

**PRINCIPAL SUSTAINABLE CONSERVATIVE BOND FUND**  
**QUARTERLY REPORT**  
**FOR THE QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2024**

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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 Quarterly Fund Report of the Principal Sustainable Conservative Bond Fund for the financial period ended 31 December 2024. You may also download this report from our website at [www.principal.com.my](http://www.principal.com.my).

We are proud to announce that Principal Malaysia has earned numerous accolades in 2024. At the Asia Asset Management 2024 Best of the Best Awards, we were honored with the Best of the Best Performance Award for China A-Share Equity (3 years) and recognized as the Best Institutional House – Malaysia. At the 2024 Global Banking & Finance Awards, our CEO, Munirah Khairuddin, was named Asset Management CEO of the Year Malaysia, and our company was recognized as Asset Management Company of the Year Malaysia. Additionally, we received the Best International Equity Fund Manager for MSCI EM Latin America 2023 at the EPF External Fund Managers Awards 2023.

At the Alpha Southeast Asia Fund Management Awards 2024, we won three awards: Best Absolute Return Strategy, Best Online & Mobile Platform (Asset Manager), and Best Asset Manager (Income-Oriented, Money Market & Alternative Investment Funds). The International Finance Awards honored us with 'Best Asset Management Company – Malaysia 2024' and 'Best Asset Management CEO – Munirah Khairuddin – Malaysia 2024'. At the Triple A Sustainable Investing Awards 2024, we secured the Asset Management Company of the Year (Malaysia) award. The World Business Outlook magazine recognized us with the titles of Best Investment Management and Solutions Provider Malaysia, Best Institutional House Malaysia, and Asset Management CEO (Munirah Khairuddin) of the Year Malaysia. Additionally, we received three awards at the iFast Awards 2024, seven at the LSEG Lipper Fund Awards 2024, ten at the FSMOne Recommended Funds 2023/2024, and two at the Edge Awards 2024.

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, like our Facebook page (@PrincipalMalaysia), follow us on our Instagram account (@principalmalaysia), and LinkedIn page (Principal Malaysia) 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,  
Malaysia & Global Shariah & Managing Director,  
Strategic Distribution & Institutional Client Relations  
(Southeast Asia & Global Shariah)  
Non-Independent Executive Director

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

The Fund aims to achieve regular income through sustainable investments in a diversified portfolio of Malaysian bonds.

**Has the Fund achieved its objective?**

The Fund has achieved its objective of providing income through sustainable investment in a diversified portfolio of Malaysian bonds.

**What are the Fund investment policy and principal investment strategy?**

The Fund will be managed with the aim of achieving regular income through sustainable investments in a diversified portfolio of Malaysian bonds. The Fund will invest at least 80% of its NAV in corporate bonds, and up to 20% of its NAV in government bonds and liquid assets including cash and short-term money market instruments.

The Fund's investment in bonds will be restricted to bonds rated at least a minimum credit rating of "AA3" by RAM or its equivalent rating by MARC. For diversification purpose, the Fund intends to invest in a variety of short-term (less than 1 year), short to medium term (1 - 3 years), medium to long term (3 - 5 years) and long term (more than 5 years) bonds, in which the Fund aims to maintain an overall portfolio duration of below 3 years.

The asset allocation strategy for this Fund is as follows:

- at least 80% of the Fund's NAV will be invested in the corporate bonds; and
- up to 20% of the Fund's NAV may be invested in government bond and liquid assets including cash and short-term money market instruments.

**Base Currency**

MYR

**Fund category/type**

Wholesale Fund (Bond) Income.

**When was the Fund launched?**

Name of Class	Launch Date
Class MYR	18 June 2024

**What was the size of the Fund as at 31 December 2024?**

RM556.52 million (553.19 million units)

**What is the Fund's benchmark?**

50% RF BPAM Corporates AAA 1Y-3Y All Bond Index + 50% RF BPAM Corporates AA 1Y-3Y All Bond Index.

*Note: The Fund's benchmark is for performance comparison purpose only. The information on the benchmark can be obtained from [www.bpam.com.my](http://www.bpam.com.my).*

**What is the Fund distribution policy?**

Distributions, if any, will be at the discretion of the Manager and will vary from period to period depending on market conditions and performance of the Fund.

**What was the net income distribution for the financial period from 1 October 2024 to 31 December 2024?**

There was no distribution made for the financial period from 1 October 2024 to 31 December 2024.

## PERFORMANCE DATA

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

	31.12.2024
	%
Unquoted fixed income securities	99.37
Cash and other assets	0.68
Liabilities	(0.05)
	<u>100.00</u>

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

	31.12.2024
NAV (RM Million)	
- Class MYR	556.52
Units in circulation (Million)	
- Class MYR	553.19
NAV per unit (RM)	
- Class MYR	1.0060
	30.09.2024 to 31.12.2024
Highest NAV per unit (RM)	
- Class MYR	1.0110
Lowest NAV per unit (RM)	
- Class MYR	1.0060
Total return (%)	
- Class MYR	0.75
Capital growth (%)	
- Class MYR	(0.05)
Income distribution (%)	
- Class MYR	0.80
Total Expense Ratio ("TER") (%)	0.06
Portfolio Turnover Ratio ("PTR") (times)	0.56
	Since Inception to 31.12.2024
	%
Annual total return	
- Class MYR	1.86

(Launch date: 18 June 2024)

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

**MARKET REVIEW (1 OCTOBER 2024 TO 31 DECEMBER 2024)**

Bank Negara Malaysia (“BNM”) kept the overnight policy rate (“OPR”) at 3.00% for the 9<sup>th</sup> consecutive meeting in November 2024, in line with market expectations. At the current OPR level, the monetary policy stance remains supportive of the economy and is consistent with the current assessment of inflation and growth prospects.

Budget 2025 targets 4.5% to 5.5% growth while focusing on fiscal consolidation, subsidy rationalization, and efficient resource management to reduce the fiscal deficit from 4.3% in 2024 to 3.8% in 2025. Enhancement of fiscal management will be via broadening of revenue measures, optimal use of resources and more subsidy rationalization, particularly RON95. It is expected to use the same principle of a 2-tier pricing mechanism and to start by mid-2025. In line with the government’s effort to narrow its fiscal deficit, total government auction for 2025 is estimated to be RM163.5 billion, relatively lower than total issuance in 2024. Meanwhile, supply on corporate bond/sukuk issuance for 2024 increased marginally by 2% Year on Year (“YOY”), which is supportive of market dynamics.

In December 2024, headline inflation moderated to 1.7%, which was below market consensus and November’s print of 1.8% (October 2024: 1.9%). Prices eased for furnishing, household maintenance, health, recreation and miscellaneous items while restaurant & accommodation services as well as food & beverages inched higher. For full year 2024, inflation stood at 1.8%, easing for the second straight year. Meanwhile, core inflation was lower at 1.6% in December 2024 (November 2024: 1.8%).

The central bank expects headline and core inflation, which averaged 1.8% in 2024, to remain manageable going into 2025, amid easing global cost conditions and the absence of excessive domestic demand pressures. The overall impact of the domestic policy reforms on inflation is expected to be contained, while upside risks would depend on the extent of spillover of domestic policy measures, as well as global commodity prices and financial market developments.

Official advance estimates show Malaysia’s economy grew 4.8% in fourth quarter 2024, slowing from the 5.3% in third quarter 2024 as activity in the agriculture and mining sectors slowed. Growth was driven by the services sector, which rose an annual 5.3%, and the manufacturing and construction sectors. Estimated full year economic growth is at 5.1% in 2024, picking up from 3.6% in 2023. Economic growth is supported by strong domestic demand and a recovering external sector, alongside strategic investments in areas like renewable energy and digital infrastructure.

The unemployment rate in Malaysia edged lower to 3.2% in November 2024 from 3.3% in the year prior. Meanwhile, the labor force participation rate increased to 70.5% in November 2024 from 70.1% in the same month a year earlier.

Producer prices in Malaysia climbed 0.5% YoY in December 2024 (November 2024: 0.4%), following a 2.4% fall in the previous month. This marked the first increase in producer prices since last August and the fastest pace in five months, driven by higher prices in agriculture, forestry, and fishing (23.8% vs. 21.8% in November 2024), as well as water supply (6.7% vs. 6.6%).

The S&P Global Malaysia Manufacturing Price Manager Index (“PMI”) was at 48.7 in January 2025, little changed from 48.6 in December 2024. It was the eighth straight month of decline in factory activity, with output falling for eight months in a row and marking the steepest fall in over a year. New orders shrank for the seventh month, with its rate of decrease broadly similar to that in December 2024. Overseas demand fell for the second month and at the fastest pace since October 2023.

Exports from Malaysia surged by 16.9% YoY to a 27-month high of MYR 138.5 billion in December 2024. It was the third straight month of increase and the fastest pace since September 2022, boosted by strengthening foreign demand as the year-end approached. By sector, manufacturing sales surged 18.5%, lifted by Electrical & Electronics (“E&E”) products (27.8%), machinery and equipment (16.3%), and petroleum products (8.4%).

Imports to Malaysia rose by 11.9% YoY to a 4-month high of MYR 119.34 billion in December 2024, picking up from a 1.6% growth in November 2024 and beating market consensus of 3.3%.

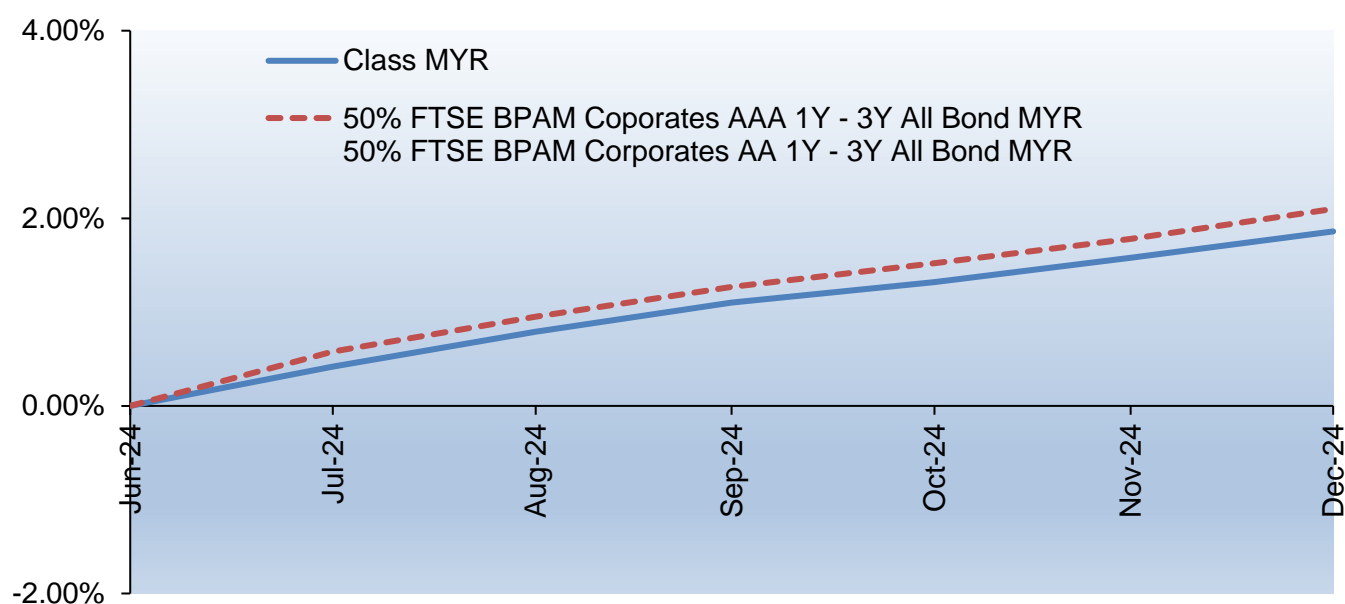
## FUND PERFORMANCE

	3 months to 31.12.2024 %	6 months to 31.12.2024 %	Since inception to 31.12.2024 %
Income Distribution			
- Class MYR	0.80	1.26	1.26
Capital Growth			
- Class MYR	(0.05)	0.60	0.59
Total Return			
- Class MYR	0.75	1.87	1.86
Benchmark			
- Class MYR	0.81	1.95	2.10
Average Total Return			
- Class MYR	3.02	3.74	3.49

For the 3 months ending 31 December 2024, the fund returned 0.75% against benchmark returns of 0.81%. Meanwhile, the Fund returned 1.86% against the benchmark's return of 2.10% since inception.

### Since inception

#### CLASS MYR



#### Changes in NAV

31.12.2024

#### CLASS MYR

NAV (RM Million)	556.52
NAV/Unit (RM)	1.0060

The fund's NAV as at 31 December 2024 stood at RM556.52 million while NAV per unit stood at RM1.0060.

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

## PORTFOLIO STRUCTURE

### Asset allocation

(% of NAV)	31.12.2024
Unquoted fixed income securities	99.37
Cash and other assets	0.68
Liabilities	(0.05)
<b>Total</b>	<b>100.00</b>

As at 31 December 2024, the fund had 99.37% of its holdings in fixed income asset while 0.68% was held in cash and other assets.

### MARKET OUTLOOK\*

Local market volatility is expected to remain on the back of uncertainties seen in the global market amidst President Trump flip flop policies. We propose to maintain an active portfolio management in anticipation of the rising volatility to ensure better total return on the long run in view of current tight credit spreads and flat yield curve.

\* 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 have preference on corporate credit bonds to continue versus government bonds with a bias on primary new credit issuances due to the yield pick-up and better total returns. Active trading is required for tactical positions held in government bonds.

We maintain our slight overweight duration bias relative to the benchmark as the current market conditions still remains favorable for an overweight duration stance.

### SOFT COMMISSIONS AND REBATES

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

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

During the financial period under review, the Manager and the Trustee did not receive any rebates from the brokers or dealers, but the Manager has retained soft commission in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds. The Manager confirms that the goods and services received were for the benefit of the Fund, the trades were made on a best execution basis and there was no churning of trades.



**SECURITIES FINANCING TRANSACTIONS**

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

**STATE OF AFFAIR OF THE FUND**

There were no significant changes in the state of affairs of the Fund during the period and up to the date of Manager's report, not otherwise disclosed in the financial statements.

**CIRCUMSTANCES THAT MATERIALLY AFFECT ANY INTEREST OF UNIT HOLDERS**

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

**CROSS TRADE**

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

**UNIT SPLIT**

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

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2024 TO 31 DECEMBER 2024**

	<b>01.10.2024 to 31.12.2024 MYR</b>
<b>INCOME</b>	
Interest income from unquoted fixed income securities	4,879,890
Net loss on financial assets at fair value through profit or loss	(600,828)
	<u>4,279,062</u>
<b>EXPENSES</b>	
Management fee	267,599
Trustee fee	39,118
Audit fee	2,639
Tax agent's fee	1,659
Other expenses	50
	<u>311,065</u>
<b>PROFIT BEFORE DISTRIBUTION AND TAXATION</b>	3,967,997
<b>Distribution:</b>	
- Class MYR	<u>4,439,239</u>
<b>LOSS BEFORE TAXATION</b>	(471,242)
Taxation	<u>-</u>
<b>LOSS AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD</b>	<u><u>(471,242)</u></u>
Loss after taxation is made up as follows: :	
Realised amount	134,096
Unrealised amount	(605,338)
	<u>(471,242)</u>

**UNAUDITED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2024**

	<b>31.12.2024 MYR</b>
<b>ASSETS</b>	
Cash and cash equivalents	3,752,394
Financial assets at fair value through profit or loss	552,992,721
Amount due from Manager	34,500
<b>TOTAL ASSETS</b>	<u>556,779,615</u>
<b>LIABILITIES</b>	
Accrued management fee	84,753
Amount due to Trustee	14,126
Distribution payable	149,604
Other payables and accruals	8,223
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)</b>	<u>256,706</u>
<b>NET ASSET VALUE OF THE FUND</b>	<u>556,522,909</u>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>	<u>556,522,909</u>
<b>REPRESENTED BY:</b>	
<b>FAIR VALUE OF OUTSTANDING UNITS</b>	
- Class MYR	<u>556,522,909</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	
- Class MYR	<u>553,190,237</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>	
- Class MYR	<u>1.0060</u>
<b>NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES</b>	
- Class MYR	<u>1.0000</u>

**UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS  
FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2024 TO 31 DECEMBER 2024**

	<b>01.10.2024 to 31.12.2024 MYR</b>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<u>462,839,109</u>
Movement due to units created and cancelled during the financial period:	
Creation of units from applications	
- Class MYR	<u>90,116,900</u>
Creation of units from distributions	
- Class MYR	<u>4,038,156</u>
Cancellation of units	
- Class MYR	<u>(14)</u>
Total comprehensive loss for the financial period	<u>(471,242)</u>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL PERIOD</b>	<u>556,522,909</u>

**UNAUDITED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2024 TO 31 DECEMBER 2024**

**01.10.2024  
to 31.12.2024  
MYR**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Purchase of unquoted fixed income securities	(161,664,389)
Proceeds from disposal of unquoted fixed income securities	14,486,775
Interest income received from deposits with licensed financial institutions	4,680,239
Management fee paid	(269,031)
Trustee fee paid	(35,334)
Payment of other fees and expenses	(55)
<b>Net cash used in operating activities</b>	<b>(142,801,795)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from units created	90,082,400
Payments for cancellation of units	(14)
Distribution	(251,479)
<b>Net cash generated from financing activities</b>	<b>89,830,907</b>

Net decrease in cash and cash equivalents	(52,970,888)
Cash and cash equivalents at beginning of the financial year	56,723,282
Cash and cash equivalents at the end of the financial period	3,752,394

Cash and cash equivalents comprises of:

Bank balances	3,752,394
Cash and cash equivalents at the end of financial period	3,752,394

## DIRECTORY

### Head Office of the Manager

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(6016) 299 9792

### Trustee for the Principal Sustainable Conservative Bond Fund

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