

PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS

QUARTERLY REPORT

FOR THE QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

CONTENTS	PAGE(S)
INVESTORS' LETTER	i
MANAGER'S REPORT	ii – vii
Fund Objective and Policy	
Performance Data	
Market Review	
Fund Performance	
Portfolio Structure	
Market Outlook	
Investment Strategy	
Soft Commissions and Rebates	
Securities Financing Transactions	
State of Affair of The Fund	
Circumstances That Materially Affect Any Interest of Unit Holders	
Cross Trade	
Unit Split	
SHARIAH ADVISER'S REPORT	1
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME	2
UNAUDITED STATEMENT OF FINANCIAL POSITION	3
UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	4
UNAUDITED STATEMENT OF CASH FLOWS	5
DIRECTORY	6

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 Quarterly Fund Report of the Principal Islamic Balanced Wholesale Fund-of-Funds for the financial period ended 30 September 2022. You may also download this report from our website at www.principal.com.my.

We are happy to share that Principal won two awards at the International Finance's 2023 Financial Awards and Leadership Awards. The awards were for Best Asset Management Company (Malaysia) and Best Asset Management CEO (Malaysia) – Ms. Munirah Khairuddin.

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) 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
Country Head and Chief Executive Officer, Malaysia
Non-Independent Executive Director

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to achieve moderate capital growth by investing in a portfolio of Shariah-compliant collective investment schemes that invest in Shariah-compliant equities and/or Sukuk.

Has the Fund achieved its objective?

For the period under review, the Fund is in line to achieve its long-term objective of achieving moderate capital growth as stated under the Fund investment policy.

What are the Fund investment policy and principal investment strategy?

The Fund aims to invest at least three (3) Islamic collective investment schemes investing predominantly in Shariah-compliant equities and/or Sukuk. In line with its objective, the investment policy and strategy of the Fund is to maintain a balanced portfolio between Islamic collective investment schemes investing predominantly in Shariah-compliant equities and Islamic collective investment schemes investing predominantly in Sukuk.

As a balanced Fund, the Fund will invest between 40% to 60% of its Net Asset Value ("NAV") in Islamic collective investment schemes investing predominantly in Shariah-compliant equities as well as between 40% to 60% of its NAV in Islamic collective investment schemes investing predominantly in Sukuk. The Islamic collective investment schemes investing predominantly in Sukuk will provide some capital stability to the Fund whilst the Islamic collective investment schemes investing predominantly in equity portion will provide the added return in a rising market. The Fund may also invest up to 5% of its NAV in Islamic liquid assets such as Islamic money market instruments and/or Islamic Deposits for liquidity purposes.

The allocation between the Islamic collective investment schemes is done through a combination of macroeconomic data, liquidity trends and the outlook to overweight or underweight a particular Islamic collective investment scheme. The Fund may invest in Islamic collective investment schemes that focus its investment in the Asia Pacific ex Japan region, i.e. companies that are domiciled in, listed in, and/or have operations or businesses that focus in the Asia Pacific ex Japan region, where the regulatory authority is an ordinary or associate member of the International Organization of Securities Commissions ("IOSCO") which include but not limited to Australia, the People's Republic of China, Hong Kong Special Administrative Region ("SAR"), India, Indonesia, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Taiwan, Thailand and Sri Lanka.

Fund category/ type

Wholesale Fund (Fund-of-funds - Shariah-compliant)/ Growth

When was the Fund launched?

24 November 2017

What was the size of the Fund as at 30 September 2023?

RM6.16 million (6.05 million units)

What is the Fund's benchmark?

As a Fund-of-Funds, the Fund is benchmark unconstrained, i.e. it will be managed without reference to any specific benchmark. However, for performance comparison purpose, the Fund can be compared to the 30% Quantshop Government Investment Issue ("GII") Medium Index + 20% CIMB Islamic 1-month Fixed Return Income Account-I ("FRIA-i") + 50% FTSE Bursa Malaysia ("FBM") EMAS Shariah ("FBMS") Index.

Note: Investors are cautioned that the risk profile of the Fund is different from the benchmark.

FUND OBJECTIVE AND POLICY (CONTINUED)

What is the Fund distribution policy?

The Fund is not expected to pay any distribution. However, the Manager has the discretion to make income distribution on an ad-hoc basis, depending on the availability of realized income and/or realized gains, as well as the performance of the Fund.

What was the net income distribution for the financial period from 1 July 2023 to 30 September 2023?

There was no distribution made for the financial period from 1 July 2023 to 30 September 2023.

PERFORMANCE DATA

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

	30.09.2023	30.09.2022	30.09.2021
	%	%	%
Shariah-compliant collective investment schemes	96.99	96.82	96.45
Cash and other assets	3.24	4.78	5.69
Liabilities	(0.23)	(1.60)	(2.14)
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	30.09.2023	30.09.2022	30.09.2021
NAV (RM Million)	6.16	3.52	2.07
Units in circulation (Million)	6.05	3.70	1.91
NAV per unit (RM)	1.0184	0.9527	1.0815
	01.07.2023 to 30.09.2023	01.07.2022 to 30.09.2022	01.07.2021 to 30.09.2021
Highest NAV per unit (RM)	1.0223	0.9949	1.0924
Lowest NAV per unit (RM)	0.9978	0.9506	1.0590
Total return (%)	1.84	(2.14)	1.34
Capital growth (%)	1.84	(2.14)	1.34
Income distribution (%)	-	-	-
Total Expense Ratio ("TER") (%) ^	0.10	0.19	0.21
Portfolio Turnover Ratio ("PTR") #	0.05	0.10	0.10

^ The Fund's TER decreased from 0.19% to 0.10% mainly due to an increase in average NAV during the financial period under review.

During the period under review, the Fund's PTR decreased from 0.10 times to 0.05 times, as there were less trading activities during the period.

PERFORMANCE DATA (CONTINUED)

Performance details of the Fund for the last three unaudited financial periods were as follows (continued):

	30.09.2023	30.09.2022	30.09.2021	30.09.2020	30.09.2019
	%	%	%	%	%
Annual total return	6.90	(11.92)	1.78	6.69	0.81

(Launch date: 24 November 2017)

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 JULY 2023 TO 30 SEPTEMBER 2023)

Local Equity

In July 2023, FBMS Index gained 537.9 points to 10,952.72 or 5.16%, fully reversing the loss sustained for the entire year. Sentiment was sharply lifted by the slump in the US Dollar (“USD”), benefiting the Malaysian Ringgit (“MYR/RM”), and waning expectations of a US recession following recent favorable economic data points – cooling inflation and still resilient jobs market. Gainers were broad-based, with mainly large-caps forging ahead.

FBMS Index lost 2.15 points to 10,920.54 or 0.29% in August 2023, dragged by Telecommunication despite huge interest in Property, Construction and Transport. Sentiment was dampened by rebound in the US dollar and rising US Treasury (“UST”) yields on expectations of further interest rate hikes in the US as economic data points remain strong.

FBMS Index lost 46.1pts or 0.4% in September 2023. The sell-off, which largely concentrated towards the last week of the month, was rather broad-based, led by Commodities. While there could be volatility caused by quarter-end rebalancing, investors were spooked by UST yields at a 16-year high and persistent dollar strength affecting Emerging Market (“EM”) markets, in addition to the US federal Reserve (the Fed”) hawkish messaging on interest rates. Domestically, there also seems to be a lack of fresh leads and some political noises surrounding cabinet reshuffling.

Asian Equity

Morgan Stanley Capital International (“MSCI”) AC Asia ex Japan Islamic (“MIASJ”) Index rose by 4.4% in July 2023 in a broad-based rally led by China, Singapore and Malaysia. The US 10-year bond yield rose by 12 basis points (“bps”) to 3.96% while the USD Index declined 1.0% during the month. The Fed latest projection materials imply one more rate hike to a median of 5.6% and thereafter a decline by 100bps to 4.6% in 2024 and a further 120 bps to 3.4% in 2025. The path of monetary policy reaction will depend on the magnitude and nature of the recession in the US.

In August 2023, MIASJ Index declined 6.1% in a broad-based decline led by China as certain economic data such as inflation and credit growth disappointed. The US 10-year bond yield rose by 14bps to 4.11% while the Dollar Index rose by 1.2% during the month. Chinese macroeconomic policy stance has turned dovish. Over the past month, the chorus of supportive measures announced by the Chinese Government has been getting louder. The measures include revising down mortgage rates for existing homes, plans for Urban Village Renovation, officials lauding the importance of innovation and encouraging technology giants to boost employment and various other measures.

MIASJ Index declined 2.1% in USD terms in a broad-based declined led by China, North Asia, Australia and Thailand as expectations for “higher-than-longer” interest rates sink in. The US 10-year bond yield rose by 46 bps to 4.57% while the USD Index rose by 2.5% during the month. Brent oil rose by 9.7% to USD95.30 per barrel, adding uncertainty to the inflation trajectory.

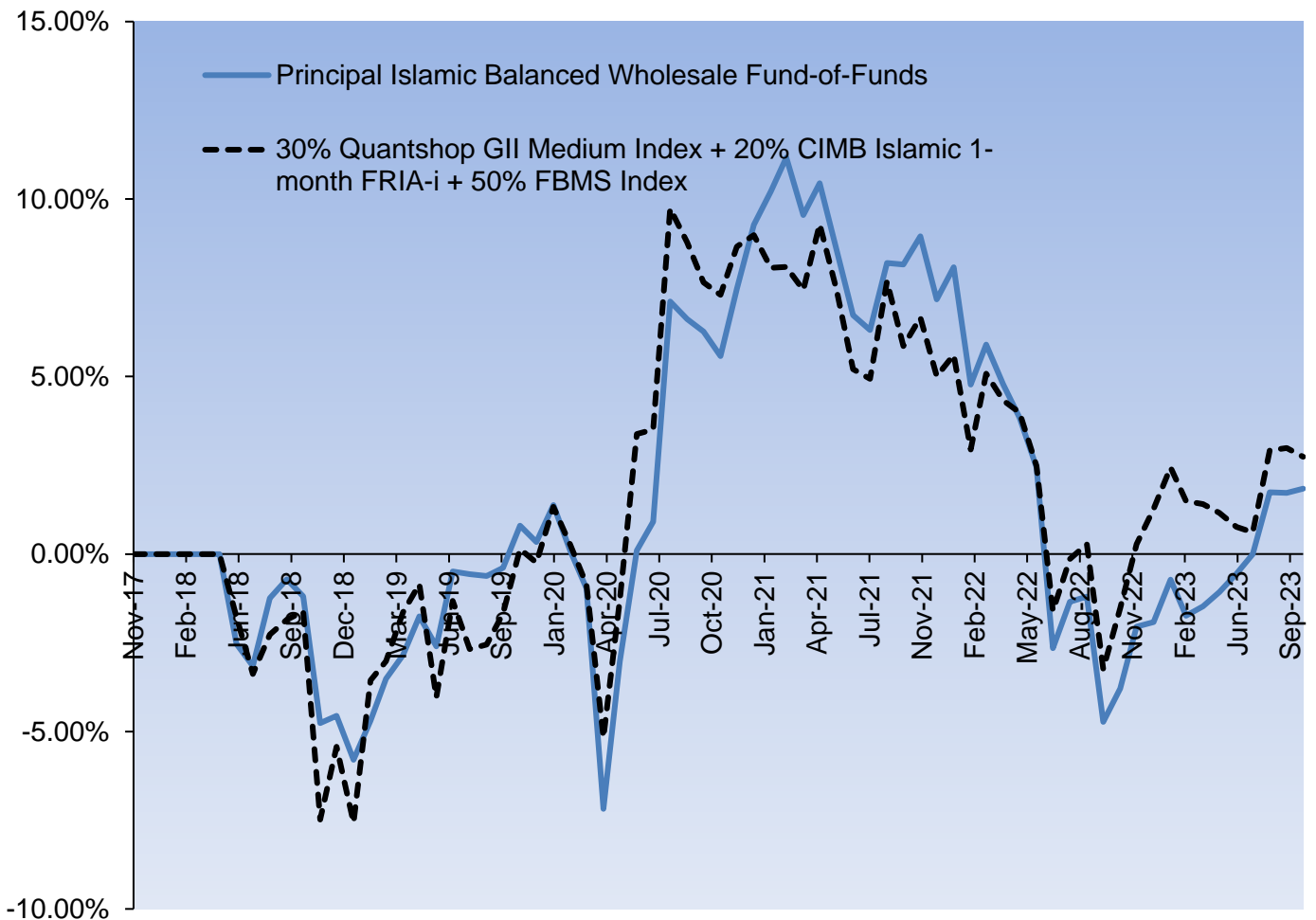
PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS

FUND PERFORMANCE

	3 months to 30.09.2023 %	6 months to 30.09.2023 %	1 year to 30.09.2023 %	3 years to 30.09.2023 %	5 years to 30.09.2023 %	Since inception to 30.09.2023 %
Income Distribution	-	-	-	-	-	-
Capital Growth	1.84	3.36	6.90	(4.17)	3.07	1.84
Total Return	1.84	3.36	6.90	(4.17)	3.07	1.84
Benchmark	2.11	1.31	6.18	(4.57)	1.80	2.74
Average Total Return	7.50	6.81	6.90	(1.41)	0.61	0.31

For the period under review, the Fund rose by 1.84%% underperforming the benchmark which rose by 2.11%.

Since Inception



FUND PERFORMANCE (CONTINUED)

Changes in NAV

	30.09.2023	31.12.2022 Audited	Changes %
NAV (RM Million)	6.16	4.35	41.61
NAV/Unit (RM)	1.0184	0.9808	3.83

For the period under review, total NAV of the fund increased by 41.61%, while the NAV per unit increased by 3.83%. The gains and losses in the total NAV and NAV per unit were due to creation and investment performance of the Asia ex-Japan markets over the period.

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)	30.09.2023	31.12.2022 Audited
Shariah-compliant collective investment schemes	96.99	95.66
Cash and other assets	3.24	4.74
Liabilities	(0.23)	(0.40)
TOTAL	100.00	100.00

During the period under review, the Fund was fully invested with minimal level of liquid assets maintained primarily for redemption purposes.

MARKET OUTLOOK*

Local Equity

We remain positive on the market. We remain constructive on sectors that stand to gain from the National Energy Transition Roadmap (“NETR”), including Utilities, Construction, and Property. Additionally, we remain optimistic on selective Technology due to the ongoing structural growth trends in the sector. Key risks are the derailment of Malaysia’s macroeconomic recovery and corporate earnings growth due to the larger-than-expected impact of rising inflation, slower global economic growth, and heightened geopolitical risks.

Asian Equity

With increased treasury issuance in the second half of 2023, we expect US monetary policy to remain relatively hawkish for the next few months. While we expect oil price to remain elevated at US\$80-100 per barrel in 2024, we do not expect a breakout beyond USD100 per barrel to be sustainable. Global stocks have begun to react negatively to the rising bond yields. Meanwhile in China, we need to see more tangible measures being announced that will improve the private sector confidence sufficiently.

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

INVESTMENT STRATEGY

The Fund will continue to remain fully invested in the Shariah-compliant Collective Investment Schemes with minimal cash kept for liquidity purposes.

SOFT COMMISSIONS AND REBATES

Principal Malaysia (the “Manager”) and the Trustee will not retain any form of rebate from, or otherwise share in any commission with, any broker or dealer in consideration for directing dealings in the investments of the Principal Malaysia Funds (“Funds”). Accordingly, any rebate or shared commission will be directed to the account of the Fund. We may retain goods and services (soft commission) provided by any broker or dealer if the following conditions are met:

- (a) the soft commission brings 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 commission is not the sole or primary purpose to perform or arrange transactions with such broker or dealer, and we and the fund the manager will not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commission.

During the financial period under review, the Manager and 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 for the benefit of the fund such as financial wire services and stock quotations system incidental to investment management of the Funds 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 were no significant changes in the state of affairs of the Fund during the period and up to the date of Manager’s report, not otherwise disclosed in the financial statements.

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 financial period under review.

UNIT SPLIT

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

SHARIAH ADVISER'S REPORT

To the Unit Holders of Principal Islamic Balanced Wholesale Fund-of-Funds ("Fund")

For the Financial Period Ended 30 September 2023

We hereby confirm the following:

1. 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 Shariah principles and complied with the applicable guidelines, rulings or decisions issued by the Securities Commission Malaysia ("SC") pertaining to Shariah matters; and
2. The asset of the Fund comprises of instruments that have been classified as Shariah compliant.

For Amanie Advisors Sdn Bhd

Tan Sri Dr Mohd Daud Bakar
Executive Chairman

Kuala Lumpur
16 November 2023

PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 JULY 2023 TO 30 SEPTEMBER 2023**

	01.07.2023 to 30.09.2023	01.07.2022 to 30.09.2022
	RM	RM
INCOME/(LOSS)		
Dividend income	25,755	56,111
Hibah	31	26
Net gain/(loss) on financial assets at fair value through profit or loss	<u>106,372</u>	<u>(116,043)</u>
	<u>132,158</u>	<u>(59,906)</u>
 EXPENSES		
Management fee	22,342	12,492
Trustee fee	521	291
Audit Fee	1,764	1,764
Tax agent's fee	1,260	1,260
Other expenses	<u>54</u>	<u>1,679</u>
	<u>25,941</u>	<u>17,486</u>
 INCOME/(LOSS) BEFORE TAXATION	 106,217	 (77,392)
 Taxation	 <u>-</u>	 <u>-</u>
 PROFIT/(LOSS) AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD	 <u>106,217</u>	 <u>(77,392)</u>
 Profit/(Loss) after taxation is made up as follows:		
Realised amount	20,028	49,975
Unrealised amount	<u>86,189</u>	<u>(127,367)</u>
	<u>106,217</u>	<u>(77,392)</u>

PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023**

	30.09.2023	31.12.2022
	RM	Audited RM
ASSETS		
Cash and cash equivalents	173,360	132,990
Financial assets at fair value through profit or loss	5,976,750	4,160,307
Amount due from Manager		
- creation of units	26,373	73,556
TOTAL ASSETS	<u>6,176,483</u>	<u>4,366,853</u>
LIABILITIES		
Accrued management fee	879	481
Amount due to Trustee	175	124
Other payables and accruals	13,376	17,000
TOTAL LIABILITIES	<u>14,430</u>	<u>17,605</u>
NET ASSET VALUE OF THE FUND	<u>6,162,053</u>	<u>4,349,248</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	<u>6,162,053</u>	<u>4,349,248</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	<u>6,050,397</u>	<u>4,434,105</u>
NET ASSET VALUE PER UNIT (RM)	<u>1.0184</u>	<u>0.9808</u>

PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 JULY 2023 TO 30 SEPTEMBER 2023**

	01.07.2023 to 30.09.2023 RM	01.07.2022 to 30.09.2022 RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>5,603,661</u>	<u>2,985,360</u>
Movement due to units created and cancelled during the financial period:		
- Creation of units from applications	<u>452,175</u>	<u>616,701</u>
Total comprehensive income/(loss) for the financial period	<u>106,217</u>	<u>(77,392)</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL PERIOD	<u><u>6,162,053</u></u>	<u><u>3,524,669</u></u>

PRINCIPAL ISLAMIC BALANCED WHOLESALE FUND-OF-FUNDS

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 JULY 2023 TO 30 SEPTEMBER 20223**

	01.07.2023 to 30.09.2023	01.07.2022 to 30.09.2022
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Purchases of Shariah-compliant collective investment schemes	(594,755)	(619,111)
Dividend income received	25,755	56,111
Hibah earned	31	26
Management fee paid	(22,105)	(12,436)
Management fee rebates received	20,182	11,324
Trustee fee paid	(498)	(275)
Payments for other fees and expenses	(53)	(1,677)
Net cash used in operating activities	<u>(571,442)</u>	<u>(566,038)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	<u>493,283</u>	<u>610,999</u>
Net cash generated from financing activities	<u>493,283</u>	<u>610,999</u>
Net (decrease)/increase in cash and cash equivalents	(78,160)	44,961
Cash and cash equivalents at the beginning of the financial period	<u>251,520</u>	<u>69,017</u>
Cash and cash equivalents at the end of the financial period	<u><u>173,360</u></u>	<u><u>113,978</u></u>
<u>Cash and cash equivalents comprised of:</u>		
Bank balance	<u>173,360</u>	<u>113,978</u>
Cash and cash equivalents at the end of the financial period	<u><u>173,360</u></u>	<u><u>113,978</u></u>

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:

(6016) 299 9792

Trustee for the Principal Islamic Balanced Wholesale Fund-of-Funds

PB Trustee Services Berhad (Company No.: 196801000374 (7968-T))
17th Floor, Menara Public Bank,
146, Jalan Ampang,
50450 Kuala Lumpur, MALAYSIA.
Tel: (03) 2162 6000
Fax: (03) 2164 3285

Shariah Adviser of the Principal Islamic Balanced Wholesale Fund-of-Funds

Amanie Advisors Sdn Bhd (Company No: 200501007003 (684050-H))
Level 13A-2, Menara Tokio Marine Life,
No 189, Jalan Tun Razak,
50400 Kuala Lumpur, MALAYSIA.
Tel: (03) 2161 0260
Fax: (03) 2161 0262