

Principal Next-G Connectivity Fund

Annual Report

For The Financial Year Ended 30 April 2023

PRINCIPAL NEXT-G CONNECTIVITY FUND
ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2023

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INVESTORS' LETTER

Dear Valued Investor,

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

We are pleased to bring you a copy of the Annual Fund Report of the Principal Next-G Connectivity Fund for the financial year ended 30 April 2023. You may also download this report from our website at www.principal.com.my.

We are pleased to share that we received the Top Fund House award at the recent 2023 iFAST Awards Night, managing the highest Assets under management ("AUM") among 29 funds houses on the iFAST platform. Principal also won awards in the Best Selling Unit Trust 2022 and the Best Selling Private Retirement Scheme ("PRS") 2022 categories.

Digital innovation is central to our strategy, as we use data and technology to develop the right solutions for you. We will continue to advance our digital capabilities to provide easy access to your investment portfolio and enable you to carry out transactions seamlessly. Please continue to check out our website (www.principal.com.my), like our Facebook page (@PrincipalAssetMY), follow us on our Instagram account (@principalassetmanagement_my), and LinkedIn page (Principal Asset Management Berhad) for the latest updates, market insights and investment articles.

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

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

Munirah Khairuddin
Chief Executive Officer

MANAGER'S REPORT**FUND OBJECTIVE AND POLICY****What is the investment objective of the Fund?**

The Fund aims to achieve capital appreciation through investments in one (1) collective investment scheme ('CIS'), which invests in mobile internet and connectivity related securities.

Has the Fund achieved its objective?

For the financial year under review, the Fund has not achieved its objectives as stated under the Fund Performance section. However, we are taking the necessary action to ensure that the Fund would provide capital growth in the long-term, in line with the Fund's investment objective.

What are the Fund investment policy and principal investment strategy?

The Fund is a feeder fund and it invests in a single CIS, i.e. Neuberger Berman 5G Connectivity Fund ("Target Fund"). The Fund may also invest in liquid assets for liquidity purpose. In order to achieve its investment objective, the Fund will invest at least 95% of its NAV in the Target Fund and may also invest up to 5% of its NAV in liquid assets for liquidity purpose. The Target Fund was established on 8 April 2020 under the Neuberger Berman Investment Funds Plc; an investment company with variable capital and segregated liability between sub-funds incorporated in Ireland.

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

The asset allocation strategy for this Fund is as follows:

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

Information on the Target Fund

Target Fund	: Neuberger Berman 5G Connectivity Fund
Share Class	: Class I3
Currency denomination	: USD
Target Fund Investment Manager	: Neuberger Berman Europe Limited
Target Fund Sub-Investment Manager	: Neuberger Berman Investment Advisers LLC, Neuberger Berman Asia Limited
Regulatory Authority	: Central Bank of Ireland

Base Currency

US Dollar ("USD")

Fund category/ type

Feeder fund/ Growth

When was the Fund launched?

Name of Class	Launch Date
Class AUD-Hedged ("AUD-H")	16 January 2021
Class GBP-Hedged ("GBP-H")	16 January 2021
Class MYR-Hedged ("MYR-H")	16 January 2021
Class SGD-Hedged ("SGD-H")	16 January 2021
Class USD	16 January 2021

FUND OBJECTIVE AND POLICY (CONTINUED)

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

USD22.48 million (136.22 million units)

What is the Fund's benchmark?

The Fund adheres to the benchmark of the Target Fund for performance comparison. Currently, benchmark of the Target Fund is Morgan Stanley Capital International ("MSCI") All-Country World Index ("ACWI").

What is the Fund's distribution policy?

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

What was the net income distribution for the financial period from 1 May 2022 to 30 April 2023?

There was no distribution made for the financial year from 1 May 2022 to 30 April 2023.

PERFORMANCE DATA

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

	30.04.2023	30.04.2022
	%	%
Collective investment scheme	100.21	101.27
Cash and other assets	1.68	1.68
Liabilities	(1.89)	(2.95)
	<u>100.00</u>	<u>100.00</u>

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

	01.05.2022 to 30.04.2023	16.01.2021 (date of launch) to 30.04.2022
NAV (USD Million)		
- Class AUD-H	1.59	3.14
- Class GBP-H	1.24	2.88
- Class MYR-H	15.99	25.69
- Class SGD-H	1.13	2.04
- Class USD	2.53	4.43
Units in circulation (Million)		
- Class AUD-H	4.33	6.54
- Class GBP-H	1.76	3.41
- Class MYR-H	123.18	160.74
- Class SGD-H	2.62	4.12
- Class USD	4.33	6.44
NAV per unit (USD)		
- Class AUD-H	0.3662	0.4800
- Class GBP-H	0.7031	0.8458
- Class MYR-H	0.1298	0.1598
- Class SGD-H	0.4303	0.4943
- Class USD	0.5851	0.6875

PERFORMANCE DATA (CONTINUED)

Performance details of the Fund for the financial years were as follows (continued):

	01.05.2022 to 30.04.2023	16.01.2021 (date of launch) to 30.04.2022
Highest NAV per unit (USD)		
- Class AUD-H	0.4855	0.7982
- Class GBP-H	0.8444	1.4140
- Class MYR-H	0.1593	0.2537
- Class SGD-H	0.4973	0.7710
- Class USD	0.6891	1.0211
Lowest NAV per unit (USD)		
- Class AUD-H	0.3177	0.4800
- Class GBP-H	0.5722	0.8442
- Class MYR-H	0.1120	0.1580
- Class SGD-H	0.3643	0.4943
- Class USD	0.5244	0.6816
Total return (%)		
- Class AUD-H	(17.00)	(32.96)
- Class GBP-H	(16.31)	(32.55)
- Class MYR-H	(16.75)	(30.46)
- Class SGD-H	(15.72)	(31.70)
- Class USD	(14.88)	(31.25)
Capital growth (%)		
- Class AUD-H	(17.00)	(32.96)
- Class GBP-H	(16.31)	(32.55)
- Class MYR-H	(16.75)	(30.46)
- Class SGD-H	(15.72)	(31.70)
- Class USD	(14.88)	(31.25)
Income distribution (%)		
- Class AUD-H	-	-
- Class GBP-H	-	-
- Class MYR-H	-	-
- Class SGD-H	-	-
- Class USD	-	-
Total Expense Ratio ("TER") (%) ^	1.27	1.61
Portfolio Turnover Ratio ("PTR") (times) #	0.27	0.83

^ For the financial year under review, the TER for the Fund fell from 1.61% to 1.27% mainly due to a decrease in expenses.

For the financial year under review, the PTR for the Fund decreased from 0.83 times to 0.27 times, as there were lesser investment trading activities.

PERFORMANCE DATA (CONTINUED)

Performance details of the Fund for the financial year were as follows (continued):

	30.04.2023	Since inception to 30.04.2022 %
Annual total return		
- Class AUD-H	(17.00)	(32.96)
- Class GBP-H	(16.31)	(32.55)
- Class MYR-H	(16.75)	(30.46)
- Class SGD-H	(15.72)	(31.70)
- Class USD	(14.88)	(31.25)

(Launch date: 16 January 2021)

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 MAY 2022 TO 30 APRIL 2023)

In the second half of 2022, global equity markets remained volatile given rising recession concerns. The US Federal Reserve (the "Fed") began its hiking spree and further signalled it would continue lifting rates at a rapid pace to bring inflation down to 2%. Consequently, global markets sold off sharply on the back of rising rates in addition to Europe's energy and currency crises (against strong USD) that continue to fuel recession fears.

Towards the end of 2022, while data suggests inflation has started to ease, Chairman Powell signalled plans to keep rates higher for longer. Meanwhile, In China, most Coronavirus Disease 2019 ("COVID-19") control measures came to an end and borders are slated to reopen.

In the beginning of 2023, markets were buoyed by China reopening optimism, easing inflation, the possibility of an end of the Fed tightening cycle, a weakening USD and positioning tailwinds drove a rotation back to growth-oriented equities.

However, global equity markets returned volatile in April 2023 given mixed macro data and stronger than expected mega-cap tech earnings. Despite signs of cooling inflation where March 2023 US Consumer Price Index ("CPI") came in below expectations and March supplier prices fell from the previous month, the Fed minutes from its March 2023 meeting suggest a recession later this year due to banking sector turmoil. The collapse of Silicon Valley Bank and Signature Bank in March 2023 was followed by First Republic Bank in April 2023. While major global economies are facing slowing growth, China's Gross Domestic Product ("GDP") increased more than expected thanks to post- COVID-19 reopening and stabilization of the housing market.

FUND PERFORMANCE

	1 year 30.04.2023				
	Class AUD-H	Class GBP-H	Class MYR-H	Class SGD-H	Class USD
	%	%	%	%	%
Income Distribution	-	-	-	-	-
Capital Growth	(17.00)	(16.31)	(16.75)	(15.72)	(14.88)
Total Return	(17.00)	(16.31)	(16.75)	(15.72)	(14.88)
Benchmark	2.59	2.59	2.59	2.59	2.59
Average Total Return	(17.00)	(16.31)	(16.75)	(15.72)	(14.88)

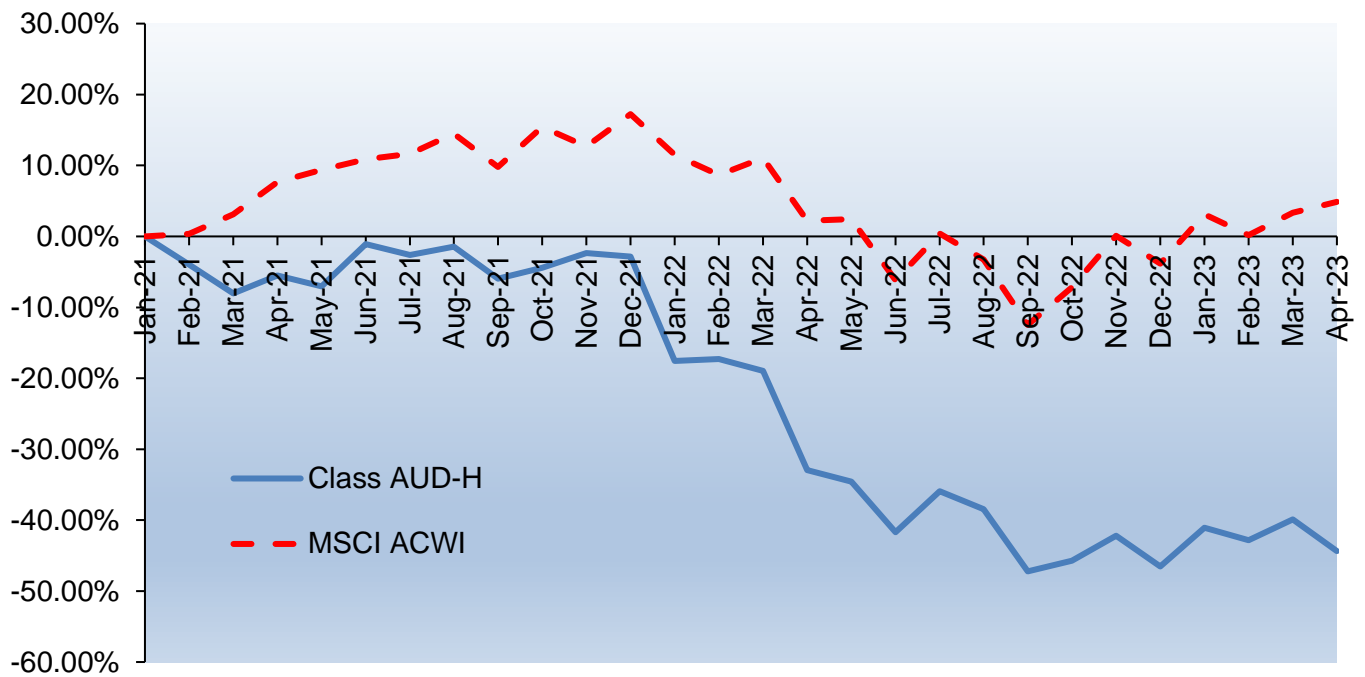
FUND PERFORMANCE (CONTINUED)

	Since inception to 30.04.2023				
	Class AUD-H %	Class GBP-H %	Class MYR-H %	Class SGD-H %	Class USD %
Income Distribution	-	-	-	-	-
Capital Growth	(44.36)	(43.55)	(42.11)	(42.44)	(41.48)
Total Return	(44.36)	(43.55)	(42.11)	(42.44)	(41.48)
Benchmark	4.87	4.87	4.87	4.87	4.87
Average Total Return	(22.61)	(22.12)	(21.25)	(21.45)	(20.88)

During the financial year, the total return for Class AUD-H, Class GBP-H, Class MYR-H, Class SGD-H and Class USD decreased by 17.00%, 16.31%, 16.75%, 15.72%, and 14.88% respectively. Meanwhile, the benchmark increased by 2.59% within the same reporting year.

Since Inception

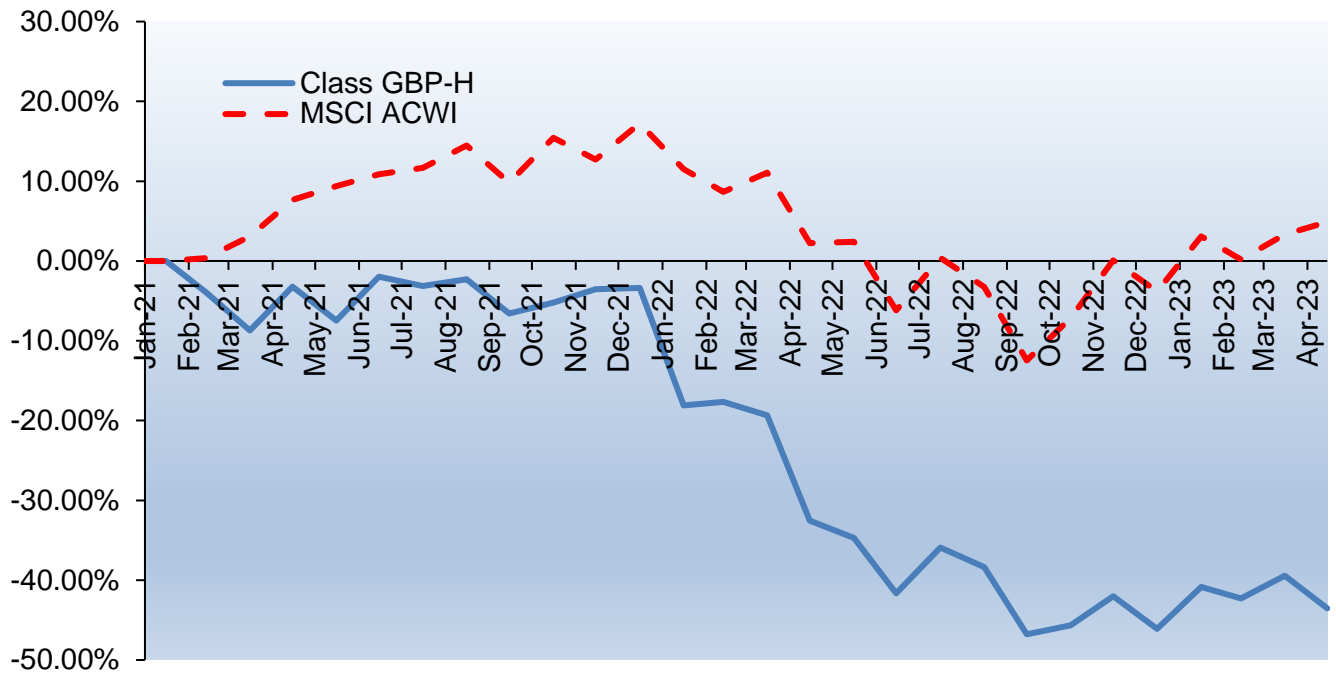
CLASS AUD-H



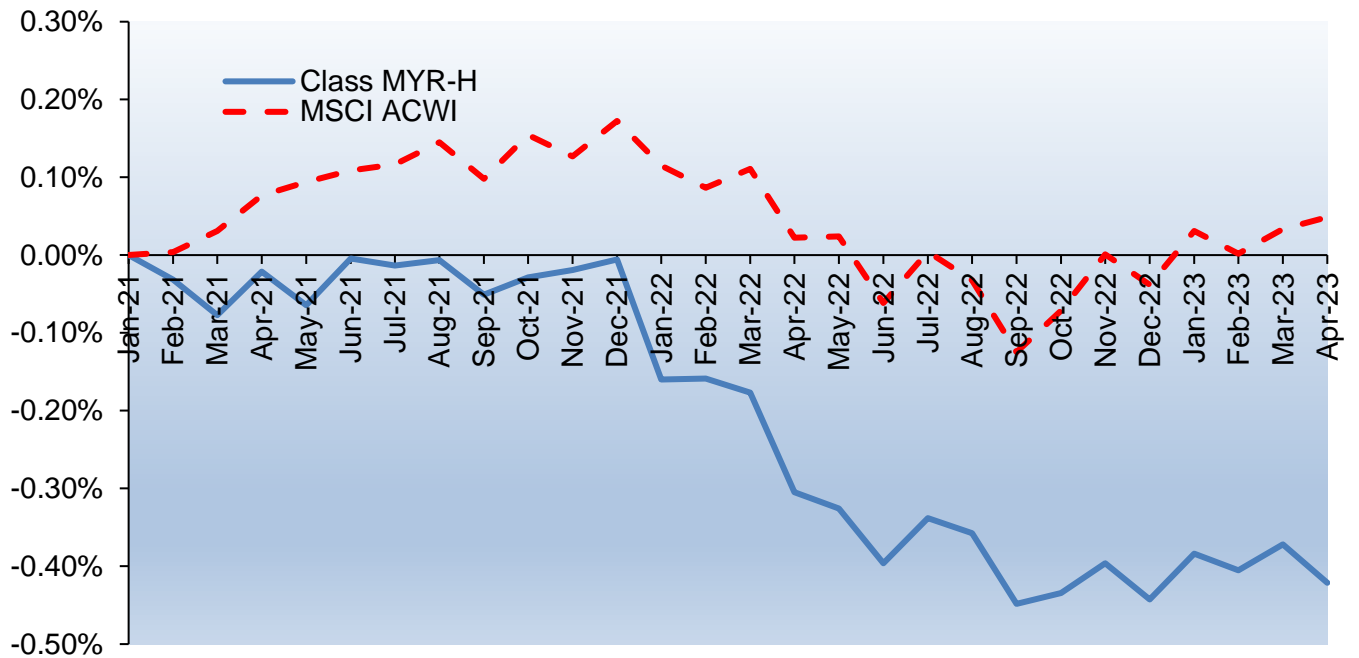
FUND PERFORMANCE (CONTINUED)

Since Inception

Class GBP-H



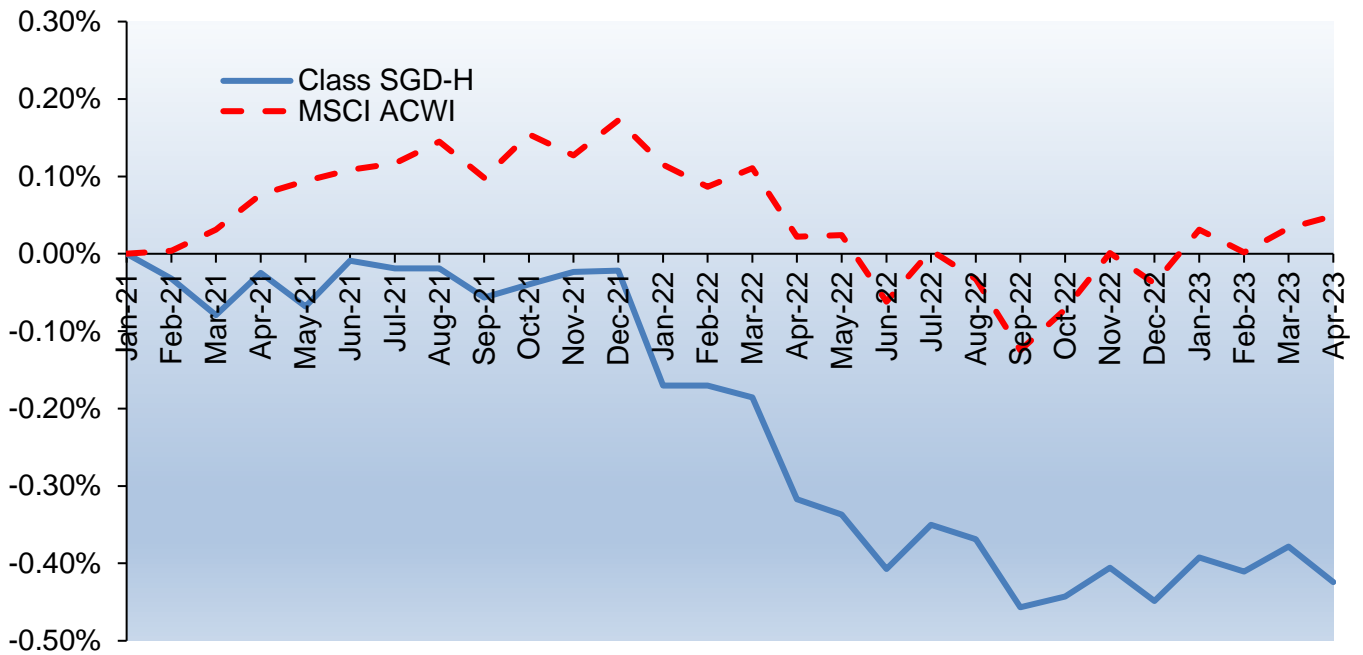
CLASS MYR-H



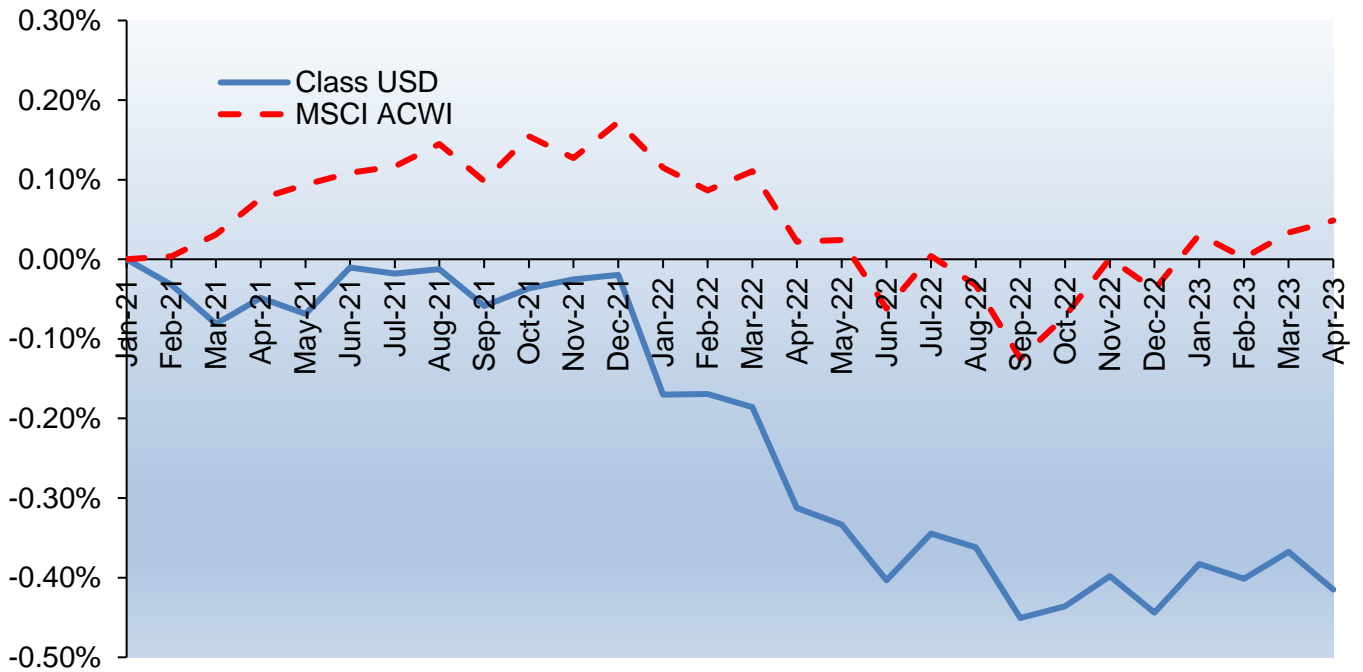
FUND PERFORMANCE (CONTINUED)

Since Inception

CLASS SGD-H



CLASS USD



FUND PERFORMANCE (CONTINUED)**Changes in NAV**

	30.04.2023	30.04.2022	Changes %
CLASS AUD-H			
NAV (USD Million)	1.59	3.14	(49.36)
NAV/Unit (USD)	0.3662	0.4800	(23.71)
CLASS GBP-H			
NAV (USD Million)	1.24	2.88	(56.94)
NAV/Unit (USD)	0.7031	0.8458	(16.87)
CLASS MYR-H			
NAV (USD Million)	15.99	25.69	(37.76)
NAV/Unit (USD)	0.1298	0.1598	(18.77)
CLASS SGD-H			
NAV (USD Million)	1.13	2.04	(44.61)
NAV/Unit (USD)	0.4303	0.4943	(12.95)
CLASS USD			
NAV (USD Million)	2.53	4.43	(42.89)
NAV/Unit (USD)	0.5851	0.6875	(14.90)

For the financial year under review, the Fund's NAV for Class AUD-H, Class GBP-H, Class MYR-H, Class SGD-H and Class USD decreased by 49.36%, 56.94%, 37.76%, 44.61% and 42.89% respectively. The changes in NAV reflects the net creations and redemptions during the financial year under review.

In addition, the Fund's NAV/unit for Class AUD-H, Class GBP-H, Class MYR-H, Class SGD-H and Class USD decreased by 23.71%, 16.87%, 18.77%, 12.94% and 14.90% respectively.

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

PORTFOLIO STRUCTURE**Asset allocation**

(% of NAV)	30.04.2023	30.04.2022
Collective investment scheme	100.21	101.27
Cash and other assets	1.68	1.68
Liabilities	(1.89)	(2.95)
TOTAL	100.00	100.00

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

PORTFOLIO STRUCTURE CONTINUED)

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

	% of NAV
Top 10 holdings *	30.04.2023
Advanced Micro Devices Inc	5.04
ServiceNow Inc	4.22
Arista Networks Inc	3.69
T-Mobile US Inc	3.66
ASM International NV	3.49
Palo Alto Networks Inc	3.40
Keysight Technologies Inc	3.29
Taiwan Semiconductor Manufacturing	3.25
Advantest Corp	3.16
STMicroelectronics NV	3.03

* As disclosed in the Fund Fact Sheet.

MARKET OUTLOOK*

While the pace of rate hikes is expected to slow, rates are likely to be kept higher for longer and macro uncertainty could persist. We thus continue to emphasize on quality but are ready to capture tactical opportunities and position for cyclical growth. Volatility remains and so we keep our focus on are as with strong earnings tailwinds and visibility while keeping our valuation discipline. The fifth generation ("5G") theme is strengthening as it has become a national priority and digitalization of the economy is irreversible. We are positive on beneficiaries of the acceleration in 5G rollout, a strategic semi-conductor industry, proliferation of industrial lots, and key beneficiaries and enablers of digital transformation. As market sentiment improves in 2023, we believe strong stock selection and fundamental analysis will start to work again. We stress on the importance of being nimble and plan to take advantage of market dislocations to trade up for higher quality exposures where we see incremental positive outlook, better earnings power, and validation of our 5G investment thesis.

INVESTMENT STRATEGY

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

SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (the "Manager") and the Trustee 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 research and advisory services that assist in the decision making process relating to the Fund's investments. All dealings with brokers are executed on most favourable terms available for the Fund.

During the financial year 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 such as financial wire services and stock quotations system incidental to investment management of the Funds. The Manager confirms that the goods and services received were for the benefit of the Fund, the trades were made on a best execution basis and there was no churning of trades.

SECURITIES FINANCING TRANSACTIONS

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

STATE OF AFFAIR OF THE FUND

Latest changes to the Statement by Manager's signatory as follows:

Mr. Juan Ignacio Eyzaguirre Baraona (retired on 30 June 2022)

Mr. Uday Jayaram (appointed on 30 June 2022)

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

CIRCUMSTANCES THAT MATERIALLY AFFECT ANY INTEREST OF UNIT HOLDERS

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

CROSS TRADE

No cross-trade transactions have been carried out during the financial year under review.

UNIT SPLIT

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

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
PRINCIPAL NEXT-G CONNECTIVITY FUND**

We, being the Directors of Principal Asset Management Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 7 to 31 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 April 2023 and of its financial performance, changes in net assets attributable to unit holders and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

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

MUNIRAH KHAIRUDDIN

Chief Executive Officer/Executive Director

UDAY JAYARAM

Director

Kuala Lumpur

16 June 2023

TRUSTEE'S REPORT

**TO THE UNIT HOLDERS OF
PRINCIPAL NEXT-G CONNECTIVITY FUND (“Fund”)**

We have acted as Trustee of the Fund for the financial year ended 30 April 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Principal Asset Management Berhad has operated and managed the Fund during the year covered by these financial statements in accordance with the following:

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

For HSBC (Malaysia) Trustee Berhad

Yap Lay Guat
Manager, Investment Compliance Monitoring

Kuala Lumpur
16 June 2023

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL NEXT-G CONNECTIVITY FUND**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Principal Next-G Connectivity Fund (the "Fund"), which comprise the statement of financial position as at 30 April 2023, and statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows of the Fund for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 31.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 April 2023, and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL NEXT-G CONNECTIVITY FUND (CONTINUED)**

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

Information other than the financial statements and auditors' report thereon

The Manager of the Fund (the "Manager") is responsible for the other information. The other information comprises the information included in the annual report of the Fund, but does not include the financial statements of the Fund and our auditors' report thereon.

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

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

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

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation of financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Trustee is responsible for overseeing the Fund's financial reporting process. The Trustee is also responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL NEXT-G CONNECTIVITY FUND (CONTINUED)****Report on the audit of the financial statements (cont'd.)***Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

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

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL NEXT-G CONNECTIVITY FUND (CONTINUED)**

Other matters

This report is made solely to the Unit Holders of the Fund, as a body, in accordance with the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, the Capital Markets and Services Act 2007 issued by the Securities Commission Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

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

Kuala Lumpur, Malaysia
16 June 2023

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2023**

			16.01.2021 (date of launch) to 30.04.2022
	Note	2023 USD	USD
INCOME/(LOSS)			
Net loss on financial assets at fair value through profit or loss	7	(4,740,820)	(15,662,102)
Net loss on derivatives at fair value through profit or loss	8	(1,267,062)	(2,963,126)
Net foreign exchange gain/(loss)		5,421	(95,189)
		<u>(6,002,461)</u>	<u>(18,720,417)</u>
EXPENSES			
Management fee	4	496,748	1,264,463
Trustee fee	5	11,039	28,099
Audit fee		2,298	2,500
Tax agent's fee		1,517	1,500
Other expenses		3,181	3,295
		<u>514,783</u>	<u>1,299,857</u>
LOSS BEFORE TAXATION		(6,517,244)	(20,020,274)
Taxation	6	-	-
LOSS AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		<u>(6,517,244)</u>	<u>(20,020,274)</u>
Loss after taxation is made up as follows:			
Realised amount		(9,580,004)	(3,681,113)
Unrealised amount		3,062,760	(16,339,161)
		<u>(6,517,244)</u>	<u>(20,020,274)</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2023**

	Note	2023 USD	2022 USD
ASSETS			
Cash and cash equivalents	9	266,376	403,030
Financial assets at fair value through profit or loss	7	22,524,140	38,662,794
Amount due from Manager		4,384	48,286
Amount due from dealer		91,187	98,513
Amount due from Manager of collective investment scheme			
- sale of collective investment scheme		-	70,000
- management fee rebate		14,657	21,587
TOTAL ASSETS		<u>22,900,744</u>	<u>39,304,210</u>
LIABILITIES			
Derivative liabilities at fair value through profit or loss	8	129,942	788,607
Amount due to dealer		91,241	98,290
Amount due to Manager		160,497	169,760
Accrued management fee		35,162	62,850
Amount due to Trustee		782	1,397
Other payables and accruals		5,690	4,000
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)		<u>423,314</u>	<u>1,124,904</u>
NET ASSET VALUE OF THE FUND		<u>22,477,430</u>	<u>38,179,306</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>22,477,430</u>	<u>38,179,306</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2023 (CONTINUED)**

	Note	2023 USD	2022 USD
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDING UNITS (USD)			
- Class AUD-H		1,585,384	3,139,040
- Class GBP-H		1,239,496	2,881,671
- Class MYR-H		15,993,220	25,688,937
- Class SGD-H		1,125,161	2,037,944
- Class USD		2,534,169	4,431,714
		<u>22,477,430</u>	<u>38,179,306</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)			
- Class AUD-H		4,329,804	6,540,132
- Class GBP-H		1,762,957	3,407,170
- Class MYR-H		123,177,689	160,736,369
- Class SGD-H		2,614,616	4,122,931
- Class USD		4,331,028	6,446,021
	10	<u>136,216,094</u>	<u>181,252,623</u>
NET ASSET VALUE PER UNIT (USD)			
- Class AUD-H		0.3662	0.4800
- Class GBP-H		0.7031	0.8458
- Class MYR-H		0.1298	0.1598
- Class SGD-H		0.4303	0.4943
- Class USD		<u>0.5851</u>	<u>0.6875</u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES			
- Class AUD-H		AUD0.5564	AUD0.6703
- Class GBP-H		GBP0.5645	GBP0.6744
- Class MYR-H		MYR0.5789	MYR0.6955
- Class SGD-H		SGD0.5754	SGD0.6830
- Class USD		<u>USD0.5851</u>	<u>USD0.6875</u>

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

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2023**

	2023 USD	16.01.2021 (date of launch) to 30.04.2022 USD
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR/PERIOD	<u>38,179,306</u>	<u>-</u>
Movement due to units created and cancelled during the financial year/period:		
Creation of units from applications		
- Class AUD-H	13,723	6,794,035
- Class GBP-H	12,185	5,730,513
- Class MYR-H	351,319	50,026,786
- Class SGD-H	5,671	6,334,845
- Class USD	<u>15,000</u>	<u>9,110,612</u>
	<u>397,898</u>	<u>77,996,791</u>
Cancellation of units		
- Class AUD-H	(898,015)	(1,670,998)
- Class GBP-H	(1,169,794)	(972,017)
- Class MYR-H	(5,513,440)	(11,274,475)
- Class SGD-H	(678,689)	(3,162,277)
- Class USD	<u>(1,322,592)</u>	<u>(2,717,444)</u>
	<u>(9,582,530)</u>	<u>(19,797,211)</u>
Total comprehensive loss for the financial year/period	<u>(6,517,244)</u>	<u>(20,020,274)</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR/PERIOD	<u><u>22,477,430</u></u>	<u><u>38,179,306</u></u>

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

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2023**

	Note	2023 USD	16.01.2021 (date of launch) to 30.04.2022 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of collective investment scheme		13,050,000	18,335,000
Purchase of collective investment scheme		(1,745,000)	(73,140,000)
Management fee paid		(524,435)	(1,201,612)
Management fee rebates received		169,764	388,516
Trustee fees paid		(11,654)	(26,702)
Payments for other fees and expenses		(5,306)	(3,295)
Net realised loss on forward foreign currency contracts		(1,925,449)	(2,174,742)
Net realised foreign exchange loss		(4,248)	(95,046)
Net cash used in operating activities		<u>9,003,672</u>	<u>(57,917,881)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		441,801	77,948,505
Payments for cancellation of units		(9,591,793)	(19,627,451)
Net cash generated from financing activities		<u>(9,149,992)</u>	<u>58,321,054</u>
Net increase in cash and cash equivalents		(146,320)	403,173
Effects of foreign exchange differences		9,666	(143)
Cash and cash equivalents at the beginning of the financial year		<u>403,030</u>	<u>-</u>
Cash and cash equivalents at the end of the financial year	9	<u>266,376</u>	<u>403,030</u>
<u>Cash and cash equivalents comprised:</u>			
Bank balances		<u>266,376</u>	<u>403,030</u>
Cash and cash equivalents at the end of the financial year	9	<u>266,376</u>	<u>403,030</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 APRIL 2023

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal Next-G Connectivity Fund (the “Fund”) was constituted pursuant to the execution of a Deed dated 28 December 2020 (collectively known as the “Deed”), made between Principal Asset Management Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

The Fund is a feeder fund and it invests in a single CIS, i.e. Neuberger Berman 5G Connectivity Fund (“Target Fund”). The Fund may also invest in liquid assets for liquidity purpose. In order to achieve its investment objective, the Fund will invest at least 95% of its NAV in the Target Fund and may also invest up to 5% of its NAV in liquid assets for liquidity purpose. The Target Fund was established on 8 April 2020 under the Neuberger Berman Investment Funds Plc; an investment company with variable capital and segregated liability between sub-funds incorporated in Ireland.

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

The asset allocation strategy for this Fund is as follows:

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

Information on the Target Fund

Target Fund	: Neuberger Berman 5G Connectivity Fund
Share Class	: Class I3
Currency denomination	: USD
Target Fund Investment Manager	: Neuberger Berman Europe Limited
Target Fund Sub-Investment Manager	: Neuberger Berman Investment Advisers LLC, Neuberger Berman Asia Limited
Regulatory Authority	: Central Bank of Ireland

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

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

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

There are no other standards, amendments to standards or interpretations that are effective for annual years beginning on 1 May 2022 that have a material effect on the financial statements of the Fund.

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

(b) Financial assets and financial liabilities

Classification

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Classification (continued)

The contractual cash flows of the Fund's debt securities are solely principal and interest ("SPPI"). However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

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

All of the Fund's financial liabilities are measured at amortised cost.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value.

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets and financial liabilities (continued)**Impairment for assets carried at amortised costs

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

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

(c) Income recognition

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

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

(d) Foreign currencyFunctional and presentation currency

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency (continued)

Functional and presentation currency (continued)

Due to mixed factors in determining the functional currency of the Fund, the Manager has used its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have determined the functional currency to be in USD primarily due to the following factors:

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income.

(e) Cash and cash equivalents

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

(f) Taxation

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

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

(g) Realised and unrealised portions of profit or loss after tax

The analysis of realised and unrealised portions of profit or loss after tax as presented on the statement of comprehensive income is guided by SC Guidelines on Unit Trust Funds¹.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(i) Unit holders' contributions**

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

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

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

(j) Management fee rebate

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

(k) Amount due from/to dealer

Amounts due from and amount due to dealer represents receivables for Spot foreign exchange ("FX") sold and payables for Spot FX purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

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

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

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

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund were as follows:

	Financial assets at fair value through profit or loss USD	Financial assets at amortised cost USD	Total USD
2023			
Cash and cash equivalents (Note 9)	-	266,376	266,376
Collective investment scheme (Note 7)	22,524,140	-	22,524,140
Amount due from dealer		91,187	91,187
Amount due from Manager	-	4,384	4,384
Amount due from Manager of the collective investment scheme - management fee rebate	-	14,657	14,657
	<u>22,524,140</u>	<u>376,604</u>	<u>22,900,744</u>
2022			
Cash and cash equivalents (Note 9)	-	403,030	403,030
Collective investment scheme (Note 7)	38,662,794	-	38,662,794
Amount due from dealer		98,513	98,513
Amount due from Manager	-	48,286	48,286
Amount due from Manager of the collective investment scheme - sale of collective investment scheme	-	70,000	70,000
- management fee rebate	-	21,587	21,587
	<u>38,662,794</u>	<u>641,416</u>	<u>39,304,210</u>

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

The Fund aims to provide income and moderate capital growth through investments in one collective investment scheme, which invests primarily in a diversified portfolio of securities related to China.

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and currency risk), credit risk and liquidity risk.

Financial risk management is carried out through internal control process adopted by the Manager and adherence to the investment restrictions as stipulated in the Deed and SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

(a) Market risk

(i) Price risk

Price risk is the risk that the fair value of an investment in collective investment scheme will fluctuate because of changes in market prices (other than those arising from currency risk). The value of collective investment scheme may fluctuate according to the activities of individual companies, sector and overall political and economic conditions.

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

(a) Market risk (continued)

(i) Price risk (continued)

Such fluctuation may cause the Fund's NAV and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

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

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

	2023	2022 USD
Financial assets at fair value through profit or loss:		
- Collective investment scheme	<u>22,524,140</u>	<u>38,662,794</u>

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

% Change in price of collective investment scheme	Market value USD	Impact on profit or loss/NAV USD
2023		
-5%	21,397,933	(1,126,207)
0%	22,524,140	-
+5%	<u>23,650,347</u>	<u>1,126,207</u>
2022		
-5%	36,729,654	(1,933,140)
0%	38,662,794	-
+5%	<u>40,595,934</u>	<u>1,933,140</u>

(ii) Currency risk

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

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

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

(a) Market risk (continued)

(ii) Currency risk

	Cash and cash equivalents USD	Amount due from dealer USD	Amount due from Manager USD	Total USD
Financial assets				
2023				
AUD	658	-	-	658
GBP	592	-	-	592
MYR	2,257	86,801	4,384	93,442
SGD	987	-	-	987
	<u>4,494</u>	<u>86,801</u>	<u>4,384</u>	<u>95,679</u>
30.04.2022				
AUD	716	-	-	716
GBP	941	-	-	941
MYR	230	-	48,286	48,516
SGD	1,982	-	-	1,982
	<u>3,869</u>	<u>-</u>	<u>48,286</u>	<u>52,155</u>
Financial liabilities				
2023				
MYR		4,384	159,348	163,732
		<u>4,384</u>	<u>159,348</u>	<u>163,732</u>
2022				
AUD		-	10,512	10,512
MYR		-	159,248	159,248
		<u>-</u>	<u>169,760</u>	<u>169,760</u>

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

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

(a) Market risk (continued)

(ii) Currency risk (continued)

Change in foreign exchange rate		Impact on profit or loss/NAV	
	%	2023 USD	2022 USD
AUD	+/-5	+/- 33	+/- 490
GBP	+/-5	+/- 30	+/- 47
MYR	+/-5	+/- 3,515	+/- 5,537
SGD	+/-5	+/- 49	+/- 99
		<u>+/- 3,627</u>	<u>+/- 6,173</u>

(b) Credit risk

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

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

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

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

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

The following table sets out the credit risk concentration of the Fund at the end of the reporting year:

	Cash and cash equivalents USD	Financial assets at fair value through profit or loss USD	Amount due from dealer USD	Amount due from Manager USD	Amount due from Manager of collective investment scheme - management fee rebate USD	Total USD
2023						
-AAA	266,376	-	-	-	-	266,376
-Not Rated	-	22,524,140	91,187	4,384	14,657	22,634,368
	<u>266,376</u>	<u>22,524,140</u>	<u>91,187</u>	<u>4,384</u>	<u>14,657</u>	<u>22,900,744</u>

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

	Cash and cash equivalents USD	Financial assets at fair value through profit or loss USD	Amount due from dealer USD	Amount due from Manager USD	Amount due from Manager of collective investment scheme - sale of collective investment scheme USD	Amount due from Manager of collective investment scheme - management fee rebate USD	Total USD
2022							
-AAA	403,030	-	-	-	-	-	403,030
-Not Rated	-	38,662,794	98,513	48,286	70,000	21,587	38,901,180
	403,030	38,662,794	98,513	48,286	70,000	21,587	39,304,210

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

(c) **Liquidity risk**

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

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balances and deposits with licensed financial institutions, which are capable of being converted into cash within 7 business days. The Fund's investments in collective investment scheme are realisable which are capable of being converted into cash within 10 business days. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

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

	Less than 1 month USD	Between 1 month to 1 year USD	Total USD
2023			
Derivative liabilities at fair value through profit or loss	129,942	-	129,942
Amount due to dealer	91,241	-	91,241
Amount due to Manager	160,497	-	160,497
Accrued management fee	35,162	-	35,162
Amount due to Trustee	782	-	782
Other payables and accruals	-	5,690	5,690
Net assets attributable to unit holders*	22,477,430	-	22,477,430
Contractual undiscounted cash flows	22,895,054	5,690	22,900,744

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

(c) Liquidity risk (continued)

	Less than 1 month USD	Between 1 month to 1 year USD	Total USD
2022			
Derivative liabilities at fair value			
through profit or loss	788,607		788,607
Amount due to dealer	98,290		98,290
Amount due to Manager	169,760	-	169,760
Accrued management fee	62,850	-	62,850
Amount due to Trustee	1,397	-	1,397
Other payables and accruals	-	4,000	4,000
Net assets attributable to unit holders*	38,179,306	-	38,179,306
Contractual undiscounted cash flows	39,300,210	4,000	39,304,210

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

(d) Capital risk management

The capital of the Fund is represented by net assets attributable to unit holders of USD22,477,430 (30.04.2022: USD38,179,306). 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 market falls within the bid-ask spread. In circumstances where the last traded market price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

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.

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
2023				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	<u>22,524,140</u>	<u>-</u>	<u>-</u>	<u>22,524,140</u>
2022				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	<u>38,662,794</u>	<u>-</u>	<u>-</u>	<u>38,662,794</u>

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

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted fixed income securities, forward foreign currency contracts and interest rate swaps.

As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

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

4. MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a maximum management fee of 3.00% per annum for each class, calculated daily based on the NAV of the Fund.

For the financial year ended 30 April 2023 and 16 January 2021 (date of launch) to 30 April 2022, the management fee is recognised at a rate of 1.80% per annum for each class.

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

5. TRUSTEE FEE

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

For the financial year ended 30 April 2023 and 16 January 2021 (date of launch) to 30 April 2022, the trustee fee is recognised at a rate of 0.04% per annum for each class.

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

6. TAXATION

	2023 USD	30.04.2022 USD
Tax charged for the financial year:		
- Current taxation	-	-

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

6. TAXATION (CONTINUED)

	2023	16.01.2021 (date of launch) to 30.04.2022 USD
Loss before taxation	(6,517,244)	(20,020,274)
Taxation at Malaysian statutory rate of 24% (2022: 24%)	(1,564,139)	(4,804,866)
Tax effects of:		
Investment loss not deductible for tax purpose	1,440,591	4,492,900
Expenses not deductible for tax purposes	3,777	7,895
Restriction on tax deductible expenses for Unit Trust Funds	119,771	304,071
Taxation	-	-

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 USD	2022 USD
At fair value through profit or loss:		
- Collective investment scheme	22,524,140	38,662,794
	2023 USD	16.01.2021 (date of launch) to 30.04.2022 USD
Net loss on financial assets at fair value through profit or loss:		
- Realised loss on disposals	(7,298,082)	(521,794)
- Unrealised fair value gain/(loss)	2,394,427	(15,550,411)
- Management fee rebate #	162,835	410,103
	(4,740,820)	(15,662,102)

Management fee rebate represents the Fund's entitlement to management fee rebate from the Manager of collective investment scheme the Fund invests in.

For the financial year ended 30 April 2023 management fee rebate is recognised at a rate of 0.60% per annum for each class (30.4.2022: 0.60% per annum for each class).

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

Name of counter	Quantity Units	Aggregate cost USD	Market value USD	Percentage of NAV %
2023				
COLLECTIVE INVESTMENT SCHEME				
Neuberger Berman Asset Management Ireland Ltd- NB-5G Connect-I3 USD Acc	<u>3,194,913</u>	<u>35,680,124</u>	<u>22,524,140</u>	<u>100.21</u>
TOTAL COLLECTIVE INVESTMENT SCHEME	<u>3,194,913</u>	<u>35,680,124</u>	<u>22,524,140</u>	<u>100.21</u>
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(13,155,984)</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>22,524,140</u>		
Name of counter	Quantity Units	Aggregate cost USD	Market value USD	Percentage of NAV %
2022				
COLLECTIVE INVESTMENT SCHEME				
Neuberger Berman Asset Management Ireland Ltd- NB-5G Connect-I3 USD Acc	<u>4,726,503</u>	<u>54,213,205</u>	<u>38,662,794</u>	<u>101.27</u>
TOTAL COLLECTIVE INVESTMENT SCHEME	<u>4,726,503</u>	<u>54,213,205</u>	<u>38,662,794</u>	<u>101.27</u>
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(15,550,411)</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>38,662,794</u>		

8. DERIVATIVE ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 USD	2022 USD
Forward foreign currency contracts	(129,942)	(788,607)
		16.01.2021 (date of launch) to 30.04.2022
	2023 USD	USD
Net realised loss on forward foreign currency contracts	(1,925,727)	(2,174,519)
Net unrealised gain/(loss) on forward foreign currency contracts	658,665	(788,607)
	(1,267,062)	(2,963,126)

As at 30 April 2023 there are 9 outstanding forward foreign currency contracts (30.04.2022: 20). The notional principal amount of the outstanding forward foreign currency contracts amounted to USD22,414,528 (30.04.2022: USD41,126,544).

The forward foreign currency contracts are entered into during the financial year to minimise the risk of foreign currency exposure between the USD and the Australian Dollar ("AUD"), Great Britain Pound ("GBP"), Malaysian Ringgit ("MYR"), and Singapore Dollar ("SGD") for the Fund.

As the Fund has not adopted hedge accounting during the financial year, any changes in the fair value of the forward foreign currency contracts are recognised immediately in the statement of comprehensive income during the year in which it was incurred.

9. CASH AND CASH EQUIVALENTS

	2023 USD	2022 USD
Bank balances	266,376	403,030

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2023 No. of units	2022 No. of units
Class AUD-H (i)	4,329,804	6,540,132
Class GBP-H (ii)	1,762,957	3,407,170
Class MYR-H (iii)	123,177,689	160,736,369
Class SGD-H (iv)	2,614,616	4,122,931
Class USD (v)	4,331,028	6,446,021
	136,216,094	181,252,623
		16.01.2021 (date of launch) to 30.04.2022
	2023 No. of units	No. of units
(i) Class AUD-H		
At the beginning of the financial year	6,540,132	-
Add: Creation of units from applications	29,863	9,005,928
Less: Cancellation of units	(2,240,191)	(2,465,796)
At the end of the financial year	4,329,804	6,540,132

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

	2023	16.01.2021 (date of launch) to 30.04.2022
	No. of units	No. of units
(ii) Class GBP-H		
At the beginning of the financial year	3,407,170	-
Add: Creation of units from applications	16,068	4,223,907
Less: Cancellation of units	(1,660,281)	(816,737)
At the end of the financial year	<u>1,762,957</u>	<u>3,407,170</u>
(iii) Class MYR-H		
At the beginning of the financial year	160,736,369	-
Add: Creation of units from applications	2,521,597	210,238,271
Less: Cancellation of units	(40,080,277)	(49,501,902)
At the end of the financial year	<u>123,177,689</u>	<u>160,736,369</u>
(iv) Class SGD-H		
At the beginning of the financial year	4,122,931	-
Add: Creation of units from applications	12,740	8,597,572
Less: Cancellation of units	(1,521,055)	(4,474,641)
At the end of the financial year	<u>2,614,616</u>	<u>4,122,931</u>
(v) Class USD		
At the beginning of the financial year	6,446,021	-
Add: Creation of units from applications	24,587	9,333,196
Less: Cancellation of units	(2,139,580)	(2,887,175)
At the end of the financial year	<u>4,331,028</u>	<u>6,446,021</u>

11. TOTAL EXPENSE RATIO ("TER")

	2023	16.01.2021 (date of launch) to 30.04.2022
	%	%
TER	<u>1.27</u>	<u>1.61</u>

TER is derived from the following calculation:

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

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 USD27,679,848 (30.04.2022: USD55,204,395).

12. PORTFOLIO TURNOVER RATIO ("PTR")

	2023	16.01.2021 (date of launch) to 30.04.2022
PTR (times)	0.27	0.83

PTR is derived based on 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	=	USD1,745,000 (30.04.2022: USD73,140,000)
total disposal for the financial year	=	USD12,980,000 (30.04.2022: USD18,405,000)

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

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

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

Units held by the Manager and parties related to the Manager

	No. of units	2023 USD	No. of units	2022 USD
Manager				
Principal Asset Management Berhad				
- Class MYR-H	6	1	6,116	977
- Class USD	1	1	1	1

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

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

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.

There were no significant related party transactions during the financial year, other than those already disclosed in the financial statements.

14. TRANSACTIONS WITH BROKERS

Details of transactions with the top 10 brokers for the financial year ended 30 April 2023.

Broker	Value of trades USD	Percentage of total trades %
Neuberger Berman Investment Fund PLC	14,725,000	100.00
	<u>14,725,000</u>	<u>100.00</u>

Details of transactions with the top 10 brokers for the financial period from 16 January 2021 (date of launch) to 30 April 2022 were as follows:

Broker	Value of trades USD	Percentage of total trades %
Neuberger Berman Investment Fund PLC	91,545,000	100.00
	<u>91,545,000</u>	<u>100.00</u>

15. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 16 June 2023.

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Trustee for the Principal Next-G Connectivity Fund

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