

PRINCIPAL SUSTAINABLE DYNAMIC BOND FUND

QUARTERLY REPORT

**FOR THE FINANCIAL PERIOD FROM 13 DECEMBER 2021 (DATE OF LAUNCH)
TO 31 AUGUST 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 Quarterly Fund Report of the Principal Sustainable Dynamic Bond Fund for the financial period from 13 December 2021 (date of launch) to 31 August 2023. You may also download this report from our website at www.principal.com.my.

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

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

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

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

Munirah Khairuddin

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

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to achieve capital appreciation and regular income through investments in a portfolio of primarily debt instruments in Malaysia with allowable exposure in global markets. We will require your approval if there is any material change to the Fund's objective.

Has the Fund achieved its objective?

The Fund will be targeting to achieve capital appreciation and regular income through investments.

What are the Fund investment policy and principal investment strategy?

The Fund will be managed with the aim of achieving capital appreciation and regular income through investments in a portfolio of primarily debt instruments in Malaysia with exposure in global markets. The Fund will invest at least 60% of its NAV in debt instruments and the remaining of the NAV of the Fund will invest in liquid assets for liquidity purposes. The Fund's investment in debt instruments will generally be restricted to instruments rated at least a minimum credit rating of "BBB-" by S&P or its equivalent rating by other international rating agencies and/or at least "A3" by RAM or equivalent rating by MARC or by local rating agency(ies) of the country ("Investment Grade"). Nonetheless, up to 50% of the Fund's Net Asset Value ("NAV") may be invested in non-investment grade and/or unrated debt instruments. The Fund may also opt to seek investment exposure via CIS that is in line with the Fund's objective.

The asset allocation strategy for the Fund is as follows:

- At least 60% of the Fund's NAV will be invested in debt instruments, out of which:
 - up to 100% of the Fund's NAV may be invested in Investment Grade debt instruments and debt instruments issued by Governments with sovereign rating of at least Investment Grade; and
 - up to 50% of the Fund's NAV may be invested in unrated and/or non-investment grade debt instruments;

The Fund will focus its investment in Malaysia with allowable global exposure. The Fund may invest up to 50% of its NAV outside of Malaysia. When deemed necessary, we may also utilise derivative instruments such as foreign exchange forward contracts or foreign exchange swap to hedge the portfolio.

As the Fund is a qualified sustainable and responsible investment fund, the investments of the Fund will be subject to the Environmental, social and governance ("ESG") integration approach which involves the analysis of material factors in investment analysis and investment decisions, including ESG factors as defined the United Nations sponsored Principles for Responsible Investment ("UNPRI") including the selection, retention and realisation of the Fund's investments. Companies are assessed against material ESG risks such as climate change, natural resources, human capital, social opportunities and corporate governance. We do not seek to exclude companies which are relatively low in an ESG assessment rather we see this as an opportunity to engage these companies and advocate adoption of best practices for further improvement. However, companies that do not improve or demonstrate a commitment to improve after engagement exercises may be excluded from further investment or we may dispose of the investment within an appropriate timeframe.

We will review the fund periodically to ensure the investments of the Fund are in line with the sustainability criteria adopted and overall impact of the investment of the Fund are not inconsistent with any other sustainability criteria. If the Fund's investment become inconsistent with the investment strategy or sustainability considerations of the Fund, we will dispose the investment within an appropriate timeframe.

Base Currency

MYR

FUND OBJECTIVE AND POLICY (CONTINUED)

Fund category/type

Wholesale Fund (Bond) Growth / Income

When was the Fund launched?

Name of Class	Launch Date
Class USD Hedged ("Class USD-H")	13 December 2021
Class SGD-Hedged ("Class SGD-H")	13 December 2021
Class MYR	13 December 2021

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

USD0.51 million (0.50 million units)

What is the Fund's benchmark?

BNM's Overnight Policy Rate ("OPR") + 1.5% per annum

Note: The Fund's benchmark for performance comparison purpose only. The Information on the benchmark can be obtained from www.bnm.gov.my.

What is the Fund distribution policy?

The distribution policy of each of the Class may differ, please refer to the Annexure of the respective Class for more information.

What was the net income distribution for The Period From 13 December 2021 (date of launch) To 31 August 2023?

There was no distribution made for the financial period from 13 December 2021 to 31 August 2023.

PERFORMANCE DATA

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

	13.09.2021 (date of launch) to 31.08.2023 %
Cash and other assets	100.02
Liabilities	(0.02)
	<u>100.00</u>
NAV (MYR Million)	
- Class MYR	0.51
- Class SGD-H	0.00*
- Class USD	0.00*
Units in circulation (Million)	
- Class MYR	0.50
- Class SGD-H	0.00*
- Class USD	0.00*
NAV per unit (MYR)	
- Class MYR	0.9954
- Class SGD-H	3.4049
- Class USD	4.6390

Note: 0.00* denotes fair value/unit count less than 0.01 million.

PERFORMANCE DATA (CONTINUED)

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

13.09.2021
(date of launch)
to 31.08.2023

Highest NAV per unit (MYR)	
- Class MYR	1.0017
- Class SGD-H	3.4579
- Class USD	4.6995
Lowest NAV per unit (MYR)	
- Class MYR	0.9954
- Class SGD-H	3.0434
- Class USD	4.1506
Total return (%)	
- Class MYR	(0.11)
- Class SGD-H	(0.01)
- Class USD	0.32
Capital growth (%)	
- Class MYR	(0.11)
- Class SGD-H	(0.01)
- Class USD	0.32
Income distribution (%)	
- Class MYR	-
- Class SGD-H	-
- Class USD	-
Total Expense Ratio ("TER") (%)	0.97
Portfolio Turnover Ratio ("PTR") (times)	-

13.09.2021
(date of launch)
to 31.08.2023
%

Annual total return	
- Class MYR	(0.46)
- Class SGD-H	(0.83)
- Class USD	0.05

(Launch date: 8 March 2017)

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

MARKET REVIEW (The Period From 13 December 2021 (date of launch) To 31 August 2023)

In June 2023, The US Federal Reserve (the "Fed") unanimously kept its policy rate unchanged in the range of 5.00% to 5.25% after 10 straight meetings of hiking. The Fed Chair Powell said that effects of The Fed tightening have yet to be felt and that nearly all The Fed participants see further rate hikes as appropriate because the process of getting inflation to 2% has a long way to go. Meanwhile, the debt ceiling debacle as well as the hawkish comments from Bank of England ("BOE") and European Central Bank ("ECB") amidst still high inflation data saw yields stay elevated. Global bond yields pushed mostly higher amid improving inflation, resilient activity indicators and the Federal Open Market Committee ("FOMC")'s move to a "data dependent" stance.

**MARKET REVIEW (The Period From 13 December 2021 (date of launch) To 31 August 2023)
(CONTINUED)**

In July 2023, FOMC voted unanimously to raise the federal funds target range by 25 basis point (“bps”) to 5.25% to 5.50%. In the press conference, The Fed Chair Jerome Powell emphasized that the FOMC would take a data dependent approach to the possibility of additional rate hikes. Meanwhile, Fitch Ratings has downgraded the United States of America's Long-Term Foreign-Currency Issuer Default Rating to 'AA+' from 'AAA'. The Rating Watch Negative was removed, and a Stable Outlook assigned. The rating downgrade of the US reflects the expected fiscal deterioration over the next three years, a high and growing general government debt burden, and the erosion of governance relative to 'AA' and 'AAA' rated peers over the last two decades that has manifested in repeated debt limit standoffs and last-minute resolutions. On 28th July 2023, Bank Of Japan (“BOJ”) surprised by tweaking its Yield Curve Control (“YCC”) framework. It will allow greater flexibility around its 10 years Japanese Government Bond (“JGB”) target of 0% +/- 50 bps. The Bank decided to raise the rate of everyday fixed-rate purchase operation from 0.5% to 1.0% while leaving key variables unchanged. It remains dovish on the inflation outlook and continues with its guidance that it will not hesitate to ease further if needed. In August 2023, the US Treasury (“UST”) curve bear steepened amidst resilient US data releases, heavier than expected UST supply, continued rate hike by BOE and a balanced speech by Powell at Jackson Hole.

FUND PERFORMANCE

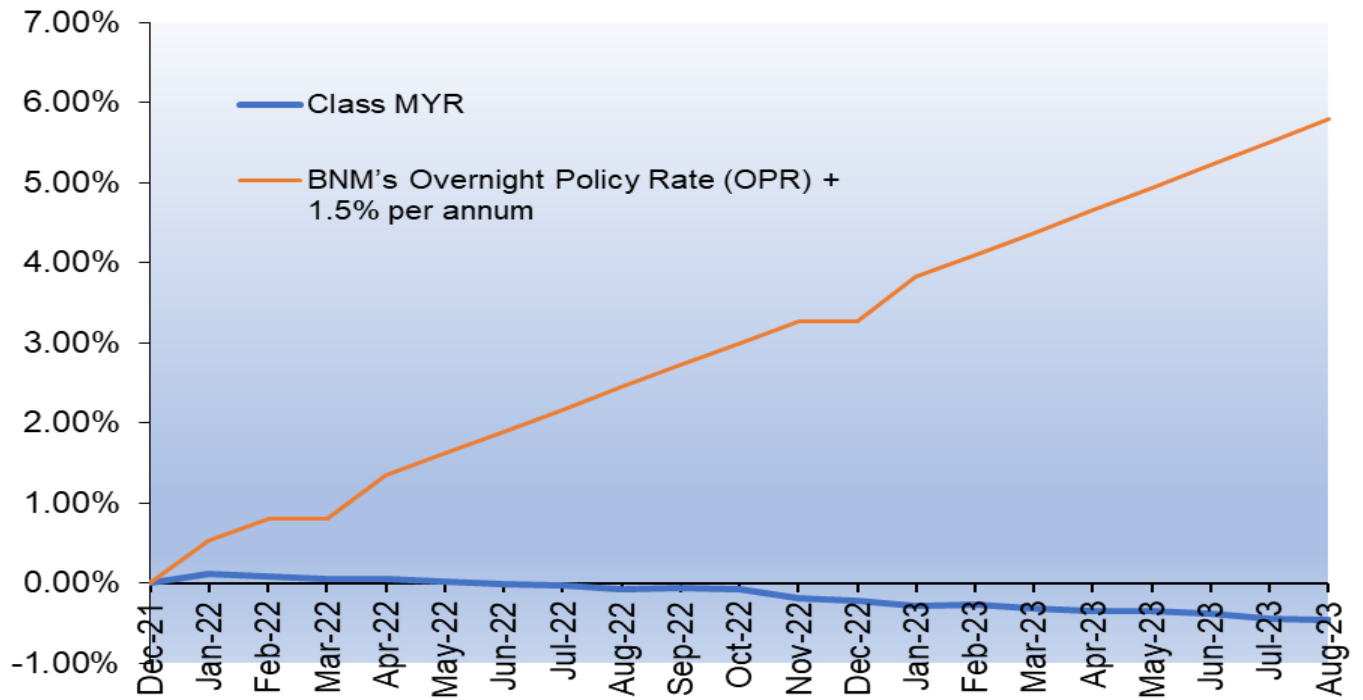
	3 months to 31.08.2023 %	6 months to 31.08.2023 %	1 year to 31.08.2023 %	Since inception to 31.08.2023 %
Income Distribution				
- Class MYR	-	-	-	-
- Class SGD-H	-	-	-	-
- Class USD	-	-	-	-
Capital Growth				
- Class MYR	(0.11)	(0.19)	(0.39)	(0.46)
- Class SGD-H	(0.01)	(0.01)	(0.18)	(0.83)
- Class USD	0.32	0.83	1.02	0.05
Total Return				
- Class MYR	(0.11)	(0.19)	(0.39)	(0.46)
- Class SGD-H	(0.01)	(0.01)	(0.18)	(0.83)
- Class USD	0.32	0.83	1.02	0.05
Benchmark				
- Class MYR	0.81	1.63	3.26	5.79
- Class SGD-H	0.81	1.63	3.26	5.79
- Class USD	0.81	1.63	3.26	5.79
Average Total Return				
- Class MYR	(0.44)	(0.38)	(0.39)	(0.27)
- Class SGD-H	(0.04)	(0.02)	(0.18)	(0.48)
- Class USD	1.29	1.67	1.02	0.03

For the period ending August 2023, the fund's performance was below benchmark's as fund size started to see more inflow and reflecting the underlying internal cost of upkeeping of the fund.

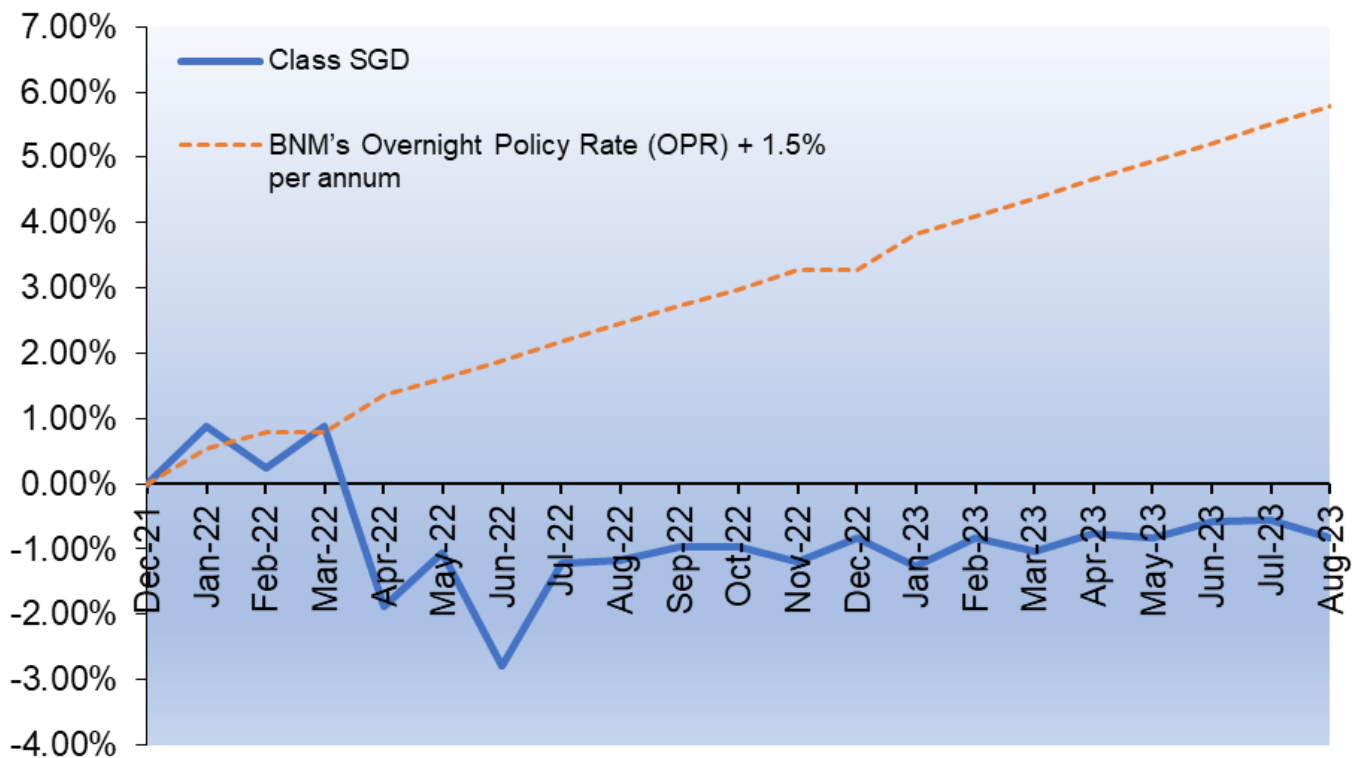
FUND PERFORMANCE (CONTINUED)

Since inception

CLASS MYR



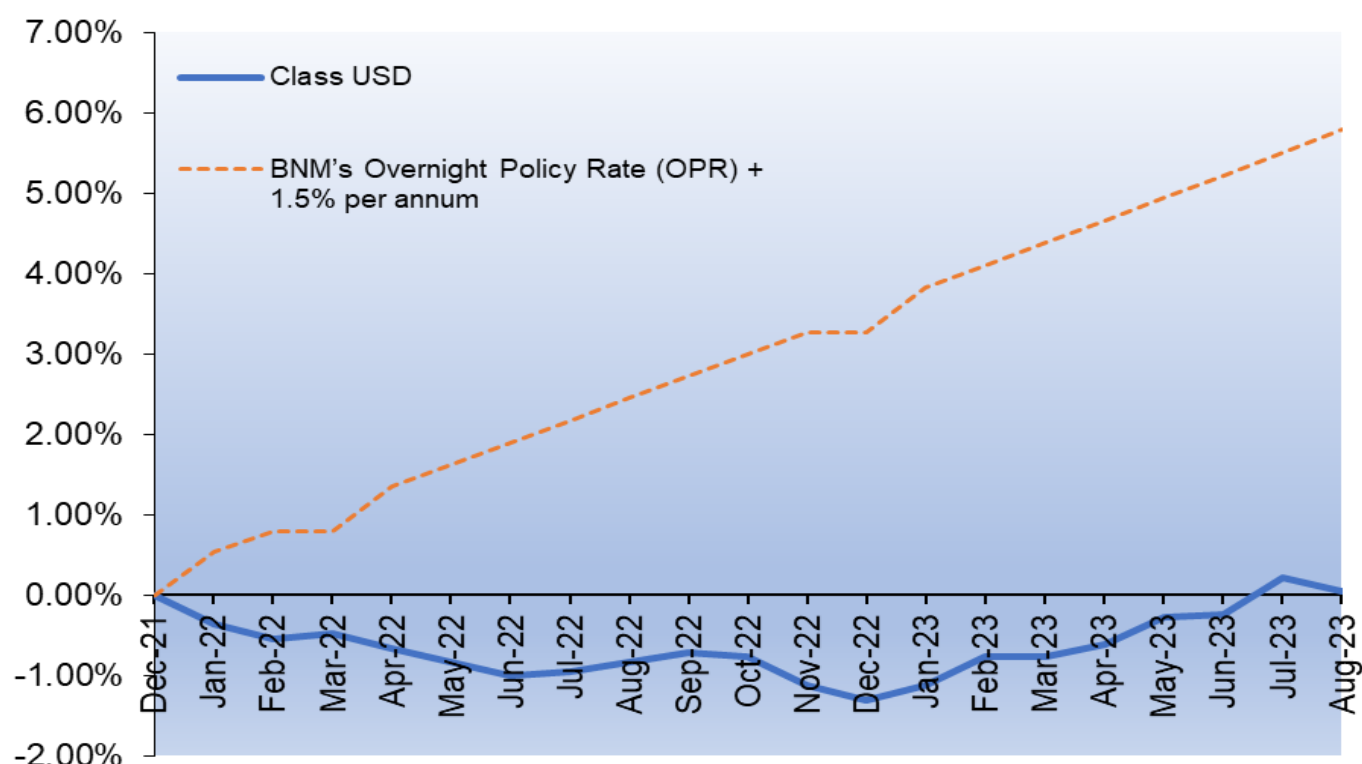
CLASS SGD-H



FUND PERFORMANCE (CONTINUED)

Since inception

CLASS USD



Changes in NAV

31.08.2023

CLASS MYR

NAV (MYR Million)

0.51

NAV/Unit (MYR)

0.9954

CLASS SGD-H

NAV (MYR Million)

0.00*

NAV/Unit (MYR)

3.4049

CLASS USD

NAV (MYR Million)

0.00*

NAV/Unit (MYR)

4.6390

Note: 0.00* denotes fair value less than 0.01 million.

The Fund's NAV ended at 0.51 as at end of August 2023 for Class MYR.

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)		31.08.2023
Cash and other assets		100.02
Liabilities		(0.02)
TOTAL		100.00

The Fund is currently in cash as it build optimal size for investment.

MARKET OUTLOOK*

We remain positive on the local bond market as we believe the tightening trend on domestic monetary policy has reached its peak and the MYR bond has been resilient in the face of higher global rates. However, the current still sticky global inflation and still hawkish comments from G3 global central banks will continue to weigh down the global market sentiment as hope of rate cut dissipates. The higher for longer views have gained momentum and market seems to have reduce expectations of recession further into the horizon. Meanwhile, global credit markets have seen credit spread tightening and somewhat resilient in the face of higher government yields and may provide a relatively more attractive space for market participants.

* 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

With the current more volatile global fixed income market oscillating between hawkish centrall bankers comments, geopolitical tensions, tepid China re-opening sentiment and higher than expected supply on the back of higher fiscal needs especially in US will provide opportunities to invest in higher yields and we look to focus on highly rated corporate bonds especially on primary issues.

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 Principal Malaysia Funds ("Funds"). 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.

SRI REPORT TO THE UNITHOLDERS PRINCIPAL SUSTAINABLE DYNAMIC BOND FUND

Principal Sustainable Dynamic Bond Fund ("Fund") is a qualified SRI Fund under the Securities Commission Malaysia's Guidelines on SRI Funds ("Guidelines").

In the opinion of the Manager, the Fund for the financial year under review, has complied with the Guidelines issued on 17 February 2023.

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 13 DECEMBER 2021 (DATE OF LAUNCH) TO 31 AUGUST
2023**

**13.09.2021
(date of launch)
to 31.08.2023
RM**

INCOME

Net gain on derivative assets at fair value through profit or loss	776
Net foreign exchange gain	23
	<u>799</u>

EXPENSES

Management fee	161
Trustee fee	7
	<u>168</u>

PROFIT BEFORE TAXATION

	631
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Taxation

	<u>-</u>
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**PROFIT AFTER TAXATION, REPRESENTING TOTAL
COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD**

	<u><u>631</u></u>
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Profit after taxation is made up as follows:

Realised amount	625
Unrealised amount	6
	<u><u>631</u></u>

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2023**

	31.08.2023
	RM
ASSETS	
Cash and cash equivalents	506,557
TOTAL ASSETS	<u>506,557</u>
LIABILITIES	
Derivative liabilities at fair value through profit or loss	2
Accrued management fee	92
Amount due to Trustee	5
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)	<u>99</u>
NET ASSET VALUE OF THE FUND	<u>506,458</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	<u>506,458</u>
REPRESENTED BY:	
FAIR VALUE OF OUTSTANDING UNITS	
- Class MYR	498,414
- Class SGD-H	3,405
- Class USD	4,639
	<u>506,458</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	
- Class MYR	500,711
- Class SGD-H	1,000
- Class USD	1,000
	<u>502,711</u>
NET ASSET VALUE PER UNIT (MYR)	
- Class MYR	0.9954
- Class SGD-H	3.4049
- Class USD	4.6390
	<u>4.6390</u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES	
- Class MYR	RM0.9954
- Class SGD-H	SGD11.6902
- Class USD	<u>USD21.5086</u>

**UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE FINANCIAL PERIOD FROM 13 DECEMBER 2021 (DATE OF LAUNCH) TO 31 AUGUST
2023**

**13.09.2021
(date of launch)
to 31.08.2023
RM**

**NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT
THE BEGINNING OF THE FINANCIAL PERIOD**

-

Movement due to units created and cancelled during the
financial period:

Creation of units from applications

- Class MYR	498,512
- Class SGD-H	3,087
- Class USD	4,228
	<u>505,827</u>

Total comprehensive income for the financial period

631

**NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT
THE END OF THE FINANCIAL PERIOD**

506,458

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 13 DECEMBER 2021 (DATE OF LAUNCH) TO 31 AUGUST
2023**

**13.09.2021
(date of launch)
to 31.08.2023
RM**

CASH FLOWS FROM OPERATING ACTIVITIES

Management fee paid	(69)
Trustee fee paid	(2)
Proceed from realised forward	778
Receipt of other foreign exchange gain	16
Net cash generated from operating activities	723

CASH FLOWS FROM FINANCING ACTIVITIES

Cash proceeds from units created	505,827
Net cash generated from financing activities	505,827

Net increase in cash and cash equivalents	506,550
Effect of foreign exchange differences	7
Cash and cash equivalents at the end of the financial period	<u>506,557</u>

Cash and cash equivalents comprised of:

Bank balances	506,557
Cash and cash equivalents at the end of the financial period	<u>506,557</u>

DIRECTORY

Head Office of the Manager

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Trustee for the Principal Sustainable Dynamic Bond Fund

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