

**PRINCIPAL TOTAL RETURN BOND FUND 10**

**INTERIM REPORT**

**FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2022**

<b>CONTENTS</b>	<b>PAGE(S)</b>
INVESTORS' LETTER	1
MANAGER'S REPORT	2 - 6
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	7
TRUSTEE'S REPORT	8
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME	9
UNAUDITED STATEMENT OF FINANCIAL POSITION	10
UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	11
UNAUDITED STATEMENT OF CASH FLOWS	12
NOTES TO THE FINANCIAL STATEMENTS	13 - 35
DIRECTORY	36

## INVESTORS' LETTER

Dear Valued Investor,

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

We are pleased to bring you a copy of the Interim Fund Report of the Principal Total Return Bond Fund 10 for the financial period ended 31 March 2022. 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 Principal was recognised with three awards at the World Business Outlook Awards 2022. The awards were Best Online & Mobile Platform (Asset Manager) Malaysia 2022, Most Innovative Real Life Solutions Provider Malaysia 2022 (Corporate Cash Management Unit CCMU) and CEO of the Year in Financial Investment Management Malaysia 2022.

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), follow us on our Instagram account (@principalassetmanagement\_my), and LinkedIn page (Principal Asset Management Berhad) for the latest updates, market insights and investment articles.

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

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



**Munirah Khairuddin**  
Chief Executive Officer

## 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 over-the-counter ("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.

The asset allocation strategy for this Fund is as follows:

Up to 100% in debt instruments, money market instruments and/or Deposits, of which:

- At least 70% of the Fund's NAV in debt instruments issued by governments, government agencies, supranational organizations and corporate issuers, which include but not limited to bonds and other fixed rate or floating rate debt instruments, certificates of deposit, commercial papers and notes;
- Up to 99% of the Fund's NAV in Investment Grade Securities;
- Up to 40% of the Fund's NAV in Non-Investment Grade Securities and Unrated Securities, of which up to 20% of the Fund's NAV in Unrated Securities;
- Up to 10% of the Fund's NAV in structured products; and
- At least 1% of the Fund's NAV in liquid assets.

This is a 3 years' close ended fund, and upon reaching the Maturity Date\*, the Fund will be terminated.

\* Note: The Maturity Date is on the day immediately preceding the third (3rd) anniversary of the Commencement Date. If the Maturity Date falls on a weekend or a public holiday, it should be the following Business Day. If the Fund is terminated earlier in accordance with the provisions of the Deed, Maturity Date shall mean the date of such early termination.

**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 31 March 2022?**

RM64.95 million (70.90 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 six months financial period ended 31 March 2022?**

There was no distribution made for the six months financial period ended 31 March 2022.

**PERFORMANCE DATA**

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

	<b>31.3.2022</b>	<b>31.03.2021</b>	<b>31.03.2020</b>
	%	%	%
Unquoted fixed income securities	96.84	96.20	99.52
Cash and other assets	3.26	4.32	1.83
Liabilities	(0.10)	(0.52)	(1.35)
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
	<b>31.3.2022</b>	<b>31.03.2021</b>	<b>31.03.2020</b>
NAV (RM Million)	64.95	75.90	74.62
Units in circulation (Million)	70.90	71.56	75.67
NAV per unit (RM)	0.9160	1.0606	0.9861
	<b>01.10.2021</b>	<b>01.10.2020</b>	<b>18.06.2019</b>
	<b>to 31.03.2022</b>	<b>to 31.03.2021</b>	<b>(date of launch)</b>
	<b>to 31.03.2022</b>	<b>to 31.03.2021</b>	<b>to 31.03.2020</b>
Highest NAV per unit (RM)	1.0611	1.0678	1.0403
Lowest NAV per unit (RM)	0.9009	1.0332	0.9636
Total return (%)	(7.55)	2.87	(1.43)
- Capital growth (%)	(7.55)	2.87	(1.43)
- Income distribution (%)	-	-	-
Total Expense Ratio ("TER") (%)	0.04	0.04	0.05
Portfolio Turnover Ratio ("PTR") (times) #	0.23	0.03	0.76

# The Fund's PTR has increase for the financial period under review from 0.03 times to 0.23 times. The market had been stable relative to the financial period before.

**PERFORMANCE DATA (CONTINUED)**

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

	<b>31.3.2022</b>	<b>31.03.2021</b>	<b>Since inception to 31.03.2020</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Annual total return	(10.41)	11.48	(1.43)

(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 2021 TO 31 MARCH 2022)**

An impending taper by the US Federal Reserve (the “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. The final quarter of 2021 continues to see worsening credit condition especially for the Chinese property sectors which saw the investment grade names beginning to drag along. The fourth quarter of 2021 also saw the yields higher due to the weak sentiment in the global bond market as yields have commenced its correction with the Fed getting ready to taper its bonds purchases in November 2021.

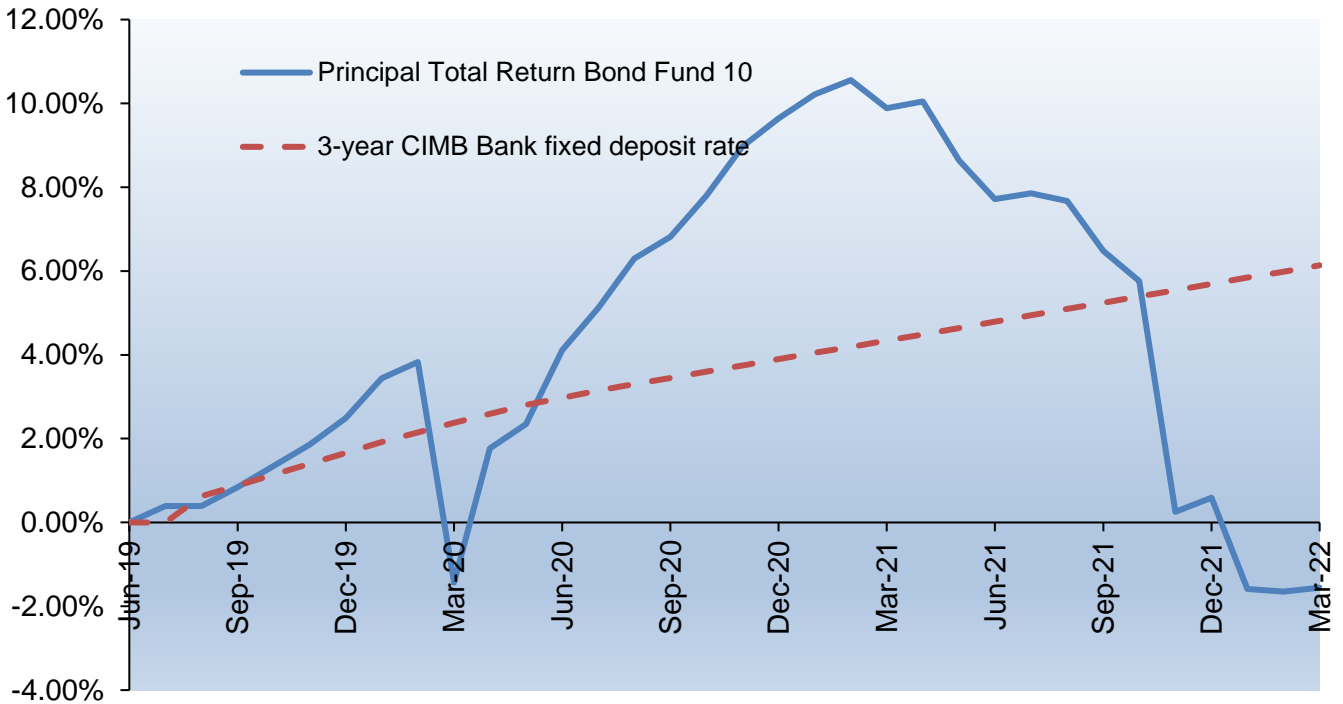
The new quarter of 2022 saw the Federal Open Market Committee (“FOMC”) left rates unchanged at their January 2022 meeting, but strongly signalled a March 2022 hike. Additionally, both Bank of England (“BoE”) and European Central Bank (“ECB”) were also hawkish at the start of 2022. These events lead to further sell off in the bond market. In China, economic momentum remains sluggish due to moderating service sectors from recurring virus outbreaks and a soft housing market. The first quarter ended expectedly with the Fed raising the target range by 25 basis points (“bps”) to 0.25% to 0.50%. The sole dissenting vote came from St. Louis Fed President James Bullard who favoured a 50 bps hike. At the same time, covid related lockdown in Shanghai and weak China Purchasing Managers Index (“PMI”) release continue to point to risks in Asia macroeconomic environment. Amidst these and rising interest rate environment, cautiousness prevails with the Asian USD investment grade bond spreads tighter amidst higher US Treasury (“UST”) yields.

**FUND PERFORMANCE**

	<b>6 months to 31.03.2022</b>	<b>1 year to 31.03.2022</b>	<b>Since inception to 31.03.2022</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Income Distribution	-	4.02	7.78
Capital Growth	(7.55)	(13.87)	(8.66)
Total Return	(7.55)	(10.41)	(1.56)
Benchmark	0.90	1.80	6.14
Average Total Return	(14.53)	(10.41)	(0.56)

For the six-month ending March 2022, the Fund delivered a total return of -7.55% versus the benchmark 3-year CIMB Bank Fixed Deposit Rate return of 0.90% due to the continuous weakness in the Chinese property bonds.

**FUND PERFORMANCE (CONTINUED)**



**Changes in NAV**

	31.03.2022	30.09.2021 Audited	Changes %
NAV (RM Million)	64.95	70.16	(7.43)
NAV/Unit (RM)	0.9160	0.9878	(7.27)

The Fund's NAV dropped by 7.45% for the six-month period ending March 2022 to RM 64.9 million. Similarly, the NAV per unit saw a 7.29% drop to 0.9158 as at end of March 2022.

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

**PORTFOLIO STRUCTURE**

**Asset allocation**

(% of NAV)	31.03.2022	30.09.2021 Audited
Quoted fixed income securities	-	24.66
Unquoted fixed income securities	96.84	72.27
Cash and other assets	3.26	3.27
Liabilities	(0.10)	(0.20)
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

The Fund is 96.84% invested in unquoted fixed income securities with 3.26% cash and other assets holding as liquidity for redemption purposes.

## MARKET OUTLOOK\*

Continuing geopolitical risk with unresolved Russia/Ukraine crisis, potentially persistent inflation and the accompanying anticipation of central bank actions, supply chain issues and the uncertainty around China's strategic direction continue to cloud the outlook for fixed income 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 gradually raise cash as the fund nears maturity in line with our Fund's objectives and we will rebalance in any credit event and to prioritise capital preservation.

## UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 31 March 2022 was as follows:

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
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	70.87	99.96
<b>Total</b>	<b>3</b>	<b>70.90</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 research and advisory services that assist in the decision making process relating to the Fund's investments. All dealings with brokers are executed on most favourable terms available for the Fund.

During the financial period under reviewed, 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.

## SECURITIES FINANCING TRANSACTIONS

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

## STATE OF AFFAIR OF THE FUND

There is neither any significant change to the state affairs of the Fund nor any circumstances that materially affect any interest of the unit holders during the financial period under review.

## CROSS TRADE

No cross-trade transactions have been carried out during the reported period.



**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 unaudited financial statements set out on pages 9 to 35 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 March 2022 and of its financial performance, changes in net assets attributable to unit holders and cash flows for the financial period then ended in accordance with the Malaysian Financial Reporting Standards (“MFRS”) 134 - Interim Financial Reporting and International Accounting Standards (“IAS”) 34 - Interim Financial Reporting.

For and on behalf of the Manager

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

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

**JUAN IGNACIO EYZAGUIRRE BARAONA**  
Director

Kuala Lumpur  
17 May 2022

**TRUSTEE'S REPORT**

**TO THE UNIT HOLDERS OF  
PRINCIPAL TOTAL RETURN BOND FUND 10 ("FUND")**

We have acted as Trustee of the Fund for the financial period ended 31 March 2022 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Principal Asset Management Berhad has operated and managed the Fund during the period covered by these financial statements in accordance with the following:

1. Limitations imposed on the investment powers of the Management Company under the Deed, securities laws and Guidelines on Unit Trust Funds;
2. Valuation and pricing is carried out in accordance with the Deed; and
3. Any creation and cancellation of units are carried out in accordance with the Deed and any regulatory requirement.

For HSBC (Malaysia) Trustee Berhad

Yap Lay Guat  
Manager, Investment Compliance Monitoring

Kuala Lumpur  
17 May 2022

**UNAUDITED OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2022**

	Note	01.10.2021 to 31.03.2022 RM	01.10.2020 to 31.03.2021 RM
<b>(LOSS)/INCOME</b>			
Interest income from unquoted fixed income securities at fair value through profit and loss		1,430,600	1,919,889
Interest income from deposits with licensed financial institutions and current account at amortised cost		38,605	12,070
Net loss on financial assets at fair value through profit or loss	6	(6,639,956)	(4,321)
Net foreign exchange (loss)/gain		(362)	878,679
Net gain/(loss) on derivative liabilities at fair value through profit or loss	10	99,892	(730,446)
Exit fee income		1,052	43,011
		<u>(5,070,169)</u>	<u>2,118,882</u>
<b>EXPENSES</b>			
Trustee and custodian fees	4	15,000	15,424
Audit fee		5,485	5,500
Tax agent's fee		8,093	2,200
Other expenses		576	4,222
		<u>29,154</u>	<u>27,346</u>
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		(5,099,323)	2,091,536
Taxation	5	279	(10,092)
<b>(LOSS)/PROFIT AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL PERIOD</b>		<u>(5,099,044)</u>	<u>2,081,444</u>
(Loss)/Profit after taxation is made up as follows:			
Realised amount		(8,617,697)	1,994,169
Unrealised amount		3,518,653	87,275
		<u>(5,099,044)</u>	<u>2,081,444</u>

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2021**

		<b>31.03.2022</b>	<b>30.09.2021</b>
	<b>Note</b>	<b>RM</b>	<b>Audited RM</b>
<b>ASSETS</b>			
Cash and cash equivalents	<b>8</b>	2,099,289	2,273,447
Financial assets at fair value through profit or loss	<b>7</b>	62,897,225	68,001,678
Other receivables		19,147	18,095
<b>TOTAL ASSETS</b>		<u>65,015,661</u>	<u>70,293,220</u>
<b>LIABILITIES</b>			
Derivatives liabilities	<b>9</b>	17,794	117,685
Amount due to manager		13,367	-
Amount due to Trustee		2,191	2,317
Other payables and accruals		28,379	14,800
Tax payable		1,586	1,863
<b>TOTAL LIABILITIES</b>		<u>63,317</u>	<u>136,665</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>64,952,344</u>	<u>70,156,555</u>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>	<b>11</b>	<u>64,952,344</u>	<u>70,156,555</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	<b>10</b>	<u>70,902,226</u>	<u>71,017,348</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.9160</u>	<u>0.9878</u>

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

UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2022

	Note	01.10.2021 to 31.03.2022 RM	01.10.2020 to 31.03.2021 RM
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>		<u>70,156,555</u>	<u>77,315,400</u>
Movement due to units created and cancelled during the financial period:			
- Cancellation of units		<u>(105,167)</u>	<u>(3,496,207)</u>
Total comprehensive (loss)/income for the financial period		<u>(5,099,044)</u>	<u>2,081,444</u>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL PERIOD</b>	<b>8</b>	<u><u>64,952,344</u></u>	<u><u>75,900,637</u></u>

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

**UNAUDITED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2022**

	<b>01.10.2021 to 31.03.2022</b>	<b>01.10.2020 to 31.03.2021</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Purchase of unquoted fixed income securities	(22,053,664)	(4,588,932)
Proceeds from disposal of unquoted fixed income securities	8,869,657	-
Proceeds from redemption of unquoted fixed income securities	11,000,000	6,157,440
Interest income received from unquoted fixed income securities	2,089,831	2,088,191
Interest income received from deposits with licensed financial Institutions and current account	38,605	12,070
Exit fee income	-	24,493
Trustee and custodian fees paid	(15,126)	(15,354)
Payments for other fees and expenses	(575)	(4,222)
Net realised foreign exchange (loss)/ gain	(12,739)	913,740
<b>Net cash (used in)/ generated from operating activities</b>	<u>(84,011)</u>	<u>4,587,426</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments for cancellation of units	(91,800)	(3,403,090)
<b>Net cash used in financing activities</b>	<u>(91,800)</u>	<u>(3,403,090)</u>
Net (decrease)/increase in cash and cash equivalents	(175,811)	1,184,336
Effects of foreign exchange differences	1,653	(20,404)
Cash and cash equivalents at the beginning of the financial period	<u>2,273,447</u>	<u>2,100,519</u>
Cash and cash equivalents at the end of the financial period	<u><u>2,099,289</u></u>	<u><u>3,264,451</u></u>
<u>Cash and cash equivalents comprised of:</u>		
Deposits with licensed financial institutions	249,102	2,234,177
Bank balances	<u>1,850,187</u>	<u>1,030,274</u>
Cash and cash equivalents at the end of the financial period	<u><u>2,099,289</u></u>	<u><u>3,264,451</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2022**

**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.

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- Up to 99% of the Fund’s NAV in Investment Grade Securities;
- Up to 40% of the Fund’s NAV in Non-Investment Grade Securities and Unrated Securities, of which up to 20% of the Fund’s NAV in Unrated Securities;
- Up to 10% of the Fund’s NAV in structured products; and
- At least 1% of the Fund’s NAV in liquid assets.

This is a 3 years’ close ended fund, and upon reaching the Maturity Date, the Fund will be terminated.

All investments are subjected to the SC Guidelines on Unit Trust Funds (“GUTF”), 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(k).

There are no other standards, amendments to standards or interpretations effective for financial period beginning on 1 October 2021 that have a material effect on the financial statements of the Fund.

None of the standards, amendments to standards or interpretations that are effective for the financial period beginning on/after 1 April 2022 are applicable to the Fund.

### (b) Financial assets and financial liabilities

#### Classification

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

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

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



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

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

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, and other receivables 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.

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 GUTF. Refer to Note 2(k) for further explanation.

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

Unquoted 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 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 unquoted fixed income securities is accounted for as the difference between the net disposal proceeds and the carrying amount of 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(e) Cash and cash equivalents**

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

**(f) Taxation**

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

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

**(g) 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.

**(h) 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.

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

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

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

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).

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

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

Estimates and 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 investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC GUTF.

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

MYR 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 securities 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.

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

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

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

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. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

This is the risk that the fair value of an investment in 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 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.

The Fund is exposed to price risk arising from interest rate fluctuation in relation to its investments in 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, 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 holds an 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.

**3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(a) Market risk (continued)****(ii) Interest rate risk (continued)**

Investors should note that the movement in prices of 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 unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of unquoted fixed income securities move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted fixed income securities decrease and vice versa. Furthermore, 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 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.

**(iii) Currency risk**

Currency risk of the Fund 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 MYR based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels, and technical chart considerations.

**(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 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 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. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(c) Liquidity risk**

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

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balances and deposits with licensed financial institutions, which are capable of being converted into cash within 7 business days. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors.

For the purpose of the Fund, the Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

**(d) Capital risk management**

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

**(e) Fair value estimation**

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

The fair values of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial 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. 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.



3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

(i) Fair value hierarchy

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

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

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

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

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

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>31.03.2022</b>				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	62,897,225	-	62,897,225
	<u>-</u>	<u>62,897,225</u>	<u>-</u>	<u>62,897,225</u>
Financial liabilities at fair value through profit or loss:				
- Derivative liabilities - forward foreign currency contracts	-	17,794	-	17,794
	<u>-</u>	<u>17,794</u>	<u>-</u>	<u>17,794</u>

3. 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>30.09.2021</b>				
<b>Audited</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>30.09.2021</b>				
Financial liabilities				
- Derivative liabilities-forward foreign currency contracts	-	117,685	-	117,685
	-	117,685	-	117,685

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. 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).

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 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 was charged to the Fund for the six months financial period ended 31 March 2022 and 31 March 2021.

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 six months financial period ended 31 March 2022, the Trustee fee was recognised at a rate of 0.04% per annum (31.03.2021: 0.04%) while the foreign custodian fee was recognised at RM Nil (31.03.2021: Nil).

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

**5. TAXATION**

	<b>01.10.2021 to 31.03.2022</b>	<b>01.10.2020 to 31.03.2021</b>
	<b>RM</b>	<b>RM</b>
Tax charged for the financial period:		
- Current taxation	<u>(279)</u>	<u>10,092</u>

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

	<b>01.10.2021 to 31.03.2022</b>	<b>01.10.2020 to 31.03.2021</b>
	<b>RM</b>	<b>RM</b>
(Loss)/Profit before taxation	<u>(5,099,044)</u>	<u>2,091,536</u>
Taxation at Malaysian statutory rate of 24% (31.03.2021: 24%)	(1,223,771)	501,969
Tax effects of:		
- Loss not deductible for tax purposes/(Income not subject to tax)	1,217,093	(498,209)
- Expenses not deductible for tax purposes	9,685	4,254
- Restriction on tax deductible expenses for Unit Trust Funds	1,309	2,078
Overprovision	<u>(4,595)</u>	<u>-</u>
Taxation	<u>(279)</u>	<u>10,092</u>

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.03.2022	30.09.2021
	RM	Audited RM
At fair value through profit or loss:		
- Quoted fixed income securities	-	17,308,726
- Unquoted fixed income securities	62,897,225	50,692,952
	<u>62,897,225</u>	<u>68,001,678</u>
	<b>01.10.2021 to 31.03.2022</b>	<b>01.10.2020 to 31.03.2021</b>
	RM	RM
Net loss on financial assets at fair value through profit or loss:		
- Realised loss on disposals	(10,149,174)	(426,157)
- Unrealised fair value gain	3,506,218	421,836
	<u>(6,639,956)</u>	<u>(4,321)</u>

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>31.03.2022</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	4.50
AZRB Capital Sdn Bhd 4.70% 23/12/2022 (AA3)	4,000,000	1,009,418	1,008,268	6.29
Bermaz Auto Bhd 3.26% 18/12/2023 (AA3)	2,000,000	1,526,405	1,526,356	3.10
CIFI Holdings Group 5.95% 20/10/2025 (BA3)	2,101,250	2,125,925	1,799,951	2.77
DRB-Hicom Bhd 4.15% 12/12/2022 (A1)	3,800,000	5,083,636	5,104,827	5.95
GENTING CAP 4.42% 08/06/2022 (AA1)	6,000,000	1,034,885	1,034,061	9.38
Lafarge Cement Sdn Bhd 4.40% 11/12/2023 (AA3)	2,000,000	9,344,112	9,413,355	3.17
Mah Sing Group Bhd 6.90% 04/04/2022 (NR)	9,000,000	6,202,992	6,341,155	14.33
MMC Corporation Bhd 5.29% 26/04/2023 (AA3)	6,000,000	5,120,464	5,182,355	9.68
NORTHPORT 5.00% 02/12/2022 (AA3)	5,000,000	2,906,118	2,965,481	7.94
Perbadanan Kemajuan Negeri Selangor 5.013% 31/10/2023 (AA3)	3,000,000	1,009,418	1,008,268	4.82
Press Metal Aluminium Holding Bhd 4.10% 17/10/2024 (AA3)	500,000	1,526,405	1,526,356	0.79

## 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>31.03.2021(Continued)</b>				
<b>UNQUOTED FIXED</b>				
<b>INCOME SECURITIES</b>				
<b>- LOCAL</b>				
Quantum Solar 5.20% 06/04/2023 (AA3)	1,000,000	5,083,636	5,104,827	1.61
Sports Toto Malaysia Sdn Bhd 4.95% 30/6/2022 (AA3)	3,600,000	1,034,885	1,034,061	5.63
UEM Sunrise Bhd 5.06% 09/12/2022 (AA3)	3,000,000	9,344,112	9,413,355	4.74
WCT Holding Bhd 5.32% 11/5/2022 (AA3)	5,000,000	6,202,992	6,341,155	7.87
West China Cement Ltd 4.95% 08/07/2026 (B1)	840,500	769,986	741,689	1.14
YTL Power International Bhd 4.55% 10/06/2022 (AA1)	2,000,000	5,120,464	5,182,355	3.13
<b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>	<b>61,741,750</b>	<b>63,057,833</b>	<b>62,897,225</b>	<b>96.84</b>
<b>ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
		<b>(160,608)</b>		
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
		<b>62,897,225</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>30.09.2021</b>				
<b>Audited</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>12,556,500</b>	<b>12,807,858</b>	<b>11,575,022</b>	<b>16.49</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>8,371,000</b>	<b>8,567,138</b>	<b>5,733,704</b>	<b>8.71</b>
<b>TOTAL QUOTED FIXED INCOME SECURITIES - FOREIGN</b>	<b>20,927,500</b>	<b>21,374,996</b>	<b>17,308,726</b>	<b>24.66</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
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

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>Audited (Continued)</b>				
<b>UNQUOTED FIXED INCOME SECURITIES - LOCAL (Continued)</b>				
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. CASH AND CASH EQUIVALENTS

	31.03.2022	30.09.2021
	RM	Audited RM
Deposits with licensed financial institutions	1,850,187	1,868,131
Bank balances	249,102	405,316
	<u>2,099,289</u>	<u>2,273,447</u>

8. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

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

	31.03.2022	30.09.2021
	RM	Audited RM
Unit holders' contributions	70,666,372	74,834,014
Retained earnings	(5,714,028)	2,481,386
	<u>64,952,344</u>	<u>77,315,400</u>

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

	Unit holders' contributions RM	Retained earnings RM	Total RM
<b>Balance as at 1 October 2021</b>	70,771,538	(614,983)	70,156,555
Movement in unit holders' contributions:			
- Cancellation of units	(105,166)	-	(105,166)
Total comprehensive loss for the financial period	-	(5,099,045)	(5,099,045)
<b>Balance as at 31 March 2022</b>	<u>70,666,372</u>	<u>(5,714,028)</u>	<u>64,952,344</u>
<b>Balance as at 1 October 2020</b>	74,834,014	2,481,386	77,315,400
Movement in unit holders' contributions:			
- Cancellation of units	(3,496,207)	-	(3,496,207)
Total comprehensive income for the financial period	-	2,081,444	2,081,444
<b>Balance as at 31 March 2021</b>	<u>71,337,807</u>	<u>4,562,830</u>	<u>75,900,637</u>



9. NUMBER OF UNITS IN CIRCULATION (UNITS)

	01.10.2021 to 31.03.2022	01.10.2020 to 30.09.2021 Audited
	No. of units	No. of units
At the beginning of the financial period/year	71,017,348	74,864,322
Add: Creation of units from applications	-	-
Add: Creation of units from distribution	-	1,328
Less: Cancellation of units	(115,122)	(3,848,302)
At the end of the financial period/year	<u>70,902,226</u>	<u>71,017,348</u>

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

	31.03.2022	30.09.2021 Audited
	RM	RM
Derivative assets at fair value through profit or loss:		
- Forward foreign currency contracts	<u>17,794</u>	<u>117,685</u>
	01.10.2021 to 31.03.2022	01.10.2020 to 31.03.2021
	RM	RM
Net gain/(loss) on derivative assets/(liabilities) at fair value through profit or loss:		
- Unrealised gain/(loss) on forward foreign currency contracts	<u>99,892</u>	<u>(730,446)</u>

As at 31 March 2022, there are 2 outstanding (2021: 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 (2021: 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.

**11. TOTAL EXPENSE RATIO (“TER”)**

	<b>01.10.2021 to 31.03.2022</b>	<b>01.10.2020 to 31.03.2021</b>
	%	%
TER	0.04	0.04

TER is derived from the following calculation:

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

- 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 period calculated on a daily basis was RM66,118,139 (31.03.2021: RM77,409,464).

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

	<b>01.10.2021 to 31.03.2022</b>	<b>01.10.2020 to 31.03.2021</b>
PTR (times)	0.23	0.03

PTR is derived based on the following calculation:

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

where:

total acquisition for the financial period = RM21,791,344 (31.03.2021: RM4,583,648)

total disposal for the financial period = RM8,754,918 (31.03.2021: Nil)

**13. 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 are 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
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>31.03.2022</b>		<b>30.09.2021</b>	
	<b>No. of units</b>	<b>RM</b>	<b>No. of units</b>	<b>Audited RM</b>
<b>Manager</b>				
Principal Asset Management Berhad	34,379	31,491	34,397	33,977

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.

**13. 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 are as follows:

	01.10.2021 to 31.03.2022 RM	01.10.2020 to 31.03.2021 RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institutions:		
- CIMB Bank Bhd	249,102	16,325
- CIMB Islamic Bank Bhd	-	4,148
	<u>-</u>	<u>20,473</u>
	<b>31.03.2021</b>	<b>30.09.2020</b>
	<b>RM</b>	<b>Audited</b>
		<b>RM</b>
<u>Significant related party balances</u>		
Forward foreign currency contracts:		
- CIMB Bank Bhd	159,922	132,678
	<u>159,922</u>	<u>132,678</u>

**14. TRANSACTIONS WITH DEALERS**

Details of transactions with the dealers for the six months financial period ended 31 March 2022 were as follows:

Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of brokerage fees %
RHB Bank Bhd	6,676,383	21.86	-	-
Affin Hwang Investment Bank Bhd	6,655,320	21.79	-	-
RHB Investment Bank Bhd	5,951,007	19.48	-	-
Morgan Stanley	2,678,528	8.77	-	-
Jefferies International Ltd	2,350,238	7.69	-	-
Standard Chartered Bank	2,012,600	6.59	-	-
Citigroup Global Markets Limited	1,569,641	5.14	-	-
CSI Global Markets Limited	992,793	3.25	-	-
J.P. Morgan Securities (M) Sdn Bhd	835,000	2.73	-	-
Bank of America Merrill Lynch	824,753	2.70	-	-
	<u>30,546,263</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

**14. TRANSACTIONS WITH DEALERS (CONTINUED)**

Details of transactions with the top 10 dealers for the financial period ended 31 March 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>
Morgan Stanley	2,050,263	44.73	-	-
Citigroup Global Markets Ltd	1,202,400	26.23	-	-
Societe Generale	824,985	18.00	-	-
Malayan Banking Bhd	506,000	11.04	-	-
	<u>4,583,648</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

**15. SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD**

The COVID-19 pandemic and related lockdowns and movement restrictions have had, and will continue to have, a significant impact on global economic conditions and the environment in which the Fund operates.

The Manager continue 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.

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