

Principal Islamic Money Market Fund

(formerly known as CIMB Islamic Money
Market Fund)

Annual Report

For the Financial Year Ended 30 November 2020

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as CIMB Islamic Money Market Fund)

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2020

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as CIMB Islamic Money Market Fund)

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INVESTORS' LETTER

Dear Valued Investor,

Firstly, allow me to wish you a very Happy New Year! Every year is a new beginning, for us to look back at our achievements and set new goals. My guess is all of us will remember 2020 as one of the most interesting, if not most challenging periods of our lives. Families, businesses and communities are all adjusting as we face new challenges and opportunities.

Here at Principal, it means a renewed commitment to helping our customers. In 2021, we will continue to deliver exciting new investment opportunities and digital innovations for our customers. We are grateful for the opportunity to serve you and for the trust you place in us.

Amid a global pandemic, it might be tempting to think about delaying your investment goals. But, in reality “now” is always a better time than “later” for pursuing your goals and dreams. At Principal, customers are a top priority. We will always work to help you reach your goals, as we did last year throughout the pandemic. We will continue to focus on finding ways to make it easier for you to do investments with us, by offering new solutions around digital payments, digital submissions and digital onboarding to name a few. And, we’re just getting started.

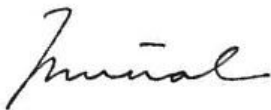
We continue to prefer equities over fixed income and remain positive on Asian equities favouring China and more developed Asian economies on a 12-month basis. We’ve also added more ASEAN names in anticipation of a broader economic recovery which would be strengthened by the greater availability of Coronavirus 2019 (“COVID-19”) vaccines by mid-2021.

As we look towards this year, the team is excited to bring you more insights, tips and innovative solutions to help you manage your investments and reach your long-term financial goals. Visit our website (www.principal.com.my) and follow our Facebook page (@PrincipalAssetMY) in order not to miss these updates and promotions.

Please be informed that effective 31 December 2019, the Fund has been renamed as Principal Islamic Money Market Fund following the issuance of the Replacement Master Prospectus (Islamic Funds).

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

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



Munirah Khairuddin
Chief Executive Officer

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to provide investors with liquidity and regular income, whilst maintaining capital stability by investing primarily in money market instruments that conform with Shariah principles.

Has the Fund achieved its objective?

For the financial year under review, the Fund is in line with its stated objective.

What are the Fund investment policy and principal investment strategy?

The Fund will place at least 90% of its Net Asset Value ("NAV") in Islamic money market instruments such as Islamic Accepted Bills, Islamic Negotiable Instruments of Deposits and Islamic Repurchase Agreements ("Repo-i") as well as in any other Islamic fixed income instruments and placements of Islamic deposits, all of which are highly liquid and have a remaining maturity period of less than 365 days. Up to 10% of the Fund's NAV may be invested in Islamic fixed income instruments, which have a remaining maturity period of more than 365 days but less than 732 days. The Fund will be actively managed with frequency that will depend on the market conditions and market outlook. The strategy is to invest in liquid and low risk short-term investments for capital preservation*. The investment strategy adheres to the Securities Commission Malaysia ("SC") Guidelines pertaining to investments for a money market fund.

**The Fund is neither a capital guaranteed fund nor a capital protected fund.*

The asset allocation strategy for this Fund is as follows:

- at least 90% of the Fund's NAV will be invested in Islamic money market instruments and/or Islamic deposits; and
- up to 10% of the Fund's NAV may be invested in Islamic fixed income instruments, which have a remaining maturity period of more than 365 days but less than 732 days.

The ratings of the Islamic money market instruments and Islamic fixed income instruments will be at least a "BBB3" or "P2" rating by RAM Holdings Bhd ("RAM") or equivalent rating by Malaysian Rating Corporation Bhd ("MARC") or by local rating agency(ies) of the country of issuance; or "BBB-" by Standard & Poor's ("S&P") or equivalent rating by any other international rating agencies.

Fund category/type

Money Market (Islamic)/Income

When was the Fund launched?

17 March 2008

What was the size of the Fund as at 30 November 2020?

RM1,269.51 million (1,178.29 million units)

What is the Fund's benchmark?

CIMB Islamic 1-Month Fixed Return Income Account-i ("FRIA-i")

Note: The Fund's benchmark is for comparison purpose only. The benchmark is customised as such to align it closer to the structure of the portfolio and the objective of the Fund. The 1-month FRIA-i rate is reflective of the objective of the Fund for the Islamic fixed income portion. Thus, investors are cautioned that the risk profile of the Fund is higher than the benchmark.

What is the Fund distribution policy?

Monthly, depending on the level of income (if any) the Fund generates.

What was the net income distribution for the financial year ended 30 November 2020?

The Fund distributed a total net income of RM33.33 million to unit holders for the financial year ended 30 November 2020.

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as *CIMB Islamic Money Market Fund*)

FUND OBJECTIVE AND POLICY (CONTINUED)

The Fund's NAV per unit are as follows:

Date	NAV per unit (before distribution)	NAV per unit (after distribution)
	RM	RM
31.12.2019	1.0855	1.0825
31.01.2020	1.0854	1.0823
28.02.2020	1.0853	1.0823
31.03.2020	1.0845	1.0819
30.04.2020	1.0849	1.0820
29.05.2020	1.0849	1.0826
30.06.2020	1.0847	1.0805
30.07.2020	1.0829	1.0808
28.08.2020	1.0827	1.0807
30.09.2020	1.0823	1.0807
30.10.2020	1.0825	1.0793
30.11.2020	1.0809	1.0774

PERFORMANCE DATA

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

	30.11.2020 %	30.11.2019 %	30.11.2018 %
Unquoted Sukuk and Islamic commercial papers	61.80	50.77	69.32
Shariah-compliant deposits with licensed Islamic financial institutions	27.74	47.04	5.19
Cash and other net assets	10.46	2.19	25.49
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Performance details of the Fund for the last three financial years are as follows:

	30.11.2020	30.11.2019	30.11.2018
NAV (RM Million)*	1,269.51	1,003.63	578.25
Units in circulation (Million)	1,178.29	926.97	536.26
NAV per unit (RM)*	1.0774	1.0826	1.0782
Highest NAV per unit (RM)	1.0854	1.0859	1.0835
Lowest NAV per unit (RM)*	1.0774	1.0782	1.0764
Total return (%)	2.65	3.48	3.73
- Capital growth (%)	(0.49)	0.41	(0.24)
- Income distribution (%)	3.13	3.07	3.99

*Ex-distribution

Management Expense Ratio ("MER") (%)	0.53	0.53	0.55
Portfolio Turnover Ratio ("PTR") (times) #	1.06	0.71	1.16

The Fund's PTR for the financial year under review increased from 0.71 times to 1.06 times compared to the previous year's corresponding period due to increased number of transactions.

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as *CIMB Islamic Money Market Fund*)

PERFORMANCE DATA (CONTINUED)

	30.11.2020	30.11.2019	30.11.2018
Gross/Net distribution per unit (sen)			
Distribution on 31 December 2019	0.30	-	-
Distribution on 31 January 2020	0.31	-	-
Distribution on 28 February 2020	0.30	-	-
Distribution on 31 March 2020	0.26	-	-
Distribution on 30 April 2020	0.29	-	-
Distribution on 29 May 2020	0.22	-	-
Distribution on 30 June 2020	0.42	-	-
Distribution on 30 July 2020	0.21	-	-
Distribution on 28 August 2020	0.20	-	-
Distribution on 30 September	0.15	-	-
Distribution on 30 October 2020	0.32	-	-
Distribution on 30 November 2020	0.36		
Distribution on 31 December 2018	-	0.20	-
Distribution on 31 January 2019	-	0.33	-
Distribution on 28 February 2019	-	0.35	-
Distribution on 29 March 2019	-	0.39	-
Distribution on 30 April 2019	-	0.27	-
Distribution on 31 May 2019	-	0.31	-
Distribution on 28 June 2019	-	0.32	-
Distribution on 31 July 2019	-	0.22	-
Distribution on 30 August 2019	-	0.18	-
Distribution on 30 September 2019	-	0.12	-
Distribution on 31 October 2019	-	0.23	-
Distribution on 29 November 2019	-	0.34	-
Distribution on 29 December 2017	-	-	0.38
Distribution on 30 January 2018	-	-	0.49
Distribution on 28 February 2018	-	-	0.36
Distribution on 30 March 2018	-	-	0.38
Distribution on 30 April 2018	-	-	0.36
Distribution on 31 May 2018	-	-	0.31
Distribution on 29 June 2018	-	-	0.37
Distribution on 31 July 2018	-	-	0.37
Distribution on 30 August 2018	-	-	0.35
Distribution on 28 September 2018	-	-	0.34
Distribution on 31 October 2018	-	-	0.34
Distribution on 30 November 2018	-	-	0.19

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as CIMB Islamic Money Market Fund)

PERFORMANCE DATA (CONTINUED)

	30.11.2020	30.11.2019	30.11.2018	30.11.2017	30.11.2016
	%	%	%	%	%
Annual total return	2.65	3.48	3.73	3.85	3.26

(Launch date: 17 March 2008)

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up. All performance figures for the financial year have been extracted from Lipper.

MARKET REVIEW (1 DECEMBER 2019 TO 30 NOVEMBER 2020)

During the financial year under review, Bank Negara Malaysia (“BNM”) reduced the Overnight Policy Rate (“OPR”) by a total of 125 basis points (“bps”) to 1.75%. This was mainly due to the heightened volatility in the markets due to the COVID-19 outbreak and the lockdowns imposed by countries globally, with the world of Central Banking filled with emergency stimulative actions as panic engulfed the global economy.

Nevertheless, BNM maintained the OPR steady at 1.75% at both of its Monetary Policy Committee (“MPC”) meetings in September 2020 and November 2020. In its latest MPC statement, BNM sounded upbeat and optimistic in the recovery of the global and domestic economies. BNM expects Malaysia’s growth for 2020 to be within the earlier forecasted range of -3.5% to -5.5% and considers the current stance of the monetary policy to be “appropriate and accommodative”.

On the fiscal side, Prime Minister Muhyiddin Yassin announced a RM250 billion stimulus package in March 2020, with the primary focus of (i) sustaining private consumption and confidence; (ii) preserving the viability and continuity of domestic business entities; and (iii) strengthening the domestic economy. The Government subsequently introduced more stimulus packages (i.e. National Economic Recovery Plan (“PENJANA”)) worth RM35 billion on 5 June 2020 containing 40 measures, mainly on jobs initiatives, Micro-, Small-, and Medium-Enterprises (“MSMEs”) supports, stimulation of Foreign Direct Investments (“FDI”) and consumption as well as to facilitate digitalization. To finance the additional stimulus, the Parliament has recently approved to raise Malaysia’s debt ceiling from 55% of Gross Domestic Product (“GDP”) to 60% of GDP. On 23 September 2020, the Prime Minister announced an additional RM10 billion of fiscal stimulus package to bolster the country’s economy in weathering the impact of COVID-19. The Kita Prihatin programme is a special initiative aimed at helping micro entrepreneurs, the country’s workforce and those from the B40 as well as the M40 income group.

Malaysia’s Budget 2021 was passed at its policy stage via a majority voice vote on 27 November 2020 with additional measures/amendments including a further loan moratorium for the B40 and micro SMEs and the expansion of Employees Provident Fund’s (“EPF”) i-Sinar facility to include all EPF members whose income has been affected by the pandemic. The EPF account 1 withdrawal ceiling has increased to RM10,000 (from RM6,000) for members with less than RM100,000 in Account. The net is widened to 8 million persons from 2 million persons previously.

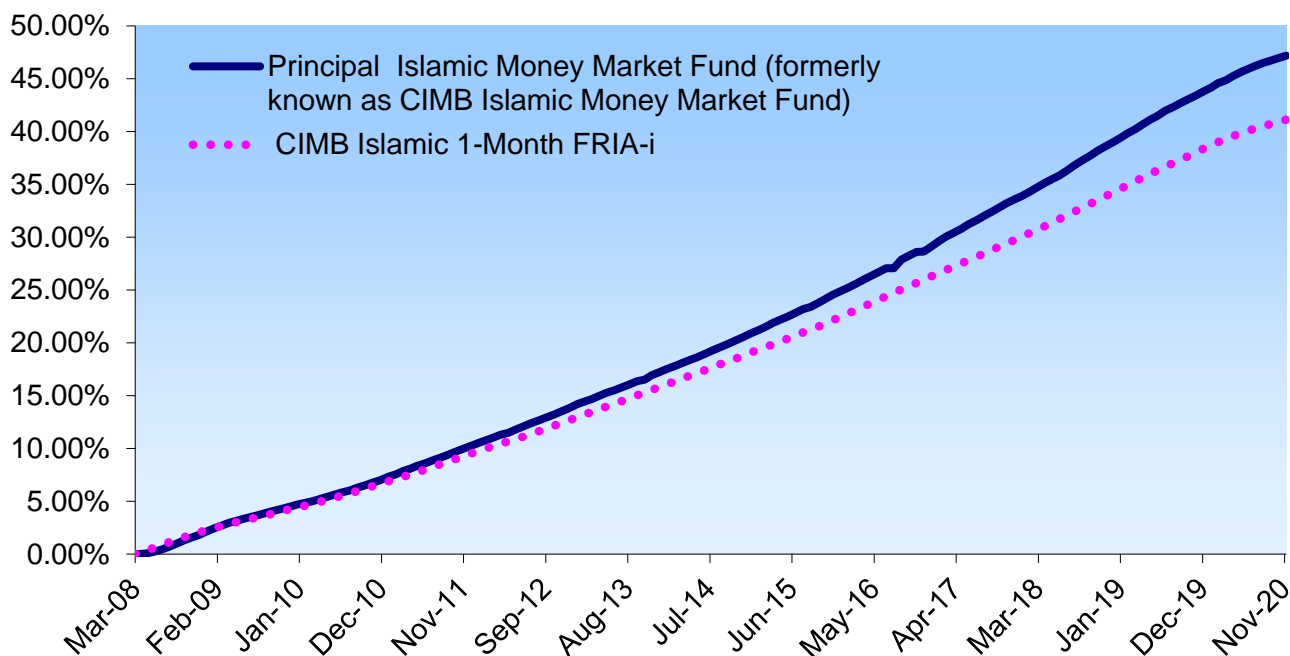
Fitch Ratings downgraded Malaysia’s sovereign rating to “BBB+” from “A-” with a stable outlook. Fitch noted that COVID-19 has weakened Malaysia’s several key credit metrics. Fitch pointed that Malaysia’s debt burden is significantly higher than the medians of 59.2% and 52.7% for the “A” and “BBB” rating categories respectively. Additionally, it views the lingering political uncertainty following the change in government in March 2020 weights on the policy outlook and affects the prospects for further improvement in governance standards.

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as CIMB Islamic Money Market Fund)

FUND PERFORMANCE

	1 year to 30.11.2020	3 years to 30.11.2020	5 years to 30.11.2020	Since inception to 30.11.2020
	%	%	%	%
Income Distribution	3.13	10.54	17.98	36.60
Capital Growth	(0.49)	(0.32)	0.14	7.74
Total Return	2.65	10.18	18.15	47.19
Benchmark	2.25	8.77	15.53	41.12
Average Total Return	2.65	3.28	3.39	3.09

As at 30 November 2020, the total return for 1 year, 3 years, and 5 years stood at 2.65%, 10.18% and 18.15% respectively, which outperformed the benchmark of 2.25%, 8.77% and 15.53% for the respective periods. Since inception, the Fund achieved a total return of 47.19%.



Changes in NAV

	30.11.2020	30.11.2019	Changes %
NAV (RM Million)*	1,269.51	1,003.63	26.49
NAV/Unit (RM)*	1.0774	1.0826	(0.48)

The Fund's NAV as at 30 November 2020 increased by 26.49% to RM1,269.51 million from RM1,003.63 million a year ago. Meanwhile, the NAV per unit decreased slightly by 0.48% from RM1.0826 per unit to RM1.0774 per unit.

*Ex-distribution

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

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as CIMB Islamic Money Market Fund)

PORTFOLIO STRUCTURE

Asset allocation

	30.11.2020	30.11.2019
Unquoted Sukuk and Islamic commercial papers	61.80	50.77
Shariah-compliant deposits with licensed Islamic financial institutions	27.74	47.04
Cash and other net assets	10.46	2.19
TOTAL	100.00	100.00

As at 30 November 2020, the Fund was 61.80% invested in unquoted Sukuk and Islamic commercial papers, with the remaining 38.20% in Shariah-compliant deposits, cash and other net assets. The increase in unquoted Sukuk and Islamic commercial papers is mainly attributed to the more attractive yields generated by these papers vis-à-vis deposits.

MARKET OUTLOOK*

Malaysia's unemployment rate improved slightly to 4.6% in September 2020 (August 2020: 4.7%). The number of unemployed persons declined by 0.6% month-on-month ("m-o-m") to 737,500 m-o-m from 741,600 persons. Meanwhile, headline Consumer Price Index ("CPI") remained in negative territory for the eighth consecutive month at -1.5% year-on-year ("y-o-y") in October 2020 (September 2020: -1.4% y-o-y) arising from declines in transport and utilities prices amid weakness in global crude oil prices and electricity tariff discounts.

The third quarter of 2020 GDP rebounded strongly recording a smaller contraction of 2.7% y-o-y as against the the second quarter of 2020 GDP's contraction of 17.1% and market consensus of -4.0% y-o-y. The improvement was aided by positive contribution from the manufacturing sector driven mainly by strong electronics and engineering ("E&E") production activity, pick up in Government consumption and the turnaround in net exports. BNM highlighted concerns on the recent resurgence of COVID-19 infections which may affect the recovery momentum in the fourth quarter of 2020 but noted that the impact is expected to be less severe compared to Movement Control Order ("MCO") in earlier periods.

Despite the strong rebound in the third quarter of 2020, both globally and domestically, we think that BNM will keep its monetary policies accommodative in the near-term to support the economic recovery going into 2021.

*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

We continue to overweight on quality short term sukuk papers as well as Islamic commercial papers issued by corporates with strong fundamentals.

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as CIMB Islamic Money Market Fund)

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 30 November 2020 are as follows:

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	42	0.05	0.00
5,001 to 10,000	177	1.43	0.12
10,001 to 50,000	1,621	39.46	3.35
50,001 to 500,000	653	75.22	6.38
500,001 and above	42	1,062.13	90.15
Total	2,535	1,178.29	100.00

SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (the “Manager”) and the Trustee will not retain any form of rebate or soft commission from, or otherwise share in any commission with, any broker in consideration for directing dealings in the investments of the Principal Malaysia Funds (“Funds”) unless the soft commission received is retained in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds. All dealings with brokers are executed on best available terms.

During the financial year 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.

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as CIMB Islamic Money Market Fund)

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC MONEY MARKET FUND**
(formerly known as CIMB Islamic Money Market 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 16 to 46 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 30 November 2020 and of its financial performance, changes in equity and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

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

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
14 January 2021

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as CIMB Islamic Money Market Fund)

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as CIMB Islamic Money Market Fund)

We, MTrustee Berhad, being the Trustee of Principal Islamic Money Market Fund (*formerly known as CIMB Islamic Money Market Fund*) (the "Fund"), are of the opinion that Principal Asset Management Berhad (the "Manager"), has managed the Fund for the financial year ended 30 November 2020 in accordance with the following:

- (a) limitations imposed on the investment powers of the Manager and the Trustee under the Deeds, the Securities Commission Malaysia's Guidelines on the Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation/pricing is carried out in accordance with the Deeds and relevant regulatory requirements;
- (c) creation and cancellation of units is carried out in accordance with the Deeds and relevant regulatory requirements; and
- (d) during the financial year, a total distribution of 3.34 sen per unit (gross) has been distributed to the unit holders of the Fund. We are of the view that the distribution is consistent with the objective of the Fund.

For and on behalf of the Trustee
MTrustee Berhad

NURIZAN JALIL
Chief Executive Officer

Selangor
15 January 2021

Shariah Adviser's Report

To the Unit Holders of Principal Islamic Money Market Fund (the "Fund")
(formerly known as CIMB Islamic Money Market Fund)

For the Financial Year from 1 December 2019 to 30 November 2020

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 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**

Datuk Dr Mohd Daud Bakar
Executive Chairman

Kuala Lumpur
15 January 2021

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as CIMB Islamic Money Market Fund)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Principal Islamic Money Market Fund (*formerly known as CIMB Islamic Money Market Fund*) (the "Fund") give a true and fair view of the financial position of the Fund as at 30 November 2020, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 November 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 16 to 46.

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 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 Ethics Standards Board for Accountants' 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 ISLAMIC MONEY MARKET FUND (CONTINUED)**
(formerly known as CIMB Islamic Money Market Fund)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's Report, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the 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 has no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC MONEY MARKET FUND (CONTINUED)**
(formerly known as CIMB Islamic Money Market Fund)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's responsibility 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 scepticism throughout the audit. We also:

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (d) 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.
- (e) 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.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC MONEY MARKET FUND (CONTINUED)**
(formerly known as CIMB Islamic Money Market Fund)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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.

OTHER MATTERS

This report is made solely to the unit holders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
14 January 2021

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as CIMB Islamic Money Market Fund)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2020**

	Note	2020 RM	2019 RM
INCOME			
Profit income from unquoted Sukuk at fair value through profit or loss		18,340,085	26,130,298
Profit income from Shariah-compliant deposits with licensed Islamic financial institutions at amortised cost and Hibah earned		13,562,630	12,092,515
Net gain on financial assets at fair value through profit or loss	8	1,205,349	954,261
		33,108,064	39,177,074
EXPENSES			
Management fee	4	5,404,816	4,967,217
Trustee fee	5	324,289	298,033
Audit fee		14,300	7,700
Tax agent's fee		9,300	4,000
Other expenses		12,700	22,902
		5,765,405	5,299,852
PROFIT BEFORE TAXATION		27,342,659	33,877,222
Taxation	7	-	-
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		27,342,659	33,877,222
Profit after taxation is made up as follows:			
Realised amount		26,882,593	32,581,754
Unrealised amount		460,066	1,295,468
		27,342,659	33,877,222

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

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as *CIMB Islamic Money Market Fund*)

STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2020

	Note	2020 RM	2019 RM
ASSETS			
Cash and cash equivalents	9	133,916,836	137,805,007
Shariah-compliant deposits with licensed Islamic financial institutions at amortised cost		352,194,877	472,103,688
Financial assets at fair value through profit or loss (Shariah-compliant)	8	784,537,879	509,524,110
Amount due from Manager		375,000	1,161,669
TOTAL ASSETS		1,271,024,592	1,120,594,474
LIABILITIES			
Amount due to Manager		949,662	116,356,478
Accrued management fee		521,065	461,459
Amount due to Trustee		31,264	27,688
Distribution payable		1,436	105,842
Other payables and accruals		13,400	14,700
TOTAL LIABILITIES		1,516,827	116,966,167
NET ASSET VALUE OF THE FUND		1,269,507,765	1,003,628,307
EQUITY			
Unit holders' capital		1,247,152,586	975,287,420
Retained earnings		22,355,179	28,340,887
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		1,269,507,765	1,003,628,307
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	1,178,289,465	926,973,900
NET ASSET VALUE PER UNIT (RM) (EX-DISTRIBUTION)		1.0774	1.0826

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

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as CIMB Islamic Money Market Fund)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2020**

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 December 2019		975,287,420	28,340,887	1,003,628,307
Movement in unit holders' contributions:				
- Creation of units from applications		837,060,085	-	837,060,085
- Creation of units from distributions		33,130,867	-	33,130,867
- Cancellation of units		(598,325,786)	-	(598,325,786)
Total comprehensive income for the financial year		-	27,342,659	27,342,659
Distributions	6	-	(33,328,367)	(33,328,367)
Balance as at 30 November 2020		<u>1,247,152,586</u>	<u>22,355,179</u>	<u>1,269,507,765</u>
Balance as at 1 December 2018		553,374,270	24,877,091	578,251,361
Movement in unit holders' contributions:				
- Creation of units from applications		922,465,966	-	922,465,966
- Creation of units from distributions		29,541,442	-	29,541,442
- Cancellation of units		(530,094,258)	-	(530,094,258)
Total comprehensive income for the financial year		-	33,877,222	33,877,222
Distributions	6	-	(30,413,426)	(30,413,426)
Balance as at 30 November 2019		<u>975,287,420</u>	<u>28,340,887</u>	<u>1,003,628,307</u>

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

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as CIMB Islamic Money Market Fund)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2020

	Note	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of unquoted Sukuk and Islamic commercial papers		504,668,813	208,926,923
Purchase of unquoted Sukuk and Islamic commercial papers		(1,800,025,233)	(1,262,886,002)
Proceeds from maturity of unquoted Sukuk and Islamic commercial papers		1,007,600,000	-
Proceeds from redemption of unquoted Sukuk and Islamic commercial papers		5,586,795	882,300,000
Profit income received from Shariah-compliant deposits with licensed Islamic financial institutions and Hibah received		73,032,850	8,532,402
Profit income received from unquoted Sukuk and Islamic commercial papers		26,701,290	39,169,546
Proceeds from maturity of Shariah-compliant deposits with licensed Islamic financial institutions		13,249,895,591	250,973,000
Placement of Shariah-compliant deposits with licensed Islamic financial institutions		(13,189,457,000)	(689,510,000)
Management fee paid		(5,345,210)	(4,659,147)
Trustee fee paid		(320,713)	(279,548)
Payments for other fees and expenses		(37,600)	(31,901)
Net cash used in operating activities		<u>(127,700,417)</u>	<u>(567,464,727)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		837,846,754	921,493,354
Payments for cancellation of units		(713,732,602)	(413,795,141)
Distributions paid		(301,906)	(812,752)
Net cash generated from financing activities		<u>123,812,246</u>	<u>506,885,461</u>
Net decrease in cash and cash equivalents		(3,888,171)	(60,579,266)
Cash and cash equivalents at the beginning of financial year		<u>137,805,007</u>	<u>198,384,273</u>
Cash and cash equivalents at the end of financial year	9	<u>133,916,836</u>	<u>137,805,007</u>
<u>Cash and cash equivalents comprised of:</u>			
Bank balance		112,546	11,235
Shariah-compliant deposits with licensed Islamic financial institutions		<u>133,804,290</u>	<u>137,793,772</u>
Cash and cash equivalents at the end of the financial year	9	<u>133,916,836</u>	<u>137,805,007</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 YEAR ENDED 30 NOVEMBER 2020

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal Islamic Money Market Fund (*formerly known as CIMB Islamic Money Market Fund*) (the “Fund”) is governed by a Master Deed dated 15 May 2008, a Third Supplemental Master Deed dated 25 June 2008, a Sixth Supplemental Master Deed dated 14 July 2008, a Seventh Supplemental Master Deed dated 19 November 2008, a Seventeenth Supplemental Master Deed dated 25 March 2015 and a Nineteenth Supplemental Master Deed dated 18 June 2019 (collectively referred to as the “Deeds”) made between Principal Asset Management Berhad (the “Manager”) and MTrustee Berhad (the “Trustee”).

The Fund will place at least 90% of its NAV in Islamic money market instruments such as Islamic Accepted Bills, Islamic Negotiable Instruments of Deposits and Repo-i as well as in any other Islamic fixed income instruments and placements of Islamic deposits, all of which are highly liquid and have a remaining maturity period of less than 365 days. Up to 10% of the Fund’s NAV may be invested in Islamic fixed income instruments, which have a remaining maturity period of more than 365 days but less than 732 days. The Fund will be actively managed with frequency that will depend on the market conditions and market outlook. The strategy is to invest in liquid and low risk short-term investments for capital preservation. The investment strategy adheres to the SC Guidelines pertaining to investments for a money market fund.

The asset allocation strategy for this Fund is as follows:

- at least 90% of the Fund’s NAV will be invested in Islamic money market instruments and/or Islamic deposits; and
- up to 10% of the Fund’s NAV may be invested in Islamic fixed income instruments, which have a remaining maturity period of more than 365 days but less than 732 days.

The ratings of the Islamic money market instruments and Islamic fixed income instruments will be at least a “BBB3” or “P2” rating by RAM or equivalent rating by MARC or by local rating agency(ies) of the country of issuance; or “BBB-” S&P or equivalent rating by any other international rating agencies.

All investments are subjected to the SC Guidelines on Unit Trust Funds, 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 Fund has changed its name from CIMB Islamic Money Market Fund to Principal Islamic Money Market Fund following the issuance of the Replacement Master Prospectus (Islamic Funds) dated 31 December 2019.

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 and IFRS.

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 year.

It also requires the Manager to exercise their judgement in the process of applying the Fund's accounting policies. Although these estimates and judgement 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(j).

Standards, amendments to published standards or interpretations that are effective and relevant:

The Fund has applied the following amendments to published standards for the first time for the financial year beginning 1 December 2019:

- Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income ("OCI") or equity) depends on where the past transactions that generated distributable profits were recognised.

Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

There are no other standards, amendments to standards or interpretations effective for financial year beginning on 1 December 2019 that have a material effect on the financial statements of the Fund.

There are no new applicable standards, amendments to standards or interpretations effective for financial year beginning on/after 1 December 2020 that are applicable to the financial statements of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities

Classification

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

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

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

The contractual cash flows of the Fund's debt securities are solely payment of principal and interest¹ ("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, Shariah-compliant deposits with licensed Islamic financial institutions at amortised cost and amount due from Manager as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies amount due to Manager, accrued management fee, amount due to Trustee, distribution payable, and other payables and accruals as other financial liabilities 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. Shariah-compliant investments are initially recognised at fair value.

Financial liabilities are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income within net gain or loss on financial assets at fair value through profit or loss in the financial year which they arise.

¹ For the purposes of this Fund, interest refers to profits earned from Shariah-compliant investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Recognition and measurement (continued)

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

Shariah-compliant deposits with licensed Islamic financial institutions are stated at cost plus accrued profit calculated on the effective profit method over the period from the date of placement to the date of maturity of the respective Shariah-compliant deposits.

Financial assets at amortised cost and other financial liabilities are subsequently carried at amortised cost using the effective profit method.

Impairment on assets carried at amortised costs

The Fund measures credit risk and expected credit losses (“ECL”) using probability of default, exposure at default and loss given default. The Manager considers both historical analysis and forward looking information in determining any ECL. The Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month ECL as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income recognition

Profit income from Shariah-compliant deposits with licensed Islamic financial institutions and unquoted Sukuk are recognised on a time proportionate basis using the effective profit rate method on an accrual basis.

Profit income is calculated by applying the effective profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective profit rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Realised gain or loss on disposal of unquoted Sukuk and Islamic commercial papers are accounted for as the difference between the net disposal proceeds and the carrying amount of unquoted Sukuk and Islamic commercial papers, determined on cost adjusted for accretion of discount or amortisation of premium.

(d) Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). The financial statements are presented in MYR, which is the Fund’s functional and presentation currency.

(e) Cash and cash equivalents

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

(f) Taxation

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

(g) Distribution

A distribution to the Fund’s unit holders is accounted for as a deduction from realised reserve. A proposed distribution is recognised as a liability in the financial year in which it is approved by the Trustee.

(h) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Unit holders' contributions

The unit holders' contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's NAV;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

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

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

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

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

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

Estimate of fair value of unquoted Sukuk

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

Ringgit-denominated unquoted Sukuk are valued using fair value prices quoted by a BPA. Where the Manager is of the view that the price quoted by BPA for a specific unquoted Sukuk differs from the market price by more than 20 bps, the Manager may use market price, provided that the Manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price.

Islamic commercial papers are revalued at least weekly by reference to bid and offer prices quoted by three (3) independent and reputable financial institutions of similar standing at the close of trading.

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as CIMB Islamic Money Market Fund)

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2020			
Cash and cash equivalents (Note 9)	-	133,916,836	133,916,836
Shariah-compliant deposits with licensed Islamic financial institutions at amortised cost	-	352,194,877	352,194,877
Unquoted Sukuk and Islamic commercial papers (Note 8)	784,537,879	-	784,537,879
Amount due from Manager	-	375,000	375,000
	<u>784,537,879</u>	<u>486,486,713</u>	<u>1,271,024,592</u>
2019			
Cash and cash equivalents (Note 9)	-	137,805,007	137,805,007
Shariah-compliant deposits with licensed Islamic financial institutions at amortised cost	-	472,103,688	472,103,688
Unquoted Sukuk and Islamic commercial papers (Note 8)	509,524,110	-	509,524,110
Amount due from Manager	-	1,161,669	1,161,669
	<u>509,524,110</u>	<u>611,070,364</u>	<u>1,120,594,474</u>

All liabilities are financial liabilities which are carried at amortised cost.

The Fund aims to provide investors with liquidity and regular income, whilst maintaining capital stability by investing primarily in money market instruments that conform with Shariah principles.

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and interest rate 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 Unit Trust Funds.

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

(a) Market risk

(i) Price risk

This is the risk that the fair value of a Shariah-compliant investment in unquoted Sukuk and Islamic commercial papers will fluctuate because of changes in market prices (other than those arising from interest rate risk). The value of unquoted Sukuk and Islamic commercial papers 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 unquoted Sukuk and Islamic commercial papers within specified limits according to the Deeds.

The Fund is exposed to price risk arising from profit rate fluctuation in relation to its investments of RM784,537,879 (2019: RM509,524,110) in unquoted Sukuk and Islamic commercial papers. The Fund's exposure to price risk arising from profit rate fluctuation and the related sensitivity analysis are disclosed in "interest rate risk" below.

(ii) Interest rate risk

In general, when interest rates rise, unquoted Sukuk and Islamic commercial papers prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund holds an unquoted Sukuk or Islamic commercial papers till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

Investors should note that the movement in prices of unquoted Sukuk, Islamic commercial papers and Shariah-compliant money market instruments are benchmarked against interest rates. As such, the investments are exposed to the movement of the interest rates. It does not in any way suggest that this Fund will invest in conventional financial instruments. All investments carried out for the Fund including placement and deposits are in accordance with Shariah.

This risk is crucial since unquoted Sukuk and Islamic commercial papers portfolio management depends on forecasting interest rate movements. Prices of unquoted Sukuk and Islamic commercial papers move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted Sukuk and Islamic commercial papers decrease and vice versa. Furthermore, unquoted Sukuk and Islamic commercial papers with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

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

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to meet obligation under the instrument, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The table below summarises the sensitivity of the Fund's interest or loss and NAV to movements in prices of unquoted Sukuk and Islamic commercial papers held by the Fund as a result of movement in interest rate at the end of each reporting year. The analysis is based on the assumptions that the interest rate changed by 1% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

% Change in interest rate	Impact on profit or loss/NAV	
	2020	2019
	RM	RM
+1%	(112,177)	(75,572)
-1%	112,221	75,606

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is not exposed to cash flow interest rate risk as the Fund does not hold any financial instruments at variable interest rate.

The Fund's exposure to interest rate risk associated with Shariah-compliant deposits with licensed Islamic financial institutions is expected to be minimal as the Shariah-compliant deposits are held on short-term basis. The weighted average effective interest rate per annum is as follows:

	2020	2019
	%	%
Shariah-compliant deposits with licensed Islamic financial institutions	1.96	3.39

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.

Investment in unquoted Sukuk and Islamic commercial papers may involve a certain degree of credit/default risk with regards to the issuers. Generally, credit risk or default risk is the risk of loss due to the issuer's non-payment or untimely payment of the investment amount as well as the returns on investment. This will cause a decline in value of the defaulted unquoted Sukuk and Islamic commercial papers and subsequently depress the NAV of the Fund. Usually credit risk is more apparent for an investment with a longer tenure, i.e. the longer the duration, the higher the credit risk.

Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the Manager imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the investment in accordance with the objective of the Fund. For this Fund, the unquoted Sukuk and Islamic commercial papers investments must satisfy a minimum rating requirement of at least a "BBB3" or "P2" rating by RAM or equivalent rating by MARC or by local rating agency(ies) of the country of issuance; or "BBB-" by S&P or equivalent rating by any other international rating agencies.

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

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 Unit Trust Funds.

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

	Cash and cash equivalents	Shariah- compliant deposits with licensed Islamic financial institutions at amortised cost	Financial assets at fair value through profit or loss	Amount due from Manager	Total
	RM	RM	RM	RM	RM
2020					
A1	-	-	26,770,971	-	26,770,971
AA1	-	-	51,534,175	-	51,534,175
AA2	-	60,993,199	149,135,252	-	210,128,451
AA3	-	135,567,959	156,274,976	-	291,842,935
AAA	133,916,836	155,633,719	193,494,345	-	483,044,900
P1	-	-	202,169,966	-	202,169,966
Not rated	-	-	5,158,194	375,000	5,533,194
	<u>133,916,836</u>	<u>352,194,877</u>	<u>784,537,879</u>	<u>375,000</u>	<u>1,271,024,592</u>

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

(b) Credit risk (continued)

	Cash and cash equivalents RM	Shariah- compliant deposits with licensed Islamic financial institutions at amortised cost RM	Financial assets at fair value through profit or loss RM	Amount due from Manager RM	Total RM
2019					
A1	-	-	23,234,283	-	23,234,283
A2	-	75,533,151	-	-	75,533,151
AA1	-	-	36,665,408	-	36,665,408
AA2	371	176,450,296	61,207,298	-	237,657,965
AA3	-	-	239,139,363	-	239,139,363
AAA	137,804,636	220,120,241	62,357,098	-	420,281,975
MA-1S	-	-	9,988,640	-	9,988,640
P1	-	-	76,932,020	-	76,932,020
Not rated	-	-	-	1,161,669	1,161,669
	<u>137,805,007</u>	<u>472,103,688</u>	<u>509,524,110</u>	<u>1,161,669</u>	<u>1,120,594,474</u>

Shariah-compliant deposits with licensed Islamic financial institutions of the Fund have an average maturity of 67 days (2019: 87 days).

(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, Shariah-compliant deposits with licensed Islamic financial institutions and other instruments, which are capable of being converted into cash within 7 business days. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period as at the end of the reporting year to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

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

(c) Liquidity risk (continued)

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2020			
Amount due to Manager	949,662	-	949,662
Accrued management fee	521,065	-	521,065
Amount due to Trustee	31,264	-	31,264
Distribution payable	1,436	-	1,436
Other payables and accruals	-	11,500	11,500
Contractual undiscounted cash flows	<u>1,503,427</u>	<u>11,500</u>	<u>1,514,927</u>
2019			
Amount due to Manager	116,356,478	-	116,356,478
Accrued management fee	461,459	-	461,459
Amount due to Trustee	27,688	-	27,688
Distribution payable	105,842	-	105,842
Other payables and accruals	-	14,700	14,700
Contractual undiscounted cash flows	<u>116,951,467</u>	<u>14,700</u>	<u>116,966,167</u>

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital of RM1,247,152,586 (2019: RM975,287,420) and retained earnings of RM22,357,079 (2019: RM28,340,887). 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 year end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

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	Level 2	Level 3	Total
	RM	RM	RM	RM
2020				
Financial assets at fair value through profit or loss:				
- Unquoted Sukuk and Islamic commercial papers	-	784,537,879	-	784,537,879
- Shariah-compliant deposits with licensed Islamic financial institutions	-	352,194,877	-	352,194,877
	<u>-</u>	<u>1,136,732,756</u>	<u>-</u>	<u>1,136,732,756</u>

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2019				
Financial assets at fair value through profit or loss:				
- Unquoted Sukuk and Islamic commercial papers	-	509,524,110	-	509,524,110
- Shariah-compliant deposits with licensed Islamic financial institutions	-	472,103,688	-	472,103,688
	-	981,627,798	-	981,627,798

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted Sukuk and Islamic commercial papers.

As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

- (ii) The carrying values of cash and cash equivalents, Shariah-compliant deposits with licensed financial institutions at amortised cost, amount due from Manager, 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 Deeds, the Manager is entitled to a maximum management fee of 3.00% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 30 November 2020, the management fee is recognised at a rate of 0.50% per annum (2019: 0.50% per annum).

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

5. TRUSTEE FEE

In accordance with the Deeds, the Trustee is entitled to a maximum Trustee fee of 0.03% per annum calculated daily based on the NAV of the Fund. The Trustee fee includes the local custodian fee but excludes the foreign sub-custodian fees and charges (if any).

For the financial year ended 30 November 2020, the Trustee fee is recognised at a rate of 0.03% per annum (2019: 0.03% per annum).

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

6. DISTRIBUTIONS

Distributions to unit holders were derived from the following sources:

	2020	2019
	RM	RM
Profit income	14,884,004	35,063,163
Net realised gain on disposal of unquoted Sukuk and Islamic commercial papers	-	111,003
Prior financial year's realised income	<u>22,889,164</u>	<u>-</u>
	37,773,168	35,174,166
Less:		
Expenses	<u>(4,444,801)</u>	<u>(4,760,740)</u>
Net distribution amount	<u><u>33,328,367</u></u>	<u><u>30,413,426</u></u>

6. DISTRIBUTIONS (CONTINUED)

Distributions to unit holders were derived from the following sources (continued):

	2020	2019
	RM	RM
Gross/Net distribution per unit (sen)		
Distribution on 31 December 2019	0.30	-
Distribution on 31 January 2020	0.31	-
Distribution on 28 February 2020	0.30	-
Distribution on 31 March 2020	0.26	-
Distribution on 30 April 2020	0.29	-
Distribution on 29 May 2020	0.22	-
Distribution on 30 June 2020	0.42	-
Distribution on 30 July 2020	0.21	-
Distribution on 28 August 2020	0.20	-
Distribution on 30 September 2020	0.15	-
Distribution on 30 October 2020	0.32	-
Distribution on 30 November 2020	0.36	-
Distribution on 31 December 2018	-	0.20
Distribution on 31 January 2019	-	0.33
Distribution on 28 February 2019	-	0.35
Distribution on 29 March 2019	-	0.39
Distribution on 30 April 2019	-	0.27
Distribution on 31 May 2019	-	0.31
Distribution on 28 June 2019	-	0.32
Distribution on 31 July 2019	-	0.22
Distribution on 30 August 2019	-	0.18
Distribution on 30 September 2019	-	0.12
Distribution on 31 October 2019	-	0.23
Distribution on 29 November 2019	-	0.34
	3.34	3.26

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

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

PRINCIPAL ISLAMIC MONEY MARKET FUND
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7. TAXATION

	2020	2019
	RM	RM
Tax charged for the financial year:		
- Current taxation	<u>-</u>	<u>-</u>

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

	2020	2019
	RM	RM
Profit before taxation	<u>27,344,559</u>	<u>33,877,222</u>
Taxation at Malaysian statutory rate of 24%	6,562,694	8,130,533
Tax effects of:		
- Income not subject to tax	(7,945,935)	(9,402,498)
- Expenses not deductible for tax purposes	81,918	4,884
- Restriction on tax deductible expenses for Unit Trust Funds	<u>1,301,323</u>	<u>1,267,081</u>
Taxation	<u>-</u>	<u>-</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (SHARIAH-COMPLIANT)

	2020	2019
	RM	RM
At fair value through profit or loss:		
- Unquoted Sukuk	582,367,916	422,603,450
- Islamic commercial papers	<u>202,169,963</u>	<u>86,920,660</u>
	<u>784,537,879</u>	<u>509,524,110</u>
Net gain on financial assets at fair value through profit or loss:		
- Realised gain on disposals	1,471,618	111,003
- Unrealised fair value (loss)/gain	<u>(266,269)</u>	<u>843,258</u>
	<u>1,205,349</u>	<u>954,261</u>

PRINCIPAL ISLAMIC MONEY MARKET FUND
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**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (SHARIAH-COMPLIANT)
(CONTINUED)**

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2020				
UNQUOTED SUKUK				
Abu Dhabi National Energy Co PJSC (TAQA) 4.65% 03/03/2022 (NR)	5,000,000	5,150,749	5,158,194	0.41
Aeon Co (M) Bhd 3.15% 12/07/2021 (AA2)	5,000,000	5,074,105	5,074,037	0.40
Al Dzahab Assets Bhd 5.50% 21/06/2021 (AAA)	10,000,000	10,342,907	10,410,410	0.82
Al Dzahab Assets Bhd 4.90% 29/03/2022 (AAA)	5,000,000	5,158,812	5,190,388	0.41
BGSM Management Sdn Bhd 2.55% 18/10/2021 (AA3)	5,000,000	5,016,128	5,017,268	0.40
BGSM Management Sdn Bhd 4.67% 08/27/2021 (AA3)	10,000,000	10,275,749	10,277,948	0.81
First Resources Ltd 4.85% 27/10/2021 (AA2)	70,000,000	71,655,936	71,691,948	5.65
Gulf Investment Corp 5.10% 16/03/2021 (AAA)	38,750,000	39,342,019	39,459,104	3.11
Jimah Energy Ventures Sdn Bhd 9.25% 12/05/2021 (AA3)	17,000,000	17,582,577	17,587,435	1.39
Jimah Energy Ventures Sdn Bhd 9.40% 12/05/2021 (AA3)	5,000,000	5,175,041	5,176,469	0.41
Kapar Energy Ventures Sdn Bhd 4.63% 05/07/2022 (AA1)	5,000,000	5,248,012	5,246,818	0.41
Kedah Cement Sdn Bhd 5.06% 08/07/2022 (A1)	5,000,000	5,165,382	5,165,464	0.41
Konsortium KAJV Sdn Bhd 5.15% 12/05/2021 (AA3)	350,000	352,164	353,290	0.03
Malakoff Power Bhd 5.15% 17/12/2020 (AA3)	65,000,000	66,605,394	66,609,596	5.25
National Bank of Abu Dhabi PJSC 4.90% 28/12/2020 (AAA)	20,000,000	20,450,322	20,456,164	1.61
Perbadanan Kemajuan Negeri Selangor 4.58% 01/04/2022 (AA3)	15,000,000	15,408,769	15,410,479	1.21
Perbadanan Kemajuan Negeri Selangor 4.835% 29/10/2021 (AA3)	5,000,000	5,073,312	5,103,603	0.40
Projek Lebuhraya Usahasama Bhd 4.31% 12/01/2021 (AAA)	5,000,000	5,096,054	5,095,698	0.40

PRINCIPAL ISLAMIC MONEY MARKET FUND
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**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (SHARIAH-COMPLIANT)
(CONTINUED)**

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2020 (CONTINUED)				
UNQUOTED SUKUK (CONTINUED)				
Projek Lebuhraya Usahasama Bhd 4.40% 12/01/2022 (AAA)	5,000,000	5,201,625	5,199,386	0.41
Public Islamic Bank Bhd 4.30% 27/07/2021 (AAA)	35,000,000	35,975,220	36,002,458	2.84
Puncak Wangi Sdn Bhd 2.94% 24/11/2021 (AAA)	20,000,000	20,014,788	20,017,288	1.58
Putrajaya Holdings Sdn Bhd 4.23% 29/07/2021 (AAA)	10,000,000	10,276,363	10,278,782	0.81
Quantum Solar Park Green Sri Sukuk 5.01% 6/4/2021 (A1)	5,000,000	5,049,454	5,064,333	0.40
Ranhill Powertron II Sdn Bhd 5.55% 17/06/2021 (AA2)	10,000,000	10,381,740	10,405,738	0.82
Ranhill Powertron II Sdn Bhd 5.70% 17/06/2022 (AA2)	5,000,000	5,304,814	5,336,841	0.42
Sabah Credit Corp 05/05/2022 (AA1)	10,000,000	10,336,415	10,336,378	0.81
Sarawak Energy Bhd 5.15% 23/06/2021 (AAA)	25,000,000	25,960,255	25,976,911	2.05
Sepangar Bay Power Corp Sdn Bhd 4.70% 01/07/2022 (AA1)	5,000,000	5,231,843	5,260,969	0.41
Special Power Vehicle 22.18% 19/11/2021 (A1)	14,000,000	16,528,821	16,541,175	1.30
Tanjung Bin Power Sdn Bhd 4.79% 16/08/2021 (AA2)	10,000,000	10,290,215	10,297,019	0.81
Teknologi Tenaga Perlis Consortium Sdn Bhd 4.59% 29/01/2021 (AA1)	25,000,000	25,475,008	25,485,836	2.01
Telekom Malaysia Bhd 4.00% 13/05/2022 (AAA)	15,000,000	15,419,623	15,407,758	1.21
UEM Edgenta Bhd 4.85% 26/04/2022 (AA3)	5,000,000	5,158,468	5,163,918	0.41
UEM Sunrise Bhd 4.90% 30/06/2021 (AA3)	10,000,000	10,293,037	10,296,240	0.81
UEM Sunrise Bhd 4.85% 29/10/2021 (AA3)	5,000,000	5,091,140	5,085,460	0.40
UMW Holdings Bhd 4.70% 15/02/2021 (AA2)	10,000,000	10,168,496	10,186,668	0.80
UMW Holdings Bhd 5.02% 4/10/2021 (AA2)	30,000,000	30,862,081	30,878,384	2.43
United Growth Bhd 4.73% 21/06/2022 (AA2)	5,000,000	5,262,394	5,264,617	0.41

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as CIMB Islamic Money Market Fund)

**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (SHARIAH-COMPLIANT)
(CONTINUED)**

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2020 (CONTINUED)				
UNQUOTED SUKUK (CONTINUED)				
WCT Holdings Bhd 4.95% 22/10/2021 (AA3)	5,000,000	5,057,710	5,078,645	0.40
WCT Holdings Bhd 5.32% 11/5/2022 (AA3)	5,000,000	5,136,582	5,114,625	0.40
Westports Malaysia Sdn Bhd 5.10% 03/05/2022 (AA1)	5,000,000	5,197,161	5,204,174	0.41
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>565,100,000</u>	<u>581,846,685</u>	<u>582,367,916</u>	<u>45.88</u>
ISLAMIC COMMERCIAL PAPERS				
Aeon Co (M) Bhd 90D 11/02/2021 (P1)	12,900,000	12,843,513	12,846,465	1.01
Aeon Co (M) Bhd 91D 28/12/2020 (P1)	60,000,000	59,891,390	59,913,000	4.72
Gamuda Land Sdn Bhd 89D 28/12/2020 (P1)	40,000,000	39,930,903	39,940,400	3.15
Sabah Credit Corporation 120D 19/03/2021 (P1)	45,000,000	44,720,190	44,709,750	3.52
Sabah Credit Corporation 175D 23/04/2021 (P1)	20,000,000	19,814,663	19,821,599	1.56
Sabah Credit Corporation 182D 15/01/2021 (P1)	25,000,000	24,922,235	24,938,749	1.96
TOTAL ISLAMIC COMMERCIAL PAPERS	<u>202,900,000</u>	<u>202,122,894</u>	<u>202,169,963</u>	<u>15.92</u>
TOTAL UNQUOTED SUKUK AND ISLAMIC COMMERCIAL PAPERS	<u>768,000,000</u>	<u>783,969,579</u>	<u>784,537,879</u>	<u>61.80</u>
ACCUMULATED UNREALISED GAIN ON UNQUOTED SUKUK AND ISLAMIC COMMERCIAL PAPERS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>568,300</u>		
TOTAL UNQUOTED SUKUK AND ISLAMIC COMMERCIAL PAPERS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>784,537,879</u>		

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as *CIMB Islamic Money Market Fund*)

**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (SHARIAH-COMPLIANT)
(CONTINUED)**

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2019				
UNQUOTED SUKUK				
Al Dzahab Assets Bhd 4.75% 27/3/2020 (AAA)	20,000,000	20,203,500	20,233,570	2.02
AmBank Islamic Bhd 4.45% 06/03/2020 (AA2)	5,000,000	5,057,831	5,067,325	0.50
BGSM Management Sdn Bhd 6.60% 27/12/2019 (AA3)	19,000,000	19,572,273	19,575,856	1.95
Binariang GSM Sdn Bhd 5.25% 24/12/2020 (AA3)	10,000,000	10,326,241	10,400,684	1.04
DRB-Hicom Bhd 5.35% 08.07.2020 (A1)	12,700,000	13,026,950	13,094,843	1.30
First Resources Ltd 4.35% 05/06/2020 (AA2)	25,000,000	25,565,933	25,634,113	2.55
Gamuda Bhd 4.55% 13/3/2020 (AA3)	5,000,000	5,052,375	5,063,190	0.50
Gamuda Bhd 4.62% 23/04/2021 (AA3)	10,000,000	10,136,898	10,179,432	1.01
Gulf Investment Corporation 5.10% 16/03/2021 (AAA)	8,250,000	8,442,882	8,441,066	0.84
HSBC Amanah Malaysia Bhd 4.24% 27/03/2020 (AAA)	5,000,000	5,050,153	5,052,353	0.50
IJM Corporation Bhd 4.73% 10/04/2020 (AA3)	5,000,000	5,054,340	5,055,043	0.50
Imtiaz Sukuk II Bhd 4.46% 29/05/2020 (AA2)	10,000,000	10,056,393	10,055,844	1.00
Jimah Energy Ventures Bhd 9.15% 12/5/2020 (AA3)	9,000,000	9,257,037	9,270,235	0.92
Jimah Energy Ventures Bhd 9.30% 12/05/2020 (AA3)	3,500,000	3,597,416	3,607,640	0.36
Jimah Energy Ventures Bhd 9.35% 12/05/2020 (AA3)	5,000,000	5,154,519	5,155,003	0.51
Konsortium KAJV Sdn Bhd 5.15% 12/05/2021 (AA3)	350,000	354,555	354,774	0.04
Malakoff Power Bhd 5.05% 17/12/2019 (AA3)	107,000,000	109,518,475	109,548,256	10.92
MMC Corporation Bhd 5.20% 12/11/2020 (AA3)	30,000,000	30,361,464	30,464,306	3.04
Mydin 4.80% 7/5/2020 (AAA)	3,000,000	3,060,344	3,069,570	0.31
National Bank of Abu Dhabi 4.90% 28/12/2020 (AAA)	10,000,000	10,332,535	10,369,225	1.03

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as CIMB Islamic Money Market Fund)

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED)				
UNQUOTED SUKUK				
(CONTINUED)				
Perbadanan Kemajuan Negeri Selangor 4.85% 29/5/2020 (AA3)	5,000,000	5,033,089	5,034,133	0.50
Projek Lebuhraya Usahasama Bhd 4.22% 10/01/2020 (AAA)	5,000,000	5,085,017	5,086,687	0.51
Quantum Solar Park Green Sri Sukuk 4.91% 6/4/2020 (A1)	5,000,000	5,050,383	5,051,593	0.50
Quantum Solar Park Green Sri Sukuk 5.01% 6/4/2021 (A1)	5,000,000	5,080,668	5,087,847	0.51
Sabah Credit Corporation 4.70% 08/05/2020 (AA1)	13,000,000	13,081,059	13,103,891	1.31
Sabah Credit Corporation 4.41% 18.12.2020 (AA1)	15,000,000	15,305,740	15,425,772	1.54
Tanjung Bin Power Sdn Bhd 4.66% 14/08/2020 (AA2)	20,000,000	20,380,198	20,450,016	2.04
Teknologi Tenaga Perlis 4.51% 31/01/2020 (AA1)	8,000,000	8,126,307	8,135,745	0.81
UEM Sunrise Bhd 4.58% 10/04/2020 (AA3)	20,000,000	20,160,469	20,214,899	2.01
UEM Sunrise Bhd 4.90% 30/06/2021 (AA3)	5,000,000	5,200,697	5,215,912	0.52
Zamarad Assets Bhd 4.55% 27.03.2020 (AAA)	10,000,000	10,081,027	10,104,627	1.01
TOTAL UNQUOTED SUKUK	413,800,000	421,766,768	422,603,450	42.10

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as CIMB Islamic Money Market Fund)

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (CONTINUED)				
ISLAMIC COMMERCIAL PAPERS				
Sunway Treasury Sukuk Sdn Bhd 12/12/2019 (MA-1s)	10,000,000	9,990,188	9,988,640	1.00
Aeon Co M Bhd 31/12/2019 (P1)	25,000,000	24,930,124	24,927,900	2.48
Sabah Credit Corporation 30/04/2020 (P1)	20,000,000	19,711,031	19,711,600	1.96
Sabah Credit Corporation 21/02/2020 (P1)	10,000,000	9,921,262	9,921,520	0.99
Sabah Credit Corporation 24/12/2019 (P1)	10,000,000	9,975,907	9,976,100	0.99
Sabah Credit Corporation 27/02/2020 (P1)	12,500,000	12,394,261	12,394,900	1.25
TOTAL ISLAMIC COMMERCIAL PAPERS	<u>87,500,000</u>	<u>86,922,773</u>	<u>86,920,660</u>	<u>8.67</u>
TOTAL UNQUOTED SUKUK AND ISLAMIC COMMERCIAL PAPERS AT FAIR VALUE THROUGH PROFIT OR LOSS	<u>501,300,000</u>	508,689,541	<u>509,524,110</u>	<u>50.77</u>
ACCUMULATED UNREALISED GAIN ON UNQUOTED SUKUK AND ISLAMIC COMMERCIAL PAPERS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>834,569</u>		
TOTAL UNQUOTED SUKUK AND ISLAMIC COMMERCIAL PAPERS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>509,524,110</u>		

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as CIMB Islamic Money Market Fund)

9. CASH AND CASH EQUIVALENTS

	2020	2019
	RM	RM
Short term Shariah-compliant deposits with licensed Islamic financial institutions	133,804,290	137,793,772
Bank balance	112,546	11,235
	133,916,836	137,805,007

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2020	2019
	No. of units	No. of units
At the beginning of the financial year	926,973,900	536,262,161
Add: Creation of units from applications	773,307,897	853,376,871
Add: Creation of units from distributions	30,653,932	27,351,199
Less: Cancellation of units	(552,646,264)	(490,016,331)
At the end of the financial year	1,178,289,465	926,973,900

11. MANAGEMENT EXPENSE RATIO (“MER”)

	2020	2019
	%	%
MER	0.53	0.53

MER is derived based on the following calculation:

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

A = Management fee

B = Trustee fee

C = Audit fee

D = Tax agent's fee

E = Other expenses

F = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial year calculated on a daily basis is RM1,081,279,852 (2019: RM994,387,667).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2020	2019
PTR (times)	1.06	0.71

PTR is derived from the following calculation:

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

where:

total acquisition for the financial year = RM1,790,316,487 (2019: RM1,200,834,602)

total disposal for the financial year = RM500,378,997 (2019: RM205,268,701)

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

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

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

Units held by the Manager and parties related to the Manager

	<u>2020</u>		<u>2019</u>	
	<u>No. of units</u>	<u>RM</u>	<u>No. of units</u>	<u>RM</u>
Manager				
Principal Asset Management Berhad	152,884	164,717	109,351	118,383

In the opinion of the Manager, the above units were transacted at the prevailing market price.

The units are held beneficially by the Manager for booking purposes. Other than the above, there were no units held by the Directors or parties related to the Manager.

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

PRINCIPAL ISLAMIC MONEY MARKET FUND
(formerly known as CIMB Islamic Money Market Fund)

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

	2020	2019
	RM	RM
<u>Significant related party balance</u>		
Bank balance:		
- CIMB Islamic Bank Bhd	112,546	10,863
Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	76,727,110	58,095,937
<u>Significant related party transactions</u>		
Profit income from Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	1,747,088	978,553
Shariah-compliant deposits with licensed Islamic financial institution:		
- CIMB Islamic Bank Bhd	3,375,832,000	2,008,115,000

14. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with the top 10 brokers/dealers for the financial year ended 30 November 2020 are as follows:

Brokers/Dealers	Value of trades	Percentage of total trades
	RM	%
RHB Investment Bank Bhd	463,408,273	20.51
CIMB Islamic Bank Bhd #	343,707,040	15.21
AmBank (M) Bhd	296,713,718	13.13
Malayan Banking Bhd	280,603,601	12.42
CIMB Bank Bhd #	200,038,726	8.85
Hong Leong Bank Bhd	103,784,500	4.59
Alliance Bank Malaysia Bhd	94,684,144	4.19
Hong Leong Investment Bank Bhd	85,063,850	3.76
Standard Chartered Bank (M) Bhd	83,298,250	3.69
Affin Hwang Investment Bank Bhd	82,909,063	3.67
Others	225,517,938	9.98
	2,259,729,103	100.00

14. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

Details of transactions with the top 10 brokers/dealers for the financial year ended 30 November 2019 are as follows:

Brokers/Dealers	Value of trades RM	Percentage of total trades %
Hong Leong Bank Bhd	241,023,125	17.17
Standard Chartered Bank (M) Bhd	191,125,750	13.61
RHB Bank Bhd	175,497,493	12.50
RHB Investment Bank Bhd	143,300,588	10.21
Alliance Bank Malaysia Bhd	140,842,880	10.03
Kenanga Investment Bank Bhd	86,824,072	6.18
Malayan Banking Bhd	81,516,367	5.81
Hong Leong Investment Bank Bhd	69,040,545	4.92
Affin Hwang Investment Bank Bhd	65,361,700	4.66
Others #	209,553,583	14.91
	1,404,086,103	100.00

Included in the transactions are trades conducted with CIMB Bank Bhd and CIMB Islamic Bank Bhd, fellow related parties to the Manager amounting to RM200,038,726 (2019: RM50,683,884) and RM343,707,040 (2019: RM9,999,000). The Manager is of the opinion that all transactions with the related company have been entered into in the normal course of business at agreed terms between the related parties.

15. SUBSEQUENT EVENT

The Manager proposed for the payment of a gross distribution of 0.30 sen per unit in respect of the month of December 2020, which has been approved by the Trustee. The distribution will be accounted for in the net assets attributable to unit holders as an appropriation of the retained earnings for the financial year ending 30 November 2021.

16. SIGNIFICANT EVENT DURING THE YEAR

The worsening macro-economic outlook as a result of COVID-19, both domestically and globally, has impacted the fund performance during the financial year.

The Manager is monitoring the situation closely and will be actively managing the portfolio to achieve the Fund's objective.

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 14 January 2021.

DIRECTORY

Head Office of the Manager

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(formerly known as CIMB Islamic Money Market Fund)

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Shariah Adviser of the Principal Islamic Money Market Fund

(formerly known as CIMB Islamic Money Market Fund)

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Auditors of the Fund

PricewaterhouseCoopers PLT (Company No.: LLP0014401-LCA & AF 1146)
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Tel: (03) 2173 1188
Fax: (03) 2173 1288

Auditors of the Manager

For the financial year ended 31 December 2019

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DIRECTORY (CONTINUED)

Auditors of the Manager

For the financial year ended 31 December 2020

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