

Principal Small Cap Opportunities Fund

(formerly known as CIMB-Principal Small Cap Fund)

Interim Report

For The Six Months Financial Period Ended 30 June 2020

PRINCIPAL SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB-Principal Small Cap Fund)

INTERIM REPORT

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2020

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INVESTORS' LETTER

Dear Valued Investor,

We have seen the reopening of schools and more families enjoying domestic vacations in Malaysia albeit with the necessary measures and standard operating procedures in place. These developments continue to provide positivity and confidence for us to overcome the setbacks experienced in recent times due to the pandemic. The Malaysian economy has been positive with the local unemployment rate starting to reduce as most sectors reopened during the Recovery Movement Control Order ("RMCO"). The FBMKLCI has seen a rebound from the March 2020 low by 21.18% to 1,603 levels as of 31 July 2020. In terms of participation, the retail investors recorded an increase of approximately 33% this year as of 30 June 2020.

Meanwhile, markets globally have shown positive effects of the massive policy support around the world coupled with the reopening of economies. In July 2020, markets rallied across the board with indices within Asia-Pacific bourses outperforming the developed markets. The MSCI Asia ex-Japan Index rose 3.96%, followed by Shanghai 12.09%, and Taiwan 8.64% compared with 5.29% for the S&P 500. The bond market remained positive with increases of 4% to 6%. Nevertheless, markets continue to remain cautious with the ongoing rhetoric between US-China and the US presidential elections in November 2020.

We believe each investor should maintain a diverse portfolio that matches risk tolerance preferences and helps achieve long-term financial goals. For our:

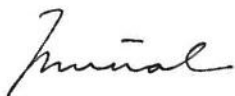
- **Conservative investors, we recommend:** Malaysia focus bond and balanced funds that are income focussed.
- **More aggressive investors, we recommend:** Growth-oriented funds that offer exposure to growth areas in China, Asia-Pacific, Global Technology, ASEAN and Malaysian aggressive funds.

Visit our website (www.principal.com.my) and Facebook account (@PrincipalAssetMY) for additional insights and investing articles.

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

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

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



Munirah Khairuddin
Chief Executive Officer

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The objective of the Fund is to provide growth to the value of Unit holders' investments over the long-term in an equity fund by investing in undiscovered smaller companies listed on Bursa Malaysia.

Has the Fund achieved its objective?

For the financial period under review, the Fund registered a loss of -12.23%, while the benchmark registered a loss of -16.28%. The Fund has not achieved its objective of capital growth during the financial period under review due to unfavourable macro environment. Nevertheless, the Fund's objective of providing capital over the medium to long-term is still in place.

What are the Fund investment policy and principal investment strategy?

The Fund may invest between 70% to 98% (both inclusive) of the Fund's Net Asset Value ("NAV") in shares of smaller companies with market capitalisation of up to three (3) billion Malaysian Ringgit ("MYR") at the point of purchase that are listed on Bursa Malaysia. The investment policy and strategy of the Fund will therefore focus on investments in securities of such smaller companies with potential growth and hands-on management policies but may be under-researched by major stock broking houses. However, should there be lack of liquidity or when we deem necessary to reduce volatility of the Fund, the Fund may invest up to 20% of its NAV in companies with market capitalisation above three (3) billion MYR at the point of purchase*. 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. To a lesser extent, the Fund may also invest in other permissible investments such as liquid assets primarily for the purpose of cash management. In addition, liquid assets may be strategically used if the Manager feels that the market downside risk is high in the short-term.

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 equities; and
- at least 2% of the Fund's NAV in liquid assets.

* With effective 1 July 2017, the Fund may invest up to 20% of its NAV in companies with market capitalisation above three (3) billion Malaysian Ringgit at the point of purchases.

Fund category/type

Equity (Small-Cap)/Growth

How long should you invest for?

Recommended five (5) years or more

When was the Fund launched?

20 April 2004

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

RM100.47 (135.18 million units)

What is the Fund's benchmark?

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

Note: The Fund's benchmark is for performance comparison purpose only. Investors are cautioned that the risk profile of the Fund is higher than the benchmark.

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 six months financial period ended 30 June 2020?

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

PRINCIPAL SMALL CAP OPPORTUNITIES FUND
(formerly known as *CIMB-Principal Small Cap Fund*)

PERFORMANCE DATA

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

	30.06.2020	30.06.2019	30.06.2018
	%	%	%
Quoted securities			
- Construction	3.58	5.83	13.77
- Consumer Products	-	-	4.97
- Consumer Products & Services	11.56	14.27	-
- Energy	4.48	9.09	-
- Finance	-	-	1.42
- Financial Services	1.28	3.33	-
- Health Care	8.36	4.41	-
- Industrial Products	-	-	23.68
- Industrial Products & Services	17.77	15.95	-
- Plantation	0.30	3.29	-
- Properties	-	-	4.62
- Property	3.12	2.56	-
- Real Estate Investment Trusts (“REITs”)	5.76	3.10	-
- Technology	26.76	16.59	23.13
- Telecommunications & Media	4.95	3.13	-
- Trading/Services	-	-	24.39
- Transportation & Logistics	-	1.93	-
- Utilities	3.93	2.97	-
Cash and other net assets	8.15	13.55	4.02
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

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

	30.06.2020	30.06.2019	30.06.2018
NAV (RM Million)	100.47	118.73	116.26
Units in circulation (Million)	135.18	147.82	156.19
NAV per unit (RM)	0.7432	0.8032	0.7443
	01.01.2020 to 30.06.2020	01.01.2019 to 30.06.2019	01.01.2018 to 30.06.2018
Highest NAV per unit (RM)	0.8649	0.8341	0.9614
Lowest NAV per unit (RM)	0.5431	0.6527	0.6944
Total return (%)	(12.23)	20.91	(18.17)
- Capital growth (%)	(12.23)	20.91	(18.17)
- Income distribution (%)	-	-	-
Management Expense Ratio (“MER”) (%)	0.80	0.80	0.84
Portfolio Turnover Ratio (“PTR”) (times) #	0.46	0.44	0.48

The Fund’s PTR increased slightly from 0.44 times to 0.46 times for the financial period under review due to decreased average NAV.

PERFORMANCE DATA (CONTINUED)

	30.06.2020	30.06.2019	30.06.2018	30.06.2017	30.06.2016
	%	%	%	%	%
Annual total return	(7.47)	7.90	(15.55)	16.80	1.47

(Launch date: 20 April 2004)

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 JANUARY 2020 TO 30 JUNE 2020)

For the financial period under review, the FBMSCAP Index decreased by 16.28% from 14,164.43 points to 11,858.60 points.

After a rally in December 2019 buoyed by the Phase 1 trade deal between US and China, equities were sold down due to heightened concerns that the spread of the COVID-19 virus will slam global economic growth.

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

Malaysian market along with FBMSCAP Index continued to descend amid concerns over uncertainty in domestic politics, COVID-19 outbreak and the poor set of lacklustre 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 RM20 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 a range of 3.2% to 4.2% while raising the fiscal deficit target from 3.2% to 3.4%.

FBMSCAP Index declined 27.7% 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 Organisation 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% (versus 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’s 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 FBMSCAP Index by 20.2% 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 30 JUNE 2020) (CONTINUED)

The rally continued in May 2020 driven mainly by glove and technology stocks. The former was due to rising average selling prices amid tight global supply of medical gloves and the latter on the back of demand resiliency coming from fifth generation mobile network (“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 the second quarter of 2020 GDP is expected to slide further given the full impact of nationwide lockdown during the MCO, recovery is expected from the third quarter 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, FBMSCAP 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 2020 till 31 December 2020 while property sector will be boosted by reintroduction of the Home Ownership Campaign (“HOC”), exemption of individuals’ Real Property Gains Tax (“RPGT”) and the lifting of the maximum loan-to-value (“LTV”) ratio to 70%.

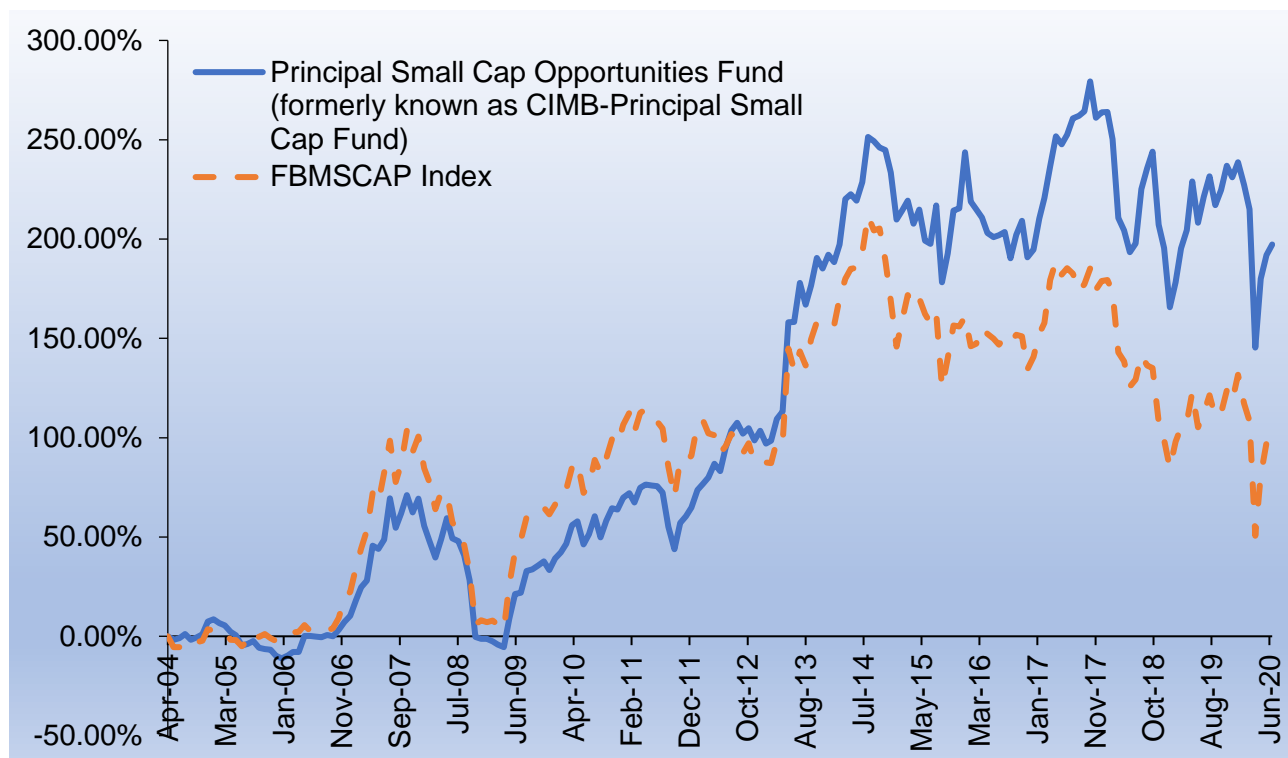
FUND PERFORMANCE

	6 months to 30.06.2020	1 year to 30.06.2020	3 years to 30.06.2020	5 years to 30.06.2020	Since inception to 30.06.2020
	%	%	%	%	%
Income					
Distribution	-	-	-	-	-
Capital Growth	(12.23)	(7.47)	(15.69)	(0.08)	197.28
Total Return	(12.23)	(7.47)	(15.69)	(0.08)	197.28
Benchmark	(16.28)	(8.75)	(32.02)	(24.73)	93.95
Average Total Return	N/A	(7.47)	(5.53)	(0.02)	6.95

For the financial period under review, the Fund's total return decreased by 12.23%, while the benchmark declined by 16.28%. As such, the Fund outperformed its benchmark by 4.05%.

PRINCIPAL SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB-Principal Small Cap Fund)

FUND PERFORMANCE (CONTINUED)



Changes in NAV

	30.06.2020	31.12.2019 Audited	Changes %
NAV (RM Million)	100.47	115.44	(12.97)
NAV/Unit (RM)	0.7432	0.8468	(12.23)

The Fund's NAV and NAV per unit decreased by 12.97% and 12.23% respectively, due to negative investment performance during the financial period under review.

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

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	30.06.2020	31.12.2019 Audited
Quoted securities	91.85	86.45
Cash and other net assets	8.15	13.55
TOTAL	100.00	100.00

Asset allocation increased from 86.45% as at 31 December 2019 to 91.85% as at 30 June 2020 to reflect our more constructive view on the Malaysian equity market.

MARKET OUTLOOK*

Although the second quarter of 2020 economic data and corporate results will be worse than the first quarter of 2020, we believe investors are already looking past these backward-looking numbers and pricing in rebound in economic activities and financial turnaround of corporates going forward. As such, the litmus test will be in the third and fourth quarter of 2020 when investors evaluate whether the actual pace of recovery matches that of expectations. To alleviate any sharp downfall, the Government has maintained an accommodative policy stance to aid the domestic economy in its recovery from the COVID-19 pandemic.

* 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

Reopening themes and persistent strong earnings growth momentum of glove stocks will keep Bursa Malaysia elevated in the near term before potential correction in the fourth quarter of 2020 in the event earnings rebound is slower than anticipated. Uncertainty ahead of a potential snap election will also be a dampener. That said, we believe the correction will unlikely to re-test March 2020's low given the supportive monetary and fiscal stimulus. Consider all factors, we are reiterating our neutral stance on the Malaysia equity market, given the prevalent expectation of swift earnings rebound in 2021.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 30 June 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	1,477	4.37	3.23
5,001 to 10,000	906	6.65	4.92
10,001 to 50,000	1,827	42.27	31.27
50,001 to 500,000	584	56.43	41.74
500,001 and above	13	25.46	18.84
Total	4,807	135.18	100.00

SOFT COMMISSIONS AND REBATES

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

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

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

We, being the Directors of Principal Asset Management Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 10 to 35 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 June 2020 and of its financial performance, changes in equity and cash flows for the financial period then ended in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134 - Interim Financial Reporting and International Accounting Standards ("IAS") 34 - Interim Financial Reporting.

For and on behalf of the Manager

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

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
14 August 2020

TRUSTEE'S REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

We have acted as Trustee for PRINCIPAL SMALL CAP OPPORTUNITIES FUND (*formerly known as CIMB-PRINCIPAL SMALL CAP FUND*) ("the Fund") for the financial period ended 30 June 2020. To the best of our knowledge, Principal Asset Management Berhad ("the Manager") has managed the Fund in the financial period 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 or pricing of the Fund is carried out in accordance with the deeds and relevant regulatory requirement; and
3. creation and cancellation of units of the Fund are carried out in accordance with the deeds and relevant regulatory requirement.

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

BERNICE K M LAU
Head, Operations

Kuala Lumpur, Malaysia
14 August 2020

PRINCIPAL SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB-Principal Small Cap Fund)

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

		01.01.2020 to 30.06.2020	01.01.2019 to 30.06.2019
	Note	RM	RM
(LOSS)/INCOME			
Dividend income		942,029	1,019,676
Interest income from deposits with licensed financial institutions and current account at amortised cost		219,646	298,045
Net (loss)/gain on financial assets at fair value through profit or loss	7	<u>(14,344,398)</u>	<u>21,706,759</u>
		<u>(13,182,723)</u>	<u>23,024,480</u>
EXPENSES			
Management fee	4	746,031	872,653
Trustee's fee	5	34,815	40,724
Transaction costs		199,877	292,315
Audit fee		8,550	8,550
Tax agent's fee		1,800	2,450
Other expenses		9,985	15,611
		<u>1,001,058</u>	<u>1,232,303</u>
(LOSS)/PROFIT BEFORE TAXATION		(14,183,781)	21,792,177
Taxation	6	<u>-</u>	<u>-</u>
(LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL PERIOD		<u>(14,183,781)</u>	<u>21,792,177</u>
 (Loss)/Profit after taxation is made up as follows:			
Realised amount		(5,363,008)	1,031,993
Unrealised amount		<u>(8,820,773)</u>	<u>20,760,184</u>
		<u>(14,183,781)</u>	<u>21,792,177</u>

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

PRINCIPAL SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB-Principal Small Cap Fund)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	30.06.2020	31.12.2019
		RM	Audited
			RM
ASSETS			
Cash and cash equivalents	8	7,831,590	14,410,368
Financial assets at fair value through profit or loss	7	92,280,976	100,812,630
Amount due from stockbrokers		657,368	25,040
Amount due from Manager		47,487	1,080,675
Dividends receivable		175,254	129,293
TOTAL ASSETS		<u>100,992,675</u>	<u>116,458,006</u>
LIABILITIES			
Amount due to stockbrokers		51,428	508,188
Amount due to Manager		330,115	341,416
Accrued management fee		123,176	146,136
Amount due to Trustee		5,748	6,820
Other payables and accruals		11,850	18,700
TOTAL LIABILITIES		<u>522,317</u>	<u>1,021,260</u>
NET ASSET VALUE OF THE FUND		<u>100,470,358</u>	<u>115,436,746</u>
EQUITY			
Unit holders' capital		12,633,054	13,415,661
Retained earnings		87,837,304	102,021,085
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>100,470,358</u>	<u>115,436,746</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	9	<u>135,176,203</u>	<u>136,316,839</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.7432</u>	<u>0.8468</u>

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

PRINCIPAL SMALL CAP OPPORTUNITIES FUND
(formerly known as *CIMB-Principal Small Cap Fund*)

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

	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 January 2020	13,415,661	102,021,085	115,436,746
Movement in unit holders' contributions:			
- Creation of units from applications	31,548,851	-	31,548,851
- Cancellation of units	(32,331,458)	-	(32,331,458)
Total comprehensive loss for the financial period	-	(14,183,781)	(14,183,781)
Balance as at 30 June 2020	<u>12,633,054</u>	<u>87,837,304</u>	<u>100,470,358</u>
Balance as at 1 January 2019	26,232,626	73,940,176	100,172,802
Movement in unit holders' contributions:			
- Creation of units from applications	46,839,110	-	46,839,110
- Cancellation of units	(50,077,945)	-	(50,077,945)
Total comprehensive income for the financial period	-	21,792,177	21,792,177
Balance as at 30 June 2019	<u>22,993,791</u>	<u>95,732,353</u>	<u>118,726,144</u>

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

PRINCIPAL SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB-Principal Small Cap Fund)

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

	01.01.2020 to 30.06.2020	01.01.2019 to 30.06.2019
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from disposal of quoted securities	42,635,548	56,601,030
Purchase of quoted securities	(49,737,258)	(51,655,065)
Dividend income received	896,068	1,005,782
Interest income received from deposits with licensed financial institutions and current account	219,646	298,045
Management fee paid	(768,991)	(861,045)
Trustee's fee paid	(35,887)	(40,182)
Payment of other fees and expenses	(27,184)	(24,656)
Net cash (used in)/generated from operating activities	(6,818,058)	5,323,909
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	32,582,039	46,783,019
Payments for cancellation of units	(32,342,759)	(49,664,765)
Net cash generated from/(used in) financing activities	239,280	(2,881,746)
Net (decrease)/increase in cash and cash equivalents	(6,578,778)	2,442,163
Cash and cash equivalents at the beginning of financial period	14,410,368	13,838,898
Cash and cash equivalents at the end of financial period	7,831,590	16,281,061
<u>Cash and cash equivalents comprised of:</u>		
Bank balances	75,810	41,308
Deposits with licensed financial institutions	7,755,780	16,239,753
Cash and cash equivalents at the end of the financial period	7,831,590	16,281,061

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

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

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal Small Cap Opportunities Fund (*formerly known as CIMB-Principal Small Cap Fund*) (the “Fund”) is governed by a Principal Master Deed dated 15 May 2008, 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”), 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 shares of smaller companies with market capitalisation of up to three (3) billion Malaysian Ringgit (“MYR”) at the point of purchase that are listed on Bursa Malaysia. The investment policy and strategy of the Fund will therefore focus on investments in securities of such smaller companies with potential growth and hands-on management policies but may be under-researched by major stock broking houses. However, should there be lack of liquidity or when we deem necessary to reduce volatility of the Fund, the Fund may invest up to 20% of its NAV in companies with market capitalisation above three (3) billion MYR at the point of purchase. 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. To a lesser extent, the Fund may also invest in other permissible investments such as liquid assets primarily for the purpose of cash management. In addition, liquid assets may be strategically used if the Manager feels that the market downside risk is high in the short-term.

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 equities; and
- at least 2% of the Fund’s NAV in liquid assets.

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

The Fund has changed its name from CIMB-Principal Small Cap Fund to Principal Small Cap Opportunities Fund following the issuance of the Replacement Master Prospectus dated 17 April 2020.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the MFRS and International Financial Reporting Standards (“IFRS”).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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

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

(b) Financial assets and financial liabilities

Classification

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

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

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

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

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

Recognition and measurement

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Recognition and measurement (continued)

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

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

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

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

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

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest method over the period from the date of placement to the date of maturity of the respective deposits.

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

Impairment for assets carried at amortised costs

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Write-off

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

(c) Income recognition

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

Interest income from deposits with licensed financial institutions is recognised on a time proportionate basis using effective interest 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 net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

(d) Functional and presentation currency

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

(e) Cash and cash equivalents

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

(f) Taxation

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

(g) Transaction costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Amount due from/to stockbrokers

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

If the credit risk increases to the point that it is considered to be credit impaired, 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) Unit holders' contributions

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

However, the Manager is of the opinion that there are no accounting policies which require significant judgement to be exercised.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The investment objective of the Fund is to provide growth to the value of unit holders' investments over the long-term in an equity fund by investing in undiscovered smaller companies listed on Bursa Malaysia.

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

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

(a) Market risk

(i) Price risk

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 portfolio diversification and selection of quoted securities and other financial instruments within specified limits according to the Deeds.

(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 period, the Fund is not exposed to a material level of interest rate risk.

(b) Credit risk

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

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

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

For amount due from stockbrokers, the settlement terms are governed by the relevant rules and regulations as prescribed by respective stock exchange. The credit risk is minimal as all transactions in quoted securities are settled or 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.

(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 and other instruments which are capable of being converted into cash within 7 business days. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital and retained earnings. The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Fair value estimation

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

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the financial period end date. The Fund utilises the last traded market price for financial assets where the last traded market price falls within the bid-ask spread. In circumstances where the last traded market 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. 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 judgement, considering factors specific to the asset or liability.

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
30.06.2020				
Financial assets at fair value through profit or loss:				
- Quoted securities	<u>92,280,976</u>	<u>-</u>	<u>-</u>	<u>92,280,976</u>
31.12.2019				
Audited				
Financial assets at fair value through profit or loss:				
- Quoted securities	<u>100,812,630</u>	<u>-</u>	<u>-</u>	<u>100,812,630</u>

3. 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 the 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 six months financial period ended 30 June 2020, the management fee is recognised at a rate of 1.50% per annum (30.06.2019: 1.50% per annum).

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

5. TRUSTEE'S FEE

In accordance with Deeds, the Trustee is entitled to a maximum fee of 0.07% per annum calculated daily based on the NAV of the Fund. The Trustee's fee includes the local custodian fee but excludes the foreign sub-custodian fee (if any).

For the six months financial period ended 30 June 2020, the Trustee's fee is recognised at a rate of 0.07% per annum (30.06.2019: 0.07% per annum).

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

6. TAXATION

	01.01.2020 to 30.06.2020	01.01.2019 to 30.06.2019
	RM	RM
Tax charged for the financial period:		
- Current taxation	-	-
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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6. TAXATION (CONTINUED)

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

	01.01.2020 to 30.06.2020	01.01.2019 to 30.06.2019
	RM	RM
(Loss)/Profit before taxation	<u>(14,183,781)</u>	<u>21,792,177</u>
Taxation at Malaysian statutory rate of 24%	(3,404,107)	5,230,122
Tax effects of:		
- Loss not deductible for tax purposes/(Investment income not subject to tax)	3,163,854	(5,525,875)
- Expenses not deductible for tax purposes	58,256	81,844
- Restriction on tax deductible expenses for Unit Trust Funds	<u>181,997</u>	<u>213,909</u>
-Taxation	<u>-</u>	<u>-</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.06.2020	31.12.2019
	RM	Audited RM
At fair value through profit or loss:		
- Quoted securities	<u>92,280,976</u>	<u>100,812,630</u>
	01.01.2020 to 30.06.2020	01.01.2019 to 30.06.2019
	RM	RM
Net (loss)/gain on financial assets at fair value through profit or loss:		
- Realised (loss)/gain on disposals	(5,523,624)	946,575
- Unrealised fair value (loss)/gain	<u>(8,820,774)</u>	<u>20,760,184</u>
	<u>(14,344,398)</u>	<u>21,706,759</u>

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
30.06.2020				
QUOTED SECURITIES				
Construction				
Econpile Holdings Bhd	1,060,500	675,326	646,905	0.64
Gabungan AQRS Bhd	387,280	495,548	329,188	0.33
Kerjaya Prospek Group Bhd	449,220	498,549	480,665	0.48
Muhibbah Engineering (M) Bhd	241,500	680,513	225,803	0.22
Sunway Construction Group Bhd	<u>1,021,600</u>	<u>1,791,754</u>	<u>1,920,608</u>	<u>1.91</u>
	<u>3,160,100</u>	<u>4,141,690</u>	<u>3,603,169</u>	<u>3.58</u>

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
30.06.2020				
(CONTINUED)				
QUOTED SECURITIES				
(CONTINUED)				
Consumer Products & Services				
Aeon Co. (M) Bhd	1,101,500	1,888,487	1,112,515	1.11
British American Tobacco (Malaysia) Bhd	375,600	4,662,214	4,048,968	4.03
DRB-Hicom Bhd	832,600	1,899,701	1,423,746	1.42
Mynews Holdings Bhd	3,002,600	3,872,419	2,041,768	2.03
Power Root Bhd	1,327,100	3,121,022	2,985,975	2.97
	<u>6,639,400</u>	<u>15,443,843</u>	<u>11,612,972</u>	<u>11.56</u>
Energy				
Dayang Enterprise Holdings Bhd	419,100	972,432	528,066	0.53
Hibiscus Petroleum Bhd	3,737,300	3,228,403	2,298,439	2.29
Serba Dinamik Holdings Bhd	384,410	509,079	634,276	0.63
Yinson Holdings Bhd	174,500	746,118	1,029,550	1.03
	<u>4,715,310</u>	<u>5,456,032</u>	<u>4,490,331</u>	<u>4.48</u>
Financial Services				
Aeon Credit Service (M) Bhd	71,200	1,104,149	677,112	0.67
Syarikat Takaful Malaysia Keluarga Bhd	137,800	777,699	613,210	0.61
	<u>209,000</u>	<u>1,881,848</u>	<u>1,290,322</u>	<u>1.28</u>
Health Care				
Duopharma Biotech Bhd	2,143,570	2,419,010	3,472,583	3.46
Kossan Rubber Industries	490,000	1,830,531	4,169,900	4.15
KPJ Healthcare Bhd	900,900	809,909	756,756	0.75
	<u>3,534,470</u>	<u>5,059,450</u>	<u>8,399,239</u>	<u>8.36</u>
Industrial Products & Services				
ATA IMS Bhd	714,400	1,082,226	893,000	0.89
Chemical Company of Malaysia Bhd	2,058,266	3,677,200	2,449,337	2.44
HSS Engineers Bhd	1,203,100	1,165,707	601,550	0.60
Rohas Tecnic Bhd	3,422,300	3,256,937	1,471,589	1.46
SKP Resources Bhd	2,014,570	2,671,370	2,719,670	2.71
Solarvest Holdings Bhd	2,532,600	2,958,113	3,925,530	3.91

PRINCIPAL SMALL CAP OPPORTUNITIES FUND
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7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
30.06.2020				
(CONTINUED)				
QUOTED SECURITIES				
(CONTINUED)				
Industrial Products & Services (continued)				
Success Transformer Corporation Bhd	3,978,700	4,547,203	2,247,965	2.24
Uchi Technologies Bhd	586,700	1,679,542	1,507,819	1.50
V.S. Industry Bhd	2,088,600	3,836,454	2,025,942	2.02
	<u>18,599,236</u>	<u>24,874,752</u>	<u>17,842,402</u>	<u>17.77</u>
Plantation				
FGV Holdings Bhd	302,900	291,787	301,386	0.30
Property				
LBS Bina Group Bhd	140,100	51,375	51,837	0.05
Malaysian Resources Corporation Bhd	2,648,800	2,350,884	1,244,936	1.24
S P Setia Bhd	2,175,300	2,018,872	1,838,128	1.83
	<u>4,964,200</u>	<u>4,421,131</u>	<u>3,134,901</u>	<u>3.12</u>
REITs				
Axis REIT	2,313,504	4,141,974	4,765,818	4.74
Pavilion REIT	408,200	638,512	653,120	0.65
Sunway REIT	230,100	361,195	372,762	0.37
	<u>2,951,804</u>	<u>5,141,681</u>	<u>5,791,700</u>	<u>5.76</u>
Technology				
D&O Green Technologies Bhd	4,535,200	3,490,855	3,288,020	3.27
Datasonic Group Bhd	1,968,100	2,972,012	2,775,021	2.76
Globetronics Technology Bhd	480,400	969,488	1,028,056	1.02
Greatech Technology Bhd	1,254,900	4,760,069	4,856,463	4.83
Inari Amertron Bhd	752,100	1,304,211	1,271,049	1.27
I-STONE Group Bhd	1,964,733	355,835	343,828	0.34
JHM Consolidation Bhd	3,847,400	4,467,531	5,155,516	5.13
Malaysian Pacific Industries Bhd	299,600	3,291,790	3,295,600	3.28
Pentamaster Corporation Bhd	586,960	1,163,665	3,022,844	3.01
Unisem (M) Bhd	493,600	881,446	1,011,880	1.01
Vitrox Corporation Bhd	92,000	754,163	840,880	0.84
	<u>16,274,993</u>	<u>24,411,065</u>	<u>26,889,157</u>	<u>26.76</u>

PRINCIPAL SMALL CAP OPPORTUNITIES FUND
(formerly known as *CIMB-Principal Small Cap Fund*)

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
30.06.2020				
(CONTINUED)				
QUOTED SECURITIES				
(CONTINUED)				
Telecommunications & Media				
Astro Malaysia Holdings Bhd	1,422,000	1,282,327	1,180,260	1.17
Binasat Communications Bhd	570,300	281,004	213,863	0.21
Media Chinese International Ltd	6,332,900	1,432,950	1,108,258	1.10
TIME dotCom Bhd	228,000	1,900,533	2,480,640	2.47
	<u>8,553,200</u>	<u>4,896,814</u>	<u>4,983,021</u>	<u>4.95</u>
Utilities				
Gas Malaysia Bhd	70,500	200,352	197,400	0.20
Malakoff Corporation Bhd	1,093,300	925,847	994,903	0.99
Ranhill Utilities Bhd	301,960	316,314	280,823	0.28
Taliworks Corporation Bhd	2,939,583	2413,971	2,469,250	2.46
	<u>4,405,343</u>	<u>3856,484</u>	<u>3,942,376</u>	<u>3.93</u>
TOTAL QUOTED SECURITIES	<u>74,309,956</u>	<u>99,876,577</u>	<u>92,280,976</u>	<u>91.85</u>
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(7,595,601)</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>92,280,976</u>		

PRINCIPAL SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB-Principal Small Cap Fund)

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
31.12.2019				
Audited				
QUOTED SECURITIES				
Construction				
Gabungan AQRS Bhd	387,280	495,548	456,990	0.40
Kerjaya Prospek Group Bhd	449,220	498,549	588,478	0.51
Muhibbah Engineering (M) Bhd	414,100	1,166,875	1,018,686	0.88
Sunway Construction Group Bhd	1,021,600	1,791,754	1,951,256	1.69
TRC Synergy Bhd	1,122,800	687,167	494,032	0.43
Vizione Holdings Bhd	366,257	320,074	320,475	0.28
	<u>3,761,257</u>	<u>4,959,967</u>	<u>4,829,917</u>	<u>4.19</u>
Consumer Products & Services				
Aeon Co. (M) Bhd	2,089,600	3,610,270	2,967,232	2.57
Berjaya Food Bhd	1,912,400	3,008,133	2,639,112	2.29
Bermaz Auto Bhd	1,221,400	2,740,785	2,564,940	2.22
Bioalpha Holdings Bhd	6,989,300	1,652,177	1,293,021	1.12
DRB-Hicom Bhd	1,749,900	3,992,657	4,164,762	3.61
Kawan Food Bhd	3,191,000	4,202,191	3,573,920	3.10
Magni-Tech Industries Bhd	937,300	2,244,656	2,249,520	1.95
	<u>18,090,900</u>	<u>21,450,869</u>	<u>19,452,507</u>	<u>16.86</u>
Energy				
Dayang Enterprise Holdings Bhd	1,617,900	3,642,173	4,060,929	3.52
Hibiscus Petroleum Bhd	3,352,000	3,095,277	3,150,880	2.73
Sapura Energy Bhd	11,246,000	3,440,624	3,036,420	2.63
Serba Dinamik holdings Bhd	487,410	645,484	1,072,302	0.93
Serba Dinamik Holdings Bhd - warrant	139,260	-	61,274	0.05
Wah Seong Corporation Bhd	2,291,400	2,495,362	2,749,680	2.38
Yinson Holdings Bhd	444,900	1,902,281	2,882,952	2.50
	<u>19,578,870</u>	<u>15,221,201</u>	<u>17,014,437</u>	<u>14.74</u>
Financial Services				
Aeon Credit Service (M) Bhd	71,200	1,104,149	1,006,768	0.87
Syarikat Takaful Malaysia Keluarga Bhd	137,800	777,699	785,460	0.68
	<u>209,000</u>	<u>1,881,848</u>	<u>1,792,228</u>	<u>1.55</u>

PRINCIPAL SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB-Principal Small Cap Fund)

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
31.12.2019				
(CONTINUED)				
Audited (Continued)				
QUOTED SECURITIES				
(CONTINUED)				
Health Care				
Duopharma Biotech Bhd	2,298,370	2,593,701	3,263,685	2.83
Kossan Rubber Industries Bhd	490,000	1,830,531	2,038,400	1.77
	<u>2,788,370</u>	<u>4,424,232</u>	<u>5,302,085</u>	<u>4.60</u>
Industrial Products & Services				
ATA IMS Bhd	714,400	1,082,226	1,243,056	1.08
Chemical Company Malaysia Bhd	2,058,266	3,677,200	2,531,667	2.19
HSS Engineers Bhd	1,203,100	1,165,707	1,016,620	0.88
Rohas Tecnic Bhd	3,422,300	3,256,937	2,190,272	1.90
Success Transformer Corporation Bhd	3,978,700	4,547,203	3,799,659	3.29
Uchi Technologies Bhd	637,400	1,824,680	1,771,972	1.54
V.S. Industry Bhd	2,088,600	3,836,454	2,798,724	2.42
	<u>14,102,766</u>	<u>19,390,407</u>	<u>15,351,970</u>	<u>13.30</u>
Property				
Malaysian Resources Corporation Bhd	2,648,800	2,350,884	1,933,624	1.68
REITs				
Axis REIT	1,959,200	3,477,515	3,467,784	3.00
Technology				
D&O Green Technologies Bhd	3,079,400	2,313,583	2,617,490	2.27
Globetronics Technology Bhd	570,900	1,152,124	1,330,197	1.15
Inari Amertron Bhd	752,100	1,304,211	1,278,570	1.11
I-STONE Group Bhd	1,691,933	284,683	414,524	0.36
JHM Consolidation Bhd	3,707,000	4,261,703	6,190,690	5.36
Malaysian Pacific Industries Bhd	299,600	3,291,790	3,427,424	2.97
Pentamaster Corporation Bhd	1,163,960	1,698,489	5,284,378	4.58
Revenue Group Bhd	1,336,500	966,069	1,857,735	1.60
	<u>12,601,393</u>	<u>15,272,652</u>	<u>22,401,008</u>	<u>19.40</u>

PRINCIPAL SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB-Principal Small Cap Fund)

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

Name of counter	Quantity Units	Aggregate cost RM	Market value RM	Percentage of NAV %
31.12.2019				
(CONTINUED)				
Audited (continued)				
QUOTED SECURITIES				
(CONTINUED)				
Telecommunications & Media				
Binasat Communications Bhd	5,305,300	2,614,077	1,724,222	1.49
Media Chinese International Ltd	1,893,900	438,695	445,067	0.38
TIME dotCom Bhd	228,000	1,900,533	2,102,160	1.82
	<u>7,427,200</u>	<u>4,953,305</u>	<u>4,271,449</u>	<u>3.69</u>
Transportation & Logistics				
E.A. Technique Bhd	4,346,900	2,986,262	1,543,150	1.33
Utilities				
Malakoff Corporation Bhd	609,500	504,849	530,265	0.45
Ranhill Holdings Bhd	285,960	299,495	305,977	0.27
Taliworks Corporation Bhd	2,939,583	2,413,971	2,616,229	2.27
	<u>3,835,043</u>	<u>3,218,315</u>	<u>3,452,471</u>	<u>2.99</u>
TOTAL QUOTED SECURITIES	<u>91,349,699</u>	<u>99,587,457</u>	<u>100,812,630</u>	<u>87.33</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>1,225,173</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>100,812,630</u>		

PRINCIPAL SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB-Principal Small Cap Fund)

8. CASH AND CASH EQUIVALENTS

	30.06.2020	31.12.2019
	RM	Audited RM
Deposits with licensed financial institutions	7,755,780	14,348,508
Bank balance	75,810	61,860
	7,831,590	14,410,368

9. NUMBER OF UNITS IN CIRCULATION (UNITS)

	01.01.2020 to 30.06.2020	01.01.2019 to 31.12.2019
	No. of units	Audited No. of units
At the beginning of the financial period/year	136,316,839	150,772,701
Add: Creation of units from applications	43,908,203	80,109,429
Less: Cancellation of units	(45,048,839)	(94,565,291)
At the end of the financial period/year	135,176,203	136,316,839

10. MANAGEMENT EXPENSE RATIO ("MER")

	01.01.2020 to 30.06.2020	01.01.2019 to 30.06.2019
	%	%
MER	0.80	0.80

MER is derived from the following calculation:

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

A = Management fee

B = Trustee's fee

C = Audit fee

D = Tax agent's fee

E = Other expenses excluding CDS transfer fee and withholding tax

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

The average NAV of the Fund for the financial period calculated on a daily basis is RM100,300,000 (30.06.2019: RM117,337,793).

11. PORTFOLIO TURNOVER RATIO (“PTR”)

	01.01.2020 to 30.06.2020	01.01.2019 to 30.06.2019
PTR (times)	0.46	0.44

PTR is derived from the following calculation:

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

where:

total acquisition for the financial period = RM48,555,612 (30.06.2019: RM51,339,144)

total disposal for the financial period = RM42,742,867 (30.06.2019: RM52,569,842)

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

<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
CGS-CIMB Securities Sdn Bhd	Fellow related party to the Manager

PRINCIPAL SMALL CAP OPPORTUNITIES FUND
(formerly known as CIMB-Principal Small Cap Fund)

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

Units held by the Manager and parties related to the Manager

	30.06.2020		31.12.2019	
	No. of units	RM	No. of units	Audited RM
Manager				
Principal Asset Management Berhad	23,280	17,302	26,419	22,372

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

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

In addition to the 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.

	30.06.2020	31.12.2019
	RM	Audited RM
<u>Significant related party balances</u>		
Bank balance:		
- CIMB Bank Bhd	75,810	61,860

	01.01.2020 to 30.06.2020	01.01.2019 to 30.06.2019
	RM	RM

Significant related party transactions

Interest income from deposits with licensed financial institutions:

- CIMB Bank Bhd	7,398	69,201
- CIMB Islamic Bank Bhd	-	4,041

Cash placements with licensed financial institutions:

- CIMB Bank Bhd	26,344,000	177,758,000
- CIMB Islamic Bank Bhd	-	10,000,000

PRINCIPAL SMALL CAP OPPORTUNITIES FUND
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13. TRANSACTIONS WITH BROKERS/DEALERS

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

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
CLSA Securities (M) Sdn Bhd	18,739,355	20.53	21,248	15.33
J.P. Morgan Securities (M) Sdn Bhd	11,891,506	13.03	9,864	7.12
UBS Securities (M) Sdn Bhd	11,217,591	12.29	17,869	12.89
CGS-CIMB Securities Sdn Bhd #	7,228,544	7.92	6,272	4.53
Maybank Investment Bank Bhd	7,133,660	7.82	11,778	8.50
Affin Hwang Investment Bank Bhd	7,054,119	7.73	15,874	11.45
Macquarie Capital Securities (M) Sdn Bhd	6,672,721	7.31	8,990	6.49
RHB Investment Bank Bhd	6,442,118	7.06	14,510	10.47
KAF Equities Sdn Bhd	5,974,429	6.55	13,464	9.72
Hong Leong Investment Bank Bhd	5,859,338	6.42	13,212	9.53
Others	3,055,242	3.34	5,505	3.97
	<u>91,268,623</u>	<u>100.00</u>	<u>138,586</u>	<u>100.00</u>

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

Brokers/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
RHB Investment Bank Bhd	12,572,510	12.11	28,388	12.76
UBS Securities (M) Sdn Bhd	11,257,913	10.84	21,899	9.84
Macquarie Capital Securities (M) Sdn Bhd	10,890,965	10.49	22,717	10.21
CGS-CIMB Securities Sdn Bhd #	9,393,183	9.05	20,851	9.37
Alliance Investment Bank Bhd	8,977,608	8.65	20,285	9.1
Maybank Investment Bank Bhd	8,528,273	8.21	18,394	8.27
Hong Leong Investment Bank Bhd	7,937,846	7.65	18,014	8.10
CLSA Securities (M) Sdn Bhd	7,891,832	7.60	14,344	6.45
J.P. Morgan Securities (M) Sdn Bhd	7,710,226	7.43	16,505	7.42
Affin Hwang Investment Bank Bhd	7,580,415	7.30	17,106	7.69
Others	11,082,049	10.67	23,975	10.77
	<u>103,822,820</u>	<u>100.00</u>	<u>222,478</u>	<u>100.00</u>

13. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

Included in the transactions are trades conducted with CGS-CIMB Securities Sdn Bhd fellow related party to the Manager amounting to RM7,228,544 (30.06.2019: RM9,393,183). The Manager is of the opinion that all transactions with the related company have been entered into in the normal course of business at agreed terms between the related parties.

14. SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD

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

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

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