

Principal Commodity Fund

Annual Report

For The Financial Period From 19 August 2022 (Date of Launch)

To 31 May 2023

PRINCIPAL COMMODITY FUND

ANNUAL REPORT

**FOR THE FINANCIAL PERIOD FROM 19 AUGUST 2022 (DATE OF LAUNCH)
TO 31 MAY 2023**

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INVESTORS' LETTER

Dear Valued Investor,

Greetings from Principal Asset Management Berhad ("Principal Malaysia") and thank you for investing with us!

We are pleased to bring you a copy of the Annual Fund Report of the Principal Commodity Fund for the financial period ended 31 May 2023. You may also download this report from our website at www.principal.com.my.

We are happy to share that Principal won three accolades at Alpha Southeast Asia's 14th Annual Fund Management Awards 2023. The awards were for Best Online & Mobile Platform (Asset Manager), Best Absolute Return Strategy and Best Fund Manager for Pension Mandates. Principal Malaysia was also honoured with multiple awards at the FSMOne Recommended Unit Trusts Awards 2023/2024 including Investors' Choice Fund House of the year 2023.

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

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

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

Munirah Khairuddin
Chief Executive Officer

MANAGER’S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to achieve capital appreciation through investments in one collective investment scheme, which invests in commodity-related instruments.

Has the Fund achieved its objective?

The Fund has not met its objective to achieve capital appreciation during the financial period under review. However, we are taking the necessary actions to ensure that the Fund would achieve its objective to achieve capital appreciation as stated under the Fund Objective section.

What are the Fund investment policy and principal investment strategy?

The Fund is a feeder fund that invests into a single Collective investment scheme (“CIS”), i.e. Schroder Alternative Solutions Commodity Fund (“Target Fund”). The Fund may also invest in liquid assets for liquidity purposes.

In order to achieve its objective, the Fund will invest at least 85% of its Net Asset Value (“NAV”) in the Target Fund; a fund established on 31 October 2005 under Schroder Alternative Solutions, a SICAV domiciled in Luxembourg. The Fund may also invest up to 15% of its NAV in liquid assets for liquidity purposes and derivative for the sole purpose of hedging arrangement.

Information on the Target Fund

Target Fund	:	Schroder Alternative Solutions Commodity Fund
Share class	:	Class A Shares
Currency denomination	:	USD
Target Fund Management Company	:	Schroder Investment Management (Europe) S.A.
Target Fund Investment Manager	:	Schroder Investment Management Limited
Regulatory authority	:	Commission de Surveillance du Secteur Financier

Base Currency

United State Dollar (“USD”)

Fund category/type

Feeder fund/Growth

When was the Fund launched?

Name of Class	Launch Date
Class AUD-Hedged (“AUD-H”)	19 August 2022
Class MYR-Hedged (“MYR-H”)	19 August 2022
Class SGD-Hedged (“SGD-H”)	19 August 2022
Class USD	19 August 2022

What was the size of the Fund as at 31 May 2023?

USD3.76 million (20.69 million units)

What is the Fund’s benchmark?

The Fund adheres to the benchmark of the Target Fund for performance comparison. The performance comparator of the Target Fund is the Bloomberg Commodity Total Return (“TR”) Index, which may be found on factsheet of the Target Fund and available on www.Schroders.com.

FUND OBJECTIVE AND POLICY (CONTINUED)

What is the Fund distribution policy?

Given the Fund's investment objective, the class of the Fund is not expected to pay any distribution. Distributions, if any are at the Manager's discretion and will vary from period to period depending on the availability of realised income for distribution and performance of the Fund.

What was the net income distribution for the financial period ended 31 May 2023?

There was no income distribution made for the financial period ended 31 May 2023.

PERFORMANCE DATA

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

	19.08.2022 (date of launch) to 31.05.2023 %
Collective investment scheme	100.58
Cash and other assets	5.31
Liabilities	(5.89)
	100.00

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

	19.08.2022 (date of launch) to 31.05.2023
NAV (USD Million)	
- Class AUD-H	0.14
- Class MYR-H	3.61
- Class SGD-H	0.01
- Class USD	0.00*
Units in circulation (Million)	
- Class AUD-H	0.26
- Class MYR-H	20.42
- Class SGD-H	0.01
- Class USD	0.00*
NAV per unit (USD)	
- Class AUD-H	0.5281
- Class MYR-H	0.1769
- Class SGD-H	0.6064
- Class USD	0.8323
Highest NAV per unit (USD)	
- Class AUD-H	0.6779
- Class MYR-H	0.2239
- Class SGD-H	0.7260
- Class USD	1.0088
Lowest NAV per unit (USD)	
- Class AUD-H	0.5281
- Class MYR-H	0.1769
- Class SGD-H	0.6064
- Class USD	0.8323
Total return (%)	
- Class AUD-H	(18.51)
- Class MYR-H	(18.44)

Note: 0.00* denotes value less than 0.01.

PERFORMANCE DATA (CONTINUED)

	19.08.2022 (date of launch) to 31.05.2023
Total return (%) (continued)	
- Class SGD-H	(17.83)
- Class USD	(16.77)
Capital growth (%)	
- Class AUD-H	(18.51)
- Class MYR-H	(18.44)
- Class SGD-H	(17.83)
- Class USD	(16.77)
Income distribution (%)	
- Class AUD-H	-
- Class MYR-H	-
- Class SGD-H	-
- Class USD	-
Total Expense Ratio ("TER") (%)	0.38
Portfolio Turnover Ratio ("PTR") (times) #	0.99

The Fund stood at 0.99 times during the period under review. As a feeder fund, the turnover reflects investments and withdrawals in the target funds.

	Since inception to 31.05.2023 %
Annual total return	
- Class AUD-H	(18.51)
- Class MYR-H	(18.44)
- Class SGD-H	(17.83)
- Class USD	(16.77)
(Launch date: 19 August 2022)	

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 (19 AUGUST 2022 TO 31 MAY 2023)

Commodities were sold down sharply in the third quarter of 2022 with the weakness in oil markets and the surrounding fears of a global recession. Sharp increases in natural gas prices as well as more stable overall performance from the agricultural sub-sector also limited overall drawdowns for the complex. However, the commodities market bounced back on the back of rallying prices of the West Texas Intermediate ("WTI"). At the last month of the year, the Bloomberg Commodity Index TR was up 2.22% in the fourth quarter of 2022. Base and precious metals appreciated by 15.3% and 12.2% respectively, while the energy sector was down by 10%. The agriculture sector was up 3.3%. Oilseeds appreciated by 10.4% and livestock up 7.4%, on the opposite grains were down by 1.2% and softs by 3.8%. The largest individual monthly decline was natural gas, down by 36.7% for the month as a result of lower demand and milder weather forecasts.

MARKET REVIEW (19 AUGUST 2022 TO 31 MAY 2023) (CONTINUED)

The market continues to fall in the first quarter of 2023 as US natural gas fell to new lows and industrial metal and agricultural prices gave up some of their early year gains amid a resurgent USD and broad market nervousness over the pace of China’s re-opening. Towards the end of the review period, there were a higher-than-average number of uncertainties in the oil market at the moment. On the supply side, the data on Russian and Iranian supply is murky at best and it is hard to know which way the Organisation of the Petroleum Exporting Countries (“OPEC”), or more importantly Saudi Arabia, will go next. On the demand side, global employment seems to be holding well and aviation demand is coming back as the summer gets going but the front end of oil markets does not suggest tightness. Meanwhile, China demand of metals has disappointed, and the lack of any meaningful property market recovery is concerning.

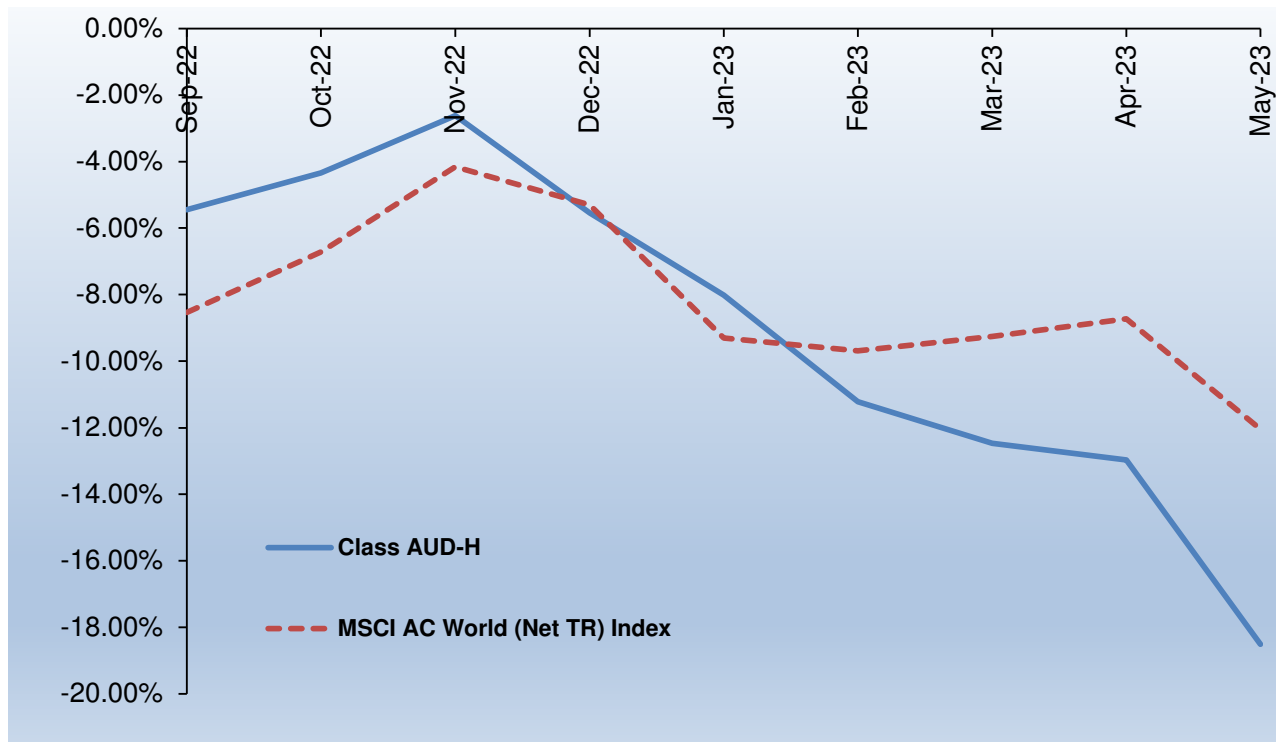
FUND PERFORMANCE

	Since inception to 31.05.2023			
	Class AUD-H %	Class MYR-H %	Class SGD-H %	Class USD %
Income Distribution	-	-	-	-
Capital Growth	(18.51)	(18.44)	(17.83)	(16.77)
Total Return	(18.51)	(18.44)	(17.83)	(16.77)
Benchmark	(12.05)	(14.56)	(19.34)	(17.13)
Average Total Return	(22.99)	(22.91)	(22.71)	(20.88)

During the financial period under review, the total return for Class AUD-H, Class MYR-H, Class SGD-H and Class USD decreased by 18.51%, 18.44%, 17.83%, and 16.77% respectively. All classes fell short of their respective benchmark during the review period.

Since inception

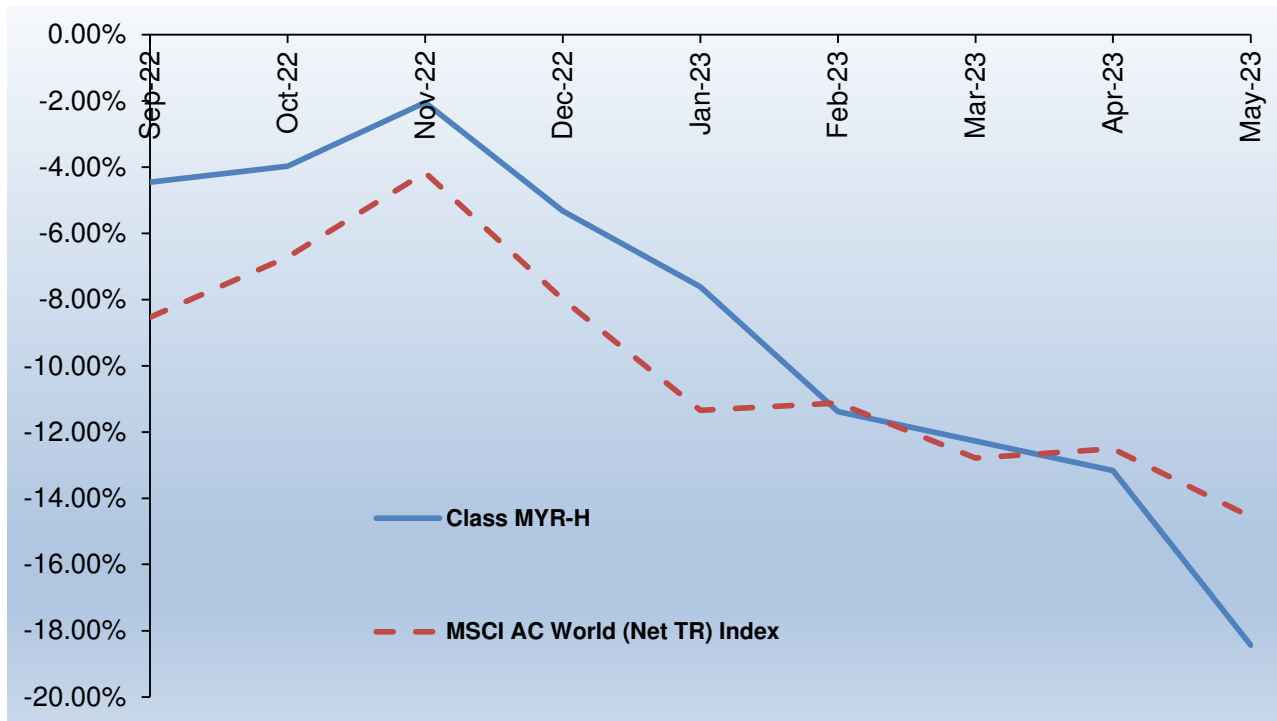
CLASS AUD-H



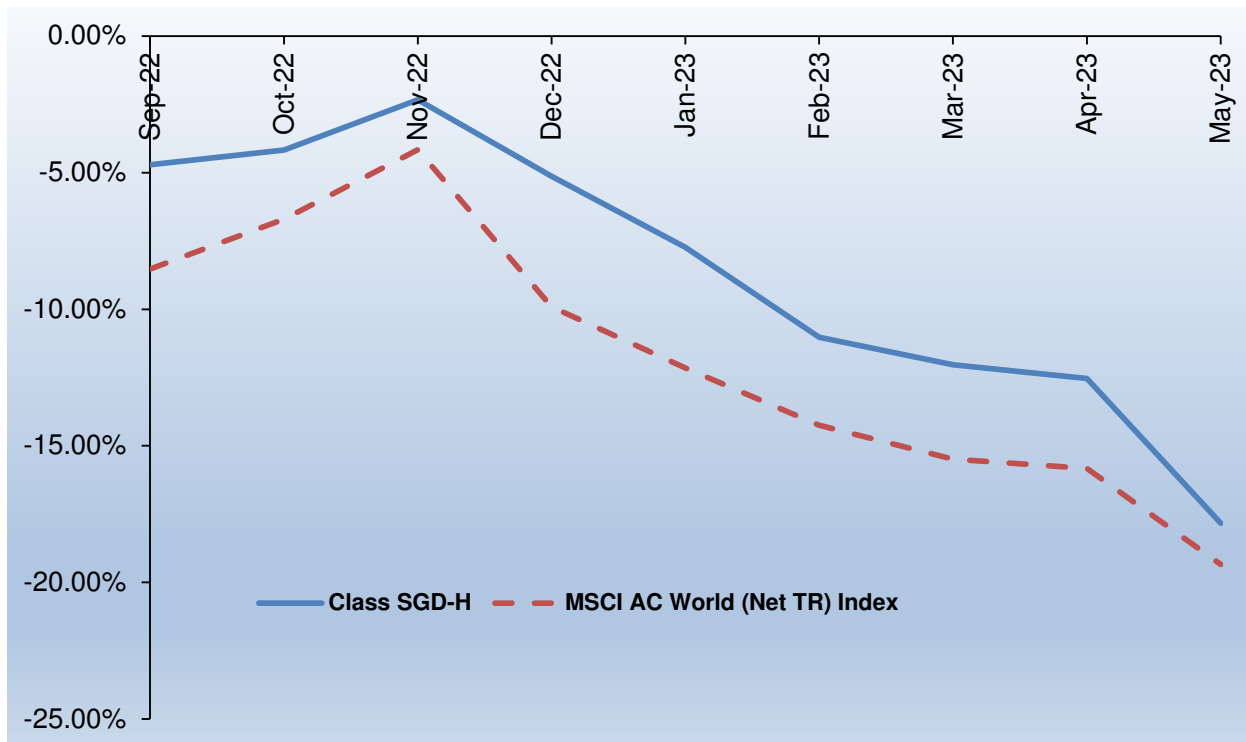
FUND PERFORMANCE (CONTINUED)

Since inception

CLASS MYR-H



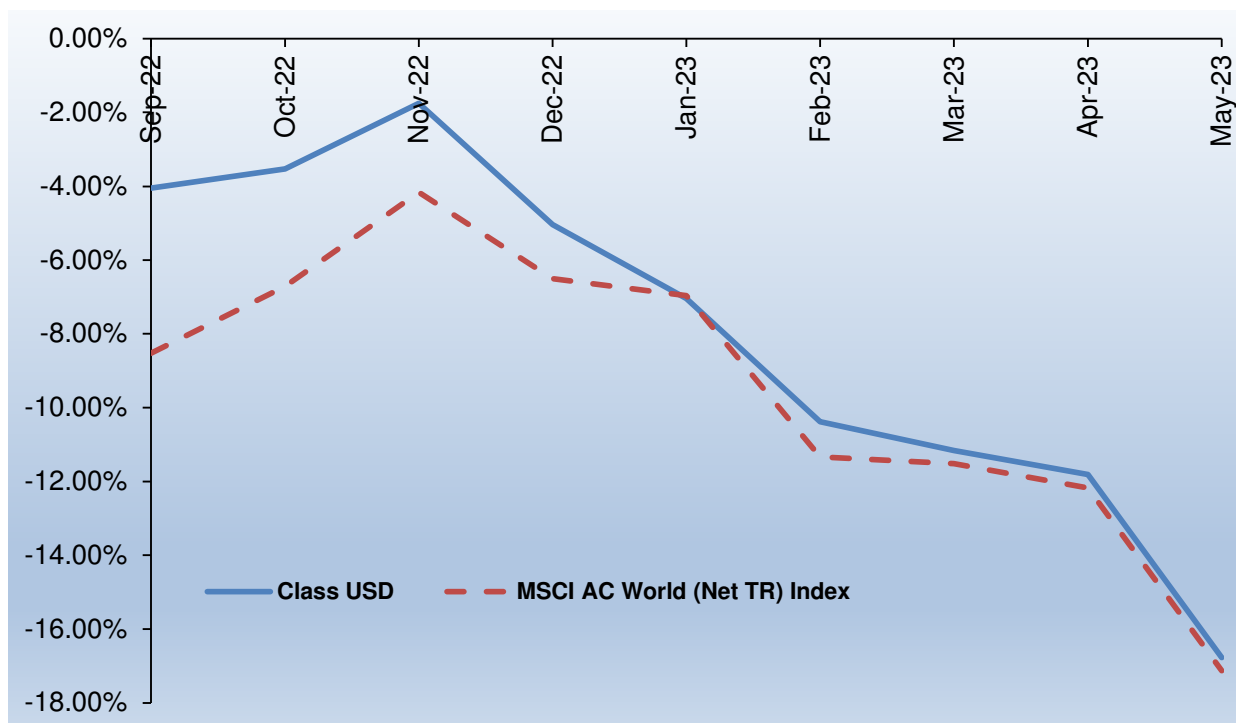
CLASS SGD-H



FUND PERFORMANCE (CONTINUED)

Since inception

CLASS USD



Changes in NAV

CLASS AUD-H

	31.05.2023
NAV (USD Million)	0.14
NAV/Unit (USD)	0.5281

CLASS MYR-H

NAV (USD Million)	3.61
NAV/Unit (USD)	0.1769

CLASS SGD-H

NAV (USD Million)	0.01
NAV/Unit (USD)	0.6064

CLASS USD

NAV (USD Million)	0.00*
NAV/Unit (USD)	0.8323

As of 31 May 2023, the Fund's NAV for Class AUD-H, Class MYR-H, Class SGD-H and Class USD stood at USD0.14 million, USD 3.61 million, USD0.01 million, and USD0.00 million respectively. The change in NAV reflects the net creations and redemptions during the financial period under review.

Note: 0.00* denotes value less than 0.01.

FUND PERFORMANCE (CONTINUED)

Changes in NAV (continued)

Additionally, as of 31 May 2023, the Fund's NAV per unit for all classes, namely Class AUD-H, Class MYR-H, Class SGD-H and Class USD stood at USD 0.5281, USD 0.1769, USD 0.6064, and USD 0.8323 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 period have been extracted from Lipper.

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	31.05.2023
Collective investment scheme	100.58
Cash and other assets	5.31
Liabilities	(5.89)
TOTAL	100.00

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

Top 10 holdings of the Target Fund for the financial year ended:

	% of NAV
Top 10 holdings*	31.05.2023
Brent Crude	19.30
Gold	19.00
WTI Crude	7.60
Natural Gas	6.60
Silver	5.70
Wheat	4.60
Coffee	4.40
Aluminum	3.40
Soybeans	3.30
Gasoline	3.00

* As disclosed in the Fund Fact Sheet.

MARKET OUTLOOK*

Overall, the potential paths for oil prices have become more binary. If recovering aviation demand and constrained US output (a lagged reflection of already reduced onshore rig counts) do indeed drive a tightening of the global balance as we approach the high summer months, then the Saudi intervention could yet supercharge a recovery in prices that is already widely expected in the consensus balance. Mid-term gold should still benefit from a world where employment mandates are clashing with inflation targets – a world very hard for the Federal Reserve to navigate, especially as fiscal deficits deteriorate further. All in all, sentiment towards commodities is mixed.

* 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 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.

MARKET OUTLOOK* (CONTINUED)

Overall, the potential paths for oil prices have become more binary. If recovering aviation demand and constrained US output (a lagged reflection of already reduced onshore rig counts) do indeed drive a tightening of the global balance as we approach the high summer months, then the Saudi intervention could yet supercharge a recovery in prices that is already widely expected in the consensus balance. Mid-term gold should still benefit from a world where employment mandates are clashing with inflation targets – a world very hard for the Federal Reserve to navigate, especially as fiscal deficits deteriorate further. All in all, sentiment towards commodities is mixed.

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INVESTMENT STRATEGY

The Fund will continue to remain fully invested in the Target Fund with minimal cash kept for liquidity purposes.

SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (the “Manager”) and the Trustee (including their officers) will not retain any form of rebate or from, or otherwise share in any commission with, any broker or dealer in consideration for directing dealings in the investments of the Fund. Accordingly, any rebates or shared commission will be directed to the account of the Fund.

We and the Sub-Manager may retain goods and services (soft commission) provided by any broker or dealer if the following conditions are met:

- (a) the soft commission bring direct benefit or advantage to the management of the Fund and may include research and advisory related services;
- (b) any dealings with the broker or dealer is executed on terms which are the most favourable for the Fund; and
- (c) the availability of soft commissions is not the sole or primary purpose to perform or arrange transactions with brokers or dealer, and we and the fund manager will not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commissions.

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. The Manager confirms that the goods and services received were for the benefit of the Fund, the trades were made on a best execution basis and there was no churning of trades.

SECURITIES FINANCING TRANSACTIONS

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

STATE OF AFFAIR OF THE FUND

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

CIRCUMSTANCES THAT MATERIALLY AFFECT ANY INTEREST OF UNIT HOLDERS

There were no circumstances that had materially affected the interest of the unit holders during the financial period under review.

CROSS TRADE

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

UNIT SPLIT

No unit split exercise have been carried out during the financial period under review.

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
PRINCIPAL COMMODITY 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 7 to 28 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 May 2023 and of its financial performance, changes in net assets attributable to unit holders and cash flows for the first financial period from 19 August 2022 (date of launch) to 31 May 2023 then ended 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

UDAY JAYARAM
Director

Kuala Lumpur
17 July 2023

**TRUSTEE'S REPORT
TO THE UNIT HOLDERS OF
PRINCIPAL COMMODITY FUND (“Fund”)**

We have acted as Trustee of the Fund for the financial period from 19 August 2022 (date of launch) to 31 May 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Principal Asset Management Berhad has operated and managed the Fund during the period covered by these financial statements in accordance with the following:

1. Limitations imposed on the investment powers of the Management Company under the Deed, securities laws and the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework;
2. Valuation and pricing is carried out in accordance with the Deed; and
3. Any creation and cancellation of units are carried out in accordance with the Deed and any regulatory requirement.

For HSBC (Malaysia) Trustee Berhad

Yap Lay Guat
Manager, Investment Compliance Monitoring

Kuala Lumpur
17 July 2023

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL COMMODITY FUND**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Principal Commodity Fund (the "Fund"), which comprise the statement of financial position as at 31 May 2023, 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 first financial period from 19 August 2022 (date of launch) to 31 May 2023 then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 28.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 May 2023, and of its financial performance and cash flows for the first financial period from 19 August 2022 (date of launch) to 31 May 2023 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 COMMODITY 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 and the Trustee 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 COMMODITY 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 are 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 COMMODITY FUND (CONTINUED)**

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.

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

Yeo Beng Yean
No. 03013/10/2024 J
Chartered Accountant

Kuala Lumpur, Malaysia
17 July 2023

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 19 AUGUST 2022 (DATE OF LAUNCH) TO 31 MAY 2023**

	Note	19.08.2022 (date of launch) to 31.05.2023 USD
INCOME/(LOSS)		
Net loss on financial assets at fair value through profit or loss	7	(797,789)
Net loss on derivatives at fair value through profit or loss	8	(33,013)
Net foreign exchange loss		(8,417)
		<u>(839,219)</u>
EXPENSES		
Management fee	4	65,200
Trustee fee	5	1,087
Audit fee		2,088
Tax agent's fee		1,466
Other expenses		332
		<u>70,173</u>
LOSS BEFORE TAXATION		(909,392)
Taxation	6	<u>-</u>
LOSS AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD		<u>(909,392)</u>
Loss after taxation is made up as follows:		
Realised amount		(170,617)
Unrealised amount		(738,775)
		<u>(909,392)</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2023**

	Note	2023 USD
ASSETS		
Cash and cash equivalents	9	48,920
Financial assets at fair value through profit or loss	7	3,776,858
Amount due from dealer		74,648
Amount due from Manager		1,287
Amount due from Manager of collective investment scheme		
- Management fee rebate		9,616
- Sales of collective investment scheme		65,000
TOTAL ASSETS		<u>3,976,329</u>
LIABILITIES		
Derivative liabilities at fair value through profit or loss	8	57,648
Amount due to dealer		74,734
Amount due to Manager		79,150
Accrued management fee		6,043
Amount due to Trustee		105
Other payables and accruals		3,553
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)		<u>221,233</u>
NET ASSET VALUE OF THE FUND		<u>3,755,096</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>3,755,096</u>
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS (USD)		
- Class AUD-H		135,851
- Class MYR-H		3,612,136
- Class SGD-H		6,277
- Class USD		832
		<u>3,755,096</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)		
- Class AUD-H		257,221
- Class MYR-H		20,417,015
- Class SGD-H		10,351
- Class USD		1,000
	10	<u>20,685,587</u>

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2023 (CONTINUED)

	Note	2023 USD
REPRESENTED BY:		
NET ASSET VALUE PER UNIT (USD)		
- Class AUD-H		0.5281
- Class MYR-H		0.1769
- Class SGD-H		0.6064
- Class USD		<u>0.8323</u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- Class AUD-H		AUD0.8147
- Class MYR-H		RM0.8156
- Class SGD-H		RM0.8217
- Class USD		<u>USD0.8323</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 PERIOD FROM 19 AUGUST 2022 (DATE OF LAUNCH) TO 31 MAY 2023**

	19.08.2022 (date of launch) to 31.05.2023 USD
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>-</u>
Movement due to units created and cancelled during the financial period:	
Creation of units from applications	
- Class AUD-H	158,467
- Class MYR-H	6,809,274
- Class SGD-H	21,339
- Class USD	145,971
	<u>7,135,051</u>
Cancellation of units	
- Class AUD-H	(538)
- Class MYR-H	(2,325,407)
- Class SGD-H	(14,111)
- Class USD	(130,507)
	<u>(2,470,563)</u>
Total comprehensive loss for the financial period	<u>(909,392)</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL PERIOD	<u>3,755,096</u>

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

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 19 AUGUST 2022 (DATE OF LAUNCH) TO 31 MAY 2023**

	Note	19.08.2022 (date of launch) to 31.05.2023 USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from disposal of collective investment scheme		2,128,000
Purchases of collective investment scheme		(6,820,000)
Management fee paid		(59,157)
Management fee rebates received		42,737
Trustee fees paid		(982)
Payments for other fees and expenses		(333)
Net realised loss on forward foreign currency contracts		24,721
Net realised foreign exchange gain		4,453
Net cash used in operating activities		<u>(4,680,561)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created		7,133,764
Payments for cancellation of units		<u>(2,391,413)</u>
Net cash generated from financing activities		<u>4,742,351</u>
Net increase in cash and cash equivalents		61,790
Effects of foreign exchange differences		(12,870)
Cash and cash equivalents at the beginning of the financial period		-
Cash and cash equivalents at the end of the financial period	9	<u>48,920</u>
<u>Cash and cash equivalents comprised of:</u>		
Bank balances		<u>48,920</u>
Cash and cash equivalents at the end of the financial period	9	<u>48,920</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 19 AUGUST 2022 (DATE OF LAUNCH) TO 31 MAY 2023**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal Commodity Fund (the “Fund”) was constituted pursuant to the execution of a Deed dated 29 July 2022 (referred to as the “Deed”), made between Principal Asset Management Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

The Fund is a feeder fund that invests into a single CIS, i.e. Schroder Alternative Solutions Commodity Fund (“Target Fund”). The Fund may also invest in liquid assets for liquidity purposes.

In order to achieve its objective, the Fund will invest at least 85% of its NAV in the Target Fund; a fund established on 31 October 2005 under Schroder Alternative Solutions, a SICAV domiciled in Luxembourg. The Fund may also invest up to 15% of its NAV in liquid assets for liquidity purposes and derivative for the sole purpose of hedging arrangement.

The Fund will be actively rebalanced from time to time to meet sales and withdrawal transactions. This is to enable a proper and efficient management of the Fund. As this is a feeder fund, we do not intend to take temporary defensive position for the Fund during adverse market, economic and/or any other conditions. This is to allow the Fund to mirror the performance of the Target Fund in either bullish or bearish market conditions. However, the Target Fund Investment Manager may take temporary defensive position when deemed necessary.

All investments are subjected to the Securities Commission Malaysia’s (“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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (continued)**

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

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

None of the standards, amendments to standards or interpretations that are effective for the financial year beginning on/after 1 June 2023 are applicable to the Fund.

(b) Financial assets and financial liabilitiesClassification

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.

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

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

All of the Fund's financial liabilities except derivatives 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.

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

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 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.

Foreign collective investment scheme is valued based on the most recent published NAV per unit or share of such collective investment scheme or, if unavailable, on 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 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**

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 is accounted for as the difference between the net disposal proceeds and the carrying amount of quoted securities and collective investment schemes, determined on a weighted average cost basis.

(d) Foreign currencyFunctional 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 United States Dollar ("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.

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 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.

(f) Taxation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(g) Realised and unrealised portions of profit or loss after tax**

The analysis of realised and unrealised profit or loss after tax as presented on the statement of comprehensive income is prepared in accordance with SC Guidelines on Unit Trust Funds (“GUTF”)¹.

(h) Amount due from/to Manager of collective investment scheme (sales/purchase of investment)

Amounts due to Manager of collective investment scheme represent payables for collective investment scheme purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

(i) 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 four classes of units, known respectively as the Class AUD-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.

(j) Management fee rebate

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

(k) Derivative financial instruments

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

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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).

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

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

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

In undertaking any of the Fund's 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.

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
2023			
Cash and cash equivalents (Note 9)	-	48,920	48,920
Collective investment scheme (Note 7)	3,776,858	-	3,776,858
Amount due from dealer	-	74,648	74,648
Amount due from Manager	-	1,287	1,287
Amount due from Manager of collective investment scheme			
- Management fee rebate	-	9,616	9,616
- Sales of collective investment scheme	-	65,000	65,000
	<u>3,776,858</u>	<u>199,471</u>	<u>3,976,329</u>

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

All current liabilities except derivative financial liabilities at fair value through profit or loss are financial liabilities which are carried at amortised cost.

The Fund aims to achieve capital appreciation through investments in one collective investment scheme, which invests in commodity-related instruments.

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

Price risk is the risk that the fair value of an investment in Shariah-compliant collective investment scheme will fluctuate because of changes in market prices (other than those arising from currency risk). The value of Shariah-compliant 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 Shariah-compliant collective investment scheme and other financial instruments within specified limits according to the Deed.

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

	2023
	USD
Financial assets at fair value through profit or loss:	
- Collective investment scheme	3,776,858

The table below summarises the sensitivity of the Fund's profit or loss and NAV to movements in price of collective investment scheme at the end of each reporting period. The analysis is based on the assumptions that the price of the collective investment scheme fluctuated by 5% with all the 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
2023		
-5%	3,588,015	(188,843)
0%	3,776,858	-
+5%	3,965,701	188,843

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

(a) Market risk (continued)

(ii) Currency risk

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

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

Financial assets	Cash and cash equivalents USD	Amount due from dealer USD	Amount due from Manager USD	Total USD
2023				
MYR	1,160	74,648	1,287	77,095
Financial liabilities		Amount due to Manager USD	Net assets attributable to unit holders USD	Total USD
2023				
AUD		-	135,851	135,851
MYR		79,150	3,612,136	3,691,286
SGD		-	6,277	6,277
		79,150	3,754,264	3,833,414

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

	Change in foreign exchange rate	Impact on profit or loss/NAV
	%	2023 USD
AUD	+/-5	+/-6,793
MYR	+/-5	+/-180,710
SGD	+/-5	+/-314
		+/-187,817

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

(b) **Credit risk**

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

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

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.

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 and SC Guidelines on SRI pursuant to section 377 of the CMSA.

For amount due from Manager of collective investment scheme, the Fund will invest with an investment management company of the collective investment scheme which is authorised or approved by relevant regulatory authority in its home jurisdiction.

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

	Cash and cash equivalents USD	Financial assets at fair value through profit or loss USD	Amount due from dealer USD	Amount due from Manager USD	Amount due from Manager of collective investment scheme -Management fee rebate USD	Amount due from Manager of collective investment scheme -sales of collective investment schemes USD	Total USD
2023							
- AAA	48,920	-	-	-	-	-	48,920
- Not rated	-	3,776,858	74,648	1,287	9,616	65,000	3,927,409
	48,920	3,776,858	74,648	1,287	9,616	65,000	3,976,329

All assets at the Fund as at the end of the financial period are neither past due nor impaired.

(c) **Liquidity risk**

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

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balances and deposits with licensed financial institutions, which are capable of being converted into cash within 7 business days.

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

(c) Liquidity risk (continued)

The Fund's investments in Shariah-compliant 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 on 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
2023			
Derivative liabilities at fair value through profit or loss (Note 8)	57,648		57,648
Amount due to dealer	74,734	-	74,734
Amount due to Manager	79,150	-	79,150
Accrued management fee	6,043	-	6,043
Amount due to Trustee	105	-	105
Other payables and accruals	-	3,553	3,553
Net assets attributable to unit holders*	<u>3,755,096</u>	<u>-</u>	<u>3,755,096</u>
Contractual undiscounted cashflows	<u>3,972,776</u>	<u>3,553</u>	<u>3,976,329</u>

* Outstanding units are redeemed on demand at the unit 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.

(d) Capital risk management

The capital of the Fund is represented by net assets attributable to unit holders of USD3,755,096. 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) are based on quoted market prices at the close of trading on the financial period end date. The Fund utilises the last traded market price for financial assets where the last traded market falls within the bid-ask spread. In circumstances where the last traded market price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

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

(e) Fair value estimation (continued)

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.

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
2023				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	<u>3,776,858</u>	<u>-</u>	<u>-</u>	<u>3,776,858</u>
Derivative				
- Forward foreign currency contracts	<u>-</u>	<u>(57,648)</u>	<u>-</u>	<u>(57,648)</u>

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

Investments whose values are based on quoted market prices in active markets and are therefore classified within Level 1, include collective investment 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. These include unquoted fixed income securities, forward foreign currency contracts and interest rate swaps. 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.

- (ii) The carrying values of cash and cash equivalents, amount due from dealer, amount due from Manager, amount due from Manager of collective investment scheme - management fee rebate, amount due from Manager of collective investment scheme – sales of collective investment scheme 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 maximum management fee of 3.00% per annum, calculated daily based on the NAV of the Class.

For the financial period from 19 August 2022 (date of launch) to 31 May 2023, the management fee for the respective classes is recognised at the following rates:

Class AUD-H	Class MYR-H	Class SGD-H	Class USD
1.80%	1.80%	1.80%	1.80%

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 maximum fee of 0.04% per annum of the NAV of the Class. The Trustee's fee includes local custodian fees and charges but excludes foreign sub-custodian fees and charges.

For the financial period from 19 August 2022 (date of launch) to 31 May 2023, the Trustee fee is recognised at a rate of 0.03% per annum for each class.

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

6. TAXATION

19.08.2022
(date of launch)
to 31.05.2023
USD

Tax charged for the financial period:	
- Current taxation	-

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

19.08.2022
(date of launch)
to 31.05.2023
USD

Loss before taxation	(909,392)
Taxation at Malaysian statutory rate of 24%	(218,254)
Tax effects of:	
Investment income not subject to tax	201,413
Expenses not deductible for tax purposes	692
Restriction on tax deductible expenses for Wholesale Funds	16,149
Taxation	-

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

2023
USD

At fair value through profit or loss:	
- Collective investment scheme	3,776,858

19.08.2022
(date of launch)
to 31.05.2023
USD

Net loss on financial assets at fair value through profit or loss:	
- Realised loss on disposals	(181,885)
- Unrealised fair value loss	(668,257)
- Management fee rebate #	52,353
	(797,789)

Management fee rebate is derived from the 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 period from 19 August 2022 (date of launch) to 31 May 2023, the rebate is recognised at a rate as per table below, calculated and accrued daily based on the NAV of the collective investment schemes.

Schroder Alternative Solutions Commodity Fund	%
	1.50

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

Name of counter	Quantity Units	Aggregate cost USD	Market value USD	Percentage of NAV %
2023 COLLECTIVE INVESTMENT SCHEME				
Schroder Alternative Solutions Commodity Fund	47,924	4,445,115	3,776,858	100.58
TOTAL COLLECTIVE INVESTMENT SCHEME	47,924	4,445,115	3,776,858	100.58
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		(668,257)		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		3,776,858		

8. DERIVATIVE LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 USD
Forward foreign currency contracts	57,648
	19.08.2022 (date of launch) to 31.05.2023 USD
Net loss on derivative liabilities at fair value through profit or loss:	
- Realised gain on forward foreign currency contracts	24,635
- Unrealised fair value loss on forward foreign currency contracts	(57,648)
	(33,013)

As at 31 May 2023, there were 7 outstanding USD/Australian Dollar ("AUD"), USD/Malaysian Ringgit ("MYR") and USD/Singapore Dollar ("SGD") forward foreign currency contracts respectively. The notional principal amount of the outstanding forward foreign currency contracts amounted USD4,198,245.

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

9. CASH AND CASH EQUIVALENTS

	2023 USD
Bank balances	<u>48,920</u>

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	19.08.2022 (date of launch) to 31.05.2023
	No. of units
Class AUD-H (i)	257,221
Class MYR-H (ii)	20,417,015
Class SGD-H (iii)	10,351
Class USD (iv)	<u>1,000</u>
	<u>20,685,587</u>
 (i) Class AUD-H	
At the beginning of the financial period	-
Add : Creation of units from applications	258,171
Less : Cancellation of units	<u>(950)</u>
At the end of the financial period	<u>257,221</u>
 (ii) Class MYR-H	
At the beginning of the financial period	-
Add : Creation of units from applications	31,798,084
Less : Cancellation of units	<u>(11,381,069)</u>
At the end of the financial period	<u>20,417,015</u>
 (iii) Class SGD-H	
At the beginning of the financial period	-
Add : Creation of units from applications	31,084
Less : Cancellation of units	<u>(20,733)</u>
At the end of the financial period	<u>10,351</u>
 (iv) Class USD	
At the beginning of the financial period	-
Add : Creation of units from applications	146,686
Less : Cancellation of units	<u>(145,686)</u>
At the end of the financial period	<u>1,000</u>

11. TOTAL EXPENSE RATIO (“TER”)

19.08.2022
(date of launch)
to 31.05.2023
%

TER 0.38

TER is derived from the following calculation:

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

- A = Management fee (exclude management fee rebate)
- 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 period calculated on a daily basis is USD4,633,894.

12. PORTFOLIO TURNOVER RATIO (“PTR”)

19.08.2022
(date of launch)
to 31.05.2023

PTR (times) 0.99

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 = USD6,820,000
- total disposal for the financial period = USD2,374,885

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 were 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

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

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

<u>Related parties</u>	<u>Relationship</u>
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 Berhad, other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager

Units held by the Manager and parties related to the Manager

	2023	
	No. of units	USD
Manager		
Principal Asset Management Berhad		
- Class AUD-H	50	26
- Class MYR-H	6	1
- Class SGD-H	50	30
- Class USD	1,000	832

* Value less than 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.

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

14. TRANSACTIONS WITH BROKERS

Details of transactions with the brokers for the financial period from 19 August 2022 (date of launch) to 31 May 2023 were as follows:

Broker	Value of trades USD	Percentage of total trades %
Schroder Investment Management (Europe) S.A.	9,194,885	100.00

15. COMPARATIVES

This fund was launched on 19 August 2022 thus there are no comparatives as this is the Fund's first set of financial statements.

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 17 July 2023.

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) 7723 7260

Chat with us via WhatsApp:

+60 16-299 9792

Trustee for the Principal Commodity Fund

HSBC (Malaysia) Trustee Berhad (Company No.: 193701000084 (1281-T))
19th Floor, Menara IQ, Lingkaran TRX,
55188 Tun Razak Exchange, Kuala Lumpur, MALAYSIA.
Tel: (03) 2075 7800
Fax: (03) 8894 2611

Auditors of the Fund

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

Principal Asset Management Berhad
199401018399 (304078-K)

Enquiries:

Customer Care Centre
(603)7723 7260

Chat with us via WhatsApp
(6016)299 9792

Email
service@principal.com.my

Website
www.principal.com.my