

**PRINCIPAL ISLAMIC WHOLESALE SUKUK FUND**

**QUARTERLY REPORT**

**FOR THE QUARTER AND FINANCIAL PERIOD TO 31 AUGUST 2021**

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## MANAGER'S REPORT

### FUND OBJECTIVE AND POLICY

#### What is the investment objective of the Fund?

The Fund aims to provide total return of investments through potential income and capital appreciation over medium to long-term by investing primarily in Malaysian Ringgit ("MYR") denominated Islamic fixed income securities that comply with the Shariah principles.

#### Has the Fund achieved its objective?

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

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

The Fund seeks to achieve its objective by investing in a diversified portfolio of MYR denominated Islamic fixed income securities which consists primarily of Sukuk, Government Investment Issue ("GII") and/or Government Guaranteed Issuances ("GG"). The Fund will invest between 70% and 98% (both inclusive) of its NAV in Sukuk with a minimum credit rating of AA3 by RAM Rating Services Bhd ("RAM") or AA- by Malaysian Rating Corporation Berhad ("MARC"), in unrated GII and/or unrated GG. At least 2% of the Fund's NAV will be maintained in Islamic liquid assets such as Islamic money market instruments and/or Islamic Deposits.

#### Asset Allocation

- between 70% and 98% (both inclusive) of the Fund's NAV will be invested in Sukuk, GII and/or GG; and
- at least 2% of the Fund's NAV will be invested in Islamic liquid assets such as Islamic money market instruments and/or Islamic Deposits.

#### Fund category/type

Wholesale Fund (Sukuk)/Income

#### When was the Fund launched?

Name of Class	Launch date
Class A	13 August 2020
Class B	13 August 2020
Class C	13 August 2020

#### What was the size of the Fund as at 31 August 2021?

RM102.33 million (100.00 million units)

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

Maybank 12-month General Investment Account-i for performance comparison purpose only.

#### What is the Fund distribution policy?

Quarterly, depending on the availability of realised income and/or realised gains and at Manager discretion. The Manager has the right to make provisions for reserves in respect of distribution of the Class. If the income available is too small or insignificant, any distribution may not be of benefit to unit holder as the total cost to be incurred in any such distribution may be higher than the amount for distribution. The Manager has the discretion to decide on the amount to be distributed to you. Manager also has the discretion to make income distribution on an ad-hoc basis, taking into consideration the level of its realised income and/or realised gains, as well as the performance of the Fund.

**FUND OBJECTIVE AND POLICY (CONTINUED)**

**What was the net income distribution for the financial period from 1 June 2021 to 31 August 2021?**

The Fund distributed a total net income of RM0.24 million to unit holders. As a result, the NAV per unit dropped from RM1.0067 to RM1.0043 on 24 Jun 2021, during the financial period from 1 June 2021 to 31 August 2021.

**PERFORMANCE DATA**

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

	<b>31.08.2021</b> %
Unquoted Sukuk	97.12
Cash and other assets	2.91
Liabilities	(0.03)
	100.00

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

	<b>31.08.2021</b>
NAV (RM Million)	
- Class A	0.00*
- Class B	0.00*
- Class C	102.33
Units in circulation (Million)	
- Class A	0.00*
- Class B	0.00*
- Class C	100.24
NAV per unit (RM)	
- Class A	1.0228
- Class B	1.0228
- Class C	1.0208
	<b>01.06.2021 to 31.08.2021</b>
Highest NAV per unit (RM)	
- Class A	1.0229
- Class B	1.0228
- Class C	1.0208
Lowest NAV per unit (RM)*	
- Class A	1.0016
- Class B	1.0014
- Class C	1.0015
Total return (%)	
- Class A	1.80
- Class B	1.81
- Class C	1.83

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 period were as follows (continued):

	<b>01.06.2021 to 31.08.2021</b>
Capital growth (%)	
- Class A	1.80
- Class B	1.81
- Class C	1.59
Income distribution (%)	
- Class A	-
- Class B	-
- Class C	0.24
Management Expense Ratio ("MER") (%)	0.03
Portfolio Turnover Ratio ("PTR") (times) #	0.16

# For the financial period under review, the Fund's PTR stood at 0.16 times, which reflected the number of transactions.

	<b>31.08.2021</b>	<b>Since inception to 31.08.2020 %</b>
Annual total return		
- Class A	2.27	0.00
- Class B	2.27	0.00
- Class C	2.30	0.00

(Launch date: 13 August 2020)

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

**MARKET REVIEW (1 JUNE 2021 TO 31 AUGUST 2021)**

During the financial period under review, global bond markets staged a strong rally, tracking movements in US Treasuries ("UST"). Softer employment numbers in the US, coupled with mixed economic data and the emergence of COVID-19 Delta variant globally, signaled potential derailment to economic growth progression, hence driven fund inflows into safe haven fixed income investments. The Malaysian bond market also benefited from the fund inflows, with net foreign purchases in Malaysian Government Securities ("MGS") of RM6.6 billion in August, taking the foreign holdings in MGS to 40.3%. On the local front, extension of the Movement Control Orders ("MCO") and Fitch Ratings' reaffirmation of Malaysia's long-term foreign-currency rating at "BBB+" with a stable outlook, supported sentiment in the domestic market. MGS 10-year yields rallied 25 basis points ("bps") lower before moderating up by 10 bps towards the end of August, closing the month at 3.19% yield. Corporate sukuk witnessed similar rally in tandem with MGS movements, with the long maturities outperforming market returns.

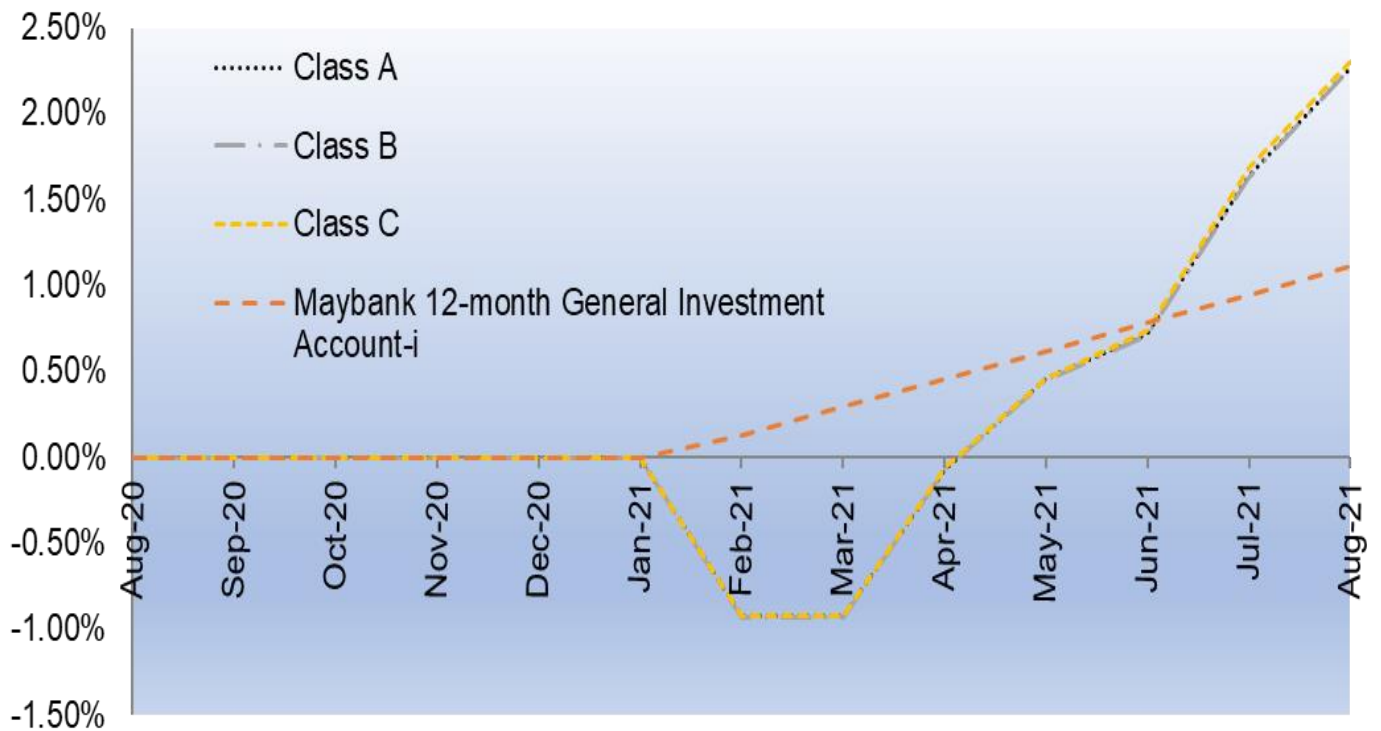
FUND PERFORMANCE

	3 months to 31.08.2021			6 months to 31.08.2021		
	Class A	Class B	Class C	Class A	Class B	Class C
	%	%	%	%	%	%
Income Distribution	-	-	0.24	-	-	0.24
Capital Growth	1.80	1.81	1.59	2.33	2.33	2.11
Total Return	1.80	1.81	1.83	2.33	2.33	2.35
Benchmark	0.49	0.49	0.49	0.98	0.98	0.98
Average total return	N/A	N/A	N/A	N/A	N/A	N/A

	1 year 31.08.2021			Since inception to 31.08.2021		
	Class A	Class B	Class C	Class A	Class B	Class C
	%	%	%	%	%	%
Income Distribution	-	-	0.24	-	-	0.24
Capital Growth	2.27	2.27	2.06	2.27	2.27	2.06
Total Return	2.27	2.27	2.30	2.27	2.27	2.30
Benchmark	1.97	1.97	1.97	1.11	1.11	1.11
Average total return	1.97	1.97	1.97	2.16	2.16	2.19

For the 3-months period under review, Class A, Class B and Class C's total return stood at 1.80%, 1.81% and 1.83% respectively, outperforming the benchmark Maybank 12-month General Investment Account-i return of 0.49% by 131 bps, 132 bps and 134 bps respectively. The outperformance of the Fund is in line with the rebound in the Malaysian fixed income market during the financial period under review.



**FUND PERFORMANCE (CONTINUED)**

**Changes in NAV**

<b>CLASS A</b>	<b>31.08.2021</b>
NAV (RM Million)	0.00*
NAV/Unit (RM)	1.0228
<b>CLASS B</b>	<b>31.08.2021</b>
NAV (RM Million)	0.00*
NAV/Unit (RM)	1.0228
<b>CLASS C</b>	<b>31.08.2021</b>
NAV (RM Million)	102.33
NAV/Unit (RM)	1.0208

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

During the period under review, the NAV per unit for all Classes of the Fund is consistent with their respective total return.

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)	31.08.2021
Unquoted Sukuk	97.12
Cash and other assets	2.91
Liabilities	(0.03)
<b>TOTAL</b>	<b>100.00</b>

During the financial period under review, the Fund increased its fixed income holdings to 97.12%, with the remaining balance in cash and other assets (Islamic deposits). The Fund's asset allocation was in line with the overall strategy.

**MARKET OUTLOOK\***

Ministry of Finance ("MoF") released pre-budget statement on 31 August with 2021 Gross Domestic Product ("GDP") growth being revised lower from 6.0%-7.5% to 3.0%-4.0% due to the prolonged lockdown period. Fiscal deficit is projected to be between 6.5%-7% of GDP in 2021 despite lower expenditure and higher commodity-related revenues. Statutory debt to GDP ratio is expected to rise by the end of the year following higher borrowings and the downward revision to GDP growth.

In second quarter of 2021, the Malaysian economy grew 16.1% year-on-year ("y-o-y") (first quarter of 2021: -0.5% y-o-y), coming from a low base after a strict MCO was imposed in March 2020 due to the COVID-19 pandemic. On a quarter-on-quarter ("q-o-q") basis, GDP declined by -2.0%. Growth in second quarter of 2021 was supported by faster manufacturing growth and a rebound in services, mining and construction which offset the contraction in agriculture. Growth was also driven by higher private sector spending and strong trade activity. First half of 2021 GDP growth stands at 7.1% compared to the contraction in first half of 2021 -5.6%.

## MARKET OUTLOOK\* (CONTINUED)

Meanwhile, the inflation measures, Customer Price Index (“CPI”) eased to +2.2% y-o-y in July 2021 after a +3.4% y-o-y increase seen in June 2021, mainly due the normalization of the low base effect. For the period of January 2021 to July 2021, CPI increased by 2.3% y-o-y. Inflationary pressure in July was mainly fueled by an 11.6% increase in RON95 fuel price. Unemployment rate inched higher to 4.8% in June 2021 compared to 4.5% in May 2021.

In the Malaysian bond market, domestic liquidity looks healthy with strong bid-to-cover ratio for new auctions of Government bonds. Demand for corporate bonds and sukuk remained healthy as investors continue to look for yields.

\* 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 Islamic Asset Management Sdn Bhd (“Principal Islamic”) or based on data obtained from sources believed to be reliable by Principal Islamic. Whilst every care has been taken in preparing this, Principal Islamic 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’s positioning in corporate sukuk has benefited from the recent market rally. We took the opportunity to lock in some gains and reinvested in higher yielding sukuk and new issuances with further upside potential. The Malaysian sukuk market may continue to be supported by Bank Negara’s accommodative monetary policy in the medium term. The Fund continues to overweight corporate sukuk over sovereigns for the additional yield pickup.

## UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 31 August 2021 are as follows:

### CLASS A

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	100.00
5,001-10,000	-	-	-
10,001-50,000	-	-	-
50,001-500,000	-	-	-
500,001 and above	-	-	-
<b>Total</b>	<b>1</b>	<b>0.00*</b>	<b>100.00</b>

### CLASS B

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	100.00
5,001-10,000	-	-	-
10,001-50,000	-	-	-
50,001-500,000	-	-	-
500,001 and above	-	-	-
<b>Total</b>	<b>1</b>	<b>0.00*</b>	<b>100.00</b>



**UNIT HOLDINGS STATISTICS (CONTINUED)**

**CLASS C**

<b>Size of unit holdings (units)</b>	<b>No. of unit holders</b>	<b>No. of units held (million)</b>	<b>% of units held</b>
5,000 and below	1	0.00*	00.00
5,001-10,000	-	-	-
10,001-50,000	-	-	-
50,001-500,000	-	-	-
500,001 and above	1	100.00	100.00
<b>Total</b>	<b>2</b>	<b>100.00</b>	<b>100.00</b>

Note: 0.00\* denotes unit count less than 0.01 million.

**SOFT COMMISSIONS AND REBATES**

Principal Islamic Asset Management Sdn Bhd (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 Islamic Funds (“Funds”) unless the soft commission received is retained in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds. All dealings with brokers are executed on best available terms.

During the financial period under review, the Manager and Trustee did not receive any rebates from the brokers or dealers but the Manager has retained soft commission in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds.

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD FROM 1 JUNE 2021 TO 31 AUGUST 2021**

**01.06.2021  
to 31.08.2021  
RM**

**INCOME**

Profit income from unquoted Sukuk	960,745
Profit income from Shariah-compliant deposits with licensed Islamic financial institutions	38,969
Net gain on financial assets at fair value through profit or loss	916,874
	1,916,588

**EXPENSES**

Management fee	51,073
Trustee fee	6,384
Audit fee	3,025
Tax agent's fee	1,260
Other expenses	428
	62,170

**PROFIT BEFORE TAXATION & FINANCE COST**

1,854,418

Finance cost:

- Class C	239,002
	-

**PROFIT BEFORE TAXATION**

1,615,416

Taxation

-

**PROFIT AFTER TAXATION, REPRESENTING  
TOTAL COMPREHENSIVE LOSS FOR THE  
FINANCIAL PERIOD**

1,615,416

Loss after taxation is made up as follows:

Realised amount	813,049
Unrealised amount	802,367
	1,615,416

**UNAUDITED STATEMENT OF FINANCIAL POSITION  
AS AT 31 AUGUST 2021**

**31.08.2021  
RM**

**ASSETS**

Cash and cash equivalents	2,973,607
Financial assets at fair value through profit or loss	<u>99,382,776</u>
<b>TOTAL ASSETS</b>	<b><u>102,356,383</u></b>

**LIABILITIES**

Accrued management fee	17,328
Amount due to Trustee	2,166
Other payables and accruals	<u>9,688</u>
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)</b>	<b><u>29,182</u></b>

<b>NET ASSET VALUE OF THE FUND</b>	<b><u>102,327,201</u></b>
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<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>	<b><u>102,327,201</u></b>
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**REPRESENTED BY:**

**FAIR VALUE OF OUTSTANDING UNITS**

- Class A	1,023
- Class B	1,023
- Class C	<u>102,325,155</u>
	<b><u>102,327,201</u></b>

**NUMBER OF UNITS IN CIRCULATION (UNITS)**

- Class A	1,000
- Class B	1,000
- Class C	<u>100,238,979</u>
	<b><u>100,240,979</u></b>

**NET ASSET VALUE PER UNIT**

- Class A	1.0228
- Class B	1.0228
- Class C	<u>1.0208</u>

**UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS  
FOR THE FINANCIAL PERIOD FROM 1 JUNE 2021 TO 31 AUGUST 2021**

	01.06.2021 to 31.08.2021 RM
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<u>100,472,783</u>
Movement due to units created and cancelled during the financial period:	
Creation of units from applications	
- Class C	<u>239,002</u>
Total comprehensive income for the financial period	<u>1,615,416</u>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL PERIOD</b>	<u><u>102,327,201</u></u>

**UNAUDITED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL PERIOD FROM 1 JUNE 2021 TO 31 AUGUST 2021**

**01.06.2021  
to 31.08.2021  
RM**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Proceeds from disposal of unquoted sukuk	10,753,603
Purchase of unquoted sukuk	(22,429,675)
Profit income received from unquoted sukuk	438,548
Profit income from Shariah-compliant deposits with licensed Islamic financial institutions and Hibah earned	38,969
Payments for other fees and expenses	<u>(57,567)</u>
<b>Net cash used in operating activities</b>	<b><u>(11,256,122)</u></b>
Cash and cash equivalents at the beginning of the financial period	<u>14,229,729</u>
Cash and cash equivalents at the end of the financial period	<b><u>2,973,607</u></b>
<u>Cash and cash equivalents comprised of:</u>	
Shariah-compliant deposits with licensed Islamic financial institutions	20,324
Bank balance	<u>2,953,283</u>
Cash and cash equivalents at the end of the financial period	<b><u>2,973,607</u></b>

**DIRECTORY**

**Head Office of the Manager**

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