u>
EXPENSES			
Management fee	4	982,065	1,140,970
Trustee fee	5	42,468	51,970
Audit fee		5,900	13,600
Tax agent's fee		8,327	2,200
Transaction costs		421,118	481,505
Other expenses		<u>12,238</u>	<u>21,884</u>
		<u>1,472,116</u>	<u>1,712,129</u>
PROFIT BEFORE TAXATION		4,043,837	5,500,327
Taxation	7	<u>-</u>	<u>-</u>
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>4,043,837</u>	<u>5,500,327</u>
Profit after taxation is made up as follows:			
Realised amount		3,254,502	1,822,564
Unrealised amount		<u>789,335</u>	<u>3,677,763</u>
		<u>4,043,837</u>	<u>5,500,327</u>

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

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as *CIMB-Principal Equity Aggressive Fund 3*)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 RM	2019 RM
ASSETS			
Cash and cash equivalents	9	2,342,617	1,783,637
Financial assets at fair value through profit or loss	8	54,105,002	59,309,698
Amount due from stockbrokers		670,283	8,777
Amount due from Manager		151,963	-
Dividends receivable		72,283	34,768
TOTAL ASSETS		<u>57,342,148</u>	<u>61,136,880</u>
LIABILITIES			
Amount due to stockbrokers		591,343	229,083
Amount due to Manager		342,582	169,361
Accrued management fee		88,537	94,747
Amount due to Trustee		3,829	4,097
Other payables and accruals		15,900	17,200
TOTAL LIABILITIES		<u>1,042,191</u>	<u>514,488</u>
NET ASSET VALUE OF THE FUND		<u>56,299,957</u>	<u>60,622,392</u>
EQUITY			
Unit holders' capital		1,527,512	3,637,225
Retained earnings		54,772,445	56,985,167
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>56,299,957</u>	<u>60,622,392</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	<u>47,009,867</u>	<u>53,108,132</u>
NET ASSET VALUE PER UNIT		<u>1.1976</u>	<u>1.1414</u>

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

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as CIMB-Principal Equity Aggressive Fund 3)

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

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 January 2020		3,637,225	56,985,167	60,622,392
Movement in unit holders' contributions:				
- Creation of units from applications		1,232,325	-	1,232,325
- Creation of units from distribution		1,469,811	-	1,469,811
- Cancellation of units		(4,811,849)	(4,503,191)	(9,315,040)
Total comprehensive income for the financial year		-	4,043,837	4,043,837
Distribution	6	-	(1,753,368)	(1,753,368)
Balance as at 31 December 2020		<u>1,527,512</u>	<u>54,772,445</u>	<u>56,299,957</u>
Balance as at 1 January 2019		3,730,783	57,826,888	61,557,671
Movement in unit holders' contributions:				
- Creation of units from applications		1,149,141	-	1,149,141
- Creation of units from distribution		2,253,527	-	2,253,527
- Cancellation of units		(3,496,226)	(3,682,617)	(7,178,843)
Total comprehensive income for the financial year		-	5,500,327	5,500,327
Distribution	6	-	(2,659,431)	(2,659,431)
Balance as at 31 December 2019		<u>3,637,225</u>	<u>56,985,167</u>	<u>60,622,392</u>

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

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as *CIMB-Principal Equity Aggressive Fund 3*)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of quoted securities		78,400,697	84,381,636
Purchase of quoted securities		(69,882,061)	(86,949,614)
Dividend income received		1,364,486	1,751,800
Interest income received from deposits with licensed financial institutions		78,265	154,018
Management fee paid		(988,275)	(1,144,218)
Trustee fee paid		(42,736)	(52,111)
Payments for other fees and expenses		(26,382)	(36,494)
Net cash generated from/(used in) from operating activities		<u>8,903,994</u>	<u>(1,894,983)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		1,080,362	1,149,141
Payments for cancellation of units		(9,141,819)	(7,012,361)
Distribution paid		(283,557)	(405,904)
Net cash used in financing activities		<u>(8,345,014)</u>	<u>(6,269,124)</u>
Net increase/(decrease) in cash and cash equivalents		558,980	(8,164,107)
Cash and cash equivalents at the beginning of the financial year		<u>1,783,637</u>	<u>9,947,744</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>2,342,617</u></u>	<u><u>1,783,637</u></u>
<u>Cash and cash equivalents comprised of:</u>			
Deposits with licensed financial institutions		2,319,386	1,665,513
Bank balance		<u>23,231</u>	<u>118,124</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>2,342,617</u></u>	<u><u>1,783,637</u></u>

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

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

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal Malaysia Opportunities Fund (*formerly known as CIMB-Principal Equity Aggressive Fund 3*) (the "Fund") is governed by a Principal Master Deed dated 15 May 2008, a Fourth Supplemental Master Deed dated 18 March 2009, a Thirteenth Supplemental Master Deed dated 26 June 2012, an Eighteenth Supplemental Master Deed dated 25 March 2015 and a Twentieth Supplemental Master Deed dated 21 October 2019 (collectively referred to as the "Deeds") entered into between Principal Asset Management Berhad (the "Manager") and Maybank Trustees Berhad (the "Trustee").

The Fund may invest between 70% to 98% (both inclusive) of the Fund's NAV in local equities. The investment policy and strategy of the Fund will be to invest in stocks which are selected based on their future growth prospects. The Fund may opt to seek investment exposure via collective investment scheme that is in line with the Fund's objective, subject to the requirement of the SC Guidelines. In addition, liquid assets may also be strategically used if the Manager feels that the market downside risk is high in the short term.

The Fund will be managed with high tracking error. The investment strategy of the Fund will be predominantly based on bottom up stock selection instead of investing mainly in the stocks represented in the benchmark. Consequently, the Fund's individual stock and sector weightage will deviate significantly from the benchmark, thus leads to high tracking error. The strategy of the Fund includes utilizing liquid assets dynamically in the changing market conditions. For example, high level of cash holdings in the bearish market will result in higher tracking error as the cash positions helps minimize the degree of the decline in Fund's NAV as compared to the benchmark which have 100% exposure to the market downside.

The asset allocation strategy for this Fund is as follows:

- between 70% to 98% (both inclusive) of the Fund's NAV will be invested in local equities; and
- at least 2% of the Fund's NAV in liquid assets.

The Fund has changed its name from CIMB-Principal Equity Aggressive Fund 3 to Principal Malaysia Opportunities Fund following the issuance of the Replacement Master Prospectus Issue No.22 dated 17 April 2020.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) **Basis of preparation**

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

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(l).

There are no other standards, amendments to standards or interpretations effective for financial year beginning on 1 January 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 January 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”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Classification (continued)

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

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

All of the Fund's financial liabilities 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. Shariah-compliant 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 Shariah-compliant investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Recognition and measurement (continued)

If a valuation based on the market price does not represent the fair value of the 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 losses (“ECL”) using probability of default, exposure at default and loss given default. The Manager consider both historical analysis and forward looking information in determining any ECL. The Manager consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month ECL as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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 MYR, which is the Fund’s functional and presentation currency.

(d) Income recognition

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

For quoted equities, realised gains and losses on sale of investments are accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

Interest income from deposits with licensed financial institutions is recognised on a time proportionate basis using the 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.

(e) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balance 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 income earned during the financial year.

Withholding taxes on investment income from investment is 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.

(g) Distribution

A distribution to the Fund’s unit holders is accounted for as a deduction from realised reserve. A proposed distribution is recognised as a liability in the financial year in which it is approved by the Trustee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Amount due from/to stockbrokers

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

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

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

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

(i) Transactions costs

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

(j) Unit holders' contributions

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as CIMB-Principal Equity Aggressive Fund 3)

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2020			
Cash and cash equivalents (Note 9)	-	2,342,617	2,342,617
Quoted securities (Note 8)	54,105,002	-	54,105,002
Amount due from stockbrokers	-	670,283	670,283
Amount due from Manager	-	151,963	151,963
Dividends receivable	-	72,283	72,283
	<u>54,105,002</u>	<u>3,237,146</u>	<u>57,342,148</u>
2019			
Cash and cash equivalents (Note 9)	-	1,783,637	1,783,637
Quoted securities (Note 8)	59,309,698	-	59,309,698
Amount due from stockbrokers	-	8,777	8,777
Dividends receivable	-	34,768	34,768
	<u>59,309,698</u>	<u>1,827,182</u>	<u>61,136,880</u>

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

The investment objective of the Fund is to grow the value of investments over the long-term through investment in Malaysian shares.

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.

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as CIMB-Principal Equity Aggressive Fund 3)

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

(a) Market risk

(i) Price risk

This is the risk that the fair value of an investment in 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 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 is as follows:

	2020	2019
	RM	RM
Financial assets at fair value through profit or loss:		
- Quoted securities	54,105,002	59,309,698

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

% Change in price of quoted securities	Market value RM	Impact on profit or loss and NAV RM
2020		
-5%	51,399,752	(2,705,250)
0%	54,105,002	-
+5%	56,810,252	2,705,250
2019		
-5%	56,344,213	(2,965,485)
0%	59,309,698	-
+5%	62,275,183	2,965,485

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

(a) Market risk (continued)

(ii) Interest rate risk

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

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 instruments. 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 future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

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

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

	2020	2019
	%	%
Deposits with licensed financial institutions	4.14	3.30

(b) Credit risk

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

The credit risk arising from bank balance and 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 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.

For the 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.

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as *CIMB-Principal Equity Aggressive Fund 3*)

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

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

	Cash and cash equivalents RM	Amount due from stockbrokers RM	Amount due from Manager	Dividends receivable RM	Total RM
2020					
- AAA	2,342,617	-		-	2,342,617
- Not Rated	-	670,283	151,963	72,283	894,529
	<u>2,342,617</u>	<u>670,283</u>	<u>151,963</u>	<u>72,283</u>	<u>3,237,146</u>
	Cash and cash equivalents RM	Amount due from stockbrokers RM		Dividends receivable RM	Total RM
2019					
- AAA	1,003,284	-		-	1,003,284
- AA2	780,353	-		-	780,353
- Not Rated	-	8,777		34,768	43,545
	<u>1,783,637</u>	<u>8,777</u>		<u>34,768</u>	<u>1,827,182</u>

Deposits with licensed financial institutions of the Fund have an average remaining maturity of 4 days (2019: 2 days).

(c) Liquidity risk

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

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

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

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as CIMB-Principal Equity Aggressive Fund 3)

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

(c) Liquidity risk (continued)

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2020			
Amount due to stockbrokers	591,343	-	591,343
Amount due to Manager	342,582	-	342,582
Accrued management fee	88,537	-	88,537
Amount due to Trustee	3,829	-	3,829
Other payables and accruals	-	15,900	15,900
Contractual undiscounted cash flows	<u>1,026,291</u>	<u>15,900</u>	<u>1,042,191</u>
2019			
Amount due to stockbrokers	229,083	-	229,083
Amount due to Manager	169,361	-	169,361
Accrued management fee	94,747	-	94,747
Amount due to Trustee	4,097	-	4,097
Other payables and accruals	-	17,200	17,200
Contractual undiscounted cash flows	<u>497,288</u>	<u>17,200</u>	<u>514,488</u>

(d) Capital risk management

The capital of the fund is represented by equity consisting of unit holders' capital of RM1,527,512 (2019: RM3,637,225) and retained earnings of RM54,772,445 (2019: RM56,985,167). The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Fair value estimation

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

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

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

(e) Fair value estimation (continued)

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 judgment, considering factors specific to the asset or liability.

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2020				
Financial assets at fair value through profit or loss:				
- Quoted securities	54,105,002	-	-	54,105,002
2019				
Financial assets at fair value through profit or loss:				
- Quoted securities	59,309,698	-	-	59,309,698

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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

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

4. MANAGEMENT FEE

In accordance with Deeds, the Manager is entitled to a maximum management fee of 2.00% per annum, calculated daily based on the NAV of the Fund.

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

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

5. TRUSTEE FEE

In accordance with the Deeds, the Trustee is entitled to a maximum management fee of 0.08% per annum, calculated daily based on the NAV of the Fund. The Trustee fee includes the local custodian fee but excludes the foreign sub-custodian fee (if any).

For the financial year ended 31 December 2020, the Trustee fee is recognised at the rate of 0.08% per annum (2019: 0.08% per annum).

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

6. DISTRIBUTION

Distributions to unit holders are derived from the following sources:

	2020	2019
	RM	RM
Dividend income	27,514	38,022
Interest income from deposits with licensed financial Institutions	1,765	4,109
Net realised gain/(loss) on sale of investments	17,060	(23,270)
Prior financial years' realised income	1,729,831	2,681,649
	1,776,170	2,700,510
Less:		
Expenses	(22,802)	(41,079)
Net distribution amount	1,753,368	2,659,431

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
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6. DISTRIBUTION (CONTINUED)

	2020	2019
	RM	RM
Distribution on 26 August 2020		
Gross/Net distribution per unit (sen)	3.64	-
Distribution on 23 August 2019		
Gross/Net distribution per unit (sen)	-	5.00

Gross distribution is derived using total income less total expenses. Net distribution above is sourced from current and prior financial years' realised income.

Gross distribution per unit is derived from gross realised income less expenses, divided by the number of units in circulation. Net distribution per unit is derived from gross realised income less expenses and taxation, divided by the number of units in circulation.

7. TAXATION

	2020	2019
	RM	RM
Tax charged for the financial year:		
- Current taxation	-	-

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

	2020	2019
	RM	RM
Profit before taxation	4,043,837	5,500,327
Taxation at Malaysian statutory rate of 24% (2019: 24%)	970,521	1,320,078
Tax effects of:		
- Income not subject to tax	(1,323,829)	(1,730,989)
- Expenses not deductible for tax purposes	114,903	130,526
- Restriction on tax deductible expenses for Unit Trust Fund	238,405	280,385
Taxation	-	-

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RM	RM
At fair value through profit or loss:		
- Quoted securities	54,105,002	59,309,698
Net gain on financial assets at fair value through profit or loss:		
- Realised gain on disposals	3,244,970	1,673,149
- Unrealised fair value gain	789,335	3,677,763
	4,034,305	5,350,912

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as *CIMB-Principal Equity Aggressive Fund 3*)

8. 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				
Construction				
GDB Holdings Bhd	1,485,800	1,406,588	1,389,223	2.47
Consumer Products & Services				
British American Tobacco Bhd	141,900	2,019,241	1,997,952	3.55
Carlsberg Brewery Malaysia Bhd	119,600	2,475,534	2,779,504	4.94
Genting Bhd	618,400	2,614,262	2,758,064	4.90
Genting Malaysia Bhd	1,008,200	3,651,278	2,712,058	4.81
	<u>1,888,100</u>	<u>10,760,315</u>	<u>10,247,578</u>	<u>18.20</u>
Energy				
Dialog Group Bhd	224,600	738,193	774,870	1.38
Hibiscus Petroleum Bhd	2,174,000	1,694,695	1,260,920	2.24
Serba Dinamik Holdings Bhd	204,880	379,175	360,589	0.64
Solarvest Holdings	287,200	345,312	542,808	0.96
Yinson Holdings Bhd	77,300	467,319	444,475	0.79
	<u>2,967,980</u>	<u>3,624,694</u>	<u>3,383,662</u>	<u>6.01</u>
Financial Services				
CIMB Group Holdings Bhd	243,508	1,339,654	1,047,084	1.86
Hong Leong Bank Bhd	104,900	1,696,131	1,909,180	3.39
Malayan Banking Bhd	461,688	4,115,289	3,905,880	6.94
Public Bank Bhd	158,600	2,914,222	3,267,160	5.80
RHB Bank Bhd	654,757	3,387,707	3,568,426	6.34
	<u>1,623,453</u>	<u>13,453,003</u>	<u>13,697,730</u>	<u>24.33</u>
Health Care				
Hartalega Holdings Bhd	203,900	2,440,748	2,475,346	4.40
Kossan Rubber Industries Bhd	208,800	1,481,046	939,600	1.67
Optimax Holdings Bhd	1,551,300	1,204,492	1,442,709	2.56
Top Glove Corp Bhd	310,700	1,416,288	1,901,484	3.38
	<u>2,274,700</u>	<u>6,542,574</u>	<u>6,759,139</u>	<u>12.01</u>

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as CIMB-Principal Equity Aggressive Fund 3)

8. 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)				
Industrial Products & Services				
ATA IMS Bhd	448,900	1,004,744	1,068,382	1.90
Cahaya Mata Sarawak Bhd	132,300	282,926	280,476	0.49
Kelington Group Bhd	439,000	494,500	741,910	1.32
Petronas Chemicals Group Bhd	141,000	957,743	1,047,630	1.86
Press Metal Aluminium Holding Bhd	248,100	1,278,337	2,081,559	3.70
V.S. Industry Bhd	536,100	1,431,392	1,388,499	2.47
	<u>1,945,400</u>	<u>5,449,642</u>	<u>6,608,456</u>	<u>11.74</u>
Plantation				
Sime Darby Plantation Bhd	165,177	849,154	824,233	1.46
Technology				
D&O Green Technologies Bhd	757,100	614,819	1,726,188	3.07
Inari Amertron Bhd	442,000	1,162,834	1,219,920	2.17
JHM Consolidation Bhd	143,800	176,635	274,658	0.49
MI Technovation Bhd	183,400	802,312	722,596	1.27
	<u>1,526,300</u>	<u>2,756,600</u>	<u>3,943,362</u>	<u>7.00</u>
Transportation/Logistics				
Malaysia Airports Holding Bhd	310,000	1,653,442	1,835,200	3.26
MISC Bhd	93,500	735,898	642,345	1.14
Pos Malaysia Bhd	1,288,200	1,435,524	1,558,723	2.77
	<u>1,691,700</u>	<u>3,824,864</u>	<u>4,036,268</u>	<u>7.17</u>
Utilities				
Tenaga Nasional Bhd	308,575	4,086,216	3,215,351	5.71
TOTAL QUOTED SECURITIES	<u>15,877,185</u>	<u>52,753,650</u>	<u>54,105,002</u>	<u>96.10</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>1,351,352</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>54,105,002</u>		

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as CIMB-Principal Equity Aggressive Fund 3)

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019				
QUOTED SECURITIES				
Construction				
Gamuda Bhd	32,600	123,857	127,140	0.21
IJM Corporation Bhd	136,300	303,409	295,771	0.49
	<u>168,900</u>	<u>427,266</u>	<u>422,911</u>	<u>0.70</u>
Consumer Products & Services				
Bermaz Auto Bhd	629,300	1,424,717	1,321,530	2.18
DRB-Hicom Bhd	752,100	1,640,947	1,789,998	2.95
Genting Malaysia Bhd	646,100	2,650,552	2,125,669	3.51
	<u>2,027,500</u>	<u>5,716,216</u>	<u>5,237,197</u>	<u>8.64</u>
Energy				
Dayang Enterprise Holdings Bhd	854,600	1,923,861	2,145,046	3.54
Dialog Group Bhd	409,100	1,097,454	1,411,395	2.33
Hibiscus Petroleum Bhd	1,467,800	1,350,572	1,379,732	2.28
Sapura Energy Bhd	5,721,800	1,752,701	1,544,886	2.55
Serba Dinamik Holdings Bhd	215,880	373,213	474,936	0.78
Wah Seong Corporation Bhd	998,500	1,093,105	1,198,200	1.98
Yinson Holdings Bhd	316,600	1,628,521	2,051,568	3.38
	<u>9,984,280</u>	<u>9,219,427</u>	<u>10,205,763</u>	<u>16.84</u>
Financial Services				
CIMB Group Holdings Bhd	1,091,208	6,003,255	5,619,721	9.27
Hong Leong Bank Bhd	135,300	2,232,776	2,340,690	3.86
Malayan Banking Bhd	592,213	5,454,357	5,116,720	8.44
Public Bank Bhd	216,100	4,418,037	4,200,984	6.93
RHB Bank Bhd	155,657	878,429	899,697	1.48
	<u>2,190,478</u>	<u>18,986,854</u>	<u>18,177,812</u>	<u>29.98</u>
Health Care				
Duopharma Biotech Bhd	431,001	481,617	612,021	1.01
Top Glove Corporation Bhd	60,800	291,005	285,760	0.47
	<u>491,801</u>	<u>772,622</u>	<u>897,781</u>	<u>1.48</u>

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as *CIMB-Principal Equity Aggressive Fund 3*)

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED)				
QUOTED SECURITIES (CONTINUED)				
Industrial Products & Services				
Chemical Company Malaysia Bhd	325,233	685,438	400,037	0.66
Petronas Chemicals Group Bhd	81,000	684,730	595,350	0.98
Press Metal Aluminium Holding Bhd	225,200	1,091,310	1,047,180	1.73
Uchi Technologies Bhd	107,400	310,807	298,572	0.49
	<u>738,833</u>	<u>2,772,285</u>	<u>2,341,139</u>	<u>3.86</u>
Plantation				
FGV Holdings Bhd	487,200	2,158,121	2,245,992	3.70
IOI Corporation Bhd	66,000	1,450,523	1,636,800	2.70
Sime Darby Plantation Bhd	554,000	2,873,892	3,019,300	4.98
	<u>1,107,200</u>	<u>6,482,536</u>	<u>6,902,092</u>	<u>11.38</u>
Property				
Malaysian Resources Corporation Bhd	990,900	897,939	723,357	1.19
Sime Darby Property Bhd	537,600	422,035	491,904	0.81
SP Setia Bhd	402,500	562,011	644,000	1.06
	<u>1,931,000</u>	<u>1,881,985</u>	<u>1,859,261</u>	<u>3.06</u>
REIT				
Axis REIT	603,900	1,101,543	1,068,903	1.76
Technology				
D&O Green Technologies Bhd	1,620,000	1,217,093	1,377,000	2.27
Inari Amertron Bhd	156,500	324,393	266,050	0.44
I-STONE Group Bhd	594,547	100,068	145,664	0.24
JHM Consolidation Bhd	1,078,100	1,263,160	1,800,427	2.97
Pentamaster Corporation Bhd	258,602	404,520	1,174,053	1.94
	<u>3,707,749</u>	<u>3,309,234</u>	<u>4,763,194</u>	<u>7.86</u>

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as CIMB-Principal Equity Aggressive Fund 3)

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED)				
QUOTED SECURITIES (CONTINUED)				
Telecommunications & Media				
Astro Malaysia Holdings Bhd	1,107,200	1,737,950	1,406,144	2.32
Axiata Group Bhd	438,884	1,998,015	1,816,980	3.00
Telekom Malaysia Bhd	163,000	620,285	622,660	1.03
	<u>1,709,084</u>	<u>4,356,250</u>	<u>3,845,784</u>	<u>6.35</u>
Transportation & Logistics				
Malaysia Airports Holdings Bhd	51,300	391,136	389,880	0.64
Utilities				
Tenaga Nasional Bhd	241,175	3,330,327	3,197,981	5.28
TOTAL QUOTED SECURITIES	<u>24,953,200</u>	<u>58,747,681</u>	<u>59,309,698</u>	<u>97.83</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>562,017</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>59,309,698</u>		

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
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9. CASH AND CASH EQUIVALENTS

	2020	2019
	RM	RM
Deposits with licensed financial institutions	2,319,386	1,665,513
Bank balances	23,231	118,124
	2,342,617	1,783,637

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2020	2019
	No. of units	No. of units
At the beginning of the financial year	53,108,132	56,398,186
Add : Creation of units from applications	1,174,297	1,015,223
Add : Creation of units from distribution	1,352,669	2,037,732
Less: Cancellation of units	(8,625,231)	(6,343,009)
At the end of the financial year	47,009,867	53,108,132

11. MANAGEMENT EXPENSE RATIO (“MER”)

	2020	2019
	%	%
MER	1.98	1.99

MER is derived from the following calculation:

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

A	=	Management fee
B	=	Trustee fee
C	=	Audit fee
D	=	Tax agent's fee
E	=	Other expenses excluding CDS fee and withholding tax
F	=	Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial year calculated on a daily basis is RM53,127,498 (2018: RM61,673,270).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2020	2019
PTR (times)	1.41	1.37

PTR is derived based on the following calculation:

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

where:

total acquisition for the financial year	=	RM70,064,042 (2019: RM86,688,964)
total disposal for the financial year	=	RM79,303,043 (2019: RM82,300,090)

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
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13. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER, AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

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

Units held by the Manager and parties related to the Manager

Manager	2020		2019	
	No. of units	RM	No. of units	RM
Principal Asset Management Berhad	5,511	6,600	434	495

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.

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
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13. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER, AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

	2020	2019
	RM	RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institutions:		
- CIMB Bank Bhd	143	13,049
- CIMB Islamic Bank Bhd	222	833
Dividend income		
- CIMB Group Holdings Bhd	99,781	242,384
<u>Significant related party balance</u>		
Bank balance:		
- CIMB Bank Bhd	23,231	118,124

14. TRANSACTIONS WITH BROKERS

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

Brokers	Value of trades	Percentage of total trades	Brokerage fees	Percentage of total brokerage fees
	RM	%	RM	%
Macquarie Capital Securities (Malaysia) Sdn Bhd	21,368,385	14.32	38,861	14.19
CLSA Securities Malaysia Sdn Bhd	20,903,187	14.00	33,034	12.06
KAF Equities Sdn Bhd	18,100,544	12.13	40,844	14.91
Maybank Investment Bank Bhd	18,026,984	12.08	33,940	12.39
UBS Securities Malaysia Sdn Bhd	14,493,908	9.71	25,334	9.25
RHB Investment Bank Bhd	12,099,245	8.11	27,339	9.98
JP Morgan Securities (Malaysia) Sdn Bhd	10,675,609	7.15	9,543	3.48
CGS-CIMB Securities Sdn Bhd #	8,269,670	5.54	12,326	4.50
Hong Leong Investment Bank Bhd	8,129,181	5.45	18,341	6.70
Affin Hwang Investment Bank Bhd	7,362,572	4.93	16,618	6.07
Others	9,834,520	6.58	17,721	6.47
	149,263,805	100.00	273,901	100.00

PRINCIPAL MALAYSIA OPPORTUNITIES FUND
(formerly known as *CIMB-Principal Equity Aggressive Fund 3*)

14. TRANSACTIONS WITH BROKERS (CONTINUED)

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

Brokers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Maybank Investment Bank Bhd	23,388,219	13.86	50,078	14.74
RHB Investment Bank Bhd	22,209,342	13.16	50,146	14.76
Macquarie Capital Securities (Malaysia) Sdn Bhd	21,840,014	12.94	41,882	12.33
UBS Securities Malaysia Sdn Bhd	18,624,979	11.03	28,972	8.53
KAF Securities Sdn Bhd	16,604,191	9.84	37,512	11.04
CLSA Securities Malaysia Sdn Bhd	16,592,482	9.83	31,457	9.26
Affin Hwang Investment Bank Bhd	15,033,089	8.91	33,932	9.99
JP Morgan Securities (Malaysia) Sdn Bhd	14,504,718	8.59	22,668	6.67
CGS-CIMB Securities Sdn Bhd #	8,114,208	4.81	17,386	5.12
Hong Leong Investment Bank Bhd	4,343,987	2.57	9,979	2.94
Others	7,530,180	4.46	15,691	4.62
	<u>168,785,409</u>	<u>100.00</u>	<u>339,703</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 RM8,269,670 (2019: RM8,114,298). 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 worsening macro-economic outlook as a result of COVID-19, both domestically and globally, has impacted the fund performance during the financial year.

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

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 16 February 2021.

DIRECTORY

Head Office of the Manager

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

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service@principal.com.my

Customer Care Centre

(03) 7718 3000

Trustee for the Principal Malaysia Opportunities Fund
(formerly known as CIMB-Principal Equity Aggressive Fund 3)

Maybank Trustees Berhad [Co. No.: 196301000109 (5004-P)]
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Auditors of the Fund & Manager (for financial year ended 31 December 2020)

Ernst & Young PLT 202006000003 (LLP0022760-LCA) & AF 0039
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Auditors of the Fund (for financial year ended 31 December 2019)

PricewaterhouseCoopers PLT (Company No.: LLP0014401-LCA & AF 1146)
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199401018399 (304078-K)

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