

Principal World Selection Conservative Fund

Annual Report

For The Financial Year Ended 31 August 2021

PRINCIPAL WORLD SELECTION CONSERVATIVE FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2021

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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 Interim Fund Report of the Principal World Selection Conservative Fund for the financial year ended 31 August 2021. You may also download this report from our website at www.principal.com.my.

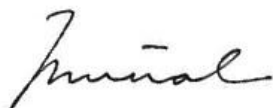
We are happy to share that we recently won the Most Innovative New Money Market Fund – Principal e-Cash Fund at the Global Business Outlook Awards 2020.

Digital innovation is central to our strategy, as we use data and technology to develop the right solutions for you. We will continue to advance our digital capabilities to provide easy access to your investment portfolio and enable you to carry out transactions seamlessly. Please continue to check out our website (www.principal.com.my), like our Facebook page (@PrincipalAssetMY) 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 31 August 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.

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 long term total returns through investments in one collective investment scheme, which is managed with low risk strategy by investing primarily in bonds and shares, either directly or through investing into other funds.

Has the Fund achieved its objective?

For the financial year under review, the Fund has achieved its objectives as stated under the Fund investment policy.

What are the Fund investment policy and principal investment strategy?

The Fund is a feeder fund and it invests in a single collective investment scheme, i.e. HSBC Portfolios - World Selection 1 ("HSBC-WS1"). The Fund may also invest in liquid assets for liquidity purpose.

In order to achieve its investment objective, the Fund will invest at least 95% of its Net Asset Value ("NAV") in HSBC-WS1; a portfolio established on 20 October 2009 under the HSBC Portfolios ("Company"). The Fund will also maintain up to 5% of its NAV in liquid assets for liquidity purposes.

The asset allocation strategy for this Fund is as follows:

- At least 95% of the Fund's NAV will be invested in the Target Fund; and
- Up to 5% of the Fund's NAV will be invested in liquid assets for liquidity purposes.

Information on the Target Fund

Target Fund	: HSBC-WS1
Share Class	: AM USD
Company	: HSBC Portfolios
Management Company	: HSBC Investment Funds (Luxembourg) S.A.
Investment Adviser	: HSBC Global Asset Management (UK) Limited
Regulatory Authority	: Commission de Surveillance du Secteur Financier

Base Currency

United States Dollar ("USD")

Fund category/type

Feeder fund/Income & Growth

When was the Fund launched?

Name of Class	Date
Class AUD-Hedged ("AUD-H")	15 May 2019
Class GBP-Hedged ("GBP-H")	15 May 2019
Class MYR-Hedged ("MYR-H")	15 May 2019
Class SGD-Hedged ("SGD-H")	15 May 2019
Class USD	15 May 2019

What was the size of the Fund as at 31 August 2021?

USD1.71 million (3.06 million units)

What is the Fund's benchmark?

The Fund is benchmark unconstrained as HSBC-WS1 is benchmark unconstrained, i.e. it will be actively managed without reference to any specific benchmark.

FUND OBJECTIVE AND POLICY (CONTINUED)

What is the Fund distribution policy?

Quarterly, depending on the availability of realised income and/or realised gains and at the Manager's discretion.

What was the net income distribution for the financial year ended 31 August 2021?

The Fund distributed a total net income of USD0.03 million to unit holders for the financial year ended 31 August 2021.

The Fund's NAV per unit were as follows:

Date	NAV per unit (before distribution) USD	NAV per unit (after distribution) USD
8 September 2020		
Class AUD-H	0.7369	0.7343
Class GBP-H	1.2888	1.2844
Class MYR-H	0.2452	0.2444
Class SGD-H	0.7321	0.7301
Class USD	1.0223	1.0186
7 December 2020		
Class AUD-H	0.7692	0.7668
Class GBP-H	1.3356	1.3318
Class MYR-H	0.2569	0.2561
Class SGD-H	0.7647	0.7624
Class USD	1.0419	1.0386
8 March 2021		
Class AUD-H	0.7795	0.7770
Class GBP-H	1.3699	1.3654
Class MYR-H	0.2516	0.2508
Class SGD-H	0.7484	0.7465
Class USD	1.0298	1.0268
8 June 2021		
Class AUD-H	0.8012	0.7984
Class GBP-H	1.4269	1.4219
Class MYR-H	0.2566	0.2557
Class SGD-H	0.7794	0.7767
Class USD	1.0491	1.0455

PERFORMANCE DATA

Details of portfolio composition of the Fund for the last two financial year/period were as follows:

	31.08.2021	31.08.2020
	%	%
Collective investment scheme	97.26	93.96
Cash and other assets	3.07	7.80
Liabilities	(0.33)	(1.76)
	<u>100.00</u>	<u>100.00</u>

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

	31.08.2021	31.08.2020
NAV (USD Million)		
- Class AUD-H	0.36	0.79
- Class GBP-H	0.40	0.63
- Class MYR-H	0.46	0.83
- Class SGD-H	0.08	0.28
- Class USD	0.41	0.61
Units in circulation (Million)		
- Class AUD-H	0.47	1.05
- Class GBP-H	0.28	0.48
- Class MYR-H	1.81	3.35
- Class SGD-H	0.10	0.38
- Class USD	0.39	0.60
NAV per unit (USD)		
- Class AUD-H	0.7591	0.7540
- Class GBP-H	1.3949	1.3252
- Class MYR-H	0.2566	0.2462
- Class SGD-H	0.7715	0.7390
- Class USD	1.0549	1.0244
		15.05.2019
		(date of launch)
	31.08.2021	to 31.08.2020
Highest NAV per unit (USD)		
- Class AUD-H	0.8209	0.7540
- Class GBP-H	1.4269	1.3596
- Class MYR-H	0.2628	0.2579
- Class SGD-H	0.7795	0.7681
- Class USD	1.0558	1.0591
Lowest NAV per unit (USD)		
- Class AUD-H	0.7043	0.5233
- Class GBP-H	1.2382	1.0392
- Class MYR-H	0.2418	0.2061
- Class SGD-H	0.7180	0.6219
- Class USD	1.0071	0.9223

PERFORMANCE DATA (CONTINUED)

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

	31.08.2021	15.05.2019 (date of launch) to 31.08.2020
Total return (%)		
- Class AUD-H	2.83	3.93
- Class GBP-H	3.18	0.80
- Class MYR-H	5.01	4.21
- Class SGD-H	4.40	2.22
- Class USD	4.19	4.16
Capital growth (%)		
- Class AUD-H	1.49	2.27
- Class GBP-H	1.87	(0.77)
- Class MYR-H	3.65	2.52
- Class SGD-H	3.20	0.44
- Class USD	2.83	2.45
Income distribution (%)		
- Class AUD-H	1.32	1.62
- Class GBP-H	1.29	1.58
- Class MYR-H	1.32	1.65
- Class SGD-H	1.17	1.77
- Class USD	1.32	1.67
Management Expense Ratio ("MER") (%) ^	1.42	1.74
Portfolio Turnover Ratio ("PTR") (times) #	0.50	1.16

^ The Fund's decreased from 1.74% to 1.42% due to decrease in expenses during the financial year under review.

The Fund's PTR decreased from 1.16 times to 0.50 times. As a feeder fund, the turnover reflects investments and withdrawals in the target funds.

	31.08.2021	15.05.2019 (date of launch) to 31.08.2020
Gross/Net distribution per unit (cent)		
Distribution on 8 September 2020		
- Class AUD-H	0.26	-
- Class GBP-H	0.43	-
- Class MYR-H	0.08	-
- Class SGD-H	0.20	-
- Class USD	0.37	-
Distribution on 7 December 2020		
- Class AUD-H	0.23	-
- Class GBP-H	0.38	-
- Class MYR-H	0.08	-
- Class SGD-H	0.23	-
- Class USD	0.33	-

PERFORMANCE DATA (CONTINUED)

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

	31.08.2021	15.05.2019 (date of launch) to 31.08.2020	
Gross/Net distribution per unit (cent)			
Distribution on 8 March 2021			
- Class AUD-H	0.24	-	
- Class GBP-H	0.43	-	
- Class MYR-H	0.08	-	
- Class SGD-H	0.18	-	
- Class USD	0.30	-	
Distribution on 8 June 2021			
- Class AUD-H	0.28	-	
- Class GBP-H	0.49	-	
- Class MYR-H	0.09	-	
- Class SGD-H	0.27	-	
- Class USD	0.36	-	
Distribution on 17 March 2020			
- Class AUD-H	-	0.49	
- Class GBP-H	-	1.22	
- Class MYR-H	-	0.28	
- Class SGD-H	-	0.84	
- Class USD	-	1.16	
Distribution on 5 June 2020			
- Class AUD-H	-	0.52	
- Class GBP-H	-	0.60	
- Class MYR-H	-	0.09	
- Class SGD-H	-	0.34	
- Class USD	-	0.44	
	31.08.2021	31.08.2020	Since inception to 31.08.2019
	%	%	%
Annual total return			
- Class AUD-H	2.83	1.93	(0.89)
- Class GBP-H	3.18	(0.53)	(4.07)
- Class MYR-H	5.01	2.40	1.01
- Class SGD-H	4.40	0.82	0.06
- Class USD	4.19	1.68	2.44

(Launch date: 15 May 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 year/period have been extracted from Lipper.

MARKET REVIEW (1 SEPTEMBER 2020 TO 31 AUGUST 2021)

In September 2020, following the initial rebound in activity that occurred as economies began to reopen from strict lockdowns seen earlier in the year, conditions for the global economy have continued to improve, albeit at a slower pace, as the economy enters the flatter part of a “swoosh” type of recovery. Mobility data already showed this slowing recovery in the third quarter, and the previous strength in consumer spending driven by the goods sector, is also starting to slow. MSCI US and Europe retraced 4.42% and 1.47% respectively during the month.

In October 2020, the COVID-19 crisis and the associated lockdown measures, led to an abrupt slump in demand. Demand and consumer confidence have since staged a recovery, and this continuing rate is dependent on concerns about the potential for renewed restrictions and associated financial stress. Developed markets continued to retrace as MSCI US and Europe fell by 1.95% and 5.10% respectively during the month.

In November 2020, global equities rebounded strongly due to positive developments in vaccine efficacy. Investor optimism returned in US amid the outcome of the presidential election. Eurozone shares also surged during the month on vaccines supported shares, with the eurozone a particular beneficiary given the region’s high exposure to global trade. Developed markets rallied on the recovery of economic activity and earnings as MSCI US and Europe increased by 17.03% and 13.82%, respectively.

In December 2020, markets looked through rising COVID-19 infection rates, as risk sentiment was supported by continued positive vaccine news, the announcement of a fresh fiscal relief package in the US and the agreement of a post-Brexit trade deal between the United Kingdom (“UK”) and the European Union (“EU”). The global economy remains in a restoration phase, healing after 2020 saw the greatest recession since the Depression.

The first month of 2021 saw financial markets grapple with the interplay between increased vaccine roll-outs and the emergence of new strains of COVID-19. January 2021 also saw a brief period of heightened volatility, as several companies targeted by retail traders experienced outsized moves in their share prices.

February 2021 saw markets positioning for earlier than expected rises in central bank interest rates, reflected in a sell-off in Government bonds. Equities saw modest gains overall with a considerable portion of the strong progress they had made through the month being tempered by the sharp rise in yields seen at the end of the financial period.

Global equities rose in March 2021 as investors continued to price in a brightening global economic outlook, despite fresh concerns of lockdowns in Europe. The market remains in the restoration phase of the economic cycle, with activity still below pre-COVID-19 levels in major economies, other than China. Hidden unemployment, fragile confidence and COVID-19 risks mean the global economy needs ongoing policy support. Global central banks continue to expand balance sheets and deploy lower-for-even-longer interest rates. Compared to the West, monetary policy in China is set to become relatively hawkish. Across Asia, incremental stimulus will be more limited.

In April 2021, global equities made further gains amid upbeat global recovery prospectus and the US Federal Reserve (the “Fed”) reassurance. The market is still in the restoration phase of the economic cycle, with activity below pre-COVID-19 levels in major economies, apart from China. The ongoing COVID-19 risks mean the global economy is dependent on policy support. Across Asia, incremental stimulus will be limited due to inflation pressures.

MARKET REVIEW (1 SEPTEMBER 2020 TO 31 AUGUST 2021) (CONTINUED)

Global markets rose marginally in May 2021 as the US is leading the recovery, boosted by supportive fiscal policy. Meanwhile, Europe's vaccine rollout gathers pace and many Emerging Markets ("EM") continued to struggle to control the virus so far. Finally, China and North Asian economies have largely recovered after suppressing the COVID-19. In the short-term, inflation numbers are likely to remain elevated given: energy price rises, supply chain disruption, and base effects, however the longer-term inflation outlook still remains muted. Most importantly, the Fed's policy framework implies a willingness to look through these short-term Consumer Price Index ("CPI") increases and delay interest rate rises.

In June 2021, the recovery in the US has been boosted by supportive fiscal policy while Europe is likely to perform well in the coming quarters as its vaccine rollout is now back on track. On the other hand, EM have started to take control of the spread of the virus, suggesting stronger growth going forward. Lastly, China has tightened credit conditions in order to tilt their economy away from growth and towards financial stability.

In July 2021, the market continues to enter the expansion phase of the economic cycle with China and the US leading the way, and have already recovered to pre-pandemic levels. The Fed has signalled rate increases in 2023, as the economy is making progress towards its economic objectives. On the other hand, EM policy makers face more significant constraints due to inflation pressures.

Global equities delivered positive returns in August 2021 whilst the post pandemic recovery has reached its apex. The MSCI All Country World Index ("ACWI") global equity index were mostly positive, gaining 3.55%. Global Central Banks remain committed to supporting the recovery. Meanwhile, the UK has now entered a phase of strong catch-up growth given its broken link between cases and hospitalization, despite it is prone to greater upside risk to inflation relative to the Eurozone.

FUND PERFORMANCE

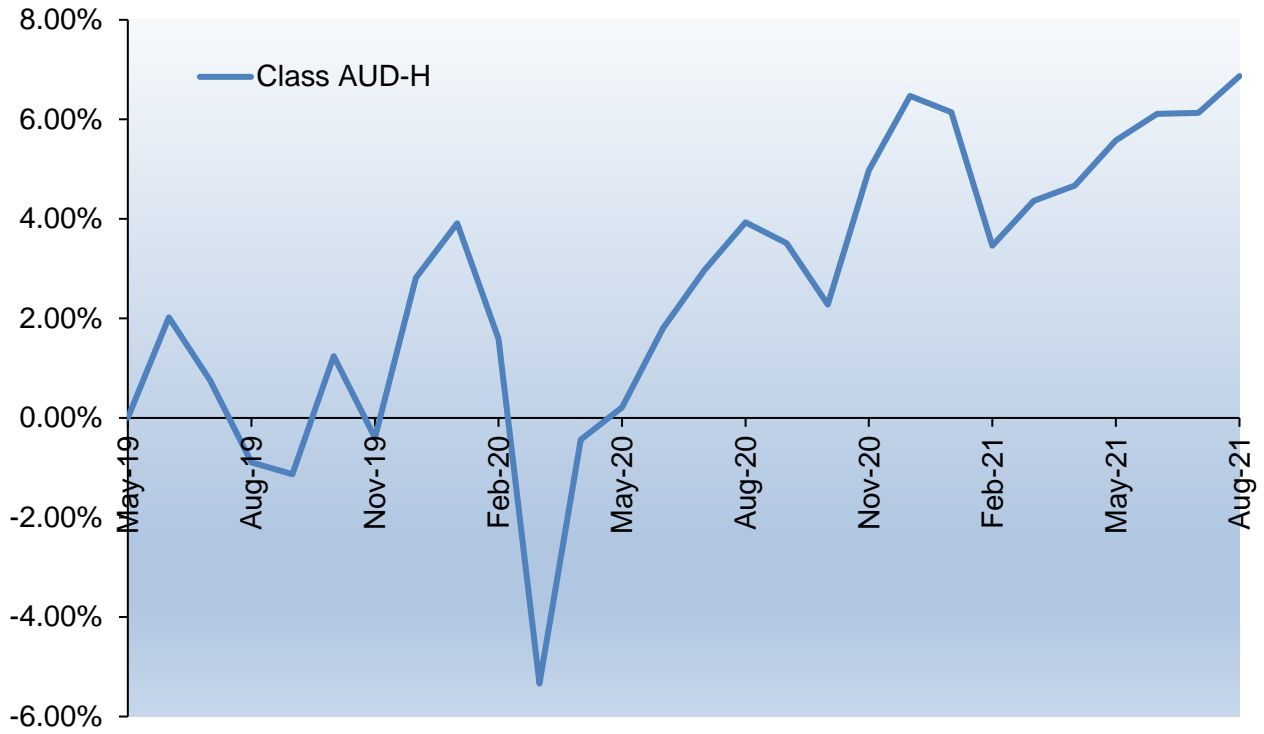
	1 year to 31.08.2021				
	Class AUD-H	Class GBP-H	Class MYR-H	Class SGD-H	Class USD
	%	%	%	%	%
Income distribution	1.32	1.29	1.32	1.17	1.32
Capital growth	1.49	1.87	3.65	3.20	2.83
Total Return	2.83	3.18	5.01	4.40	4.19
Benchmark	-	-	-	-	-
Average Total Return	2.83	3.18	5.01	4.40	4.19

	Since inception to 31.08.2021				
	Class AUD-H	Class GBP-H	Class MYR-H	Class SGD-H	Class USD
	%	%	%	%	%
Income distribution	2.96	2.89	3.01	2.96	3.01
Capital growth	3.79	1.09	6.23	3.65	5.35
Total Return	6.87	4.01	9.43	6.72	8.52
Benchmark	-	-	-	-	-
Average Total Return	2.93	1.72	3.99	2.87	3.62

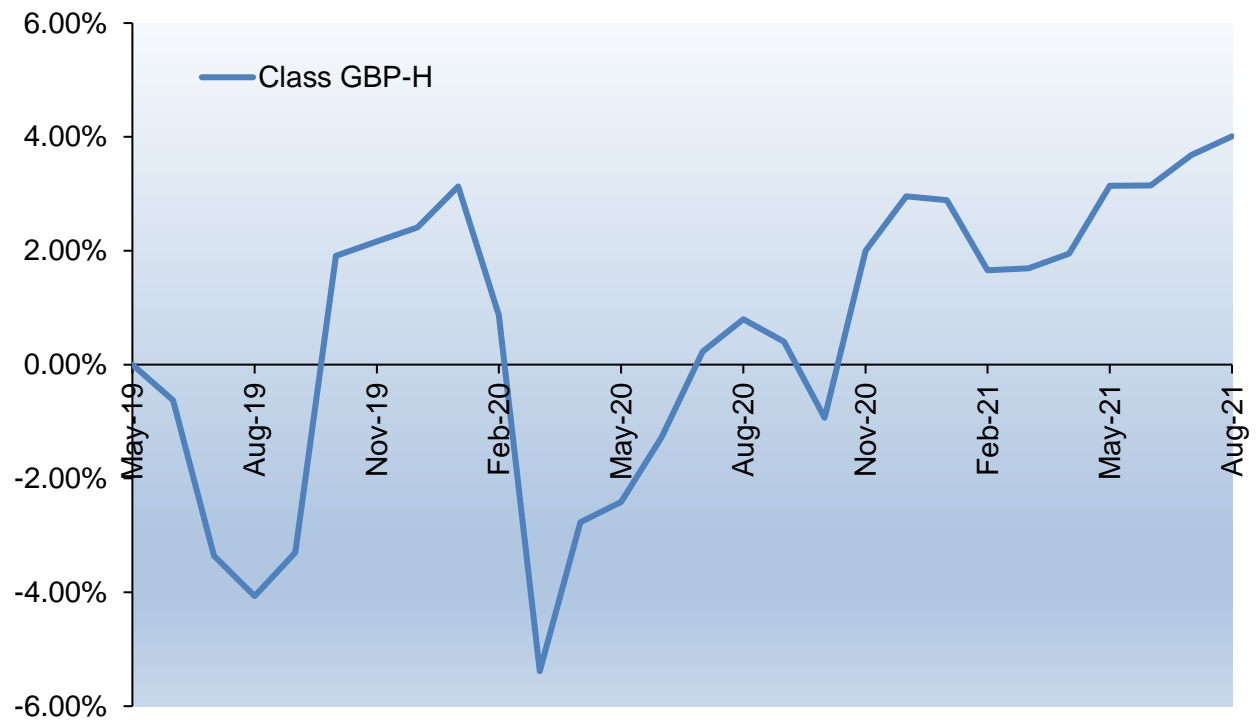
For the financial year under review, Class AUD-H, Class GBP-H, Class MYR-H, Class SGD-H, and Class USD increased by 2.83%, 3.18%, 5.01%, 4.40%, and 4.19% respectively. The Fund does not have a benchmark for comparison.

FUND PERFORMANCE (CONTINUED)

CLASS AUD-H

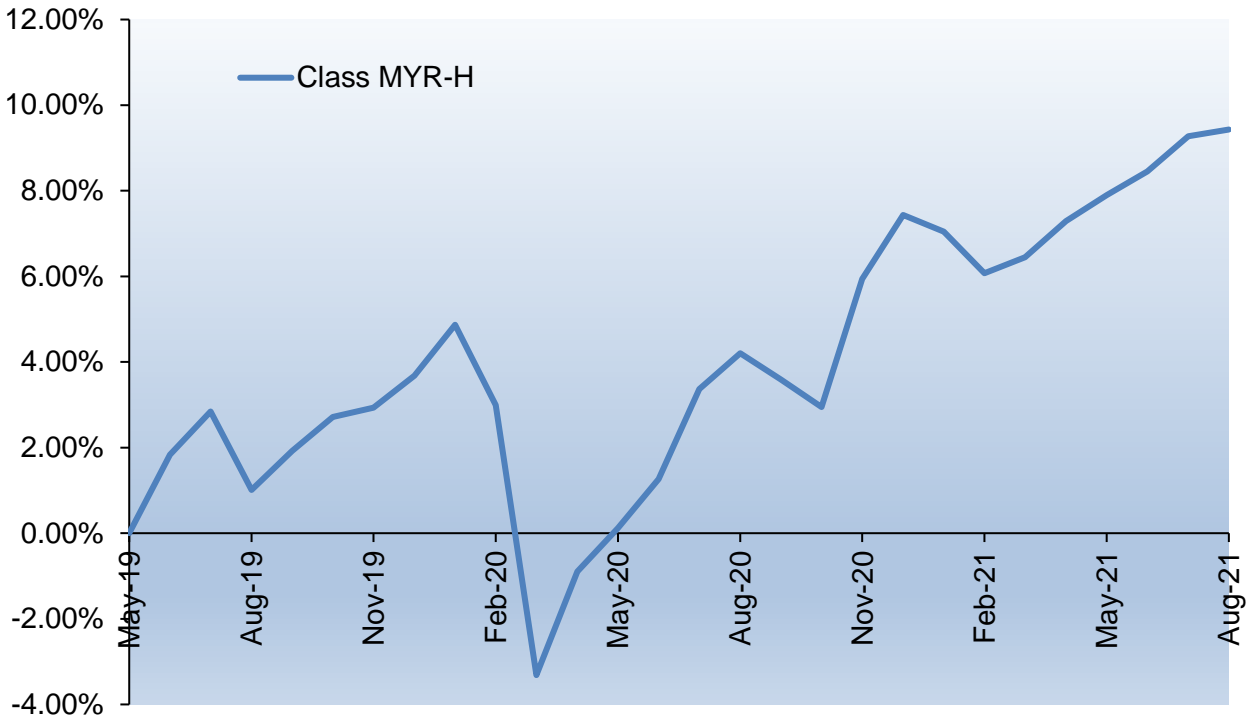


Class GBP-H



FUND PERFORMANCE (CONTINUED)

Class MYR-H

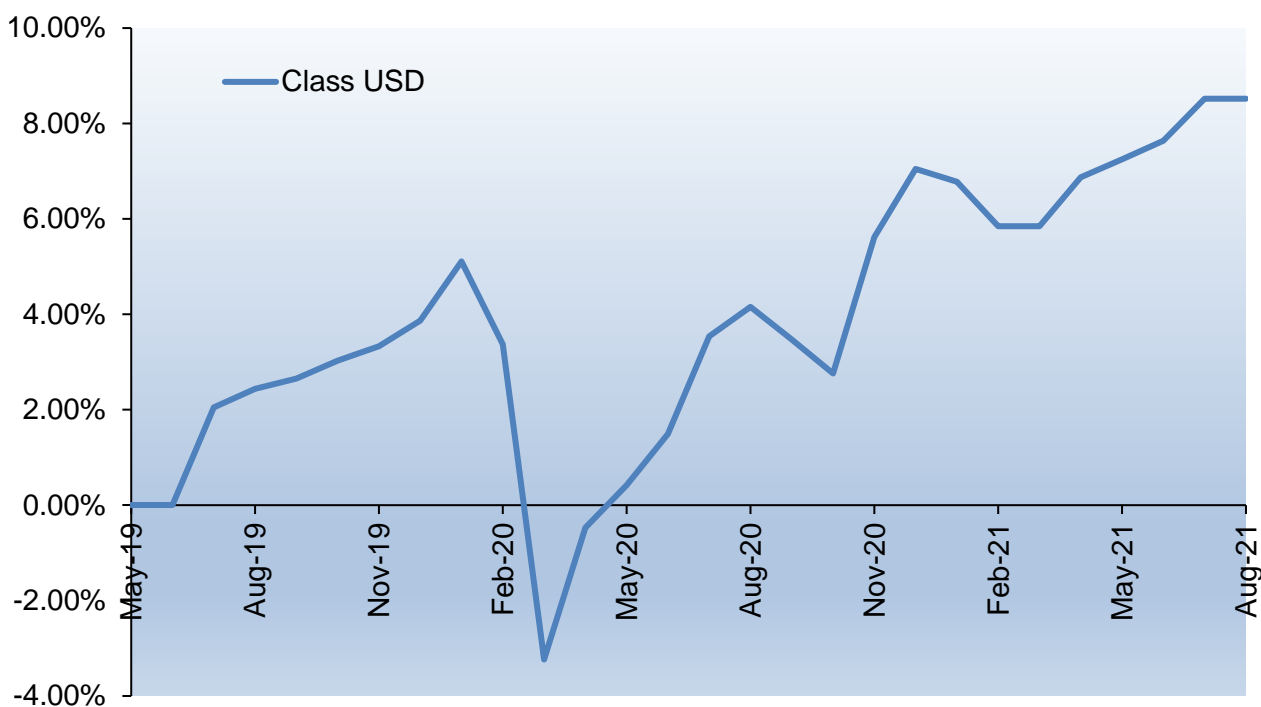


Class SGD-H



FUND PERFORMANCE (CONTINUED)

Class USD



Changes in NAV

CLASS AUD-H

	31.08.2021	31.08.2020	Changes %
NAV (USD Million)	0.36	0.79	(54.43)
NAV/Unit (USD)	0.7591	0.7540	0.68

CLASS GBP-H

	31.08.2021	31.08.2020	Changes %
NAV (USD Million)	0.40	0.63	(36.51)
NAV/Unit (USD)	1.3949	1.3252	5.26

CLASS MYR-H

	31.08.2021	31.08.2020	Changes %
NAV (USD Million)	0.46	0.83	(44.58)
NAV/Unit (USD)	0.2566	0.2463	4.18

CLASS SGD-H

	31.08.2021	31.08.2020	Changes %
NAV (USD Million)	0.08	0.28	(71.43)
NAV/Unit (USD)	0.7715	0.7390	4.40

FUND PERFORMANCE (CONTINUED)

Changes in NAV (continued)

CLASS USD

	31.08.2021	31.08.2020	Changes %
NAV (USD Million)	0.41	0.61	(32.79)
NAV/Unit (USD)	1.0549	1.0245	2.97

During the financial year under review, the Fund's NAV for Class AUD-H, Class GBP-H, Class MYR-H, Class SGD-H and Class USD decreased by 54.43%, 36.51%, 44.58%, 71.43%, and 32.79% respectively.

In addition, the Fund's NAV per unit during the financial year under review for Class AUD-H, Class GBP-H, Class MYR-H, Class SGD-H, and Class USD increased by 0.68%, 5.26%, 4.18%, 4.40%, and 2.97% respectively.

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

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	31.08.2021	31.08.2020
Collective investment scheme	97.26	93.96
Cash and other assets	3.07	7.80
Liabilities	(0.33)	(1.76)
Total	100.00	100.00

The Fund was fully invested during the financial year under review. A minimal level of liquid assets was maintained primarily for liquidity purposes.

MARKET OUTLOOK*

The post-COVID-19 recovery is reaching its apex with stimulus fading, shortage of labour and good weighing on activity, and inflation exceeding expectation. China and the US have already recovered to pre-pandemic levels, whilst the other Developed Markets ("DMs") and EMs are likely to outperform in coming quarters as they catch up. The recovery in the US has been boosted by supportive fiscal policy while Europe is likely to perform well in the coming quarters as its vaccine rollout is back on track. The policy in China has become more neutral following a period of credit tightening. This impact the EM negatively amid low global goods consumption and spread of the Delta variant. In the short-term, inflation numbers in developed markets are likely to remain high as the economy re-opens.

However, the long-term inflation outlook is likely to be controlled as inflation could still converge back to the Fed's 2% target. The Fed has signaled rate increases in 2023, as the economy is making progress towards its economic objectives. On the other hand, EM policy makers face more significant constraints due to inflation pressures. The European Central Bank ("ECB") is likely to lag the Fed but the Bank of England ("BoE") could lead it. The key downside risks to the global recovery are vaccine-resistant strains impacting market sentiment, vaccine complacency, or stimulus fatigue leading to the early withdrawal of stimulus support. Short term increases in inflation may trigger a bond market sell-off.

MARKET OUTLOOK* (CONTINUED)

* 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

The Fund will continue to remain fully invested in the Target Fund with minimal cash kept for liquidity purposes. Our asset allocation decision will continue to be subjected to market conditions.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 31 August 2021 were as follows:

Class AUD-H

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	0.00
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	1	0.47	100.00
500,001 and above	-	-	-
Total	2	0.47	100.00

Class GBP-H

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	0.00
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	1	0.28	100.00
500,001 and above	-	-	-
Total	2	0.28	100.00

Class MYR-H

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	0.00
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	-	-	-
500,001 and above	1	1.81	100.00
Total	2	1.81	100.00

Note: 0.00* denotes unit count less than 0.01 million.

UNIT HOLDINGS STATISTICS (CONTINUED)

Breakdown of unit holdings by size as at 31 August 2021 were as follows (continued):

Class SGD-H

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	0.00
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	1	0.10	100.00
500,001 and above	-	-	-
Total	2	0.10	100.00

Class USD

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	0.00
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	1	0.39	100.00
500,001 and above	-	-	-
Total	2	0.39	100.00

Note: 0.00* denotes unit count less than 0.01 million.

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

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
PRINCIPAL WORLD SELECTION CONSERVATIVE FUND**

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 21 to 47 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 August 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
22 October 2021

TRUSTEE'S REPORT

**TO THE UNITHOLDERS OF
PRINCIPAL WORLD SELECTION CONSERVATIVE FUND**

We have acted as Trustee of Principal World Selection Conservative Fund (“the Fund”) for the financial year ended 31 August 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 Unlisted Capital Market Products under the Lodge and Launch Framework, 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 1.01 cent per unit (gross) for Class AUD-Hedged, 1.73 cent per unit (gross) for Class GBP-Hedged, 0.33 cent per unit (gross) for Class MYR-Hedged, 0.88 cent per unit (gross) for Class SGD-Hedged and 1.36 cent per unit (gross) for Class USD have been distributed to the unitholders of the Fund respectively. We are of the view that the distributions are not inconsistent with the objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

Yap Lay Guat
Manager, Investment Compliance Monitoring

Kuala Lumpur
11 October 2021

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL WORLD SELECTION CONSERVATIVE FUND**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Principal World Selection Conservative Fund (the "Fund"), which comprise the statement of financial position as at 31 August 2021, and statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 21 to 47.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 August 2021, and of its financial performance and cash flows for the financial 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 WORLD SELECTION CONSERVATIVE FUND (CONTINUED)**

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

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 WORLD SELECTION CONSERVATIVE FUND (CONTINUED)**

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

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 of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL WORLD SELECTION CONSERVATIVE FUND (CONTINUED)**

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

Other matters

This report is made solely to the unit holders of the Fund, as a body, in accordance with the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework 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 year ended 31 August 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 14 October 2020.

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

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

Kuala Lumpur, Malaysia
22 October 2021

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2021**

		2021	15.05.2019
	Note	USD	(date of launch) to 31.08.2020
			USD
INCOME			
Dividend income		38,429	94,496
Net gain on financial assets at fair value through profit or loss	8	94,427	67,993
Net gain on derivatives assets at fair value through profit or loss	9	48,765	115,120
Net foreign exchange gain/(loss)		3,023	(7,247)
		<u>184,644</u>	<u>270,362</u>
EXPENSES			
Management fee	4	29,561	46,333
Trustee fee	5	985	1,545
Audit fee		2,000	2,000
Tax agent's fee		1,200	1,341
Other expenses		1,136	578
		<u>34,882</u>	<u>51,797</u>
PROFIT BEFORE FINANCE COST AND TAXATION		149,762	218,565
Finance cost			
- Class AUD-H		8,358	21,380
- Class GBP-H		7,604	7,171
- Class MYR-H		8,665	14,706
- Class SGD-H		2,912	2,934
- Class USD		6,394	10,501
	6	<u>33,933</u>	<u>56,692</u>
PROFIT BEFORE TAXATION		115,829	161,873
Taxation	7	<u>-</u>	<u>-</u>
PROFIT AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD		<u>115,829</u>	<u>161,873</u>
Profit after taxation is made up as follows:			
Realised amount		111,688	49,529
Unrealised amount		4,141	112,344
		<u>115,829</u>	<u>161,873</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2021**

	Note	2021 USD	2020 USD
ASSETS			
Cash and cash equivalents	10	23,896	188,980
Financial assets at fair value through profit or loss	8	1,662,991	2,949,677
Derivative assets at fair value through profit or loss	9	20,327	29,198
Amount due from dealers		-	8,686
Amount due from Manager		-	8,714
Amount due from Manager of collective investment scheme			
- Management fee rebate		6,088	4,887
Dividends receivable		2,197	4,264
TOTAL ASSETS		<u>1,715,499</u>	<u>3,194,406</u>
LIABILITIES			
Amount due to dealers		-	48,714
Amount due to Manager		1	-
Accrued management fee		1,754	3,260
Amount due to Trustee		58	108
Other payables and accruals		3,910	2,911
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)		<u>5,723</u>	<u>54,993</u>
NET ASSET VALUE OF THE FUND		<u>1,709,776</u>	<u>3,139,413</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>1,709,776</u>	<u>3,139,413</u>

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

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 AUGUST 2021 (CONTINUED)

	Note	2021 USD	2020 USD
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDING UNITS (USD)			
- Class AUD-H		359,366	792,458
- Class GBP-H		396,986	630,458
- Class MYR-H		464,134	826,327
- Class SGD-H		80,446	278,699
- Class USD		408,844	611,471
		<u>1,709,776</u>	<u>3,139,413</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)			
- Class AUD-H		473,432	1,050,994
- Class GBP-H		284,589	475,744
- Class MYR-H		1,809,096	3,355,313
- Class SGD-H		104,267	377,122
- Class USD		387,551	596,867
	11	<u>3,058,935</u>	<u>5,856,040</u>
NET ASSET VALUE PER UNIT (USD)			
- Class AUD-H		0.7591	0.7540
- Class GBP-H		1.3949	1.3252
- Class MYR-H		0.2566	0.2463
- Class SGD-H		0.7715	0.7390
- Class USD		1.0549	1.0245
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES			
- Class AUD-H		AUD1.0361	AUD1.0247
- Class GBP-H		GBP1.0134	GBP0.9953
- Class MYR-H		RM1.0657	RM1.0249
- Class SGD-H		SGD1.0380	SGD1.0054
- Class USD		<u>USD1.0549</u>	<u>USD1.0244</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 31 AUGUST 2021**

	2021 USD	15.05.2019 (date of launch) to 31.08.2020 USD
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR/PERIOD	3,139,413	-
Movements due to units created and cancelled during the financial year/period:		
Creation of units from applications		
- Class AUD-H	130,949	2,794,638
- Class GBP-H	166,126	720,522
- Class MYR-H	117,768	1,411,847
- Class SGD-H	203,657	296,955
- Class USD	243,396	1,089,023
	861,896	6,312,985
Creation of units from distributions		
- Class AUD-H	8,358	21,380
- Class GBP-H	7,604	7,171
- Class MYR-H	8,665	14,706
- Class SGD-H	2,912	2,934
- Class USD	6,394	10,501
	33,933	56,692
Cancellation of units		
- Class AUD-H	(599,851)	(2,086,218)
- Class GBP-H	(452,193)	(135,607)
- Class MYR-H	(514,235)	(640,034)
- Class SGD-H	(412,514)	(21,745)
- Class USD	(462,502)	(508,533)
	(2,441,295)	(3,392,137)
Total comprehensive income for the financial year/period	115,829	161,873
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR/PERIOD	1,709,776	3,139,413

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 31 AUGUST 2021**

		2021	15.05.2019
	Note	USD	(date of launch) to 31.08.2020
			USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Purchase of collective investment scheme		(545,000)	(4,918,000)
Proceeds from disposal of collective investment scheme		1,902,000	2,000,000
Dividend income received		40,496	90,232
Management fee paid		(31,067)	(43,073)
Management fee rebate received		22,912	31,429
Trustee fee paid		(1,035)	(1,436)
Payments for other fees and expenses		(3,337)	(1,010)
Net realised gain on forward foreign currency contracts		17,608	125,950
Net realised foreign exchange loss		(1,540)	(25,225)
Net cash generated from/(used in) operating activities		1,401,037	(2,741,133)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		870,610	6,304,271
Payments for cancellation of units		(2,441,294)	(3,392,137)
Net cash (used in)/generated from financing activities		(1,570,684)	2,912,134
Net (decrease)/increase in cash and cash equivalents		(169,647)	171,001
Effect of foreign exchange differences		4,563	17,979
Cash and cash equivalents at the beginning of the financial year/period		188,980	-
Cash and cash equivalents at the end of the financial year/period	10	23,896	188,980
<u>Cash and cash equivalents comprised of:</u>			
Bank balance		23,896	188,980
Cash and cash equivalents at the end of the financial year/period	10	23,896	188,980

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2021**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal World Selection Conservative Fund (the “Fund”) was constituted pursuant to the execution of a Principal Master Deed dated 9 May 2019 (referred to as the “Deed”) between Principal Asset Management Berhad and HSBC (Malaysia) Trustees Berhad (the “Trustee”).

The Fund is a feeder fund and it invests in a single collective investment scheme, i.e. HSBC Portfolios - World Selection 1 (“HSBC-WS1”). The Fund may also invest in liquid assets for liquidity purpose.

In order to achieve its investment objective, the Fund will invest at least 95% of its Net Asset Value (“NAV”) in HSBC-WS1; a portfolio established on 20 October 2009 under the HSBC Portfolios (“Company”). The Fund will also maintain up to 5% of its NAV in liquid assets for liquidity purposes.

The asset allocation strategy for this Fund is as follows:

- At least 95% of the Fund’s NAV will be invested in the Target Fund; and
- Up to 5% of the Fund’s NAV will be invested in liquid assets for liquidity purposes.

Information on the Target Fund

Target Fund	: HSBC-WS1
Share Class	: AM USD
Company	: HSBC Portfolios
Management Company	: HSBC Investment Funds (Luxembourg) S.A.
Investment Adviser	: HSBC Global Asset Management (UK) Limited
Regulatory Authority	: Commission de Surveillance du Secteur Financier

All investments are subjected to the Securities Commission Malaysia (“SC”) Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the MFRS as issued by the Malaysian Accounting Standards Board (“MASB”) and IFRS as issued by the International Accounting Standards Board (“IASB”).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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

None of the standards, amendments to standards or interpretations that are effective for the financial year beginning on/after 1 September 2021 are applicable to the financial statements of the Fund.

(b) Financial assets and financial liabilities

Classification

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

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

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

The contractual cash flows of the Fund's investments are solely principal and interest. 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 collective investment scheme is debt instrument with contractual cash flow that do not represent solely payment of principal and interest ("SPPI") and therefore are classified as fair value through profit or loss.

Derivatives are financial assets/liabilities at fair value through profit or loss unless they are designated hedges (Note 2(l)).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Classification (continued)

The Fund classifies cash and cash equivalents, amount due from dealers, amount due from manager, amount due from Manager of collective investment scheme - management fee rebate and dividends receivable as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

All of the Fund's financial liabilities (excluding the Net Assets Attributable to Unit Holders) 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 within net gain or loss on financial assets at fair value through profit or loss in the financial year/period which they arise.

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

Collective investment scheme is valued based on the most recent published NAV per unit or share of such collective investment scheme or, if unavailable, the last published price of such unit or share (excluding any sales charge included in such selling price).

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 consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month ECL as any such impairment would be wholly insignificant to the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

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.

(c) Income recognition

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

Realised gain or loss on disposal of collective investment schemes are accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

(d) Cash and cash equivalents

For the purpose of statement of cash flow, cash and cash equivalent comprise bank balances with known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) 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 USD, 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 USD primarily due to the following factors:

- i) The Fund's investments are denominated in USD;
- ii) Significant portion of the cash is denominated in USD for the purpose of making settlement of the foreign trades; and
- iii) Significant portion of the Fund's expenses are denominated in USD.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) **Foreign currency (continued)**

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 year/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income.

(f) **Management fee rebate**

Management fee rebate is derived from the Manager and the Manager of the collective investment scheme on an accrual basis to ensure no double charging of management fee. It is accrued daily based on the fair value of collective investment scheme held.

(g) **Distribution**

A distribution to the Fund's unit holders is accounted for as finance cost in the statement of comprehensive income. A proposed distribution is recognised as a liability in the financial year/period in which it is approved by the Trustee.

(h) **Taxation**

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

Tax on income from foreign collective investment schemes are based on the tax regime of the respective countries that the Fund invests in.

(i) **Amount due from/to dealers**

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

(j) **Unit holders' contributions**

The unit holders' contributions to the Fund meet the definition of puttable instruments classified as financial liability under MFRS 132 *"Financial Instruments: Presentation"*.

The Fund issues cancellable units, in five classes of units, known respectively as the Class AUD-H, Class GBP-H, Class MYR-H, Class SGD-H and Class USD, which are cancelled at the unit holder's option. The units are classified as financial liabilities. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV of respective classes. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the member exercises the right to put back the unit to the Fund.

Units are created and cancelled at the unit holders option at prices based on the Fund's NAV per unit of respective classes at the close of business on the relevant dealing day. The Fund's NAV per unit of respective classes is calculated by dividing the net assets attributable to members of respective classes with the total number of outstanding units of respective classes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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 Guidelines on Unit Trust Funds¹.

(l) 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 unfavorable.

The Fund's derivative financial instruments comprise forward foreign exchange 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 exchange 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).

(m) 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 Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

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

¹ The presentation of the analysis of realised and unrealised portions of increase/decrease in net assets attributable to unit holders as presented on the statement of comprehensive income is provided as per the SC Guidelines on Unit Trust Funds. However, the Fund is not guided by the SC Guidelines on Unit Trust Funds.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund were as follows:

	Financial assets at fair value through profit or loss USD	Financial assets at amortised cost USD	Total USD
2021			
Cash and cash equivalents (Note 10)	-	23,896	23,896
Collective investment scheme (Note 8)	1,662,991	-	1,662,991
Derivative assets at fair value through profit or loss (Note 9)	20,327	-	20,327
Amount due from Manager of collective investment scheme			
- management fee rebate	-	6,088	6,088
Dividends receivable	-	2,197	2,197
	<u>1,683,318</u>	<u>32,181</u>	<u>1,715,499</u>
2020			
Cash and cash equivalents (Note 10)	-	188,980	188,980
Collective investment scheme (Note 8)	2,949,677	-	2,949,677
Derivative assets at fair value through profit or loss (Note 9)	29,198	-	29,198
Amount due from dealers	-	8,686	8,686
Amount due from Manager	-	8,714	8,714
Amount due from Manager of collective investment scheme	-	4,887	4,887
- management fee rebate			
Dividends receivable	-	4,264	4,264
	<u>2,978,875</u>	<u>215,531</u>	<u>3,194,406</u>

All of the Fund's financial liabilities (excluding the Net Assets Attributable to Unit Holders) are measured at amortised cost.

The Fund aims to provide long term total returns through investments in one collective investment scheme, which is managed with low risk strategy by investing primarily in bonds and shares, either directly or through investing into other funds.

The Fund is exposed to a variety of risks which include market risk (inclusive of price 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 Deeds and SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

(a) Market risk

(i) Price risk

This is the risk that the fair value of an investment in collective investment scheme will fluctuate because of changes in market prices (other than those arising from currency risk).

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

(a) Market risk (continued)

(i) Price risk (continued)

The value of investment in collective investment scheme may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's NAV and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

The price risk is managed through diversification and selection of collective investment scheme and other financial instruments within specified limits according to the Deeds.

The Fund's overall exposure to price risk was as follows:

	2021 USD	2020 USD
Financial assets at fair value through profit or loss:		
- Collective investment scheme	<u>1,662,991</u>	<u>2,949,677</u>

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

% Change in price of collective investment scheme	Market value USD	Impact on profit or loss/NAV USD
2021		
-5%	1,579,841	(83,150)
0%	1,662,991	-
5%	<u>1,746,141</u>	<u>83,150</u>
2020		
-5%	2,802,193	(147,484)
0%	2,949,677	-
5%	<u>3,097,161</u>	<u>147,484</u>

(ii) Currency risk

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 USD based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels, and technical chart considerations.

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

(a) Market risk (continued)

(ii) Currency risk (continued)

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 USD	Amount due from dealers USD	Amount due from Manager USD	Derivative assets at fair value through profit or loss USD	Total USD
2021					
AUD	733	-	-	8,755	9,488
GBP	1,310	-	-	1,129	2,439
MYR	345	-	-	9,327	9,672
SGD	1,089	-	-	1,116	2,205
	<u>3,477</u>	<u>-</u>	<u>-</u>	<u>20,327</u>	<u>23,804</u>
2020					
AUD	737	-	-	16,600	17,337
GBP	1266	-	-	6,612	7,878
MYR	340	8,686	8,714	5,216	22,956
SGD	674	-	-	1,081	1,755
	<u>3,017</u>	<u>8,686</u>	<u>8,714</u>	<u>29,509</u>	<u>49,926</u>
Financial liabilities	Amount due to dealers USD	Amount due to Manager USD	Net assets attributable to unit holders USD	Total USD	
2021					
AUD	-	-	359,366	359,366	
GBP	-	1	396,986	396,987	
MYR	-	-	464,134	464,134	
SGD	-	-	80,446	80,446	
	<u>-</u>	<u>1</u>	<u>1,300,932</u>	<u>1,300,933</u>	
2020					
AUD	-	-	792,458	792,458	
GBP	-	-	630,458	630,458	
MYR	8,714	-	826,327	835,041	
SGD	-	-	278,699	278,699	
	<u>8,714</u>	<u>-</u>	<u>2,527,942</u>	<u>2,536,656</u>	

The table below summarises the sensitivity of the Fund's profit or loss and NAV to changes in foreign exchange rate movements at the end of the reporting year. The analysis is based on the assumption that the foreign exchange rate fluctuated by 5%, with all other variables remain 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.

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

(a) Market risk (continued)

(ii) Currency risk (continued)

Net balances in foreign currencies	Impact on profit or loss/NAV			
	2021		2020	
	+5% USD	-5% USD	+5% USD	-5% USD
AUD	(17,494)	17,494	(38,756)	38,756
GBP	(19,727)	19,727	(31,129)	31,129
MYR	(22,723)	22,723	(40,604)	40,604
SGD	(3,912)	3,912	(13,847)	13,847
	<u>(63,856)</u>	<u>63,856</u>	<u>(124,366)</u>	<u>124,366</u>

(b) Credit risk

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

For amount due from Manager, the settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

In derivative activities, credit risk arises when counterparties to derivative contracts, are unable or unwilling to fulfil their obligation to pay the positive fair value or receivable resulting from the execution of contract terms.

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

	Cash and cash equivalents	Amount due from dealers	Amount due from Manager	Amount due from Manager of collective investment scheme - fee rebate	Dividends receivable	Derivative assets at fair value through profit or loss	Total
	USD	USD	USD	USD	USD	USD	USD
2021							
- AAA	23,896	-	-	-	-	-	23,896
- Not rated	-	-	-	6,088	2,197	20,327	28,612
	<u>23,896</u>	<u>-</u>	<u>-</u>	<u>6,088</u>	<u>2,197</u>	<u>20,327</u>	<u>52,508</u>
2020							
- AAA	188,980	-	-	-	-	-	188,980
- Not rated	-	8,686	8,714	4,887	4,264	29,198	55,749
	<u>188,980</u>	<u>8,686</u>	<u>8,714</u>	<u>4,887</u>	<u>4,264</u>	<u>29,198</u>	<u>244,729</u>

3. FINANCIAL INSTRUMENTS AND 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 other instruments, which are capable of being converted into cash within 7 business days. The Fund's investments in collective investment scheme are realisable which are capable of being converted into cash within 10 business days. 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 statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month USD	Between 1 month to 1 year USD	Total USD
2021			
Amount due to Manager	1	-	1
Accrued management fee	1,754	-	1,754
Amount due to Trustee	58	-	58
Other payables and accruals	-	3,910	3,910
Net assets attributable to unit holders*	<u>1,709,776</u>	<u>-</u>	<u>1,709,776</u>
Contractual undiscounted cash flows	<u><u>1,711,589</u></u>	<u><u>3,910</u></u>	<u><u>1,715,499</u></u>
2020			
Amount due to dealers	48,714	-	48,714
Accrued management fee	3,260	-	3,260
Amount due to Trustee	108	-	108
Other payables and accruals	-	2,911	2,911
Net assets attributable to unit holders*	<u>3,139,413</u>	<u>-</u>	<u>3,139,413</u>
Contractual undiscounted cash flows	<u><u>3,191,495</u></u>	<u><u>2,911</u></u>	<u><u>3,194,406</u></u>

* Outstanding units are redeemed on demand at the holder's option. However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(d) Capital risk management**

The capital of the Fund is represented by net asset attributable to unit holders of USD1,709,776 (2020: USD3,139,413). The amount of capital can change significantly on a daily basis as the Fund is subjected 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 holder and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Fair value estimation

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

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

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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 USD	Level 2 USD	Level 3 USD	Total USD
2021				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	<u>1,662,991</u>	<u>-</u>	<u>-</u>	<u>1,662,991</u>
Derivative assets at fair value through profit or loss:				
- Forward foreign currency contracts	<u>-</u>	<u>20,327</u>	<u>-</u>	<u>20,327</u>
2020				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	<u>2,949,677</u>	<u>-</u>	<u>-</u>	<u>2,949,677</u>
Derivative assets at fair value through profit or loss:				
- Forward foreign currency contracts	<u>-</u>	<u>29,198</u>	<u>-</u>	<u>29,198</u>

Investments whose values are based on quoted market prices in active markets are therefore classified within Level 1, include collective investments scheme. 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 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. This include 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.

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

(e) Fair value estimation (continued)

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

4. MANAGEMENT FEE

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

For the financial year/period ended 31 August 2021 and 31 August 2020, the management fee for the respective classes was recognised at the following rates:

Class AUD-H	CLASS GBP-H	Class MYR-H	Class SGD-H	Class USD
1.20%	1.20%	1.20%	1.20%	1.20%

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

5. TRUSTEE FEE

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

For the financial year ended 31 August 2021, the Trustee fee was recognised at a rate of 0.04% (2020: 0.04%) per annum for each unit class.

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

6. FINANCE COST

Distributions to unit holders were derived from the following sources (assessed up to distribution declaration date):

	2021	15.05.2019
	USD	(date of launch)
		to 31.08.2020
		USD
Dividend income	33,933	35,579
Net realised gain on forward foreign currency contracts	-	43,344
Net foreign exchange loss	-	(2,728)
	<u>33,933</u>	<u>76,195</u>
Less:		
Expenses	-	(19,503)
Net distribution amount	<u>33,933</u>	<u>56,692</u>

6. FINANCE COST (CONTINUED)

Distributions to unit holders were derived from the following sources (assessed up to distribution declaration date) (continued):

	2021 USD	15.05.2019 (date of launch) to 31.08.2020 USD
Gross/Net distribution per unit (sen)		
Distribution on 8 September 2020		
- Class AUD-H	0.26	-
- Class GBP-H	0.43	-
- Class MYR-H	0.08	-
- Class SGD-H	0.20	-
- Class USD	0.37	-
Distribution on 7 December 2020		
- Class AUD-H	0.23	-
- Class GBP-H	0.38	-
- Class MYR-H	0.08	-
- Class SGD-H	0.23	-
- Class USD	0.33	-
Distribution on 8 March 2021		
- Class AUD-H	0.24	-
- Class GBP-H	0.43	-
- Class MYR-H	0.08	-
- Class SGD-H	0.18	-
- Class USD	0.30	-
Distribution on 8 June 2021		
- Class AUD-H	0.28	-
- Class GBP-H	0.49	-
- Class MYR-H	0.09	-
- Class SGD-H	0.27	-
- Class USD	0.36	-
Distribution on 17 March 2020		
- Class AUD-H	-	0.49
- Class GBP-H	-	1.22
- Class MYR-H	-	0.28
- Class SGD-H	-	0.84
- Class USD	-	1.16
Distribution on 5 June 2020		
- Class AUD-H	-	0.52
- Class GBP-H	-	0.60
- Class MYR-H	-	0.09
- Class SGD-H	-	0.34
- Class USD	-	0.44
Total	5.31	5.98

6. FINANCE COST (CONTINUED)

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

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

7. TAXATION

	2021	15.05.2019
	USD	(date of launch)
		to 31.08.2020
		USD
Tax charged for the financial year:		
- Current taxation	-	-

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

	2021	15.05.2019
	USD	(date of launch)
		to 31.08.2020
		USD
Profit before taxation	115,829	161,873
Taxation at Malaysian statutory rate of 24% (2020: 24%)	27,798	38,850
Tax effects of:		
- Income not subject to tax	(44,315)	(64,887)
- Expenses not deductible for tax purposes	8,909	14,437
- Restriction on tax deductible expenses for Wholesale Funds	7,608	11,600
Taxation	-	-

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	USD	USD
At fair value through profit or loss at inception:		
- Collective investment scheme	1,662,991	2,949,677

	2021	15.05.2019
	USD	(date of launch)
		to 31.08.2020
		USD
Net gain on financial assets at fair value through profit or loss:		
- Realised gain/(loss) on disposals	61,865	(33,490)
- Unrealised fair value gain	8,449	65,167
- Management fee rebate #	24,113	36,316
	94,427	67,993

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

Management fee rebate is derived from Fund's investment in collective investment scheme on an accruals basis to ensure no double charging of management fee. It is accrued daily based on the fair value of the collective investment scheme held.

For the financial year ended 31 August 2021, other income is recognised at a rate of 1.00% per annum (15.05.2019 (date of launch) to 31.08.2020: 1.00% per annum) calculated and accrued daily based on the NAV of the collective investment scheme.

Name of counter	Quantity Units	Aggregate cost USD	Market value USD	Percentage of NAV %
2021				
COLLECTIVE INVESTMENT SCHEME				
HSBC Investment Funds (Luxembourg) S.A - World Selection 1	155,797	1,589,375	1,662,991	97.26
TOTAL COLLECTIVE INVESTMENT SCHEME	155,797	1,589,375	1,662,991	97.26
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		73,616		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		1,662,991		
2020				
COLLECTIVE INVESTMENT SCHEME				
HSBC Investment Funds (Luxembourg) S.A - World Selection 1	284,985	2,884,510	2,949,677	93.96
TOTAL COLLECTIVE INVESTMENT SCHEME	284,985	2,884,510	2,949,677	93.96
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		65,167		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		2,949,677		

9. DERIVATIVE ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	USD	USD
Forward foreign currency contracts	<u>20,327</u>	<u>29,198</u>
		15.05.2019
		(date of launch)
		to 31.08.2020
	2021	USD
	USD	USD
Net gain on derivative assets/liabilities at fair value through profit or loss:		
- Realised gain on forward foreign currency contracts	57,635	85,922
- Unrealised fair value (loss)/gain on forward foreign currency contracts	<u>(8,870)</u>	<u>29,198</u>
	<u>48,765</u>	<u>115,120</u>

As at 31 August 2021, there were total of 4 (2020: 6) outstanding USD/Australian Dollar (“AUD”), USD/Great Britain Pound (“GBP”), USD/Malaysian Ringgit (“MYR”) and USD/Singapore Dollar (“SGD”) forward foreign currency contracts. The notional principal amount of the outstanding forward foreign currency contracts amounted to USD1,297,796 (2020: USD2,696,122)

The forward foreign currency contracts are entered into during the financial year to minimise the risk of foreign currency exposure between the USD and the AUD, GBP, MYR and SGD 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 contracts are recognised immediately in the statement of comprehensive income during the financial year/period.

10. CASH AND CASH EQUIVALENTS

	2021	2020
	USD	USD
Bank balances	<u>23,896</u>	<u>188,980</u>

11. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2021	15.05.2019
	No. of units	(date of launch)
	No. of units	to 31.08.2020
Class AUD-H (i)	473,432	1,050,994
Class GBP-H (ii)	284,589	475,744
Class MYR-H (iii)	1,809,096	3,355,313
Class SGD-H (iv)	104,267	377,122
Class USD (v)	<u>387,551</u>	<u>596,867</u>
	<u>3,058,935</u>	<u>5,856,040</u>

11. NUMBER OF UNITS IN CIRCULATION (UNITS) (CONTINUED)

	2021	15.05.2019 (date of launch) to 31.08.2020
	No. of units	No. of units
(i) Class AUD-H		
At the beginning of the financial year/period	1,050,994	-
Add : Creation of units from applications	168,858	4,319,084
Add : Creation of units from distributions	10,945	35,280
Less: Cancellation of units	(757,365)	(3,303,370)
At the end of the financial year/period	<u>473,432</u>	<u>1,050,994</u>
(ii) Class GBP-H		
At the beginning of the financial year/period	475,744	-
Add : Creation of units from applications	132,969	579,854
Add : Creation of units from distributions	5,663	6,180
Less: Cancellation of units	(329,787)	(110,290)
At the end of the financial year/period	<u>284,589</u>	<u>475,744</u>
(iii) Class MYR-H		
At the beginning of the financial year/period	3,355,313	-
Add : Creation of units from applications	470,989	6,019,054
Add : Creation of units from distributions	34,526	66,291
Less: Cancellation of units	(2,051,732)	(2,730,032)
At the end of the financial year/period	<u>1,809,096</u>	<u>3,355,313</u>
(iv) Class SGD-H		
At the beginning of the financial year/period	377,122	-
Add : Creation of units from applications	264,781	405,052
Add : Creation of units from distributions	3,874	4,394
Less: Cancellation of units	(541,510)	(32,324)
At the end of the financial year/period	<u>104,267</u>	<u>377,122</u>

11. NUMBER OF UNITS IN CIRCULATION (UNITS) (CONTINUED)

(v) Class USD

	2021	15.05.2019 (date of launch) to 31.08.2020
	No. of units	No. of units
At the beginning of the financial year/period	596,867	-
Add : Creation of units from applications	232,961	1,084,398
Add : Creation of units from distributions	6,209	10,875
Less: Cancellation of units	(448,486)	(498,406)
At the end of the financial year/period	<u>387,551</u>	<u>596,867</u>

12. MANAGEMENT EXPENSE RATIO (“MER”)

	2021	15.05.2019 (date of launch) to 31.08.2020
	%	%
MER	<u>1.42</u>	<u>1.74</u>

MER was derived based on the following calculation:

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

- A = Management fee
- B = Trustee fee
- C = Audit fee
- D = Tax agent’s fee
- E = Other expenses
- F = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial year/period calculated on a daily basis was USD2,464,100 (15.05.2019 (date of launch) to 31.08.2020: USD2,976,836.)

13. PORTFOLIO TURNOVER RATIO (“PTR”)

	2021	15.05.2019 (date of launch) to 31.08.2020
PTR (times)	<u>0.50</u>	<u>1.16</u>

PTR was 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 year/period = USD545,000 (15.05.2019 (date of launch) to 31.08.2020: USD4,918,000)

total disposal for the financial year/period = USD1,902,000 (15.05.2019 (date of launch) to 31.08.2020: USD2,000,000)

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

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

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

Units held by the Manager and parties related to the Manager

	<u>2021</u>	<u>2020</u>
	<u>No. of units</u>	<u>No. of units</u>
	<u>USD</u>	<u>USD</u>
Manager		
Principal Asset Management Berhad		
- Class AUD-H	10	10
- Class GBP-H	1	1
- Class MYR-H	443	438
- Class SGD-H	1,067	1,055
- Class USD	116	114
	<u>122</u>	<u>117</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.

Other than those disclosed elsewhere in the financial statements, there are no significant related party transactions and balances for the financial period.

15. TRANSACTIONS WITH BROKER/DEALER

Details of transactions with the broker for the financial year ended 31 August 2021 were as follows:

Brokers	Value of trades USD	Percentage of total trades %	Brokerage fees USD	Percentage of brokerage fees %
HSBC Institutional Trust Services (Singapore) Ltd	<u>2,447,000</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Details of transactions with the broker/dealer for the financial period from 15 May 2019 (date of launch) to 31 August 2020 were as follows:

Broker/Dealer	Value of trades USD	Percentage of total trades %	Brokerage Fees USD	Percentage of total brokerage fees %
HSBC Institutional Trust Services (Singapore) Ltd	<u>6,918,000</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

16. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR/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 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. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 22 October 2021.

DIRECTORY

Head Office of the Manager

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

Website

www.principal.com.my

E-mail address

service@principal.com.my

Customer Care Centre

(03) 7718 3000

Trustee for the Principal World Selection Conservative Fund

HSBC (Malaysia) Trustee Berhad (Company No.: 193701000084 (001281-T))
13th Floor, Bangunan HSBC, South Tower,
No. 2, Leboh Ampang,
50100 Kuala Lumpur,
MALAYSIA.
Tel: (03) 2075 7800
Fax: (03) 2179 6511

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

PricewaterhouseCoopers PLT (Company No.: 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

Principal Asset Management Berhad
199401018399 (304078-K)

Enquiries:

Customer Care Centre
(603)7718 3000

Email
service@principal.com.my

Website
www.principal.com.my