

PRINCIPAL US MORTGAGE FUND
ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 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 US Mortgage Fund for the financial year ended 31 January 2023. You may also download this report from our website at www.principal.com.my.

We are pleased to share that Principal Malaysia was accorded with the 2023 Best of the Best Performance Award for Asia Pacific Equity ex-Japan (10 Years) at the Asia Asset Management Best of the Best Awards 2023.

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 maximise total return through investments in one collective investment scheme, which invests primarily in mortgage related securities in the United States ("US").

Has the Fund achieved its objective?

For the 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 collective investment scheme, i.e. BNP Paribas Flexi I US Mortgage Fund ("Target Fund"). The Fund may also invest in liquid asset for liquidity purpose.

In order to achieve its investment objective, the Fund will invest at least 95% of its Net Asset Value ("NAV") in the BNP Paribas Flexi I US Mortgage Fund; a Undertakings for Collective Investment in Transferable Securities ("UCITS") domiciled in Luxembourg and established on 25 September 2015¹. The Fund will also maintain up to 5% of its NAV in liquid assets for liquidity purposes.

Information on the Target Fund:

Company	: BNP Paribas Flexi I, an open-ended investment company with variable capital (société d'investissement à capital variable) incorporated on 4 July 2006 under the name "FORTIS SOLUTIONS" for an indefinite period in accordance with the provisions of Part I of the Luxembourg law of 20 December 2002 governing undertakings for collective investment. It was renamed "BNP Paribas Flexi I" on 13 September 2010.
Management Company	: BNP Paribas Asset Management Luxembourg.
Investment Manager	: BNP Paribas Asset Management USA and BNP Paribas Asset Management UK (FX Management).
Regulatory authority	: Commission de Surveillance du Secteur Financier

Note 1: On 25 September 2015, the Target Fund was established and merged with the Irish Fund Parselect US Mortgage that was launched on 1 December 2007.

Base Currency

USD

Fund category/type

Feeder fund/Income & Growth

When was the Fund launched?

Name of Class	Launch Date
Class USD	8 March 2017
Class MYR-Hedged ("Class MYR-H")	8 March 2017
Class AUD-Hedged ("Class AUD-H")	8 March 2017
Class SGD-Hedged ("Class SGD-H")	8 March 2017
Class MYR	8 September 2017 ¹

Note 1: The Manager have the discretion to determine the launch date, which shall be 8 September 2017 or such other date as may be determined by us.

FUND OBJECTIVE AND POLICY (CONTINUED)

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

USD0.16 million (0.46 million units)

What is the Fund's benchmark?

The Fund adheres to the benchmark of the Target Fund for performance comparison. The benchmark of the Target Fund is Barclays Mortgage-Backed Securities ("MBS") Index for performance measurement.

What is the Fund distribution policy?

Quarterly, depending on the availability of realised income and/or realised gains and at our discretion.

What was the net income distribution for the financial year ended 31 January 2023?

The Fund distributed a total net income of USD 2,712 to unit holders for the financial year ended 31 January 2023.

The Fund's NAV per unit are as follows:

Date	NAV per unit (before distribution)	NAV per unit (after distribution)
	USD	USD
Distribution on 17 March 2022		
Class AUD-H	0.6209	0.6184
Class MYR-H	0.1947	0.1939
Class USD	0.9121	0.6725
Distribution on 17 June 2022		
Class AUD-H	0.5358	0.5332
Class MYR-H	0.1698	0.1690
Class USD	0.8329	0.8290
Distribution on 22 September 2022		
Class AUD-H	0.4851	0.4828
Class MYR-H	0.1550	0.1543
Class USD	0.7941	0.1731
Distribution on 19 December 2022		
Class AUD-H	0.4936	0.4918
Class MYR-H	0.1609	0.1603
Class USD	0.7999	0.7968

Breakdown of distribution were as follows:

	USD	%
Income	2,712	100.00
Capital	-	-
Total	2,712	100.00

PERFORMANCE DATA

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

	31.01.2023	31.01.2022	31.01.2021
	%	%	%
Collective investment scheme	100.38	101.93	98.43
Cash and other assets	5.05	2.12	48.93
Liabilities	(5.43)	(4.05)	(47.36)
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	31.01.2023	31.01.2022	31.01.2021
NAV (USD Million)			
- Class AUD-H	0.12	0.13	2.56
- Class MYR-H	0.04	0.05	0.43
- Class SGD-H	0.00*	0.00*	2.46
- Class USD	0.00*	0.00*	0.19
Units in circulation (Million)			
- Class AUD-H	0.22	0.22	3.45
- Class MYR-H	0.24	0.23	1.92
- Class SGD-H	0.00*	0.00*	3.45
- Class USD	0.00*	0.00*	0.18
NAV per unit (USD)			
- Class AUD-H	0.5182	0.6162	0.7402
- Class MYR-H	0.1679	0.2013	0.2250
- Class SGD-H	0.4487	0.5047	0.7159
- Class USD	0.8057	0.9407	1.0176
Highest NAV per unit (USD)			
- Class AUD-H	0.6337	0.7475	0.7507
- Class MYR-H	0.2013	0.2258	0.2275
- Class SGD-H	0.5070	0.7177	0.7227
- Class USD	0.9407	1.0213	1.0528
Lowest NAV per unit (USD)			
- Class AUD-H	0.4384	0.6089	0.5410
- Class MYR-H	0.1416	0.1999	0.1990
- Class SGD-H	0.3878	0.5029	0.6419
- Class USD	0.7520	0.9369	0.9971
Total return (%)			
- Class AUD-H	(13.95)	(7.91)	1.58
- Class MYR-H	(13.49)	(5.59)	2.41
- Class SGD-H	(13.56)	(27.36)	1.41
- Class USD	(12.87)	(5.88)	1.52
Capital growth (%)			
- Class AUD-H	(15.41)	(9.59)	(0.74)
- Class MYR-H	(14.96)	(7.33)	(0.30)
- Class SGD-H	(13.56)	(28.16)	(1.04)
- Class USD	(14.35)	(7.57)	(1.22)

PERFORMANCE DATA (CONTINUED)

Income distribution (%)

- Class AUD-H	1.72	1.86	2.33
- Class MYR-H	1.73	1.88	2.71
- Class SGD-H	-	1.11	2.47
- Class USD	1.73	1.82	2.77

Total Expense Ratio ("TER") (%) ^ 3.79 1.67 1.34

Portfolio Turnover Ratio ("PTR") (times) # 0.18 4.29 0.49

^ During the year under review, the TER increased from 1.67% to 3.79% as there was a lower denominated base of average NAV size.

During the year under review, the PTR decreased from 4.29 times to 0.18 times as there were lesser investment trading activities.

	31.01.2023	31.01.2022	31.01.2021
Gross/ Net distribution per unit (cent)			
Distribution on 17 March 2022			
- Class AUD-H	0.25	-	-
- Class MYR-H	0.08	-	-
- Class USD	0.38	-	-
Distribution on 17 June 2022			
- Class AUD-H	0.26	-	-
- Class MYR-H	0.08	-	-
- Class USD	0.39	-	-
Distribution on 22 September 2022			
- Class AUD-H	0.22	-	-
- Class MYR-H	0.07	-	-
- Class USD	0.35	-	-
Distribution on 19 December 2022			
- Class AUD-H	0.18	-	-
- Class MYR-H	0.06	-	-
- Class USD	0.31	-	-
Distribution on 17 March 2021			
- Class AUD-H	-	0.44	-
- Class MYR-H	-	0.14	-
- Class SGD-H	-	0.59	-
- Class USD	-	0.61	-
Distribution on 17 June 2021			
- Class AUD-H	-	0.29	-
- Class MYR-H	-	0.09	-
- Class USD	-	0.40	-
Distribution on 20 September 2021			
- Class AUD-H	-	0.26	-
- Class MYR-H	-	0.08	-
- Class USD	-	0.38	-

PERFORMANCE DATA (CONTINUED)

	31.01.2023	31.01.2022	31.01.2021
Gross/ Net distribution per unit (cent)			
Distribution on 20 December 2021			
- Class AUD-H	-	0.26	-
- Class MYR-H	-	0.08	-
- Class USD	-	0.38	-
Distribution on 25 March 2020			
- Class AUD-H	-	-	0.46
- Class MYR-H	-	-	0.16
- Class SGD-H	-	-	0.50
- Class USD	-	-	0.73
Distribution on 11 June 2020			
- Class AUD-H	-	-	0.28
- Class MYR-H	-	-	0.10
- Class SGD-H	-	-	0.44
- Class USD	-	-	0.71
Distribution on 22 September 2020			
- Class AUD-H	-	-	0.38
- Class MYR-H	-	-	0.15
- Class SGD-H	-	-	0.36
- Class USD	-	-	0.80
Distribution on 10 December 2020			
- Class AUD-H	-	-	0.39
- Class MYR-H	-	-	0.17
- Class SGD-H	-	-	0.38
- Class USD	-	-	0.55

	31.01.2023	31.01.2022	31.01.2021	31.01.2020 to 31.10.2019	Since inception
	%	%	%	%	%
Annual total return					
- Class AUD-H	(13.95)	(7.91)	1.58	4.16	(11.93)
- Class MYR-H	(13.49)	(5.59)	2.41	5.62	(4.06)
- Class SGD-H	(13.56)	(27.36)	1.41	4.33	(3.29)
- Class USD	(12.87)	(5.88)	1.52	5.19	0.21

(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 year have been extracted from Lipper.

MARKET REVIEW (1 FEBRUARY 2022 TO 31 JANUARY 2023)

US Treasury (“UST”) 10-year yields rose by above 2% in mid of February 2022 for the first time since 2019. A strong payroll report and a 7.5% print on headline Consumer Price Index (“CPI”) had market participants pricing in 7 rate hikes from US Federal Reserve (the “Fed”) in 2022. The US economy added 400k jobs in January 2023 posting a 4.0% unemployment rate. Everything changed, however, in the second half of the month as Russia invaded Ukraine. For now, geopolitics has taken center stage over economic fundamentals and the Coronavirus Disease 2019 (“COVID-19”) pandemic. Financial markets have been volatile with large intraday swings in both bond and equity markets. The USD rallied as a safe haven currency and UST yields moved lower with the 10- year yield finishing the month at 1.84%.

The Federal Open Market Committee (“FOMC”) completed its asset purchase taper and hiked the funds rate at their March 16th 2022 meeting. This is the first of what is expected to be a series of rate hikes and balance sheet adjustments. Markets are pricing a 2.50% fed funds rate by the end of 2022. The US economy continues to perform very well adding more than 400,000 jobs in March 2022 for the twelfth consecutive month.

The sell-off in US fixed income continued in April 2022 as markets adjusted to a more aggressive, inflation-fighting stance from US Federal Reserve (the “Fed”). Inflation continues to surprise to the upside with the most recent CPI at 8.5% year on year driven by rapid wage gains, rising housing costs, price pressures in services and global supply chain disruptions. The unemployment rate is low at 3.6% and there is currently a record 11.5 million job openings in the US.

Financial market volatility was high again in May 2022. US Treasury (“UST”) 10-year yields traded in a very wide 50 basis point (“bps”) range touching 3.20% early in the month and 2.70% late in the month only to finish a few basis points lower in yield at month end. The Fed hiked the fed funds rate by 50 bps at their May 2022 4th meeting. Risk assets were also volatile with US equity markets touching the 20% correction territory before rallying to finish the month exactly unchanged. The yield curve steepened with the spread between 2-year and 10-year moving out positive 12 bps to positive 30 bps. Meanwhile, the May 2022 prepayment report declined by 20% versus last month as higher mortgage origination rates started to impact speeds.

Financial market volatility was high in June 2022 with the Merrill Lynch Option Volatility Estimate (“MOVE”) Index moving to levels last seen sustained in 2008 & 2009 during the Global Financial Crisis (“GFC”). UST 10-year yields traded in a very wide range touching 3.50% mid-month and then moving below 3.00% later in the month. Risk assets performed poorly as markets are increasingly concerned with recession risks in the US and around the globe. US equities were down negative 8% in June 2022 and the Standard & Poor's Global Ratings (“S&P”) 500 index is now down negative 20% on the year. Meanwhile, the June 2022 prepayment report showed a 13% decline versus the prior month. Federal National Mortgage Association (“FNMA”) 30-year aggregate speeds dropped to 9.9 Conditional Prepayment Rate (“CPR”). Higher mortgage originations rates and a historically low inventory of existing homes for sale has reduced housing activity.

The July 2022 headline CPI was up 9.1% year on year the highest annual increase in 40 years. Labor markets are very healthy with an addition of 390,000 jobs in June 2022 and the unemployment rate holding steady at 3.6%. The Fed responded with a 75 bps hike in the fed funds rate at their July 2022 27th meeting. UST 10-year yields dropped 33 bps in July 2022 closing the month at 2.64% as concerns about future growth overrode near-term worries about inflation. The yield curve inverted with the spread between 2-year and 10-year moving from positive 5 bps to negative 25 bps. Risk asset performance was strong in July 2022 with the S&P 500 up positive 9% and the Nasdaq 100 up positive 12.5%. The July 2022 prepayment report showed a 9% decline versus the prior month. FNMA 30-year aggregate speeds dropped to 9.3 CPR. Higher mortgage originations rates continue to drive refinancing activity lower.

MARKET REVIEW (1 FEBRUARY 2022 TO 31 JANUARY 2023) (CONTINUED)

Financial market returns in August 2022 essentially reversed all of the progress made in July 2022. US economic data demonstrated resiliency with steady consumer spending and another 300,000 jobs added in August 2022. Inflation remains elevated, driven by pandemic-related, supply demand imbalances, by high energy prices and by tight labour markets. US Treasury yields moved higher as the Fed indicated that the fed funds rate hikes will continue to be appropriate until there is convincing evidence that inflation is heading back down toward its 2% objective.

The Fed hiked the funds rate by 75 bps at their September 2022 21st meeting reaffirming their commitment to their inflation-fighting stance. Inflation readings, which had moderated last month, moved slightly higher this month driven by persistence in services inflation and tight labour markets. Supply chains are helping to slow goods price inflation. Interest rate sensitive sectors like housing are softening. Wage growth is slowing but is still seeing some upward pressure with the unemployment rate still at a very low 3.5%.

Financial market volatility remained high in October 2022. Stronger than anticipated readings on inflation and on employment kept the pressure on US interest rates. Headline consumer inflation is 8.2% year on year, core inflation is 6.6% year on year and the unemployment rate remains at 40 year lows at 3.5%. US inflation is persistently high and broad based driven by tight labor markets and more recently by shelter costs and services. It is becoming increasingly clear that central banks were too slow to respond to an inflation that was anything but transitory.

In November 2022, US rates moved lower and the yield curve inverted further due to growing concerns from investors about a weakening economic growth outlook and the potential for a 2023 recession. The housing sector has weakened significantly with slower sales and a likely peak in home prices having come earlier in the year. Business spending and global Purchasing Managers Index ("PMIs") are deteriorating indicating a decline in manufacturing. Inflation readings have come down marginally but still remain very high with headline consumer inflation rising 7.7% year on year and the quarterly core Personal Consumption Expenditures ("PCE") rising 4.6%.

US interest rates moved higher in December 2022 driven by further gains in employment and another 50 bps rate hike from the Fed. That makes 7 rate hikes in 2022 taking the fed funds rate targeted upper bound from 0.25% to 4.50%. Meanwhile US 10-year Treasury yields rose 18 bps in December 2022 closing the year at 3.88%. The yield curve inverted further early in the month with the 2-year and 10-year spread moving to negative 85 bps on December 2022 7th before steepening back to negative 55 bps at year end. Equity markets responded negatively to the more hawkish messaging from the Fed with the large cap stocks down negative 4%, the S&P 500 index down negative 6%, and the Nasdaq index negative 9%.

US economic data in January 2023 showed further cooling in inflation readings setting the stage for the Fed to step down the size and pacing of further rate hikes. Headline CPI rose 6.5% year-on-year ("y-o-y"). down from 7.1% last month and the lowest increase since late 2021. Core PCE, the Fed's preferred measure of inflation, was up 4.4 y-o-y. down from 4.7% a month earlier.

FUND PERFORMANCE

	1 year to 31.01.2023			
	Class AUD-H	Class MYR-H	Class SGD-H	Class USD
	%	%	%	%
Income Distribution	1.72	1.73	-	1.73
Capital Growth	(15.41)	(14.96)	(13.56)	(14.35)
Total Return	(13.95)	(13.49)	(13.56)	(12.87)
Benchmark	(7.53)	(7.53)	(7.53)	(7.53)
Average Total Return	(13.95)	(13.49)	(13.56)	(12.87)

FUND PERFORMANCE (CONTINUED)

	3 years to 31.01.2023			
	Class AUD-H	Class MYR-H	Class SGD-H	Class USD
	%	%	%	%
Income Distribution	6.03	6.45	3.61	6.45
Capital Growth	(24.08)	(21.43)	(38.55)	(21.79)
Total Return	(19.50)	(16.36)	(36.33)	(16.75)
Benchmark	(7.01)	(7.01)	(7.01)	(7.01)
Average Total Return	(6.98)	(5.78)	(13.97)	(5.93)

	5 Years to 31.01.2023			
	Class AUD-H	Class MYR-H	Class SGD-H	Class USD
	%	%	%	%
Income Distribution	12.84	24.53	10.33	8.36
Capital Growth	(25.94)	(28.47)	(40.20)	(19.01)
Total Return	(16.43)	(10.93)	(34.02)	(12.24)
Benchmark	1.76	1.76	1.76	1.76
Average Total Return	(3.53)	(2.29)	(7.98)	(2.58)

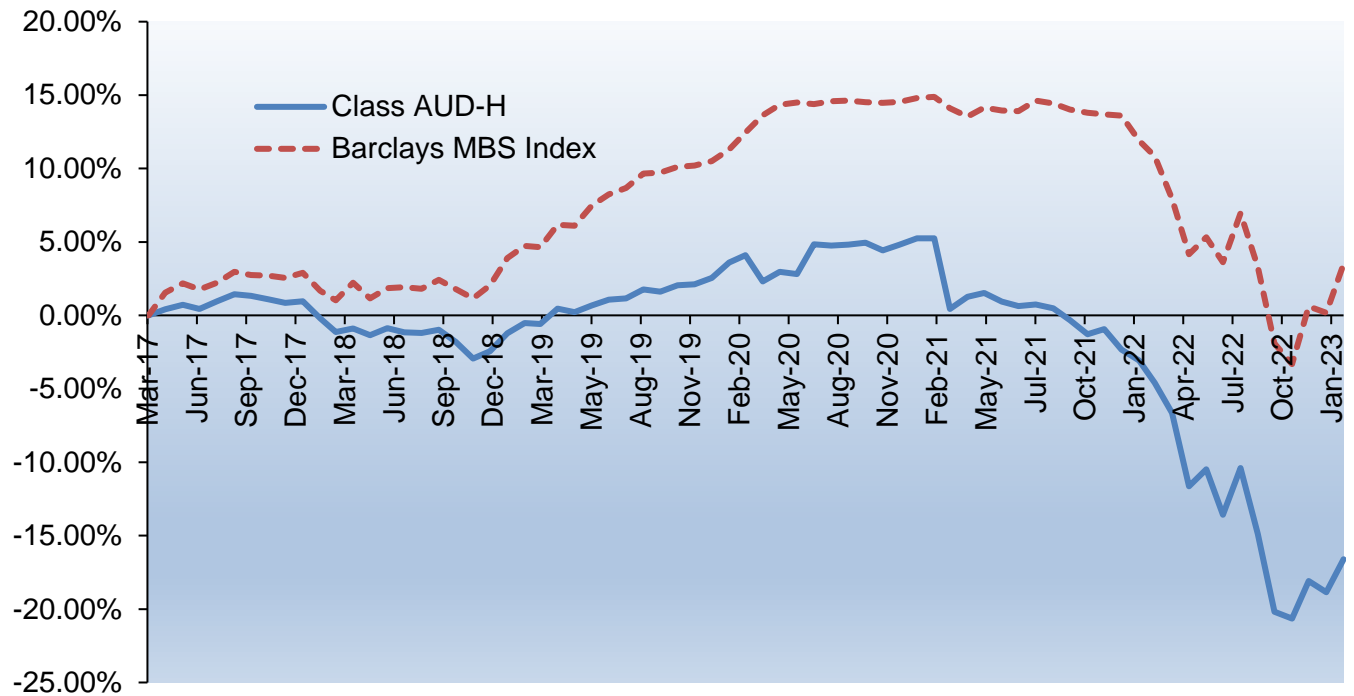
	Since inception to 31.01.2023			
	Class AUD-H	Class MYR-H	Class SGD-H	Class USD
	%	%	%	%
Income Distribution	12.84	24.53	10.33	8.36
Capital Growth	(26.09)	(28.38)	(40.91)	(19.43)
Total Return	(16.60)	(10.81)	(34.81)	(12.70)
Benchmark	3.48	3.48	3.48	3.48
Average Total Return	(3.03)	(1.92)	(6.99)	(2.27)

For the financial year under review, the Fund posted negative returns for all classes. Class AUD-H, Class MYR-H, Class SGD-H, and Class USD decreased by 13.95%, 13.49%, 13.56%, and 12.87% respectively. This marks an underperformance against each of their benchmark that decreased only by 7.53% during the same financial year under review.

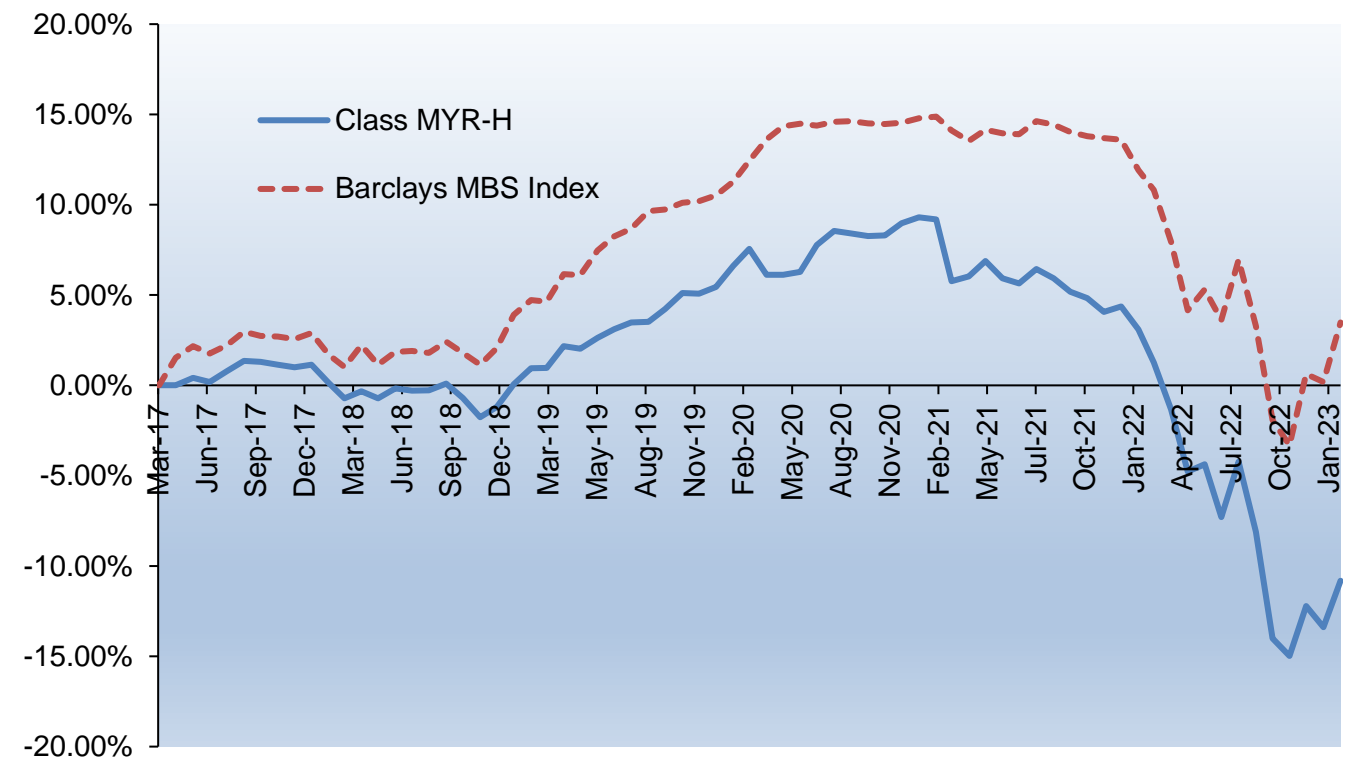
FUND PERFORMANCE (CONTINUED)

Since Inception

CLASS AUD-H



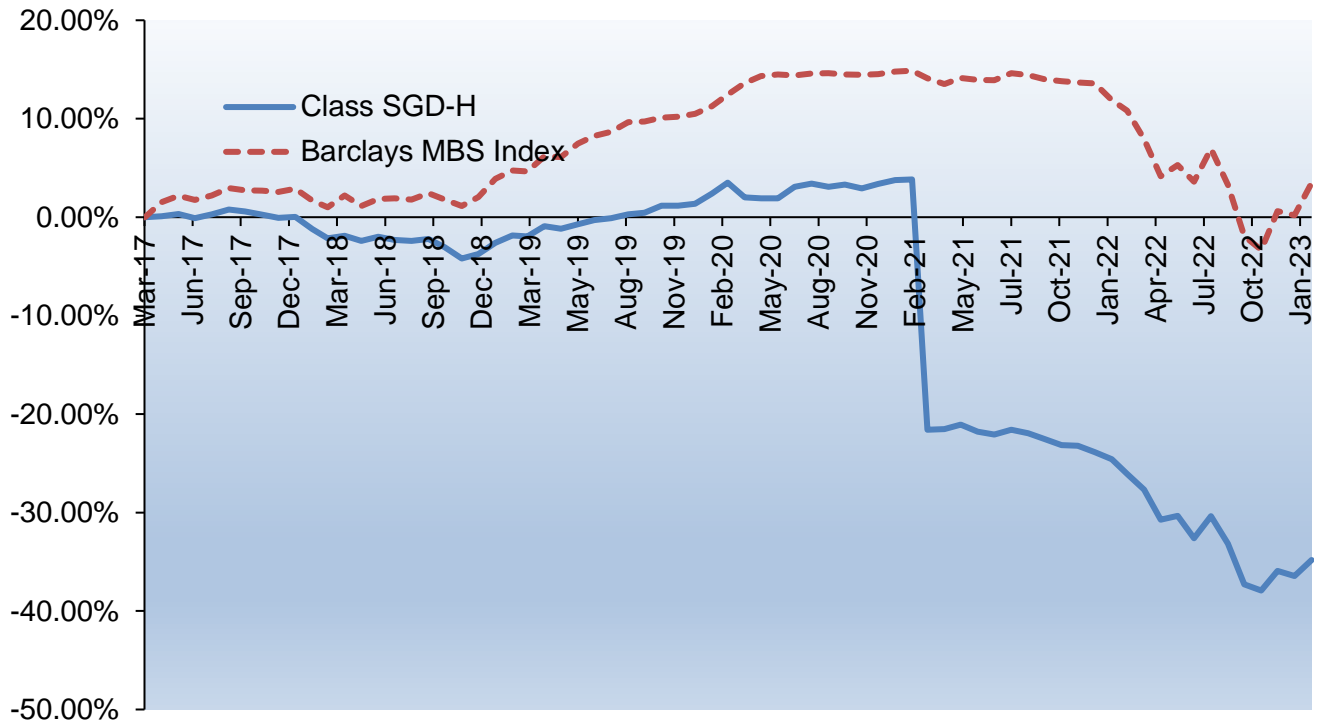
CLASS MYR-H



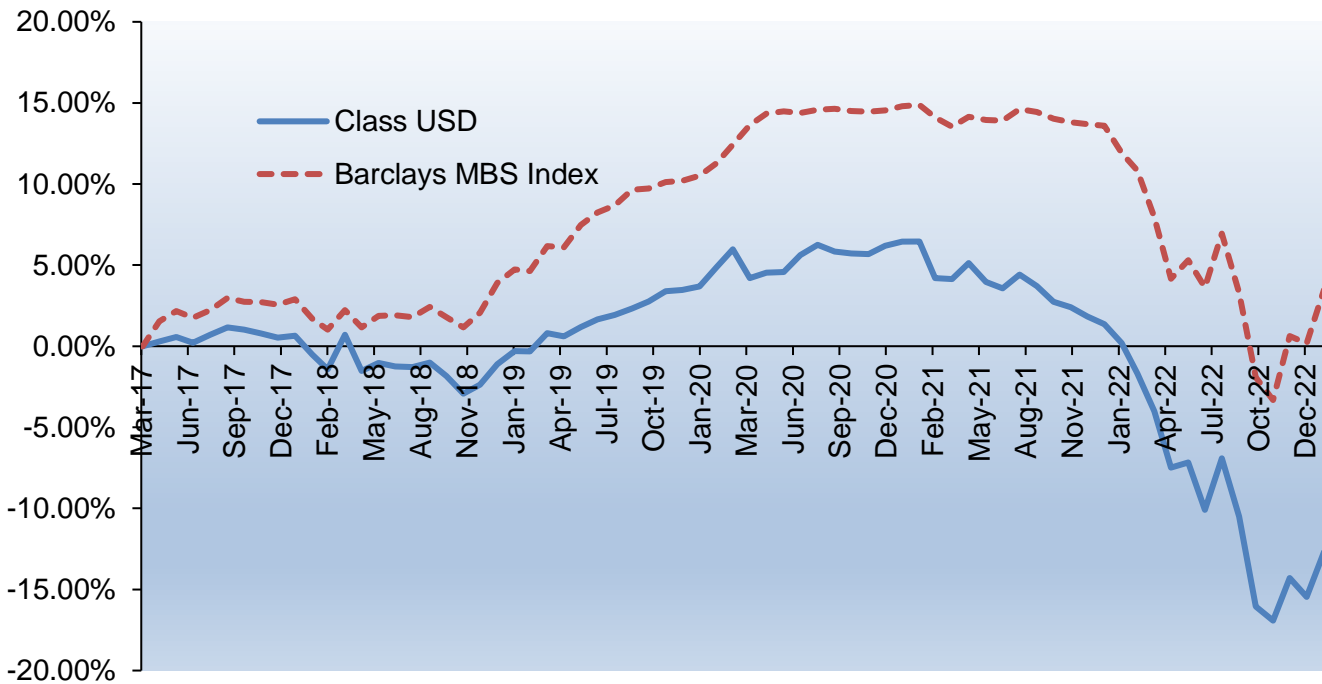
FUND PERFORMANCE (CONTINUED)

Since Inception

CLASS SGD-H



CLASS USD



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

	31.01.2023	31.01.2022	Changes %
CLASS AUD-H			
NAV (USD Million)	0.12	0.13	(7.69)
NAV/Unit (USD)	0.5182	0.6162	(15.90)
CLASS MYR-H			
NAV (USD Million)	0.04	0.05	(20.00)
NAV/Unit (USD)	0.1679	0.2013	(16.59)
CLASS SGD-H			
NAV (USD Million)	0.00*	0.00*	-
NAV/Unit (USD)	0.4487	0.5047	(11.10)
CLASS USD			
NAV (USD Million)	0.00*	0.00*	-
NAV/Unit (USD)	0.8057	0.9407	(14.35)

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

During the financial year under review, the Fund's NAV for Class AUD-H and Class MYR-H fell by 7.69% and 20.00% respectively. Meanwhile Class SGD-H and Class USD returned flat. The lower NAV for all classes was mainly due to net redemptions during the year under review.

In addition, the Fund's NAV per unit for Class AUD-H, Class MYR-H, Class SGD-H, and Class USD decreased by 15.90%, 16.59%, 11.10%, and 14.35% respectively over the same financial year under review.

At the time of reporting, Class AUD-H had the largest total NAV at USD0.12million.

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)	31.01.2023	31.01.2022
Collective investment scheme	100.38	101.93
Cash and other assets	5.05	2.12
Liabilities	(5.43)	(4.05)
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 *	31.01.2023
UMBS 30YR TBA (REG A) 5.00 PCT	27.75
UMBS 30YR TBA (REG A) 2.50 PCT	7.31
UMBS 30YR TBA 2.00 PCT 25-NOV2051	7.10
GNMA2 30YR TBA (REG C) 2.00 PCT	5.28
GNMA2 30YR TBA (REG C) 2.50 PCT	4.42
UMBS 30YR TBA (REG A) 3.00 PCT	3.42
UMBS 30YR TBA (REG A) 4.50 PCT	2.85
Government National Mortgage	2.62
Federal National Mortgage	2.40
UMBS 30YR TBA (REG A) 5.50 PCT	2.11

* As per disclosed in Fund Fact Sheet.

MARKET OUTLOOK*

Rate hikes have impacted interest sensitive sectors like housing where home price appreciation has leveled off and activity has slowed reflecting diminished affordability. Inflation has peaked and we are seeing some goods price disinflation. Markets seem to see a soft landing as a distinct possibility where inflation comes down and job markets move back into balance without putting a whole lot of people out of work. We expect that falling readings on inflation will modulate Fed policy leading volatility lower. We may even see some re-steepening of the yield curve which would be a positive development for Mortgage Backed Securities ("MBS") and for our positioning.

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

INVESTMENT STRATEGY

The Fund will continue to remain fully invested in the Target Fund with minimal cash kept for liquidity purposes. Our asset allocation decisions will remain subjected towards market conditions.

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 assists in the decision making process relating to the Fund's investments. All dealings with brokers are executed on best available terms.

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 for the benefit of the fund such as financial wire services and stock quotations system incidental to investment management of the Funds and there was no churning of trades.

SECURITIES FINANCING TRANSACTIONS

The Fund has not undertaken any securities lending or repurchase transactions during the financial 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 were no other significant changes in the state of affairs of the Fund during the financial year 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 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 has been carried out during the financial year under review.

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
PRINCIPAL US MORTGAGE 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 32 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 31 January 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
17 March 2023

TRUSTEE'S REPORT

**TO THE UNIT HOLDERS OF
PRINCIPAL US MORTGAGE FUND ("Fund")**

We have acted as Trustee of the Fund for the financial year ended 31 January 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.

We are of the opinion that the distributions of income by the Fund are appropriate and reflects the investment objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

Yap Lay Guat
Manager, Investment Compliance Monitoring

Kuala Lumpur
17 March 2023

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL US MORTGAGE FUND**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Principal US Mortgage Fund (the "Fund"), which comprise the statement of financial position as at 31 January 2023 of the Fund, 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 32.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 January 2023, and of its financial performance and cash flows for the 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 US MORTGAGE FUND (cont'd.)**

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 US MORTGAGE FUND (cont'd.)****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 scepticism throughout the audit. We are 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 US MORTGAGE FUND (cont'd.)**

Other matters

This report is made solely to the Manager of the Fund, as a body, in accordance with the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework 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
17 March 2023

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2023**

	Note	2023 USD	2022 USD
LOSS			
Dividend income		3,681	8,108
Net loss on financial assets at fair value through profit or loss	8	(20,421)	(67,055)
Net (loss)/ gain on derivatives at fair value through profit or loss	9	(2,894)	962
Net (loss)/ gain on foreign exchange		(6)	8,162
		<u>(19,640)</u>	<u>(49,823)</u>
EXPENSES			
Management fee	4	2,014	8,024
Trustee fee	5	64	256
Audit fee		2,247	2,300
Tax agent's fee		1,577	1,200
Other expenses		701	891
		<u>6,603</u>	<u>12,671</u>
LOSS BEFORE DISTRIBUTION AND TAXATION		(26,243)	(62,494)
Distribution:			
- Class AUD-H		2,018	4,824
- Class MYR-H		684	1,185
- Class SGD-H		3	6
- Class USD		7	1,870
	6	<u>2,712</u>	<u>7,885</u>
LOSS BEFORE TAXATION		(28,955)	(70,379)
Taxation	7	<u>(706)</u>	<u>-</u>
LOSS AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		<u>(29,661)</u>	<u>(70,379)</u>
Loss after taxation is made up as follows:			
Realised amount		(20,400)	(162,637)
Unrealised amount		(9,261)	92,258
		<u>(29,661)</u>	<u>(70,379)</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2023**

	Note	2023 USD	2022 USD
ASSETS			
Cash and cash equivalents	10	5,594	3,903
Financial assets at fair value through profit or loss	8	158,009	187,922
Derivative assets at fair value through profit or loss	9	2,353	-
TOTAL ASSETS		165,956	191,825
LIABILITIES			
Derivative liabilities at fair value through profit or loss	9	-	2,490
Amount due to Manager of collective investment scheme			
- Purchase of Shariah-compliant collective investment scheme		3,000	-
Accrued management fee		165	203
Amount due to Trustee		5	6
Tax Payable		100	-
Other payables and accruals		5,277	4,768
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)		8,547	7,467
NET ASSET VALUE OF THE FUND		157,409	184,358
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		157,409	184,358
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDING UNITS			
- Class AUD-H		116,187	135,820
- Class MYR-H		40,025	47,175
- Class SGD-H		454	510
- Class USD		743	853
		157,409	184,358
NUMBER OF UNITS IN CIRCULATION (UNITS)			
- Class AUD-H		224,209	220,408
- Class MYR-H		238,419	234,376
- Class SGD-H		1,011	1,011
- Class USD		922	907
	11	464,561	456,702

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2023 (CONTINUED)**

	Note	2023 USD	2022 USD
NET ASSET VALUE PER UNIT (USD)			
- Class AUD-H		0.5182	0.6162
- Class MYR-H		0.1679	0.2013
- Class SGD-H		0.4487	0.5047
- Class USD		<u>0.8057</u>	<u>0.9407</u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES			
- Class AUD-H		AUD0.7391	AUD0.8738
- Class MYR-H		MYR0.7162	MYR0.8422
- Class SGD-H		SGD0.5909	SGD0.6836
- Class USD		<u>USD0.8057</u>	<u>USD0.9407</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 31 JANUARY 2023**

	2023 USD	2022 USD
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR	<u>184,358</u>	<u>5,640,198</u>
Movement due to units created and cancelled during the financial year:		
Creation of units from applications		
- Class SGD-H	-	704
- Class USD	5	-
	<u>5</u>	<u>704</u>
Creation of units from distributions		
- Class AUD-H	2,018	4,824
- Class MYR-H	684	1,185
- Class SGD-H	0	6
- Class USD	5	1,465
	<u>2,707</u>	<u>7,480</u>
Cancellation of units		
- Class AUD-H	-	(2,398,483)
- Class MYR-H	-	(379,175)
- Class SGD-H	-	(2,435,573)
- Class USD	-	(180,414)
	<u>-</u>	<u>(5,393,645)</u>
Total comprehensive loss for the financial year	<u>(29,661)</u>	<u>(70,379)</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR	<u><u>157,409</u></u>	<u><u>184,358</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 31 JANUARY 2023**

	Note	2023 USD	2022 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of collective investment scheme		34,000	5,402,000
Purchase of collective investment scheme		(22,000)	(107,000)
Dividend income received		3,681	8,108
Management fee paid		(2,052)	(14,820)
Management fee rebate received		492	3,505
Trustee fee paid		(65)	(474)
Tax paid		(606)	-
Payments for other fees and expenses		(4,016)	(4,234)
Net realised loss on forward foreign currency contracts		(7,737)	(12,222)
Net realised foreign exchange gain		4	16,723
Net cash generated from operating activities		<u>1,701</u>	<u>5,291,586</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from units created		5	704
Payments for cancellation of units		-	(6,714,980)
Distributions paid		(5)	(405)
Net cash used in financing activities		<u>-</u>	<u>(6,714,681)</u>
Net increase/ (decrease) in cash and cash equivalents		1,701	(1,423,095)
Effects of foreign exchange differences		(10)	(8,560)
Cash and cash equivalents at the beginning of the financial year		<u>3,903</u>	<u>1,435,558</u>
Cash and cash equivalents at the end of the financial year	10	<u><u>5,594</u></u>	<u><u>3,903</u></u>
<u>Cash and cash equivalents comprised of:</u>			
Bank balances		<u>5,594</u>	<u>3,903</u>
Cash and cash equivalents at the end of financial year	10	<u><u>5,594</u></u>	<u><u>3,903</u></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 31 JANUARY 2023**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal US Mortgage Fund (the “Fund”) is governed by Principal Deed dated 21 November 2016 and a First Supplemental Deed dated 30 December 2019 (collectively referred to as the “Deeds”), 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 collective investment scheme, i.e. BNP Paribas Flexi I US Mortgage Fund (“Target Fund”). The Fund may also invest in liquid asset for liquidity purpose.

In order to achieve its investment objective, the Fund will invest at least 95% of its NAV in the BNP Paribas Flexi I US Mortgage Fund; a UCITS domiciled in Luxembourg and established on 25 September 2015¹. The Fund will also maintain up to 5% of its NAV in liquid assets for liquidity purposes.

Information on the Target Fund:

Company	: BNP Paribas Flexi I, an open-ended investment company with variable capital (société d'investissement à capital variable) incorporated on 4 July 2006 under the name “FORTIS SOLUTIONS” for an indefinite period in accordance with the provisions of Part I of the Luxembourg law of 20 December 2002 governing undertakings for collective investment. It was renamed “BNP Paribas Flexi I” on 13 September 2010.
Management Company	: BNP Paribas ASSET MANAGEMENT Luxembourg.
Investment Manager	: BNP Paribas Asset Management USA and BNP Paribas Asset Management UK (FX Management).
Regulatory authority	: Commission de Surveillance du Secteur Financier

Note 1: On 25 September 2015, the Target Fund was established and merged with the Irish Fund Parselect US Mortgage that was launched on 1 December 2007.

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”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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(m).

There are no other standards, amendments to standards or interpretations effective for financial year beginning on 1 February 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 February 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 contractual cash flows of the Fund's debt securities are solely payment of 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.

Investment in collective investment schemes have debt instrument with contractual cash flow that do not represent SPPI and therefore are classified as fair value through profit or loss.

Derivatives are financial assets/ liabilities at fair value through profit or loss unless they are designated hedges (Note 2(k)).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets and financial liabilities (continued)**Classification (continued)

The Fund classifies cash and cash equivalents 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

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 scheme is accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

(d) Cash and cash equivalents

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

(e) Distributions

Distributions to the Fund's unit holders are accounted for as finance cost in the statement of comprehensive income, as the unit holders' contributions are classified as financial liability as per Note 2(j).

Distribution is either reinvested (on ex-date) or paid in cash (on income payment date) to the unit holders. Proposed distributions are recognised as a liability in the financial year in which it is approved by the Trustee.

(f) Taxation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) Management fee rebate

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

(i) Functional and presentation currency

Functional and presentation currency

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

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.

(j) 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 four classes of units, known respectively as the Class AUD-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.

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)

(j) Unit holders' contributions (continued)

Cancellable units can be reinvested 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 reinvest 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 unit holders of respective classes with the total number of outstanding units of respective classes.

(k) Derivative financial instruments

A derivative financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The Fund's derivative financial instruments comprise forward foreign exchange contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the date of statements of financial position, with the resulting value discounted back to present value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held-for-trading and accounted for in accordance with the accounting policy set out in Note 2(b).

(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 Funds' 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Critical accounting estimates and judgements in applying accounting policies (continued)

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 are 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 10)	-	5,594	5,594
Collective investment scheme (Note 8)	158,009	-	158,009
Derivative assets at fair value through profit or loss (Note 9)	2,353	-	2,353
	<u>160,362</u>	<u>5,594</u>	<u>165,956</u>
2022			
Cash and cash equivalents (Note 10)	-	3,903	3,903
Collective investment scheme (Note 8)	187,922	-	187,922
	<u>187,922</u>	<u>3,903</u>	<u>191,825</u>

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

The Fund aims to maximize total return through investments in one collective investment scheme, which invests primarily in mortgage related securities in the US.

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 Deeds and SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

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

(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 interest rate risk and currency risk). The value of collective investment scheme may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's NAV and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

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

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

	2023	2022
	USD	USD
Financial assets at fair value through profit or loss:		
- Collective investment scheme	<u>158,009</u>	<u>187,922</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 the 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	Impact on profit or loss/NAV
	USD	USD
2023		
-5%	150,109	(7,900)
0%	158,009	-
5%	<u>165,909</u>	<u>7,900</u>
2022		
-5%	178,526	(9,396)
0%	187,922	-
5%	<u>197,318</u>	<u>9,396</u>

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

(a) Market risk (continued)

(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:

Financial assets	Cash and cash equivalents USD	Derivative assets at fair value through profit or loss USD	Total USD
2023			
AUD	270	1,797	2,067
MYR	442	554	996
SGD	392	2	394
	<u>1,104</u>	<u>2,353</u>	<u>3,457</u>
2022			
AUD	836	-	836
MYR	216	-	216
SGD	735	-	735
	<u>1,787</u>	<u>-</u>	<u>1,787</u>
Financial liabilities	Derivative liabilities at fair value through profit or loss USD		Total USD
2022			
AUD	2,555		2,555
MYR	(68)		(68)
SGD	3		3
	<u>2,490</u>		<u>2,490</u>

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

(a) Market risk (continued)

(ii) Currency risk (continued)

The table below summarises the sensitivity of the Fund's profit or loss and NAV to changes in foreign exchange rate 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 constant. 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.

	Change in foreign exchange rate	Impact on profit or loss/NAV	
		2023 USD	2022 USD
	%		
AUD	+/-5	+/- 103	+/- 86
MYR	+/-5	+/- 50	+/- 14
SGD	+/-5	+/- 20	+/- 37
		+/- 34	+/- 137

(b) Credit risk

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

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.

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

	Cash and cash equivalents USD	Total USD
2023		
- AAA	5,594	5,594
	5,594	5,594
2022		
- AAA	3,903	3,903
	3,903	3,903

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

(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 other instruments, 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 period 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			
Amount due to Manager of collective investment scheme			
- Purchase of Shariah-compliant collective investment scheme	3,000	-	3,000
Accrued management fee	165	-	165
Amount due to Trustee	5	-	5
Other payables and accruals	-	5,277	5,277
Tax Payable	100	-	100
Net assets attributable to unit holders*	157,409	-	157,409
Contractual undiscounted cash flows	160,679	5,277	165,956
2022			
Derivative liabilities at fair value through profit or loss	2,490	-	2,490
Accrued management fee	203	-	203
Amount due to Trustee	6	-	6
Other payables and accruals	-	4,768	4,768
Net assets attributable to unit holders*	184,358	-	184,358
Contractual undiscounted cash flows	187,057	4,768	191,825

* Outstanding units are redeemed on demand at the 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.

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

(d) Capital risk management

The capital of the Fund is represented by net assets attributable to unit holders of USD157,409 (2022: USD184,358). The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Fair value estimation

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price).

The fair value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial year end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques.

(i) Fair value hierarchy

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

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

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

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

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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>158,009</u>	<u>-</u>	<u>-</u>	<u>158,009</u>
Derivative assets at fair value through profit or loss:				
- Forward foreign currency contracts	<u>-</u>	<u>2,353</u>	<u>-</u>	<u>2,353</u>
2022				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	<u>187,922</u>	<u>-</u>	<u>-</u>	<u>187,922</u>
Derivative liabilities at fair value through profit or loss:				
- Forward foreign currency contracts	<u>-</u>	<u>2,490</u>	<u>-</u>	<u>2,490</u>

Investments whose values are based on quoted market prices in active markets and are therefore classified within Level 1, include collective investment scheme which invest in active listed equities. 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 forward foreign currency contracts.

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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, and all other liabilities are a reasonable approximation of their fair values due to their short-term nature.

4. MANAGEMENT FEE

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

For the financial year ended 31 January 2023 and 31 January 2022, the management fee is recognised at the following rates:

Class AUD-H	Class MYR	Class MYR-H	Class SGD-H	Class USD
1.25%	1.25%	1.25%	1.25%	1.25%

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

5. TRUSTEE FEE

In accordance with the Deeds, the Trustee is entitled to a fee up to 0.08% 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, if any.

For the financial year ended 31 January 2023, the Trustee fee is recognised at a rate of 0.04% per annum (2022: 0.04% per annum) for each class.

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

6. DISTRIBUTION

Distribution to members were derived from the following sources (assessed up to distribution declaration date):

	2023 USD	2022 USD
Dividend income	2,712	7,885
	<u>2,712</u>	<u>7,885</u>
Less:		
Expenses	-	-
Net distribution amount	<u>2,712</u>	<u>7,885</u>

6. DISTRIBUTION (CONTINUED)

	2023	2022
Gross/ Net distribution per unit (cent)		
Distribution on 17 March 2022		
- Class AUD-H	0.25	-
- Class MYR-H	0.08	-
- Class USD	0.38	-
Distribution on 17 June 2022		
- Class AUD-H	0.26	-
- Class MYR-H	0.08	-
- Class USD	0.39	-
Distribution on 22 September 2022		
- Class AUD-H	0.22	-
- Class MYR-H	0.07	-
- Class USD	0.35	-
Distribution on 19 December 2022		
- Class AUD-H	0.18	-
- Class MYR-H	0.06	-
- Class USD	0.31	-
Distribution on 17 March 2021		
- Class AUD-H	-	0.44
- Class MYR-H	-	0.14
- Class SGD-H	-	0.59
- Class USD	-	0.61
Distribution on 17 June 2021		
- Class AUD-H	-	0.29
- Class MYR-H	-	0.09
- Class USD	-	0.40
Distribution on 20 September 2021		
- Class AUD-H	-	0.26
- Class MYR-H	-	0.08
- Class USD	-	0.38
Distribution on 20 December 2021		
- Class AUD-H	-	0.26
- Class MYR-H	-	0.08
- Class USD	-	0.38
	<u>2.63</u>	<u>4.00</u>

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

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

7. TAXATION

	2023 USD	2022 USD
Tax charged for the financial year:		
- Current taxation	<u>706</u>	<u>-</u>

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:

	2023 USD	2022 USD
Loss before taxation	<u>(28,955)</u>	<u>(70,379)</u>
Taxation at Malaysian statutory rate of 24% (2022: 24%)	(6,949)	(16,891)
Tax effects of:		
- Investment loss not deductible for tax purpose	4,714	11,958
- Expenses not deductible for tax purposes	1,212	2,455
- Restriction on tax deductible expenses for Wholesale Funds	1,023	2,478
Tax on foreign source income	<u>706</u>	<u>-</u>
Taxation	<u><u>706</u></u>	<u><u>-</u></u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 USD	2022 USD
At fair value through profit or loss:		
- Collective investment scheme	<u>158,009</u>	<u>187,922</u>
Net loss on financial assets at fair value through profit or loss:		
- Realised loss on disposals	(6,819)	(160,037)
- Unrealised fair value (loss)/gain	(14,094)	91,043
- Management fee rebate #	492	1,939
	<u>(20,421)</u>	<u>(67,055)</u>

Management fee rebate is derived from the Fund's investment in collective investment scheme on an accruals basis to ensure no double charging of management fee. It is accrued daily based on the fair value of the collective investment scheme held.

For the financial year ended 31 January 2023, management fee rebate is recognised at a rate of 0.30% per annum (2022: 0.30% per annum) for each class.

8. 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				
BNP Paribas Investment Partners Luxembourg SA - BNP Paribas Flexi I - US Mortgage	1,976	186,399	158,009	100.38
TOTAL COLLECTIVE INVESTMENT SCHEME	1,976	186,399	158,009	100.38
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		(28,390)		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		158,009		
2022				
COLLECTIVE INVESTMENT SCHEME				
BNP Paribas Investment Partners Luxembourg SA - BNP Paribas Flexi I - US Mortgage	2,095	202,218	187,922	101.93
TOTAL COLLECTIVE INVESTMENT SCHEME	2,095	202,218	187,922	101.93
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		(14,296)		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		187,922		

9. DERIVATIVE ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	USD	USD
Forward foreign currency contracts:		
Derivative assets	2,353	-
Derivative liabilities	-	2,490
	<u>2,353</u>	<u>2,490</u>
Net (loss)/ gain on derivative assets/liabilities at fair value through profit or loss:		
- Realised loss on forward foreign currency contracts	(7,737)	(8,813)
- Unrealised fair value gain on forward foreign currency contracts	4,843	9,775
	<u>(2,894)</u>	<u>962</u>

As at 31 January 2023, there were 3 outstanding (2022: 4 outstanding) USD/Australian Dollar ("AUD"), USD/Malaysian Ringgit ("MYR"), USD/Singapore Dollar ("SGD") forward foreign currency contracts. The notional principal amount of the outstanding forward foreign currency contracts amounted to USD154,589 (2022: USD197,890).

The USD/AUD, USD/MYR and USD/SGD forward foreign currency contracts were entered into during the financial year to minimise the risk of foreign currency exposure between the USD and the foreign currencies of 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.

10. CASH AND CASH EQUIVALENTS

	2023	2022
	USD	USD
Bank balances	<u>5,594</u>	<u>3,903</u>

11. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2023	2022
	No. of units	No. of units
Class AUD-H (i)	224,209	220,408
Class MYR-H (ii)	238,419	234,376
Class SGD-H (iii)	1,011	1,011
Class USD (iv)	922	907
	<u>464,561</u>	<u>456,702</u>
(i) Class AUD-H		
At the beginning of the financial year	220,408	3,452,688
Add : Creation of units from distributions	3,801	6,996
Less : Cancellation of units	-	(3,239,276)
At the end of the financial year	<u>224,209</u>	<u>220,408</u>

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

	2023	2022
	No. of units	No. of units
(ii) Class MYR-H		
At the beginning of the financial year	234,376	1,919,485
Add : Creation of units from distributions	4,043	5,659
Less : Cancellation of units	-	(1,690,768)
At the end of the financial year	<u>238,419</u>	<u>234,376</u>
(iii) Class SGD-H		
At the beginning of the financial year	1,011	3,443,638
Add : Creation of units from applications	-	1,000
Add : Creation of units from distributions	-	11
Less : Cancellation of units	-	(3,443,638)
At the end of the financial year	<u>1,011</u>	<u>1,011</u>
(iv) Class USD		
At the beginning of the financial year	907	184,045
Add : Creation of units from distributions	15	1,485
Less : Cancellation of units	-	(184,623)
At the end of the financial year	<u>922</u>	<u>907</u>

12. TOTAL EXPENSE RATIO ("TER")

	2023	2022
	%	%
TER	<u>3.79</u>	<u>1.67</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 USD161,118 (2022: USD641,891).

13. PORTFOLIO TURNOVER RATIO ("PTR")

	2023	2022
PTR (times)	<u>0.18</u>	<u>4.29</u>

13. PORTFOLIO TURNOVER RATIO ("PTR") (CONTINUED)

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 = USD25,000 (2022: USD107,000)
total disposal for the financial year = USD34,000 (2022: USD5,402,000)

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

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

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

Units held by the Manager and parties related to the Manager

	2023		2022	
	No. of units	USD	No. of units	USD
Manager				
Principal Asset Management Berhad				
- Class AUD-H	62	32	62	38
- Class MYR-H	182	31	252	51
- Class SGD-H	1,011	454	1,011	510
- Class USD	93	75	92	87

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

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

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

Other than those disclosed elsewhere in the financial statements, there were no significant related party transactions and balances during the financial year.

15. TRANSACTIONS WITH BROKER/DEALER

Details of transactions with the broker/dealer for the financial year ended 31 January 2023 are as follows:

Broker/ Dealer	Value of trades USD	Percentage of total trades %
BNP Paribas Investment Partners Luxembourg	59,000	100.00

Details of transactions with the broker/dealer for the financial year ended 31 January 2022 are as follows:

Broker/ Dealer	Value of trades USD	Percentage of total trades %
BNP Paribas Investment Partners Luxembourg	5,509,000	100.00

16. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The COVID-19 pandemic, with its related lockdowns and movement restrictions, together with geopolitical tensions and heightened inflationary environment globally have had, and will continue to have, a significant impact on global economic conditions and the environment which the Fund operates.

The Manager continues to closely monitor the macroeconomic outlook affected by these factors and their impact to the Fund's performance and will be managing the risks to achieve the Fund's objective.

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 17 March 2023.

DIRECTORY

Head Office of the Manager

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