

**PRINCIPAL TOTAL RETURN BOND FUND 10**  
**ANNUAL REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021**

<b>CONTENTS</b>	<b>PAGE(S)</b>
INVESTORS' LETTER	1
MANAGER'S REPORT	2 - 8
Fund Objective and Policy	
Performance Data	
Market Review	
Fund Performance	
Portfolio Structure	
Market Outlook	
Investment Strategy	
Unit Holdings Statistics	
Soft Commissions and Rebates	
STATEMENT BY MANAGER	9
TRUSTEE'S REPORT	10
INDEPENDENT AUDITORS' REPORT	11 - 14
STATEMENT OF COMPREHENSIVE INCOME	15
STATEMENT OF FINANCIAL POSITION	16
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	17
STATEMENT OF CASH FLOWS	18
NOTES TO THE FINANCIAL STATEMENTS	19 - 45
DIRECTORY	46

**INVESTORS' LETTER**

Dear Valued Investor,

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

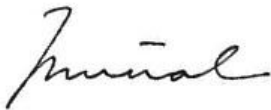
We are pleased to bring you a copy of the Annual Fund Report of the Principal Total Return Bond Fund 10 for the financial year ended 30 September 2021. You may also download this report from our website at [www.principal.com.my](http://www.principal.com.my).

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

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

We also wish to inform that Ernst & Young PLT (“EY”) has been appointed as the auditor of the Fund in respect of the audit for the financial year ended 30 September 2021 onwards. The appointment of the Fund Auditor by the Trustee of the Fund, HSBC (Malaysia) Trustee Berhad, is in accordance with the provisions of the Deed in relation to the Fund.

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 provide investors with total return through investments in a portfolio of primarily debt instruments.

#### **Has the Fund achieved its objective?**

The Fund is in line with its stated objectives in delivering total return opportunity by investing in a pool of diversified fixed income securities.

#### **What are the Fund investment policy and principal investment strategy?**

The Fund seeks to achieve its investment objective by investing up to 100% of its Net Asset Value ("NAV") in a diversified portfolio consisting of debt instruments, money market instruments and/or deposits.

The Fund will invest at least 70% of its NAV in debt instruments issued by governments, government agencies, supranational organisations and corporate issuers, which include but not limited to bonds and other fixed or floating rate debt instruments, certificates of deposit, commercial papers and notes. The Fund will also invest in liquid assets for liquidity purposes.

In order to maximise the total return, the Fund may invest up to 99% of its NAV in investment grade securities. Up to 40% of the Fund's NAV may be invested in non-investment grade securities and unrated securities for yield enhancement, of which only up to 20% of the Fund's NAV in unrated securities. The Fund may also invest up to 10% of its NAV in structured products which are linked or reference to debt instruments, including credit linked notes, subject to prevailing Securities Commission Malaysia ("SC") Guidelines. When deemed necessary, the Fund may utilise derivative instruments such as forward contracts, options, futures contracts and/or swap agreements for hedging purpose. In the event of a downgrade of a counterparty of an OTC derivative below the minimum long-term rating as per the SC Guidelines, the Manager reserves the right to deal with the OTC derivative in the best interest of the unit holders.

Investment universe of the Fund will be in countries globally, where the regulatory authority is an ordinary or associate member of the IOSCO. Where necessary, the Manager will apply for licenses/permits to invest in these countries, and if the licenses/permits are revoked or not renewed (as the case may be), the Manager will seek to invest in other accessible markets. Also, the Manager formulates an interest rate outlook through examining factors such as local and foreign interest rate, inflation rate, monetary policies and economic growth of the respective countries. Foreign exchange rate movements will also play an important part of the Manager's decision in allocating the Fund's asset.

As this is a close-ended fund, the Manager will purchase the debt instruments and/or structured products with the intention of holding through the tenure of the Fund or until the debt instruments mature. However, the Manager reserves the right to deal with the debt instruments in the best interest of the unit holders, such as (i) in the event of a credit rating downgrade or during market upheavals where the Manager is of the opinion that trading of the debt instruments and/or structured products is required to protect the investment return of the Fund (nevertheless the Manager can continue to hold the debt instruments despite a credit rating downgrade if the immediate disposal of the debt instruments and/or structured products would not be in the best interest of the unit holders), and (ii) where the Manager deems that the trading of debt instruments is necessary to provide the investment return in order to achieve the objective of the Fund.

In addition, for debt instruments that mature during the three (3) months period to the maturity date, the Manager will seek to reinvest into other debt instruments for the remaining period to the maturity date. However, in the event that the Manager is not able to find suitable replacement debt instruments, the Manager will invest in deposits and/or money market instruments. As such, unit holders should note that during this period of time, the Fund's investment may deviate from the stipulated investment strategy.

**FUND OBJECTIVE AND POLICY (CONTINUED)**

**Fund category/ type**

Debenture (close-ended)/ Growth

**When was the Fund launched?**

18 June 2019

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

RM70.16 million (71.02 million units)

**What is the Fund's benchmark?**

3-year CIMB Bank fixed deposit rate at the Commencement Date

**Note:** The Fund shall benchmark itself against the fixed deposit rate for performance comparison purpose only. Since the Fund may invests across various debt instruments of different ratings, investors are cautioned that the risk profile of the Fund is higher than investing in fixed deposits; hence, investors should expect the Fund to outperform the benchmark.

**What is the Fund distribution policy?**

The Manager has the discretion to make income distribution on an ad-hoc basis, taking into consideration the level of its realised income and/or realised gains, as well as the performance of the Fund. The Manager also has the right to make provisions for reserves in respect of distribution of the Fund.

**What was the net income distribution for the financial year ended 30 September 2021?**

The Fund distributed a total net income of RM2.84 million to unit holders, as a result, the NAV per unit dropped from RM1.0356 to RM0.9956 on 9 August 2021 for the financial year ended 30 September 2021.

**PERFORMANCE DATA**

Details of portfolio composition of the Fund for the financial year were as follows:

	<b>30.09.2021</b>	<b>30.09.2020</b>
	%	%
Quoted fixed income securities – foreign	24.66	27.16
Unquoted fixed income securities – local	72.27	69.55
Cash and other assets	3.27	3.31
Liabilities	(0.20)	(0.02)
	<u>100.00</u>	<u>100.00</u>

Performance details of the Fund for the financial year/period were as follows:

	<b>30.09.2021</b>	<b>30.09.2020</b>
NAV (RM Million)	70.16	77.32
Units in circulation (Million)	71.02	74.86
NAV per unit (RM)	0.9878	1.0327

**PERFORMANCE DATA (CONTINUED)**

Performance details of the Fund for the financial year/period were as follows (continued):

	<b>30.09.2021</b>	<b>18.06.2019 (date of launch) to 30.09.2020</b>
Highest NAV per unit (RM)	1.0708	1.0521
Lowest NAV per unit (RM)	0.9821	0.9637
Total return (%)	(0.31)	6.81
- Capital growth (%)	(4.16)	3.35
- Income distribution (%)	4.02	3.49
Management Expense Ratio ("MER") (%) ^	0.07	0.09
Portfolio Turnover Ratio ("PTR") (times) #	0.16	0.86

^ The Fund's MER decreased from 0.09% to 0.07% mainly due to the increase in average NAV during the financial year under review.

# The PTR for the financial year under review was 0.16 times. Rebalancing may be done when there are redemptions or potential credit event.

Date of distribution	09.08.2021	10.08.2020
Gross/ Net distribution per unit (sen)	4.00	3.67

	<b>30.09.2021</b>	<b>30.09.2020</b>	<b>Since inception to 30.09.2019 %</b>
Annual total return	(0.31)	5.93	0.84

(Launch date: 18 June 2019)

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 OCTOBER 2020 TO 30 SEPTEMBER 2021)**

Highlight of the fourth quarter of 2020 was the US election with Biden ultimately emerged winner. The Asian USD bond market was soft ahead of the election with less corporate issuance after a deluge in September 2020. However, market resumed after Biden emerged victorious although overhang of the fiscal stimulus package saw US Treasuries ("UST") traded range bound. On the corporate end, the announcement of the Executive Order banning US residents from trading in a list of Chinese securities saw some weakness. Towards the end of 2020, risk sentiment remains mixed in view of resurgence of coronavirus ("COVID-19") globally, resulting in new lockdowns bringing on potential global growth derailment.

For first quarter of 2021, fiscal stimulus and reflation trade were the main theme which saw further steepening of the yield curve and repricing of bonds although the movement were less sharp in corporate bonds. The heightened volatility creates opportunity for trade although overall yields trended higher. Corporate credit spread continues to tighten albeit on a smaller scale due to higher UST and increase supply from issuers rushing to lock in the relatively still attractive yield.

Meanwhile, the Malaysian Government Securities ("MGS") yield curve bear steepened as the second Movement Control Order ("MCO") and State of Emergency ("SoE") sparked concern on potentially bigger stimulus package needed to revive the economy. For domestic economic data, BNM ("Bank Negara Malaysia") decided to maintain Overnight Policy Rate ("OPR") at 1.75%.

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

The Central Bank continued to mention that the overall outlook locally and globally remains subject to downside risks, primarily if there is a further resurgence of COVID-19 cases. The government unveiled Perlindungan Ekonomi & Rakyat Malaysia (“PERMAI”) on 18 January 2021, its 5th economic stimulus package to date worth RM15billion spread over 22 initiatives aimed at safeguarding the welfare of the people and supporting business continuity following the implementation of Second MCO. Moody’s reaffirmed Malaysia’s A3 rating and maintained its stable outlook on 28 January 2021. The rating agency cited strong medium-term growth prospects, credible and effective macro policymaking institutions, and expectations of gradual fiscal consolidation over the next 2 to 3 years.

Mixed economic data, still flush liquidity, no unexpected bigger supply pipeline and Fed's dovish rhetoric in the early days of the second quarter saw bidders coming back reversing the tragic performance of the first quarter. However, towards the end of the June 2021, the Fed came out with hawkish statements with 13 Fed officials seeing hikes in 2023 and 7 officials see hikes in 2022. The hawkishness was reflected in their economic projections figure showing gross domestic product (“GDP”) median will be higher in growth at 7% in 2021 (6.5% on March 2021). This saw the front end of the UST bounced higher while the long end supported flattening the overall yield curve.

Domestically the second quarter started off bullish when market sentiment was boosted following the FTSE Russell announcement to maintain Malaysia in the World Government Bond Index (“WGBI”) at the end of March 2021. Additionally, the Central Bank projects the economy to recover and expects monetary policy to remain accommodative. However, this all dissipated when COVID-19 cases continue to rise which prompted the government to announce another round of movement control order. Concerns on fiscal slippage and sovereign rating pressure continue to steepen the long-end curve while the central bank kept policy rate unchanged in May 2021. Towards the end of the second quarter the overall yield curve traded flatter given the extension of the lockdown with no definite timeline and a smaller than expected fiscal injection. Standard & Poor’s reaffirmation of the Malaysian’s sovereign rating also helped lift overall sentiment.

Moving into the third quarter with movement control still in place, the Central Bank maintain the policy rate unchanged at 1.75% at the July 2021 meeting and expects growth outlook to be weak. Fitch also affirmed Malaysia’s sovereign rating at BBB+ with a stable outlook premised on the strong and broad-based medium growth and consistent current account surpluses with a highly diversified export base. The highlight was the political uncertainty with Datuk Sri Ismail Sabri finally sworn in on 22 August 2021 as the 9th Prime Minister of Malaysia as Tan Sri Muhyiddin Yassin stepped down after losing majority support in Parliament. A new cabinet was then unveiled on 27 August 2021, largely consisting of mostly the same people with some reshuffling of portfolios seen. Meanwhile, Ministry of Finance (“MoF”) released pre-budget statement with some highlights being the lowering of 2021 GDP growth to 3%-4% following BNM” estimate. They also projected fiscal deficit to be between 6.5% to 7% of GDP in 2021. Statutory debt to GDP ratio is expected to rise by end of the year following higher borrowings and GDP growth downgrade. Towards the end of the quarter, in the 12th Malaysia Plan announced by Prime Minister Ismail Sabri, RM400billion (or 4% GDP) of development expenditure will be allocated to drive GDP growth of 4.5 to 5.5% from now until 2025.

Meanwhile the Asian USD market started slightly better sentiment in the third quarter due to less than expected primary supply as well as continuous dovish rhetoric from Powell stating that inflation is transitory. Globally, COVID-19 vaccination progress was also encouraging hence market relegated that to the back. However, things turned bearish for Asian credits after China announced a slew of regulatory reset for tech, property and education sector. In August 2021 after Jackson Hole and September's hawkish tone in the policy meeting as well as a hawkish Bank of England (“BOE”) ignited a higher UST yield movement. The benchmark 10-year government bond yield in the US started the quarter at 1.48%, fell to a low of 1.12% in August 2021, then soared higher to end the quarter back at 1.50%. This coupled with a rush of corporate issuance in September 2021 did not help to sustain a support for the bond market.

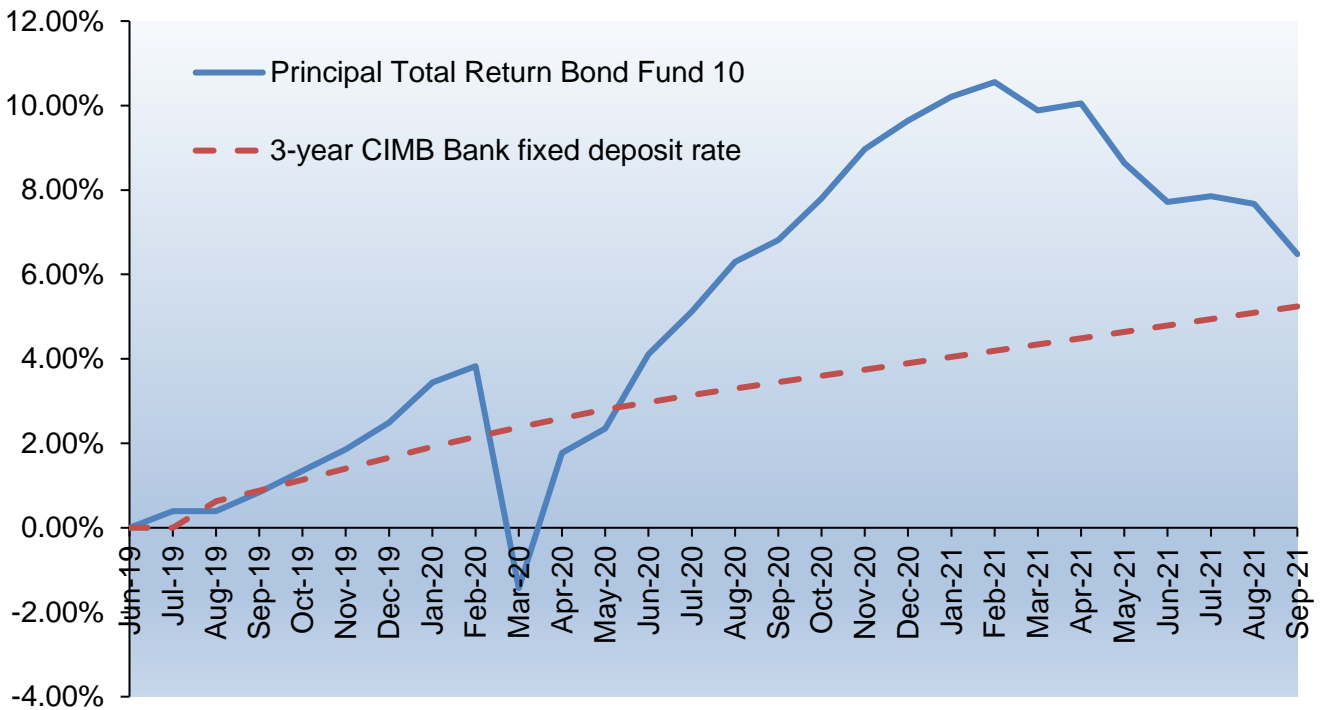
**MARKET REVIEW (1 OCTOBER 2020 TO 30 SEPTEMBER 2021) (CONTINUED)**

An impending taper by the US fed, rising treasury yields and the beginning of moves to hike rates globally by central banks, worries over lasting inflation and escalating oil prices, interminable ability by US congress to find disagreement on issues from debt ceiling to infrastructure spending, power crises in Europe and China, continuing worries over property, regulatory crackdowns and potential growth slowdown in China have contributed to a less constructive background for bond, specifically Asia credit and risk assets in general as we moved into the final quarter of 2021.

**FUND PERFORMANCE**

	<b>1 year to 30.09.2021 %</b>	<b>Since inception to 30.09.2021 %</b>
Income Distribution	4.02	7.77
Capital Growth	(4.16)	(1.24)
Total Return	(0.31)	6.48
Benchmark	1.80	5.24
Average Total Return	(0.31)	2.78

For the one year ending September 2021, the fund delivered a total return of -0.31% versus the benchmark 3-year CIMB Bank Fixed Deposit Rate return of 1.80% due to the weakness in Chinese property bonds as well as the downgrade of Serba Dinamik bond. Since inception, the Fund delivered a total return of 6.48% versus the benchmark 3-year CIMB Bank Fixed Deposit Rate return of 5.24%.





**FUND PERFORMANCE (CONTINUED)**

**Changes in NAV**

	<b>30.09.2021</b>	<b>30.09.2020</b>	<b>Changes %</b>
NAV (RM Million)	70.16	77.32	(9.26)
NAV/Unit (RM)	0.9878	1.0327	(4.35)

The Fund’s NAV dropped by 9.26% for the financial year ended September 2021 to RM70.16 million. The NAV per unit saw a 4.35% drop to RM0.9878 as at end of September 2021.

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**

<b>(% of NAV)</b>	<b>30.09.2021</b>	<b>30.09.2020</b>
Quoted fixed income securities - foreign	24.66	27.16
Unquoted fixed income securities - local	72.27	69.55
Cash and other assets	3.27	3.31
Liabilities	(0.20)	(0.02)
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

The Fund is 96.93% invested with 3.27% cash holding as liquidity for redemption purposes.

**MARKET OUTLOOK\***

COVID-19 remains a threat while vaccination progress has been encouraging although uneven across countries. In Asia, the key uncertainty rests in the trajectory of economic growth in the coming quarters as economies gradually reopen. Governments globally have put in place fiscal stimulus to provide downside support to their economies. However, an impending taper by the US Fed, worries over inflation and energy crisis as well as regulatory crackdown in China may see sentiment weakened. For now, the still accommodative policy rates in Asia should maintain a support for the bond market.

\* 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**

Based on the market outlook, we continue to expect volatility going forward. We will maintain the buy and hold strategy in line with our Fund’s objectives although we will rebalance in any credit event and to prioritize capital preservation.

**UNIT HOLDINGS STATISTICS**

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

<b>Size of unit holdings (units)</b>	<b>No. of unit holders</b>	<b>No. of units held (million)</b>	<b>% of units held</b>
5,000 and below	-	-	-
5,001-10,000	-	-	-
10,001-50,000	1	0.03	0.04
50,001-500,000	-	-	-
500,001 and above	2	70.99	99.96
<b>Total</b>	<b>3</b>	<b>71.02</b>	<b>100.00</b>

**SOFT COMMISSIONS AND REBATES**

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

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

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF  
PRINCIPAL TOTAL RETURN BOND FUND 10**

We, being the Directors of Principal Asset Management Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 15 to 45 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 September 2021 and of its financial performance, changes in net assets attributable to unit holders and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

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

**MUNIRAH KHAIRUDDIN**  
Chief Executive Officer/Executive Director

**JUAN IGNACIO EYZAGUIRRE BARAONA**  
Director

Kuala Lumpur  
19 November 2021

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF  
PRINCIPAL TOTAL RETURN BOND FUND 10**

We have acted as Trustee of Principal Total Return Bond Fund 10 ("the Fund") for the financial year ended 30 September 2021. To the best of our knowledge, Principal Asset Management Berhad ("the Manager"), has operated and managed the Fund in accordance with the following:-

- a) limitations imposed on the investment powers of the Manager and the Trustee under the Deed, the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- b) valuation/pricing is carried out in accordance with the Deed and any regulatory requirements; and
- c) creation and cancellation of units are carried out in accordance with the Deed and any regulatory requirements.

During this financial year, a total distribution of 4.00 sen per unit (gross) has been distributed to the unit holders of the Fund. We are of the view that the distribution is not inconsistent with the objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

Yap Lay Guat  
Manager, Investment Compliance Monitoring

Kuala Lumpur  
11 November 2021

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
PRINCIPAL TOTAL RETURN BOND FUND 10**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

*Opinion*

We have audited the financial statements of Principal Total Return Bond Fund 10 (the "Fund"), which comprise the statement of financial position of the Fund as at 30 September 2021 of the Fund, statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows of the Fund for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 45.

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

*Basis for opinion*

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

*Independence and other ethical responsibilities*

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

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
PRINCIPAL TOTAL RETURN BOND FUND 10 (CONTINUED)**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

*Information other than the financial statements and auditors' report thereon*

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

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

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

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

*Responsibilities of the Manager for the financial statements*

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF  
PRINCIPAL TOTAL RETURN BOND FUND 10 (CONTINUED)**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

*Auditors' responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements 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 TOTAL RETURN BOND FUND 10 (CONTINUED)**

**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 Funds issued by the Securities Commission Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

The financial statements of the Fund for the year ended 30 September 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 16 November 2020.

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

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

Kuala Lumpur, Malaysia  
19 November 2021



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

	Note	01.10.2020 to 30.09.2021 RM	18.06.2019 (date of launch) to 30.09.2020 RM
<b>INCOME</b>			
Interest income from deposits with licensed financial institutions and current accounts at amortised cost		47,309	128,093
Interest income from quoted and unquoted fixed income securities at fair value through profit or loss		3,682,674	4,179,529
Net (loss)/ gain on financial assets at fair value through profit or loss	7	(3,910,767)	614,373
Net foreign exchange gain/ (loss)		523,233	(82,921)
Net (loss)/ gain on derivative liabilities at fair value through profit or loss	9	(578,756)	461,070
Exit fee income		47,045	7,891
		<u>(189,262)</u>	<u>5,308,035</u>
<b>EXPENSES</b>			
Trustee and custodian fees	4	34,441	41,314
Audit fee		11,000	12,500
Tax agent's fee		1,600	8,100
Other expenses		6,427	4,113
		<u>53,468</u>	<u>66,027</u>
<b>(LOSS)/ PROFIT BEFORE TAXATION</b>		(242,730)	5,242,008
Taxation	6	<u>(10,887)</u>	<u>(1,584)</u>
<b>(LOSS)/ PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE FINANCIAL YEAR/PERIOD</b>		<u>(253,617)</u>	<u>5,240,424</u>
(Loss) /profit after taxation is made up as follows:			
Realised amount		3,982,810	4,240,915
Unrealised amount		<u>(4,236,427)</u>	<u>999,509</u>
		<u>(253,617)</u>	<u>5,240,424</u>

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

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

	Note	2021 RM	2020 RM
<b>ASSETS</b>			
Cash and cash equivalents	8	2,273,447	2,100,519
Derivative assets	9	-	461,070
Financial assets at fair value through profit or loss	7	68,001,678	74,771,530
Other receivables		18,095	-
<b>TOTAL ASSETS</b>		<u>70,293,220</u>	<u>77,333,119</u>
<b>LIABILITIES</b>			
Derivatives liabilities	9	117,685	-
Amount due to Trustee		2,317	2,535
Other payables and accruals		14,800	13,600
Tax payable		1,863	1,584
<b>TOTAL LIABILITIES</b>		<u>136,665</u>	<u>17,719</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>70,156,555</u>	<u>77,315,400</u>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>	11	<u>70,156,555</u>	<u>77,315,400</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	10	<u>71,017,348</u>	<u>74,864,322</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.9878</u>	<u>1.0327</u>

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

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

	Note	01.10.2020 to 30.09.2021 RM	18.06.2019 (date of launch) to 30.09.2020 RM
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR/ PERIOD</b>		<u>77,315,400</u>	<u>-</u>
Movement due to units created and cancelled during the financial year/ period:			
- Creation of units from applications		-	77,295,155
- Creation of units from distribution		1,322	1,879
- Cancellation of units		(4,063,798)	(2,463,020)
Total comprehensive (loss)/ income for the financial year/period		(253,617)	5,240,424
Distribution	<b>5</b>	<u>(2,842,752)</u>	<u>(2,759,038)</u>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR/ PERIOD</b>	<b>11</b>	<u>70,156,555</u>	<u>77,315,400</u>

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

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

	Note	01.10.2020 to 30.09.2021 RM	18.06.2019 (date of launch) to 30.09.2020 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from disposal of quoted and unquoted fixed income securities		10,542,560	26,810,152
Purchase of quoted and unquoted fixed income securities		(14,393,623)	(101,402,635)
Proceeds from redemption of unquoted fixed income securities		6,157,440	-
Interest income received from deposits with licensed financial institutions and current accounts		47,309	128,093
Interest income received from quoted and unquoted fixed income securities		4,108,724	4,713,534
Trustee and custodian fees paid		(34,659)	(38,779)
Payments for other fees and expenses		(17,827)	(11,113)
Net realised foreign exchange gain/ loss		639,659	(140,206)
Exit fee income received		28,950	7,891
Tax paid		(10,608)	-
<b>Net cash generated from/ (used in) operating activities</b>		7,067,925	(69,933,063)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		-	77,295,155
Payments for cancellation of units		(4,063,798)	(2,463,020)
Distribution paid		(2,841,430)	(2,757,159)
<b>Net cash (used in)/generated from financing activities</b>		(6,905,228)	72,074,976
Net increase in cash and cash equivalents		162,697	2,141,913
Effects of foreign exchange differences		10,231	(41,394)
Cash and cash equivalents at the beginning of the financial year/ period		2,100,519	-
Cash and cash equivalents at the end of the financial year /period	<b>8</b>	2,273,447	2,100,519
<u>Cash and cash equivalents comprised of:</u>			
Bank balances	<b>8</b>	405,316	953,464
Deposits with licensed financial institutions	<b>8</b>	1,868,131	1,147,055
Cash and cash equivalents at the end of the financial year/ period	<b>8</b>	2,273,447	2,100,519

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

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

**1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES**

Principal Total Return Bond Fund 10 (the “Fund”) was constituted pursuant to a Deed dated 7 May 2019 (the “Deed”), made between Principal Asset Management Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

The Fund seeks to achieve its investment objective by investing up to 100% of its NAV in a diversified portfolio consisting of debt instruments, money market instruments and/or deposits.

The Fund will invest at least 70% of its NAV in debt instruments issued by governments, government agencies, supranational organisations and corporate issuers, which include but not limited to bonds and other fixed or floating rate debt instruments, certificates of deposit, commercial papers and notes. The Fund will also invest in liquid assets for liquidity purposes.

In order to maximise the total return, the Fund may invest up to 99% of its NAV in investment grade securities. Up to 40% of the Fund’s NAV may be invested in non-investment grade securities and unrated securities for yield enhancement, of which only up to 20% of the Fund’s NAV in unrated securities. The Fund may also invest up to 10% of its NAV in structured products which are linked or reference to debt instruments, including credit linked notes, subject to prevailing Securities Commission Malaysia (“SC”) Guidelines. When deemed necessary, the Fund may utilise derivative instruments such as forward contracts, options, futures contracts and/or swap agreements for hedging purpose. In the event of a downgrade of a counterparty of an OTC derivative below the minimum long-term rating as per the SC Guidelines, the Manager reserves the right to deal with the OTC derivative in the best interest of the unit holders.

Investment universe of the Fund will be in countries globally, where the regulatory authority is an ordinary or associate member of the IOSCO. Where necessary, the Manager will apply for licenses/permits to invest in these countries, and if the licenses/permits are revoked or not renewed (as the case may be), the Manager will seek to invest in other accessible markets. Also, the Manager formulates an interest rate outlook through examining factors such as local and foreign interest rate, inflation rate, monetary policies and economic growth of the respective countries. Foreign exchange rate movements will also play an important part of the Manager’s decision in allocating the Fund’s asset.

As this is a close-ended fund, the Manager will purchase the debt instruments and/or structured products with the intention of holding through the tenure of the Fund or until the debt instruments mature. However, the Manager reserves the right to deal with the debt instruments in the best interest of the unit holders, such as (i) in the event of a credit rating downgrade or during market upheavals where the Manager is of the opinion that trading of the debt instruments and/or structured products is required to protect the investment return of the Fund (nevertheless the Manager can continue to hold the debt instruments despite a credit rating downgrade if the immediate disposal of the debt instruments and/or structured products would not be in the best interest of the unit holders), and (ii) where the Manager deems that the trading of debt instruments is necessary to provide the investment return in order to achieve the objective of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021 (CONTINUED)****1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES (CONTINUED)**

In addition, for debt instruments that mature during the three (3) months period to the maturity date, the Manager will seek to reinvest into other debt instruments for the remaining period to the maturity date. However, in the event that the Manager is not able to find suitable replacement debt instruments, the Manager will invest in deposits and/or money market instruments. As such, unit holders should note that during this period of time, the Fund's investment may deviate from the stipulated investment strategy.

All investments are subjected to the SC Guidelines on Unit Trust Funds, SC requirements, the Deed, 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 and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

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

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

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

There are no new applicable standards, amendments to standards or interpretations effective for financial period beginning on/ after 1 October 2021 that are applicable to the financial statements of the Fund.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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 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 debt securities are measured at fair value through profit or loss.

Investment in derivatives of the Fund are debt instruments with contractual cash flows that do not represent solely payment of principal and interest, and therefore are classified as fair value through profit or loss.

The Fund classifies cash and cash equivalents 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. Investments are initially recognised at fair value.

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

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

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 with net gain or loss on financial assets at fair value through profit or loss in the financial period which they arise.

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

Unquoted fixed income securities denominated in Malaysian Ringgit (“MYR”) are revalued on a daily basis based on fair value prices quoted by a Bond Pricing Agency (“BPA”) registered with the SC as per the SC Guidelines on Unit Trust Funds. Refer to Note 2(l) for further explanation.

Quoted fixed income securities denominated in foreign currencies are revalued on a daily basis based on fair value prices quoted by Interactive Data Corporation (“IDC”), a provider of financial market data. However, if such quotations are not available on any business day, or should the gaps of the quotations provided by the financial institutions or IDC differ by more than 20 bps, the valuation shall be determined by reference to the value of such debt securities quoted by Bloomberg.

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

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



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(c) Income recognition**

Interest income from deposits with licensed financial institutions, quoted fixed income securities and unquoted fixed income securities are 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 and unquoted fixed income securities is accounted for as the difference between the net disposal proceeds and the carrying amount of quoted and unquoted fixed income securities, determined on cost adjusted for accretion of discount or amortisation of premium.

**(d) Foreign currency****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.

Due to mixed factors in determining the functional currency of the Fund, the Manager has used its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have determined the functional currency to be in MYR primarily due to the following factors:

- i) Units of the Fund are denominated in MYR;
- ii) Significant portion of the Fund’s expenses are denominated in MYR; and
- iii) Significant portion of the Fund’s investments are denominated in MYR.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

**(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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(f) 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.

**(g) 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.

Tax on interest income from foreign quoted fixed income securities is based on the tax regime of the respective countries that the Fund invests in.

**(h) Exit fee income**

Exit fee income is derived from charges levied upon the redemption of units by unit holders prior to the maturity date of the Fund as stipulated in the Deed.

It is recognised on an accrual basis based on the value of the units redeemed.

**(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 are 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 a 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 Fund.

**(k) Derivative financial instruments**

A derivative financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(k) Derivative financial instruments (continued)**

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The Fund's derivative financial instruments comprise forward foreign currency contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The fair value of forward foreign currency contracts is determined using forward exchange rates at the date of statements of financial position, with the resulting value discounted back to present value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held-for-trading and accounted for in accordance with the accounting policy set out in Note 2(b).

**(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 judgements 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 investments, 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.

**Estimate of fair value of unquoted fixed income securities**

RM-denominated unquoted fixed income securities are valued using fair value prices quoted by a BPA. Where the Manager is of the view that the price quoted by BPA for a specific unquoted fixed income security differs from the market price by more than 20 bps, the Manager may use market price, provided that the Manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price.

Unquoted fixed income securities denominated in foreign currencies are revalued on a daily basis based on fair value prices quoted by IDC, a provider of financial market data. However, if such quotations are not available on any business day, or should the gaps of the quotations provided by the financial institutions or IDC differ by more than 20 bps, the valuation shall be determined by reference to the value of such debt securities quoted by Bloomberg.

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES**

Financial instruments of the Fund were as follows:

	<b>Financial assets at fair value through profit or loss RM</b>	<b>Financial assets at amortised cost RM</b>	<b>Total RM</b>
<b>2021</b>			
Cash and cash equivalents (Note 8)	-	2,273,447	2,273,447
Quoted fixed income securities			
- foreign (Note 7)	17,308,726	-	17,308,726
Unquoted fixed income securities			
- local (Note 7)	50,692,952	-	50,692,952
Other receivables	-	18,095	18,095
	<u>68,001,678</u>	<u>2,291,542</u>	<u>70,293,220</u>
<b>2020</b>			
Cash and cash equivalents (Note 8)	-	2,100,519	2,100,519
Quoted fixed income securities			
- foreign (Note 7)	20,995,080	-	20,995,080
Unquoted fixed income securities			
- local (Note 7)	53,776,450	-	53,776,450
Derivative assets - forward foreign currency contracts (Note 9)	461,070	-	461,070
	<u>75,232,600</u>	<u>2,100,519</u>	<u>77,333,119</u>

All financial liabilities, except derivatives liability and tax payable, are financial liabilities which are carried at amortised cost.

The Fund aims to provide investors with total return through investments in a portfolio of primarily debt instruments.

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk, interest rate risk and currency 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 Deed and SC Guidelines on Unit Trust Funds.

**(a) Market risk**

**(i) Price risk**

Price risk is the risk that the fair value of an investment in quoted and unquoted fixed income securities will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk). The value of quoted and unquoted fixed income 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.

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(a) Market risk (continued)****(i) Price risk (continued)**

The Fund is exposed to price risk arising from interest rate fluctuation in relation to its investments of RM68,001,678 in quoted and unquoted fixed income securities. The Fund's exposure to price risk arising from interest rate fluctuation and the related sensitivity analysis are disclosed in "interest rate risk" below.

**(ii) Interest rate risk**

In general, when interest rates rise, quoted and unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise.

However, investors should be aware that should the Fund hold quoted or unquoted fixed income securities till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

Investors should note that the movement in prices of quoted fixed income securities, unquoted fixed income securities and money market instruments are benchmarked against interest rates. As such, the investments are exposed to the movement of the interest rates.

This risk is crucial since quoted and unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of quoted and unquoted fixed income securities move inversely to interest rate movements, therefore as interest rates rise, the prices of quoted and unquoted fixed income securities decrease and vice versa. Furthermore, quoted and unquoted fixed income securities with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The table below summarises the sensitivity of the Fund's profit or loss and NAV to movements in prices of quoted and unquoted fixed income securities held by the Fund as a result of movement in interest rate at the end of each reporting year. The analysis is based on the assumptions that the interest rate changes by 1% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

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

(a) Market risk (continued)

(ii) Interest rate risk (continued)

% Change in interest rate	Impact on profit or loss/ NAV	
	2021 RM	2020 RM
+1%	(164,321)	(63,569)
-1%	166,421	63,660

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.

The Fund's exposure to interest rate risk associated with deposits with licensed financial institutions is expected to be minimal as the deposits are held on short-term basis. The weighted average effective interest rate per annum is as follows:

	2021 %	2020 %
Deposits with licensed financial institutions	1.75	1.75

(iii) Currency risk

Currency risk is associated with investments that are quoted and/or priced in foreign currency denomination. Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Manager will evaluate the likely directions of a foreign currency versus RM based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels, and technical chart considerations.

The following table sets out the foreign currency risk concentrations arising from the denomination of the Fund's financial instruments in foreign currencies:

Financial assets	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Derivative assets at fair value through profit or loss RM	Total RM
2021 USD	383,603	17,308,726	-	17,692,329
2020 USD	933,058	20,995,080	461,070	22,389,208

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

(a) Market risk (continued)

(iii) Currency risk (continued)

Financial liabilities	Derivative liabilities at fair value through profit or loss RM
2021	
USD	<u>117,685</u>

The table below summarises the sensitivity of the Fund's profit or loss and NAV to changes in foreign exchange movements at the end of each reporting period. The analysis is based on the assumption that the foreign exchange rate fluctuates by 5%, with all other variables remaining constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in foreign exchange rate	Impact on profit or loss/NAV	
		2021	2020
	%	RM	RM
USD	+/-5	<u>+/- 878,732</u>	<u>+/-1,119,460</u>

(b) Credit risk

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

Investment in quoted and unquoted fixed income securities may involve a certain degree of credit/default risk with regards to the issuers. Generally, credit risk or default risk is the risk of loss due to the issuer's non-payment or untimely payment of the investment amount as well as the returns on investment. This will cause a decline in value of the defaulted quoted and unquoted fixed income securities and subsequently depress the NAV of the Fund. Usually, credit risk is more apparent for an investment with a longer tenure, i.e. the longer the duration, the higher the credit risk.

Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the Manager manages the duration of the investment in accordance with the objective of 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. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (b) Credit risk (continued)

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

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Other receivables RM	Total RM
<b>2021</b>				
- AAA	2,273,447	-	-	2,273,447
- AA3	-	30,597,874	-	30,597,874
- A1	-	7,716,242	-	7,716,242
- BAA3	-	4,183,819	-	4,183,819
- BA2	-	1,159,369	-	1,159,369
- BA3	-	6,478,437	-	6,478,437
- B2	-	1,592,232	-	1,592,232
- B1	-	3,894,869	-	3,894,869
- Not Rated	-	12,378,836	18,095	12,396,931
	<u>2,273,447</u>	<u>68,001,678</u>	<u>18,095</u>	<u>70,293,220</u>

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Derivative assets at fair value through profit or loss RM	Total RM
<b>2020</b>				
- AAA	2,100,519	12,605,882	-	14,706,403
- AA3	-	22,165,894	-	22,165,894
- A1	-	6,382,654	-	6,382,654
- BBB3	-	4,584,104	-	4,584,104
- BB3	-	5,815,979	-	5,815,978
- B3	-	4,126,346	-	4,126,345
- B1	-	6,468,651	-	6,468,651
- Not Rated	-	12,622,020	461,070	13,083,090
	<u>2,100,519</u>	<u>74,771,530</u>	<u>461,070</u>	<u>77,333,119</u>

All deposits with licensed financial institutions of the Fund have an average maturity of 2 days (2020: 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.



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

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

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 period as at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	<b>Less than 1 month RM</b>	<b>Between 1 month to 1 year RM</b>	<b>Total RM</b>
<b>2021</b>			
Derivatives liabilities	105,675	12,010	117,685
Amount due to Trustee	2,317	-	2,317
Other payables and accruals	-	14,800	14,800
<b>Contractual undiscounted cash flows</b>	<b>107,992</b>	<b>26,810</b>	<b>134,802</b>
<b>2020</b>			
Amount due to Trustee	2,535	-	2,535
Other payables and accruals	-	13,600	13,600
<b>Contractual undiscounted cash flows</b>	<b>2,535</b>	<b>13,600</b>	<b>16,135</b>

**(d) Capital risk management**

The capital of the Fund is represented by net assets attributable to unit holders at the end of the financial year/period RM70,156,555 (2020: RM77,315,400). The amount of capital can change significantly on a daily basis as the Fund is subject to daily 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 period-end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread.

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

#### (e) Fair value estimation (continued)

In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

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

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

#### (i) Fair value hierarchy

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

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

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

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

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

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

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2021</b>				
Financial assets at fair value through profit or loss:				
- Quoted fixed income securities				
- foreign	17,308,726	-	-	17,308,726
- Unquoted fixed income securities				
- local	-	50,692,952	-	50,692,952
	<u>17,308,726</u>	<u>50,692,952</u>	<u>-</u>	<u>68,001,678</u>
<b>2021</b>				
Financial liabilities				
- Derivative liabilities-forward foreign currency contracts	-	117,685	-	117,685
	<u>-</u>	<u>117,685</u>	<u>-</u>	<u>117,685</u>
<b>2020</b>				
Financial assets at fair value through profit or loss:				
- Quoted fixed income securities				
- foreign	20,995,080	-	-	20,995,080
- Unquoted fixed income securities				
- local	-	53,776,450	-	53,776,450
- Derivative assets - forward foreign currency contracts	-	461,070	-	461,070
	<u>20,995,080</u>	<u>54,237,520</u>	<u>-</u>	<u>75,232,600</u>

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active quoted fixed income securities. 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).

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted fixed income securities and forward foreign currency contracts.

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

**(e) Fair value estimation (continued)**

(i) Fair value hierarchy (continued)

As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. 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, other receivables and all liabilities (except derivative liabilities) are a reasonable approximation of their fair values due to their short-term nature.

**4. MANAGEMENT, TRUSTEE AND CUSTODIAN FEES**

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

Nonetheless, no management fee is charged to the Fund for the financial year ended 30 September 2021 and financial period from 18 June 2019 (date of launch) to 30 September 2020.

In accordance with the Deed, the Trustee is entitled to a maximum fee of 0.04% per annum calculated daily based on the NAV of the Fund. The Trustee fee includes local custodian fees and charges but excludes foreign sub-custodian fees and charges.

For the financial year ended 30 September 2021, the trustee fee is recognised at a rate of 0.04% per annum (18.06.2019 (date of launch) to 30.09.2020: 0.04% per annum) while the foreign custodian fee is recognised at RM4,246 (18.06.2019 (date of launch) to 30.09.2020:RM5,304).

There was no further liability to the Trustee and custodian in respect of Trustee and custodian fees other than the amount recognised above.

**5. DISTRIBUTION**

Distribution to unit holders were derived from the following sources:

	<b>01.10.2020 to 30.09.2021 RM</b>	<b>18.06.2019 (date of launch) to 30.09.2020 RM</b>
Interest income	2,324,512	2,759,038
Net realised gain on disposal	209,325	-
Net foreign exchange gain	319,702	-
Exit fee Income	29,318	-
	<u>2,882,857</u>	<u>2,759,038</u>
Less:		
Expenses	(33,320)	-
Taxation	(6,785)	-
Net distribution amount	<u>2,842,752</u>	<u>2,759,038</u>

5. DISTRIBUTION (CONTINUED)

	01.10.2020 to 30.09.2021	18.06.2019 (date of launch) to 30.09.2020
<b>Distribution on 9 August 2021</b>		
Gross/net distribution per unit (sen)	4.00	-
<b>Distribution on 10 August 2020</b>		
Gross/net distribution per unit (sen)	<u>-</u>	<u>3.67</u>

Gross distribution is derived using total income less total expenses. Net distribution above is sourced from current financial period's 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.

6. TAXATION

	01.10.2020 to 30.09.2021 RM	18.06.2019 (date of launch) to 30.09.2020 RM
Tax charged for the financial year/period:		
- Current taxation	<u>10,887</u>	<u>1,584</u>

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

	01.10.2020 to 30.09.2021 RM	18.06.2019 (date of launch) to 30.09.2020 RM
(Loss)/profit before taxation	<u>(242,730)</u>	<u>5,242,008</u>
Taxation at Malaysian statutory rate of 24% (2020: 24%)	(58,255)	1,258,082
Tax effects of:		
- Income not subject to tax	56,714	(1,272,035)
- Expenses not deductible for tax purposes	8,782	12,752
- Restriction on tax deductible expenses for Unit Trust Funds	<u>3,646</u>	<u>2,785</u>
Taxation	<u>10,887</u>	<u>1,584</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RM	2020 RM
At fair value through profit or loss:		
- Quoted fixed income securities - foreign	17,308,726	20,995,080
- Unquoted fixed income securities - local	<u>50,692,952</u>	<u>53,776,450</u>
	<u>68,001,678</u>	<u>74,771,530</u>

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

	2021 RM	18.06.2019 (date of launch) to 30.09.2020 RM
Net (loss)/gain on financial assets at fair value through profit or loss:		
- Realised fair value gain	335,890	34,540
- Unrealised fair value (loss)/gain	(4,246,657)	579,833
	<u>(3,910,767)</u>	<u>614,373</u>

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>30.09.2021</b>				
<b>QUOTED FIXED INCOME SECURITIES - FOREIGN</b>				
<b>HONG KONG</b>				
CIFI Holdings Group 5.95% 20/10/2025 (BA3)	2,092,750	2,127,200	2,139,560	3.05
Logan Group Co Ltd 4.50% 13/01/2028 (BA2)	1,255,650	1,214,643	1,159,369	1.65
Logan Group Co Ltd 4.85% 14/12/2026 (BA3)	2,929,850	2,911,576	2,788,992	3.98
Times China Holdings Ltd 6.75% 08/07/2025 (B1)	4,185,500	4,349,137	3,894,869	5.55
Yuzhou Group 8.30% 27/05/2025 (B2)	2,092,750	2,205,302	1,592,232	2.26
<b>TOTAL HONG KONG</b>	<b><u>12,556,500</u></b>	<b><u>12,807,858</u></b>	<b><u>11,575,022</u></b>	<b><u>16.49</u></b>
<b>SINGAPORE</b>				
Serba Dinamik Holdings Bhd 6.30% 09/05/2022 (BA3)	4,185,500	4,311,928	1,549,885	2.21
Shimao Property Holdings Ltd 5.60% 15/07/2026 (BAA3)	4,185,500	4,255,210	4,183,819	5.96
<b>TOTAL SINGAPORE</b>	<b><u>8,371,000</u></b>	<b><u>8,567,138</u></b>	<b><u>5,733,704</u></b>	<b><u>8.71</u></b>
<b>TOTAL QUOTED FIXED INCOME SECURITIES - FOREIGN</b>	<b><u>20,927,500</u></b>	<b><u>21,374,996</u></b>	<b><u>17,308,726</u></b>	<b><u>24.66</u></b>

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>30.09.2021</b>				
<b>UNQUOTED FIXED INCOME SECURITIES - LOCAL</b>				
Ara Bintang Bhd 5.50% 17/03/2026 (NR)	2,900,000	2,906,118	2,965,481	4.23
Bermaz Auto Berhad 3.26% 18/12/2023 (AA3)	1,000,000	1,009,418	1,008,268	1.44

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>30.09.2021 (CONTINUED)</b>				
<b>UNQUOTED FIXED INCOME SECURITIES - LOCAL (CONTINUED)</b>				
DRB-Hicom Bhd 4.15% 12/12/2022 (A1)	1,500,000	1,526,405	1,526,356	2.18
Edra Energy Sdn Bhd 5.61% 05/01/2022 (AA3)	5,000,000	5,083,636	5,104,827	7.28
Lafarge Cement Sdn Bhd 4.40% 11/12/2023 (AA3)	1,000,000	1,034,885	1,034,061	1.47
Mah Sing Group Bhd 6.90% 04/04/2022 (NR)	9,000,000	9,344,112	9,413,355	13.42
MMC Corporation Berhad 5.29% 26/04/2023 (AA3)	6,000,000	6,202,992	6,341,155	9.04
NORTHPORT 5.00% 02/12/2022 (AA3)	5,000,000	5,120,464	5,182,355	7.39
Perbadanan Kemajuan Negeri Selangor 5.013% 31/10/2023 (AA3)	2,000,000	2,099,449	2,107,918	3.00
Press Metal Aluminium Holding Bhd 4.10% 17/10/2024 (AA3)	500,000	514,313	515,437	0.73
Quantum Solar Park Green Sri Sukuk 5.20% 06/04/2023 (AA3)	1,000,000	1,051,569	1,054,379	1.50
Special Power Vehicle 22.18% 19/11/2021 (A1)	1,000,000	1,104,716	1,105,787	1.58
Tan Chong Motor Holdings Bhd 4.70% 24/11/2021 (A1)	5,000,000	5,084,248	5,084,099	7.25
UEM Sunrise Bhd 5.06% 09/12/2022 (AA3)	3,000,000	3,093,927	3,099,560	4.42
WCT Holdings Bhd 5.32% 11/5/2022 (AA3)	5,000,000	5,117,256	5,149,914	7.34
<b>TOTAL UNQUOTED FIXED INCOME SECURITIES - LOCAL</b>	<b>48,900,000</b>	<b>50,293,508</b>	<b>50,692,952</b>	<b>72.27</b>
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>69,827,500</b>	<b>71,668,504</b>	<b>68,001,678</b>	<b>96.93</b>
<b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>(3,666,826)</b>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>68,001,678</b>		

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>30.09.2020</b>				
<b>QUOTED FIXED INCOME SECURITIES - FOREIGN</b>				
<b>HONG KONG</b>				
CIFI Holdings Group 5.95% 20/10/2025 (BB3)	500,000	2,098,863	2,113,436	2.73
Press Metal 4.80% 30/10/2022 (B3)	1,000,000	4,271,654	4,126,346	5.34
Times China Holdings Ltd 6.75% 08/07/2025 (B1)	1,000,000	4,348,662	4,313,440	5.58
Yuzhou Group 8.30% 27/05/2025 (B1)	500,000	2,215,499	2,155,211	2.79
<b>TOTAL HONG KONG</b>	<b>3,000,000</b>	<b>12,934,678</b>	<b>12,708,433</b>	<b>16.44</b>
<b>SINGAPORE</b>				
Serba Dinamik Holdings Bhd 6.30% 09/05/2022 (BB3)	1,000,000	4,334,923	3,702,543	4.79
Shimao Property Holdings Ltd 5.60% 15/07/2026 (BBB3)	1,000,000	4,269,374	4,584,104	5.93
<b>TOTAL SINGAPORE</b>	<b>2,000,000</b>	<b>8,604,297</b>	<b>8,286,647</b>	<b>10.72</b>
<b>TOTAL QUOTED FIXED INCOME SECURITIES - FOREIGN</b>	<b>5,000,000</b>	<b>21,538,975</b>	<b>20,995,080</b>	<b>27.16</b>
<b>30.09.2020</b>				
<b>UNQUOTED FIXED INCOME SECURITIES - LOCAL</b>				
Ara Bintang Bhd 5.50% 17/03/2026 (AAA)	2,900,000	2,906,118	3,022,292	3.91
Chellam & Co. Pvt. Ltd 5.15% 23/06/2023 (AAA)	5,000,000	5,165,891	5,318,348	6.88
Edra Energy Sdn Bhd 5.61% 05/01/2022 (AA3)	5,000,000	5,143,556	5,231,809	6.77
Great Realty Sdn Bhd 4.85% 26/5/2023 (AAA)	5,000,000	5,105,908	5,260,462	6.80
Gulf Investment Corporation 5.10% 16/03/2021 (AAA)	2,000,000	2,012,016	2,027,072	2.62
Mah Sing Group Bhd 6.90% 04/04/2022 (NR)	9,000,000	9,422,301	9,599,728	12.42
MMC Corporation Bhd 5.29% 26/04/2023 (AA3)	6,000,000	6,241,774	6,413,066	8.29



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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>30.09.2020 (CONTINUED) UNQUOTED FIXED INCOME SECURITIES - LOCAL (CONTINUED)</b>				
Northport 5.00% 02/12/2022 (AA3)	5,000,000	5,151,705	5,267,384	6.81
Special Power Vehicle Bhd 22.18% 19/11/2021 (A1)	1,000,000	1,278,040	1,283,687	1.66
Tan Chong Motor Holding Bhd 4.70% 24/11/2021 (A1)	5,000,000	5,087,820	5,098,967	6.59
WCT Holding Bhd 5.32% 11/5/2022 (AA3)	5,000,000	5,137,593	5,253,635	6.80
<b>TOTAL UNQUOTED FIXED INCOME SECURITIES - LOCAL</b>	<b>50,900,000</b>	<b>52,652,722</b>	<b>53,776,450</b>	<b>69.55</b>
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>55,900,000</b>	<b>74,191,697</b>	<b>74,771,530</b>	<b>96.71</b>
<b>ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>579,833</b>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>74,771,530</b>		

8. CASH AND CASH EQUIVALENTS

	2021 RM	2020 RM
Deposits with licensed financial institutions	1,868,131	1,147,055
Bank balances	405,316	953,464
	<u>2,273,447</u>	<u>2,100,519</u>

9. DERIVATIVE LIABILITIES/ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RM	2020 RM
Derivative (liabilities)/assets at fair value through profit or loss:		
- Forward foreign currency contracts	<u>(117,685)</u>	<u>461,070</u>
	<b>01.10.2020 to 30.09.2021 RM</b>	<b>18.06.2019 (date of launch) to 30.09.2020 RM</b>
Net (loss)/gain on derivative (liabilities)/assets at fair value through profit or loss:		
- Unrealised (loss)/gain on forward foreign currency contracts	<u>(578,756)</u>	<u>461,070</u>

As at 30 September 2021, there are 5 outstanding (2020: 5 outstanding) US Dollar ("USD")/MYR forward foreign currency contracts. The notional principal amounts of the outstanding forward foreign currency contracts amount to RM20,295,659 (2020: RM21,991,997).

The USD/MYR forward foreign currency contracts are entered into during the financial year to minimise the risk of foreign exchange exposure between the USD and the MYR for the Fund.

As the Fund has not adopted hedge accounting during the financial year/period, any changes in the fair value of the forward foreign currency contract is recognised immediately in the statement of comprehensive income during the financial year/period.

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2021	18.06.2019 (date of launch) to 30.09.2020
	No. of units	No. of units
At the beginning of the financial year/period	74,864,322	-
Add: Creation of units from applications	-	77,295,155
Add: Creation of units from distribution	1,328	1,850
Less: Cancellation of units	<u>(3,848,302)</u>	<u>(2,432,683)</u>
At the end of the financial year/period	<u>71,017,348</u>	<u>74,864,322</u>

11. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

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

	2021 RM	2020 RM
Unit holders' contributions	70,771,538	74,834,014
(Accumulated losses)/retained earnings	<u>(614,983)</u>	<u>2,481,386</u>
	<u>70,156,555</u>	<u>77,315,400</u>

11. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS (CONTINUED)

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

	Unit holders contributions RM	(Accumulated losses)/ retained earnings RM	Total RM
<b>Balance as at 1 October 2020</b>	74,834,014	2,481,386	77,315,400
Movement in unit holders' contributions:			
- Creation of units from application	-	-	-
- Creation of units from distribution	1,322	-	1,322
- Cancellation of units	(4,063,798)	-	(4,063,798)
Total comprehensive loss for the financial year	-	(253,617)	(253,617)
Distribution	-	(2,842,752)	(2,842,752)
<b>Balance as at 30 September 2021</b>	<u>70,771,538</u>	<u>(614,983)</u>	<u>70,156,555</u>
<b>Balance as at 18 June 2019 (date of launch)</b>	-	-	-
Movement in unit holders' contributions:			
- Creation of units from application	77,295,155	-	77,295,155
- Creation of units from distribution	1,879	-	1,879
- Cancellation of units	(2,463,020)	-	(2,463,020)
Total comprehensive income for the financial period	-	5,240,424	5,240,424
Distribution	-	(2,759,038)	(2,759,038)
<b>Balance as at 30 September 2020</b>	<u>74,834,014</u>	<u>2,481,386</u>	<u>77,315,400</u>

12. MANAGEMENT EXPENSE RATIO ("MER")

	01.10.2020 to 30.09.2021 %	18.06.2019 (date of launch) to 30.09.2020 %
MER	<u>0.07</u>	<u>0.09</u>

**12. MANAGEMENT EXPENSE RATIO (“MER”) (CONTINUED)**

MER is derived from the following calculation:

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

- A = Trustee and custodian fees
- B = Audit fee
- C = Tax agent's fee
- D = Other expenses
- E = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial year ended 30 September 2021 calculated on a daily basis is RM75,517,811 (18.06.2019 (date of launch) to 30.09.2020: RM73,006,039).

**13. PORTFOLIO TURNOVER RATIO (“PTR”)**

	<b>01.10.2020 to 30.09.2021</b>	<b>18.06.2019 (date of launch) to 30.09.2020</b>
PTR (times)	0.16	0.86

PTR is derived based on the following calculation:

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

where:

- total acquisition for the financial period = RM14,270,203 (18.06.2019 (date of launch) to 30.09.2020: RM99,989,217)
- total disposal for the financial period = RM10,424,300 (18.06.2019 (date of launch) to 30.09.2020: RM26,288,576)

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

The related parties and their relationships with the Fund were as follows:

<u>Related parties</u>	<u>Relationships</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

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

The related parties and their relationships with the Fund were as follows (continued):

<u>Related parties</u>	<u>Relationships</u>
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

Units held by the Manager and parties related to the Manager

	<b>No. of units</b>	<b>2021 RM</b>	<b>No. of units</b>	<b>2020 RM</b>
<b>Manager</b>				
Principal Asset Management Berhad	<u>34,397</u>	<u>33,977</u>	<u>53,070</u>	<u>54,805</u>

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

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

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

	<b>01.10.2020 to 30.09.2021 RM</b>	<b>18.06.2019 (date of launch) to 30.09.2020 RM</b>
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institutions:		
- CIMB Bank Bhd	2,942	16,325
- CIMB Islamic Bank Bhd	-	4,148
	<u>2,942</u>	<u>20,473</u>
<u>Significant related party balances</u>		
Forward foreign currency contracts:		
- CIMB Bank Bhd	<u>(6,751)</u>	<u>132,678</u>

## 15. TRANSACTIONS WITH DEALERS

Details of transactions with the dealers for the financial year ended 30 September 2021 were as follows:

<b>Dealers</b>	<b>Value of trades RM</b>	<b>Percentage of total trades %</b>	<b>Brokerage fees RM</b>	<b>Percentage of brokerage fees %</b>
Affin Hwang Investment Bank Bhd	3,086,550	21.63	-	-
Hong Leong Investment Bank Bhd	3,060,360	21.45	-	-
RHB Bank Bhd	2,539,595	17.80	-	-
Morgan Stanley	2,050,263	14.37	-	-
Citigroup Global Markets Ltd	1,202,400	8.43	-	-
RHB Investment Bank Bhd	1,000,050	7.01	-	-
Societe Generale	824,985	5.77	-	-
Malayan Banking Bhd	506,000	3.54	-	-
	<u>14,270,203</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Details of transactions with the dealers for the financial period from 18 June 2019 (date of launch) to 30 September 2020 were as follows:

<b>Dealers</b>	<b>Value of trades RM</b>	<b>Percentage of total trades %</b>	<b>Brokerage fees RM</b>	<b>Percentage of brokerage fees %</b>
Alliance Bank Malaysia Bhd	28,650,390	22.69	-	-
Citigroup Global Markets Ltd	21,339,225	16.90	-	-
RHB Investment Bank Bhd	17,117,000	13.56	-	-
Affin Hwang Investment Bank Bhd	16,378,050	12.97	-	-
RHB Bank Bhd	14,335,700	11.35	-	-
J.P. Morgan Securities (M) Sdn Bhd	10,754,166	8.52	-	-
HSBC Bank Malaysia Bhd	4,260,088	3.37	-	-
CSI Global Markets Limited	4,217,147	3.34	-	-
Bank of America Merrill Lynch	4,179,227	3.31	-	-
AmBank (M) Bhd	2,900,000	2.30	-	-
Others	2,146,800	1.69	-	-
	<u>126,277,793</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

**16. SIGNIFICANT EVENT DURING THE YEAR**

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

**17. COMPARATIVE FIGURES**

The financial statements are for the financial year from 1 October 2020 to 30 September 2021. The comparative amounts for the financial statements and its related notes are for the Fund's first financial period from 18 June 2019 (date of launch) to 30 September 2020. Accordingly, the comparative amounts for the statement of comprehensive income, statement of changes in net assets attributable to unit holders, statement of cash flows and the related notes are not comparable.

**18. APPROVAL OF FINANCIAL STATEMENTS**

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

## DIRECTORY

### Head Office of the Manager

Principal Asset Management Berhad (Company No.: 199401018399 (304078-K))  
10<sup>th</sup> Floor, Bangunan CIMB,  
Jalan Semantan,  
Damansara Heights,  
50490 Kuala Lumpur, MALAYSIA.  
Tel: (03) 2084 8888

### Website

[www.principal.com.my](http://www.principal.com.my)

### E-mail address

[service@principal.com.my](mailto:service@principal.com.my)

### Customer Care Centre

(03) 7723 7260

### Trustee for the Principal Total Return Bond Fund 10

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

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

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

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

PricewaterhouseCoopers (LLP0014401-LCA & AF 1146)  
Level 10, 1 Sentral,  
Jalan Rakyat, Kuala Lumpur Sentral,  
PO Box 10192, 50706 Kuala Lumpur, MALAYSIA.  
Tel: (03) 2173 1188  
Fax: (03) 2173 1288