

CIMB-Principal Total Return Bond Fund 9

Interim Report

For The Six Months Financial Period Ended 31 January 2022

CIMB-PRINCIPAL TOTAL RETURN BOND FUND 9

INTERIM REPORT

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2022

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INVESTORS' LETTER

Dear Valued Investor,

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

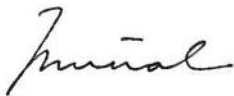
We are pleased to bring you a copy of the Interim Fund Report of the CIMB-Principal Total Return Bond Fund 9 for the financial period ended 31 January 2022. You may also download this report from our website at www.principal.com.my.

We are happy to share that Principal was recognised with five awards at the 2021 Global Banking & Finance Awards®. The awards were Asset Management Company of the Year Malaysia 2021, Pension Fund Provider Malaysia 2021, Best Pension Fund Manager Malaysia 2021, Fund Distribution Network Provider of the Year Malaysia 2021, and for Asset Management CEO of the Year Malaysia 2021. Principal also won Asia Asset Management's 2022 Best of the Best Awards in the Greater China Equity (10 Years) category.

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 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 objective 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 organizations 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 counter-party 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.

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

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

FUND OBJECTIVE AND POLICY (CONTINUED)**What are the Fund investment policy and principal investment strategy? (continued)****Asset Allocation**

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.

Fund category/ type

Debenture (close-ended)/ Growth

When was the Fund launched?

15 February 2019

What was the size of the Fund as at 31 January 2022?

RM154.92 million (160.32 million units)

What is the Fund's benchmark?

The benchmark for the Fund is the 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 January 2022?

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

PERFORMANCE DATA

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

	31.01.2022	31.01.2021	31.01.2020
	%	%	%
Unquoted fixed income securities	85.67	94.82	97.78
Cash and other assets	14.36	5.20	2.23
Liabilities	(0.03)	(0.02)	(0.01)
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	31.01.2022	31.01.2021	31.01.2020
NAV (RM Million)	154.92	178.86	179.38
Units in circulation (Million)	160.32	163.35	168.92
NAV per unit (RM)	0.9663	1.0949	1.0619

	01.08.2021	01.08.2020	15.02.2019
	31.01.2022	31.01.2021	(date of launch)
			to 31.01.2020
Highest NAV per unit (RM)	1.0217	1.0957	1.0637
Lowest NAV per unit (RM)	0.9515	1.0467	1.0000
Total return (%)	(5.09)	4.68	6.13
- Capital growth (%)	(5.09)	4.68	6.13
- Income distribution (%)	-	-	-
Management Expense Ratio ("MER") (%) ^	0.03	0.03	0.05
Portfolio Turnover Ratio ("PTR") (times) #	0.19	0.10	0.60

The PTR for the period under review was 0.19 times. Rebalancing may be done when there are redemptions or potential credit event.

	31.01.2022	31.01.2021	Since inception
	%	%	to 31.01.2020
			%
Annual total return	(7.12)	6.30	6.13

(Launch date: 15 February 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 AUGUST 2021 TO 31 JANUARY 2022)

Moving into the third quarter of 2021 with Movement Control Order (“MCO”) still in place, the domestic Central Bank maintain the policy rate unchanged at 1.75% at the July 2021 meeting and expects growth outlook to be weak. Fitch also affirmed Malaysia’s sovereign rating at BBB+ with a stable outlook premised on the strong and broad-based medium growth and consistent current account surpluses with a highly diversified export base. Meanwhile, Ministry of Finance (“MoF”) released pre-budget statement with some highlights being the lowering of 2021 Gross Domestic Products (“GDP”) growth to 3%-4% following Bank Negara Malaysia (“BNM”)’s estimate. They also projected fiscal deficit to be between 6.5%-7% of GDP in 2021. Statutory debt to GDP ratio is expected to rise by end of the year following higher borrowings and GDP growth downgrade. Towards the end of the quarter, in the 12th Malaysia Plan announced by Prime Minister Ismail Sabri, RM400 billion (or 4% GDP) of development expenditure will be allocated to drive GDP growth of 4.5% to 5.5% from now until 2025.

Meanwhile the Asian USD market started slightly better sentiment in the third quarter of 2021 due to less than expected primary supply as well as continuous dovish rhetoric from Powell stating that inflation is transitory. Globally, Coronavirus Disease 2019 (“COVID-19”) vaccination progress was also encouraging hence market relegated that to the back. However, things turned bearish for Asian credits after China announced a slew of regulatory reset for technology, property and education sector. In August after Jackson Hole and September’s hawkish tone in the policy meeting as well as a hawkish Bank of England (“BoE”) ignited a higher US Treasuries (“UST”) yield movement. The benchmark 10-year government bond yield in the US started the quarter at 1.48%, fell to a low of 1.12% in august, then soared higher to end the quarter back at 1.50%. This coupled with a rush of corporate issuance in September did not help to sustain a support for the bond market. An impending taper by the US Federation Reserves (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 fourth 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.

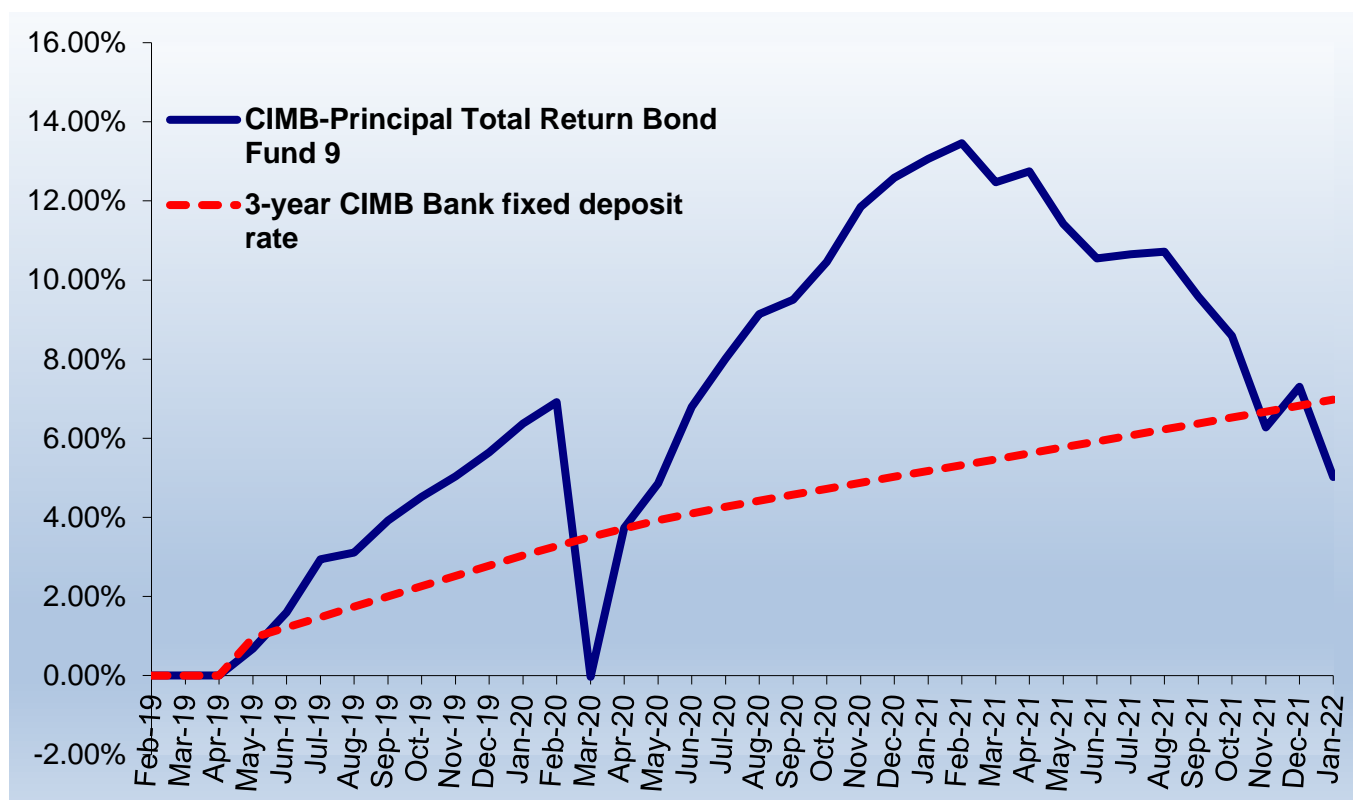
As expected, the Federal Open Market Committee (“FOMC”) left rates unchanged at their January meeting, but strongly signaled a March hike. A hawkish comment from Chairman Powell during the press conference led to an aggressive bear-flattening with 10s revisiting just north of 1.85%. Additionally, both 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.

FUND PERFORMANCE

	6 months to 31.01.2022	1 year to 31.01.2022	Since inception to 31.01.2022
	%	%	%
Income Distribution	-	5.31	8.67
Capital Growth	(5.09)	(11.80)	(3.36)
Total Return	(5.09)	(7.12)	5.02
Benchmark	0.91	1.80	6.98
Average Total Return	N/A	(7.12)	1.67

For the six months ending January 2022, the fund delivered a total return of -5.09% versus the benchmark 3-year CIMB Bank Fixed Deposit Rate return of 0.91% due to the continuous weakness in the Chinese property bonds. Since inception, the Fund delivered a total return of 5.02% versus the benchmark 3-year CIMB Bank Fixed Deposit Rate return of 6.98%.

FUND PERFORMANCE (CONTINUED)



Changes in NAV

	31.01.2022	31.07.2021 Audited	Changes %
NAV (RM Million)	154.92	162.42	(4.62)
NAV/Unit (RM)	0.9663	1.0075	(4.09)

The Fund's NAV dropped by 4.62% for the six-month period ending January 2022 to RM154.92 million. The NAV per unit saw a 4.09% drop to RM0.9663 as at end of January 2022 due to decreased in market performance.

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

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	31.01.2022	31.07.2021 Audited
Unquoted fixed income securities	85.67	90.52
Cash and other assets	14.36	10.40
Liabilities	(0.03)	(0.92)
TOTAL	100.00	100.00

The Fund is 85.67% invested in unquoted fixed income securities with 14.36% cash and other assets holding as liquidity for redemption purposes.

MARKET OUTLOOK*

COVID-19 remains a threat while vaccination progress has been encouraging although uneven across countries. In Asia, the key uncertainty rests in the trajectory of economic growth in the coming quarters as economies gradually reopen. However, policy rate normalisation by central banks globally, worries over inflation and energy crisis as well as regulatory crackdown in China may see sentiment weakened. For now, the still accommodative policy rates in Asia should maintain a support for the bond market.

* This market outlook does not constitute an offer, invitation, commitment, advice, or recommendation to make a purchase of any investment. The information given in this article represents the views of Principal asset Management Berhad (“Principal Malaysia”) or based on data obtained from sources believed to be reliable by Principal Malaysia. Whilst every care has been taken in preparing this, Principal Malaysia makes no guarantee, representation or warranty and is under no circumstances liable for any loss or damage caused by reliance on, any opinion, advice or statement made in this market outlook.

INVESTMENT STRATEGY

Based on the market outlook, we continue to expect volatility going forward. We will 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 prioritize capital preservation.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 31 January 2022 is as follows:

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	3	160.32	100.00
Total	4	160.32	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 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
CIMB-PRINCIPAL TOTAL RETURN BOND FUND 9**

We, being the Directors of Principal Asset Management Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 10 to 36 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 January 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 provisions of 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 March 2022

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL TOTAL RETURN BOND FUND 9**

We have acted as Trustee of CIMB-Principal Total Return Bond Fund 9 ("the Fund") for the financial period ended 31 January 2022. To the best of our knowledge, Principal Asset Management Berhad ("the Manager"), has operated and managed the Fund in accordance with the following:-

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

For HSBC (Malaysia) Trustee Berhad

Yap Lay Guat
Manager, Investment Compliance Monitoring

Kuala Lumpur
17 March 2022

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

	Note	01.08.2021 to 31.01.2022 RM	01.08.2020 to 31.01.2021 RM
(LOSS)/INCOME			
Interest income from unquoted fixed income securities at fair value through profit and loss		3,566,518	4,447,953
Interest income from deposits with licensed financial institutions and current account at amortised cost		70,450	19,180
Net (loss)/gain on financial assets at fair value through profit or loss	6	(10,931,727)	936,411
Net foreign exchange (loss)/gain		(772,391)	2,256,645
Net gain on derivative liabilities at fair value through profit or loss	10	1,506,497	228,135
Exit fee income		8,865	36,191
		<u>(6,551,788)</u>	<u>7,924,515</u>
EXPENSES			
Trustee's and custodian fee	4	37,029	35,617
Audit fee		4,200	4,200
Tax agent's fee		2,500	5,000
Other expenses		4,716	8,891
		<u>48,445</u>	<u>53,708</u>
(LOSS)/PROFIT BEFORE TAXATION		(6,600,233)	7,870,807
Taxation	5	18,876	8,521
(LOSS)/PROFIT AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL PERIOD		<u>(6,619,109)</u>	<u>7,862,286</u>
 (Loss)/Profit after taxation is made up as follows:			
Realised amount		(9,535,005)	7,635,910
Unrealised amount		2,915,896	226,376
		<u>(6,619,109)</u>	<u>7,862,286</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 JANUARY 2022**

		31.01.2022	31.07.2021
	Note	RM	Audited RM
ASSETS			
Cash and cash equivalents	7	22,187,259	16,881,118
Financial assets at fair value through profit or loss	6	132,705,648	147,020,444
Derivative assets at fair value through profit or loss	10	58,621	-
Other receivables		11,901	11,912
TOTAL ASSETS		<u>154,963,429</u>	<u>163,913,474</u>
LIABILITIES			
Derivative liabilities at fair value through profit or loss		-	1,447,876
Amount due to Trustee		5,279	5,581
Other payables and accruals		11,700	18,400
Tax payable		28,731	18,310
TOTAL LIABILITIES		<u>45,710</u>	<u>1,490,167</u>
NET ASSET VALUE OF THE FUND		<u>154,917,719</u>	<u>162,423,307</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	8	<u>154,917,719</u>	<u>162,423,307</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	9	<u>160,315,510</u>	<u>161,209,345</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.9663</u>	<u>1.0075</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 JANUARY 2022**

	Note	01.08.2021 to 31.01.2022 RM	01.08.2020 to 31.01.2021 RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD		<u>162,423,307</u>	<u>174,619,234</u>
Movement due to units created and cancelled during the financial period:			
- Cancellation of units		(886,479)	(3,619,114)
Total comprehensive (loss)/income for the financial period		<u>(6,619,109)</u>	<u>7,862,286</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL PERIOD	8	<u><u>154,917,719</u></u>	<u><u>178,862,406</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 JANUARY 2022**

	01.08.2021 to 31.01.2022 RM	01.08.2020 to 31.01.2021 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Purchase of unquoted fixed income securities	(37,792,761)	(24,105,863)
Proceeds from disposal of unquoted fixed income securities	24,097,185	12,285,565
Proceeds from redemption of unquoted fixed income securities	16,000,000	6,054,968
Interest income received from unquoted fixed income securities	4,645,882	4,834,045
Interest income received from deposits with licensed financial Institutions and current account	70,450	19,180
Exit fee income	8,876	66,107
Trustee and custodian fees paid	(37,331)	(35,462)
Payments for other fees and expenses	(18,116)	(8,891)
Net realised foreign exchange (loss)/gain	(606,552)	2,719,714
Tax paid	(8,455)	-
Net cash generated from operating activities	<u>6,359,178</u>	<u>1,829,363</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for cancellation of units	(886,479)	(3,619,114)
Net cash used in financing activities	<u>(886,479)</u>	<u>(3,619,114)</u>
Net increase/(decrease) in cash and cash equivalents	5,472,699	(1,789,751)
Effects of foreign exchange differences	(166,558)	(344,372)
Cash and cash equivalents at the beginning of the financial period	16,881,118	10,416,147
Cash and cash equivalents at the end of the financial period	<u>22,187,259</u>	<u>8,282,024</u>
Cash and cash equivalents comprised of:		
Deposits with licensed financial institutions	11,227,548	3,781,546
Bank balances	10,959,711	4,500,478
Cash and cash equivalents at the end of the financial period	<u>22,187,259</u>	<u>8,282,024</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 JANUARY 2022**

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

CIMB-Principal Total Return Bond Fund 9 (the “Fund”) was constituted pursuant to a Deed dated 28 July 2017 (the “Deed”), made between Principal Asset Management Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

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

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

In order to maximise the total return, the Fund may invest up to 99% of its NAV in Investment Grade Securities. Up to 40% of the Fund’s NAV may be invested in Non-Investment Grade Securities and Unrated Securities for yield enhancement, of which only up to 20% of the Fund’s NAV in Unrated Securities. The Fund may also invest up to 10% of its NAV in structured products which are linked or reference to debt instruments, including credit linked notes, subject to prevailing 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 counter-party of an OTC derivative below the minimum long-term rating as per the SC Guidelines, the Manager reserve the right to deal with the OTC derivative in the best interest of the Unit holders.

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

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

Asset Allocation

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.

1. THE FUND, THE MANAGER, AND ITS PRINCIPAL ACTIVITIES (CONTINUED)

The Maturity Date is on the day immediately preceding the third (3rd) anniversary of the Commencement Date, 31 March 2022.

All investments are subjected to the 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 August 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 February 2022 are applicable to the Fund.

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

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

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

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

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

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

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

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

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

(e) Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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 Deeds.

It is recognised on an accruals 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 is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

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

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

(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 Guidelines on Unit Trust Fund.

(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 unfavorable.

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

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).

(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.

Estimate of fair value of unquoted fixed income securities

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

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.

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.

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.

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

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

(e) Fair value estimation

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

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the financial period-end date. The Fund utilises the last traded market price for financial assets where the last traded 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	Level 2	Level 3	Total
	RM	RM	RM	RM
31.01.2022				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	132,705,648	-	132,705,648
- Derivative assets - forward foreign currency contracts	-	58,621	-	58,621
	<u>-</u>	<u>132,764,269</u>	<u>-</u>	<u>132,764,269</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
31.07.2021				
Audited				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	147,020,444	-	147,020,444
	<u>-</u>	<u>147,020,444</u>	<u>-</u>	<u>147,020,444</u>
Financial liabilities				
- Derivative liabilities - forward foreign currency contracts	-	1,447,876	-	1,447,876
	<u>-</u>	<u>1,447,876</u>	<u>-</u>	<u>1,447,876</u>

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).

- (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 is charged to the Fund for the financial period 1 August 2021 to 31 January 2022.

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 January 2022, the Trustee fee is recognised at a rate of 0.04% per annum (2021: 0.04%) while the foreign custodian fee is recognised at RM4,841 (2021: RM6,060).

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

5. TAXATION

	01.08.2021 to 31.01.2022	01.08.2020 to 31.01.2021
	RM	RM
Tax charged for the financial period:		
- Current taxation	<u>18,876</u>	<u>8,521</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:

	01.08.2021 to 31.01.2022	01.08.2020 to 31.01.2021
	RM	RM
(Loss)/Profit before taxation	<u>(6,600,233)</u>	<u>7,870,807</u>
Taxation at Malaysian statutory rate of 24%	(1,584,056)	1,888,994
Tax effects of:		
- Investment loss not deductible for tax purpose/ (Investment income not subject to tax)	1,591,465	(1,893,198)
- Expenses not deductible for tax purposes	10,029	11,239
- Restriction on tax deductible expenses for Unit Trust Funds	<u>1,438</u>	<u>1,486</u>
Taxation	<u>18,876</u>	<u>8,521</u>

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.01.2022	31.07.2021
	RM	Audited RM
At fair value through profit or loss:		
- Unquoted fixed income securities	<u>132,705,648</u>	<u>147,020,444</u>
	01.08.2021 to 31.01.2022	01.08.2020 to 31.01.2021
	RM	RM
Net (loss)/gain on financial assets at fair value through profit or loss:		
- Realised loss on disposals	(14,393,961)	(468,984)
- Unrealised fair value gain	<u>3,462,234</u>	<u>1,405,395</u>
	<u>(10,931,727)</u>	<u>936,411</u>

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
31.01.2022				
UNQUOTED FIXED INCOME SECURITIES				
CHINA				
West China Cement Ltd 4.95% 08/07/2026 (BB)	1,000,000	4,199,308	3,870,734	2.50
CIFI Holdings Group Co. Ltd 6.00% 16/07/2025 (BB3)	1,500,000	6,388,320	5,554,260	3.59
CIFI Holdings Group Co. Ltd 6.45% 07/11/2024 (BB3)	<u>1,000,000</u>	<u>4,281,757</u>	<u>3,828,569</u>	<u>2.47</u>
	<u>3,500,000</u>	<u>14,869,385</u>	<u>13,253,563</u>	<u>8.56</u>
MALAYSIA				
7-Eleven Malaysia Holdings Bhd 4.00% 28/06/2024 (AA)	5,000,000	5,040,034	5,002,978	3.23
AZRB Capital Sdn Bhd 4.70% 23/12/2022 (AA)	10,000,000	10,153,524	10,154,156	6.56
Bermaz Auto Berhad 3.26% 18/12/2023 (AA3)	3,830,000	3,845,278	3,835,931	2.48
CIMB Thai Bank PCL 5.20% 29/03/2028 (AA3)	5,000,000	5,109,990	5,201,441	3.36
DRB-Hicom Bhd 4.15% 12/12/2022 (A)	5,650,000	5,697,941	5,707,905	3.68
Edra Energy Sdn Bhd 5.67% 05/01/2023 (AA3)	10,000,000	10,083,686	10,308,942	6.66
Gamuda Bhd 4.825% 23/11/2022 (AA3)	5,000,000	5,061,325	5,133,617	3.31
Genting Capital Bhd 4.42% 08/06/2022 (AA1)	7,000,000	7,066,146	7,065,802	4.56
Kedah Cement Sdn Bhd 4.40% 11/12/2023 (AA3)	3,000,000	3,073,767	3,064,677	1.98
MMC Corporation Bhd 5.29% 26/04/2023 (AA)	10,000,000	10,159,849	10,423,933	6.73

6. 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 %
31.01.2022 (CONTINUED)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
Northport (Malaysia) Bhd 5.00% 02/12/2022 (AA)	10,000,000	10,109,818	10,274,869	6.63
Perbadanan Kemajuan Negeri.Selangor 5.01% 31/10/2023 (AA3)	2,000,000	2,074,140	2,071,147	1.34
Press Metal Aluminium Holdings Bhd 4.10% 17/10/2024 (AA3)	3,500,000	3,564,360	3,569,849	2.30
Quantum Solar Park Green Sri Sukuk 5.20% 6/4/2023 (AA)	3,500,000	3,630,378	3,645,813	2.35
Sabah Development Bank Bhd 5.30% 24/04/2024 (AA1)	8,500,000	8,630,412	8,866,565	5.72
Sports Toto Malaysia Sdn Bhd 4.95% 30/06/2022 (AA)	5,600,000	5,627,475	5,661,413	3.65
UEM Sunrise Bhd 5.06% 09/12/2022 (AA)	5,000,000	5,091,538	5,104,908	3.30
WCT Holdings Bhd 5.17% 23/10/2023 (AA)	10,000,000	10,154,589	10,312,527	6.66
YTL Power International Bhd 4.55% 10/06/2022 (AA1)	4,000,000	4,044,090	4,045,612	2.61
TOTAL MALAYSIA	<u>116,580,000</u>	<u>118,218,340</u>	<u>119,452,085</u>	<u>77.11</u>
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>120,080,000</u>	<u>133,087,725</u>	<u>132,705,648</u>	<u>85.67</u>
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(382,077)</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>132,705,648</u>		

6. 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 %
31.07.2021				
Audited				
UNQUOTED FIXED INCOME SECURITIES				
CHINA				
CIFI Holdings Group Co. Ltd 6.00% 16/07/2025 (BB3)	6,328,500	6,394,602	6,467,205	3.98
CIFI Holdings Group Co. Ltd 6.45% 07/11/2024 (BB3)	4,219,000	4,298,765	4,432,205	2.73
Times China Holdings Ltd 6.75% 08/07/2025 (B1)	6,328,500	6,441,850	6,122,774	3.77
Yuzhou Properties Co Ltd 7.38% 13/01/2026 (B1)	2,953,300	2,877,122	2,042,924	1.26
Yuzhou Properties Co Ltd 8.50% 04/02/2023 (B1)	4,219,000	4,294,132	3,817,316	2.35
TOTAL CHINA	24,048,300	24,306,471	22,882,424	14.09
HONG KONG, CHINA				
Logan Group Co Ltd 4.50% 13/01/2028 (BB3)	5,062,800	4,820,991	4,643,426	2.86
Logan Group Co Ltd 4.85% 14/12/2026 (BB3)	4,640,900	4,539,951	4,391,744	2.70
Melco Resorts Finance Ltd 4.88% 06/06/2025 (BB2)	4,219,000	4,142,280	4,317,839	2.66
Melco Resorts Finance Ltd 5.25% 26/04/2026 (BB2)	4,219,000	4,191,101	4,361,831	2.69
TOTAL HONG KONG, CHINA	18,141,700	17,694,323	17,714,840	10.91
MALAYSIA				
DRB-Hicom Bhd 4.15% 12/12/2022 (A1)	5,650,000	5,705,315	5,714,890	3.52
Edra Energy Sdn Bhd 5.61% 05/01/2022 (AA3)	1,000,000	1,015,861	1,016,100	0.63
Edra Energy Sdn Bhd 5.67% 05/01/2023 (AA3)	10,000,000	10,105,800	10,408,542	6.41
Gamuda Bhd 4.83% 23/11/2022 (AA3)	5,000,000	5,069,976	5,173,106	3.18
MMC Corporation Bhd 5.29% 26/04/2023 (AA3)	10,000,000	10,165,699	10,489,184	6.46
Northport 5.00% 02/12/2022 (AA3)	10,000,000	10,123,537	10,310,978	6.35
Perbadanan Kemajuan Negeri Selangor 5.01% 31/10/2023 (AA3)	2,000,000	2,087,020	2,096,196	1.29
Press Metal Aluminum Holding Bhd 4.10% 17/10/2024 (AA3)	3,500,000	3,567,580	3,576,168	2.20
Quantum Solar Park Green 5.20% 06/04/2023 (AA3)	3,500,000	3,659,773	3,666,595	2.26

6. 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 %
31.07.2021 (CONTINUED)				
Audited (Continued)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
MALAYSIA (CONTINUED)				
Sabah Development Bank Bhd 5.30% 24/04/2024 (AA1)	8,500,000	8,629,832	8,902,517	5.48
Special Power Vehicle Bhd 22.18% 19/11/2021 (A1)	5,000,000	5,485,300	5,493,305	3.38
Sports Toto Malaysia Sdn Bhd 4.95% 30/06/2022 (AA3)	5,600,000	5,628,083	5,692,517	3.50
Tan Chong Motor Holdings Bhd 4.70% 24/11/2021 (A1)	10,000,000	10,080,549	10,088,649	6.21
UEM Sunrise Bhd 5.06% 09/12/2022 (AA3)	5,000,000	5,125,159	5,133,251	3.16
WCT Holdings Bhd 5.17% 23/10/2023 (AA3)	10,000,000	10,160,147	10,356,144	6.38
TOTAL MALAYSIA	94,750,000	96,609,631	98,118,142	60.41
SINGAPORE				
Serba Dinamik Holdings Bhd 6.30% 09/05/2022 (B3)	7,172,300	7,135,417	3,045,897	1.88
THAILAND				
CIMB Thai Bank PCL 5.20% 29/03/2028 (AA3)	5,000,000	5,118,913	5,259,141	3.23
TOTAL UNQUOTED FIXED INCOME SECURITIES	149,112,300	150,864,755	147,020,444	90.52
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		(3,844,311)		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		147,020,444		

7. CASH AND CASH EQUIVALENTS

	31.01.2022	31.07.2021
	RM	Audited RM
Deposits with licensed financial institutions	11,227,548	10,532,009
Bank balances	10,959,711	6,349,109
	<u>22,187,259</u>	<u>16,881,118</u>

8. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

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

	31.01.2022	31.07.2021
	RM	Audited RM
Unit holders' contributions	159,877,940	160,764,419
(Accumulated losses)/Retained earnings	(4,960,221)	1,658,888
	<u>154,917,719</u>	<u>162,423,307</u>

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

	Unit holders' contributions RM	Accumulated (losses)/ Retained earnings RM	Total RM
Balance as at 1 August 2021	160,764,419	1,658,888	162,423,307
Movement in unit holders' contributions:			
- Cancellation of units	(886,479)	-	(886,479)
Total comprehensive loss for the financial period	-	(6,619,109)	(6,619,109)
Balance as at 31 January 2022	<u>159,877,940</u>	<u>(4,960,221)</u>	<u>154,917,719</u>
Balance as at 1 August 2020	166,639,991	7,979,243	174,619,234
Movement in unit holders' contributions:			
- Cancellation of units	(3,619,114)	-	(3,619,114)
Total comprehensive income for the financial period	-	7,862,286	7,862,286
Balance as at 31 January 2021	<u>163,020,877</u>	<u>15,841,529</u>	<u>178,862,406</u>

9. NUMBER OF UNITS IN CIRCULATION (UNITS)

	01.08.2021 to 31.01.2022	01.08.2020 to 31.07.2021
	No. of units	Audited No. of units
At the beginning of the financial period/ year	161,209,345	166,730,014
Add: Creation of units from distributions	-	0.00*
Less: Cancellation of units	(893,835)	(5,520,669)
At the end of the financial period/ year	<u>160,315,510</u>	<u>161,209,345</u>

Note: 0.00* denotes unit less than 1.

10. DERIVATIVE ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.01.2022	31.07.2021
		Audited
		RM
Forward foreign currency contracts	<u>58,621</u>	<u>(1,447,876)</u>
	01.08.2021	01.08.2020
	to 31.01.2022	to 31.01.2021
	RM	RM
Net gain on derivative assets at fair value through profit or loss		
- Unrealised gain on forward foreign currency contract	<u>1,506,497</u>	<u>228,135</u>

As at 31 January 2022, there were 6 (31.07.2021: 8) outstanding USD/MYR forward foreign currency contracts. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM37,493,670 (31.07.2021: RM52,807,781).

The USD/MYR forward foreign currency contracts were entered into during the financial period 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 period, any changes in the fair value of the forward foreign currency contracts were recognised immediately in the statement of comprehensive income during the financial period.

11. MANAGEMENT EXPENSE RATIO (“MER”)

	01.08.2021	01.08.2020
	to 31.01.2022	to 31.01.2021
	%	%
MER	<u>0.03</u>	<u>0.03</u>

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the six months financial period calculated on a daily basis is RM159,628,811 (2021: RM176,979,655).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	01.08.2021 to 31.01.2022	01.08.2020 to 31.01.2021
PTR (times)	<u>0.19</u>	<u>0.10</u>

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 = RM37,298,284 (2021: RM23,917,442)

total disposal for the financial period = RM23,565,944 (2021: RM10,002,987)

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

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

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

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

Units held by the Manager and parties related to the Manager

	31.01.2022		31.07.2021	
	No. of units	RM	No. of units	Audited RM
Manager				
Principal Asset				
Management Berhad	1	1	1	1

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.

	01.08.2021 to 31.01.2022 RM	01.08.2020 to 31.01.2021 RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institution:		
- CIMB Bank Bhd	-	292
Deposits with licensed financial institution:		
- CIMB Bank Bhd	-	4,106,000

There were no related party balances as at end of each financial period/ year, apart from those mentioned elsewhere in the financial statements.

14. TRANSACTIONS WITH DEALERS

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

Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of brokerage fees %
RHB Investment Bank Bhd	14,059,546	23.10	-	-
Affin Hwang Investment Bank Bhd	13,196,250	21.68	-	-
RHB Bank Bhd	5,853,719	9.62	-	-
JP Morgan Securities (M) Sdn Bhd	5,146,098	8.46	-	-
CSI Global Markets Ltd	4,409,547	7.24	-	-
BNP Paribas SA	4,249,635	6.98	-	-
Standard Chartered Bank Bhd	4,025,200	6.61	-	-
Jefferies International Ltd	3,693,232	6.07	-	-
Citigroup Global Markets Ltd	3,248,571	5.34	-	-
Bank of America Merrill Lynch	2,982,431	4.90	-	-
	<u>60,864,229</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Details of transactions with the dealers for the six months financial period ended 31 January 2021 were as follows:

Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of brokerage fees %
Citigroup Global Markets Ltd	10,641,214	35.69	-	-
JP Morgan Securities (M) Sdn Bhd	5,374,551	18.02	-	-
Alliance Bank Malaysia Bhd	4,452,000	14.93	-	-
Morgan Stanley	3,370,793	11.30	-	-
Bank of America Merrill Lynch	2,174,655	7.29	-	-
HSBC Bank Malaysia Bhd	2,167,278	7.27	-	-
Societe Generale	824,985	2.77	-	-
BOCI Securities Limited	814,000	2.73	-	-
	<u>29,819,476</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

15. SIGNIFICANT EVENT DURING THE 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

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