

PRINCIPAL ISLAMIC WHOLESALE SUKUK FUND
ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2024

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INVESTORS' LETTER

Dear Valued Investor,

Greetings from Principal Islamic Asset Management Sdn Bhd ("Principal Islamic") and thank you for investing with us!

We are pleased to bring you a copy of the Annual Fund Report of the Principal Islamic Wholesale Sukuk Fund for the financial year ended 30 November 2024. You may also download this report from our website at www.principalislamic.com.

Helping you achieve your financial goals is our top priority, and winning accolades is a testament to our commitment to excellence. We were recognised as the Islamic Asset Manager of the Year (Asia-Pacific) for the sixth consecutive year at The Asset Triple A Islamic Finance Awards 2024.

Digital innovation is central to our strategy, as we use data and technology to develop the right solutions for you. We will continue to advance our digital capabilities to provide easy access to your investment portfolio and enable you to carry out transactions seamlessly. Please continue to check out our website for the latest updates, market insights and investment articles.

We've streamlined our online presence to enhance your social media experience. Please follow **@principalmalaysia** on Facebook, Instagram, LinkedIn, and YouTube for easier access to our latest news, events, and valuable content.

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

Yours faithfully,
for **Principal Islamic Asset Management Sdn Bhd**

Izad Sallehuddin
Chief Executive Officer
Non-Independent Executive Director

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 year 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 30 November 2024?

RM119.96 million (116.21 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 the Manager's 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 the unit holders. 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.

What was the net income distribution for the financial year ended 30 November 2024?

The Fund distributed a total net income of RM7 million to unit holders for the financial year ended 30 November 2024.

FUND OBJECTIVE AND POLICY (CONTINUED)

The Fund's NAV per unit were as follows:

Date	NAV per unit (Before distribution) RM	NAV per unit (After distribution) RM
Distribution on 19 December 2023		
- Class C	1.0391	1.0226
Distribution on 20 March 2024		
- Class C	1.0465	1.0326
Distribution on 20 June 2024		
- Class C	1.0458	1.0272
Distribution on 24 September 2024		
- Class C	1.0446	1.0311

Breakdown of distribution were as follows:

	30.11.2024		30.11.2023	
	RM	%	RM	%
Source of distribution				
Distribution out of current year's income	6,998,416	100.00	4,770,026	100.00
Distribution out of prior year income/capital	-	-	-	-
Total	6,998,416	100.00	4,770,026	100.00

PERFORMANCE DATA

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

	30.11.2024	30.11.2023	30.11.2022
	%	%	%
Unquoted Sukuk	96.74	97.75	96.45
Cash and other assets	3.30	2.29	3.59
Liabilities	(0.04)	(0.04)	(0.04)
	100.00	100.00	100.00

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

	30.11.2024	30.11.2023	30.11.2022
NAV (RM Million)			
- Class A	0.00*	0.00*	0.00*
- Class B	0.00*	0.00*	0.00*
- Class C	119.96	112.68	102.82
Units in circulation (Million)			
- Class A	0.00*	0.00*	0.00*
- Class B	0.00*	0.00*	0.00*
- Class C	116.21	109.40	104.65
NAV per unit (RM)			
- Class A	1.1943	1.1233	1.0264
- Class B	1.1959	1.1244	1.0268
- Class C	1.0322	1.0299	0.9825
Highest NAV per unit (RM)			
- Class A	1.1948	1.1233	1.0297
- Class B	1.1963	1.1244	1.0300
- Class C	1.0471	1.0354	1.0140

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

PERFORMANCE DATA (CONTINUED)

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

	30.11.2024	30.11.2023	30.11.2022
Lowest NAV per unit (RM)			
- Class A	1.1233	1.0265	0.9912
- Class B	1.1244	1.0269	0.9915
- Class C	1.0226	0.9806	0.9622
Total return (%)			
- Class A	6.30	9.44	0.92
- Class B	6.34	9.51	0.95
- Class C	6.44	9.59	1.03
Capital growth (%)			
- Class A	6.30	9.44	0.92
- Class B	6.34	9.51	0.95
- Class C	0.20	4.84	(2.86)
Income distribution (%)			
- Class A	-	-	-
- Class B	-	-	-
- Class C	6.22	4.54	4.00
Total Expense Ratio ("TER") (%) ^	0.24	0.25	0.25
Portfolio Turnover Ratio ("PTR") (times) #	0.60	0.35	0.44

^ The Fund's TER decreased from 0.25% to 0.24% during the financial year under review due to increase in average NAV.

For the financial year under review, the Fund's PTR stood at 0.60 times, which reflected the number of transactions.

	30.11.2024	30.11.2023	30.11.2022
Gross/Net distribution per unit (sen)			
Distribution on 19 December 2023			
- Class C	1.65	-	-
Distribution on 20 March 2024			
- Class C	1.38	-	-
Distribution on 20 June 2024			
- Class C	1.87	-	-
Distribution on 24 September 2024			
- Class C	1.35	-	-
Distribution on 20 December 2022			
- Class C	-	1.04	-
Distribution on 21 March 2023			
- Class C	-	1.04	-
Distribution on 21 June 2023			
- Class C	-	1.06	-
Distribution on 21 September 2023			
- Class C	-	1.34	-
Distribution on 21 December 2021			
- Class C	-	-	1.42
Distribution on 21 March 2022			
- Class C	-	-	0.83
Distribution on 21 June 2022			
- Class C	-	-	0.92
Distribution on 20 September 2022			
- Class C	-	-	0.73

PERFORMANCE DATA (CONTINUED)

	30.11.2024	30.11.2023	30.11.2022	Since inception to 30.11.2021
	%	%	%	%
Annual total return				
- Class A	6.30	9.44	0.92	1.70
- Class B	6.34	9.51	0.95	1.71
- Class C	6.44	9.59	1.03	1.76

(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 year have been extracted from Lipper.

MARKET REVIEW (1 DECEMBER 2023 TO 30 NOVEMBER 2024)

During the financial year under review, the Malaysian fixed income market performed well despite volatile global market environment. The global bond market began the financial year on a strong note driven by dovish statements from the US Federal Reserve (the “Fed”) which gave rise to general market expectation that the US Fed would start cutting interest rate soon.

During this period, the Fed lowered interest rate by a total of 75 basis point (“bps”) while Malaysia’s Bank Negara (“BNM”) kept interest rate unchanged. In their Federal Open Market Committee (“FOMC”) meeting on 18 September 2024, the Fed cut interest rates for the first time in four years by a jumbo 50bps from 5.25% to 5.50% to 4.75% to 5.00%, citing a “recalibration” of policy to preemptively avoid further weakening in the labor market, while emphasizing that future rate cuts will be data dependent.

At the November FOMC meeting, the Fed delivered a smaller 25bps interest rate cut, taking it to the 4.50% to 4.75% range, with the Fed Chairman Jerome Powell emphasizing that the results of the recent presidential election would have no “near term” impact on US monetary policy.

Meanwhile, BNM kept its Overnight Policy Rate (“OPR”) unchanged at 3.00% in its final Monetary Policy Committee (“MPC”) meeting of the year on 6 November 2024. This was the ninth consecutive meeting where interest rates remain unchanged, as economic growth remains stable while inflationary pressures were well contained.

The US Treasury (“UST”) market had a big rally with the 10-year UST yields declining 115bps lower from 4.75% in April 2024 to a low of 3.60% in September 2024 as investors priced in potential US rate cuts amid slowing inflation and deteriorating labor market.

In line with UST movements, Malaysian Government Securities (“MGS”) 10-year yields rallied 30bps lower from 3.98% in April 2024 to 3.68% in September 2024 driving yields lower on the corporate bonds as well.

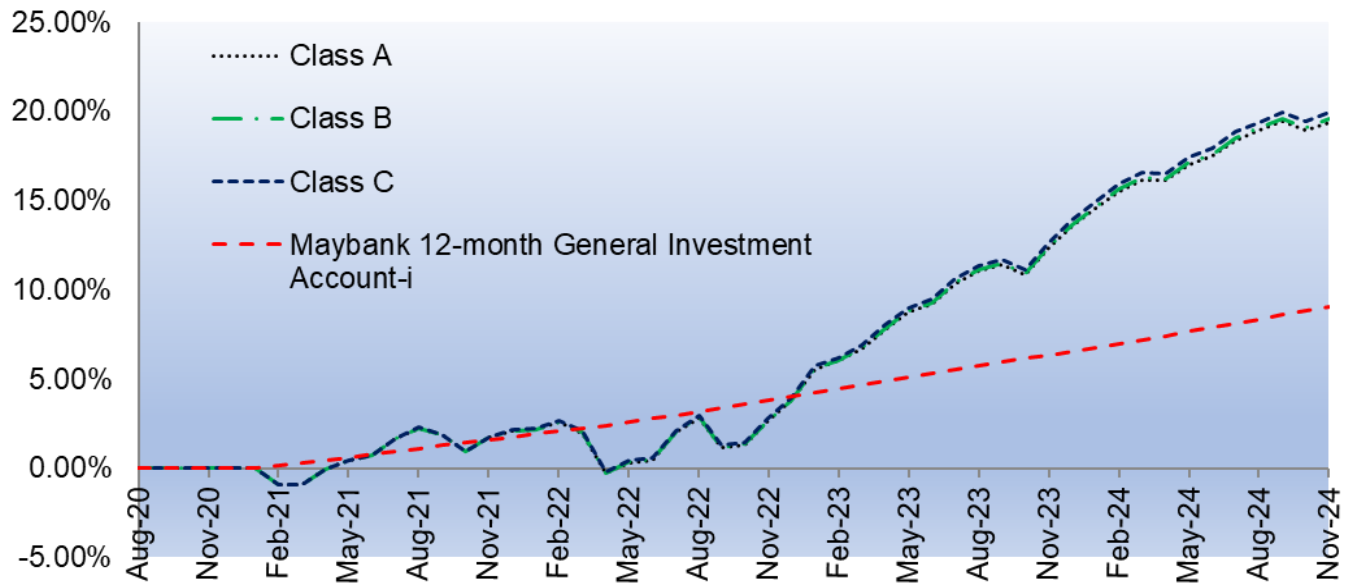
Nevertheless, UST yields retraced higher since October 2024, driven by a series of stronger-than-expected US economic data, prompting investors to adjust their expectations of the pace of future monetary policy easing. 10-year UST yields retraced 57bps higher to 4.17% at the end of November 2024. Meanwhile, MGS 10-year yields settled at 3.82%, 14bps higher than its recent low.

FUND PERFORMANCE

	1 year to 30.11.2024 %	3 years to 30.11.2024 %	Since inception to 30.11.2024 %
Income Distribution			
- Class A	-	-	-
- Class B	-	-	-
- Class C	6.22	15.49	16.21
Capital Growth			
- Class A	6.30	17.41	19.41
- Class B	6.34	17.56	19.57
- Class C	0.20	2.05	3.20
Total Return			
- Class A	6.30	17.41	19.41
- Class B	6.34	17.56	19.57
- Class C	6.44	17.85	19.93
Benchmark			
- Class A	2.55	7.35	9.07
- Class B	2.55	7.35	9.07
- Class C	2.55	7.35	9.07
Average Total Return			
- Class A	6.30	5.49	4.21
- Class B	6.34	5.54	4.24
- Class C	6.44	5.62	4.32

For the financial year, the Fund's Class A, Class B and Class C's total return stood at 6.30%, 6.34% and 6.44% respectively while the benchmark is at 2.55%.

Since inception



FUND PERFORMANCE (CONTINUED)

Changes in NAV

	30.11.2024	30.11.2023	Changes %
CLASS A			
NAV (RM Million)	0.00*	0.00*	-
NAV/Unit (RM)	1.1943	1.1233	6.32
CLASS B			
NAV (RM Million)	0.00*	0.00*	-
NAV/Unit (RM)	1.1959	1.1244	6.36
CLASS C			
NAV (RM Million)	119.96	112.68	6.46
NAV/Unit (RM)	1.0322	1.0299	0.22

Note: 0.00* denotes value less than 0.01 million.

The Fund's NAV for Class A and Class B has no changes while Class C increased by 6.46% respectively during the financial year under review.

In addition, the Fund's NAV per unit for Class A, Class B and Class C, increased by 6.32%, 6.36%, and 0.22%.

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

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	30.11.2024	30.11.2023
Unquoted Sukuk	96.74	97.75
Cash and other assets	3.30	2.29
Liabilities	(0.04)	(0.04)
TOTAL	100.00	100.00

During the financial year under review, the Fund decreased its unquoted sukuk holdings to 96.74%, with the remaining 3.30% balance in cash and other assets. The Fund's asset allocation was in line with the overall strategy.

MARKET OUTLOOK*

For Malaysia, the BNM meeting is scheduled on 22 January 2025 with the central bank expected to keep OPR unchanged at 3.00% as interest rate hike pressures has diminished in the near term, coupled with a slowing global growth outlook and benign domestic inflation. Under these circumstances, the Malaysian fixed income and sukuk market are expected to continue to do well.

MARKET OUTLOOK* (CONTINUED)

Overall, the outlook for domestic sukuk market remains positive, with central bank expected to keep OPR unchanged in the near term. We maintain our strategy with an overweight on corporates over Government sukuk for better yield pick-up.

* 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

In 2025, we have strategically positioned the Fund well ahead of the market in expectation of a shift in global and domestic interest rate expectations. The Fund continue to reinvest in new Sukuk issuances with attractive yields and upside potential. We strategically position the Fund's duration in line with global fixed income market outlook, while selectively redeploying cash into primary issuances and value investments. Given the constructive outlook for fixed income markets, we continue to overweight duration to ride on any positive market movements; and prefer corporate credits for higher yield pick-up.

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 Malaysia Funds ("Funds"). Accordingly, any rebate or shared commission will be directed to the account of the Fund. We may retain goods and services (soft commission) provided by any broker or dealer if the following conditions are met:

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

During the financial year under review, the Manager and Trustee did not receive any rebates from 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

There were no 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 ISLAMIC WHOLESALE SUKUK FUND**

I, being the Director of Principal Islamic Asset Management Sdn Bhd (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 8 to 31 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 November 2024 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”) Accounting Standards and International Financial Reporting Standards (“IFRS”) Accounting Standards.

For and on behalf of the Manager

Principal Islamic Asset Management Sdn Bhd (199101007531 (217841-M))

IZAD SALLEHUDDIN

Chief Executive Officer

Non-Independent Executive Director

Kuala Lumpur
16 January 2025

TRUSTEE'S REPORT

**TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC WHOLESALE SUKUK FUND ("Fund")**

We have acted as Trustee of the Fund for the financial year ended 30 November 2024 and we hereby confirm to the best of our knowledge, after having made all reasonable enquires, Principal Islamic Asset Management Sdn Bhd 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

Lee Cincee
Senior Manager, Trustee and Fiduciary Services

Kuala Lumpur
16 January 2025

Shariah Adviser's Report

To the Unit Holders of Principal Islamic Wholesale Sukuk Fund ("Fund")

For the Financial Year ended 30 November 2024

We hereby confirm the following:

1. To the best of our knowledge, after having made all reasonable enquiries, Principal Islamic Asset Management Sdn Bhd has operated and managed the Fund during the year covered by these financial statements in accordance with the Shariah principles and complied with the applicable guidelines, rulings or decisions issued by the Securities Commission Malaysia ("SC") pertaining to Shariah matters; and
2. The assets of the Fund comprise instruments that have been classified as Shariah-compliant.

For Amanie Advisors Sdn Bhd

Tan Sri Dr Mohd Daud Bakar
Executive Chairman

Kuala Lumpur
16 January 2025

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL ISLAMIC WHOLESALE SUKUK FUND**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Principal Islamic Wholesale Sukuk Fund (the "Fund"), which comprise the statement of financial position of the Fund as at 30 November 2024, 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 material accounting policy information, as set out on pages 8 to 31.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 November 2024, and of its financial performance and cash flows for the financial year then ended in accordance with MFRS Accounting Standards and IFRS Accounting 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 ISLAMIC WHOLESALE SUKUK 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 and the Trustee 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 MFRS Accounting Standards and IFRS Accounting 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 ISLAMIC WHOLESALE SUKUK 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 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 ISLAMIC WHOLESALE SUKUK FUND (CONT'D.)**

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

Other matters

This report is made solely to the unit holders of the Fund, as a body, in accordance with the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework 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. 03013/10/2026 J
Chartered Accountant

Kuala Lumpur, Malaysia
16 January 2025

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2024**

	Note	2024 RM	2023 RM
INCOME			
Profit income from unquoted sukuk		4,968,665	4,833,833
Profit income from Shariah-compliant deposits with licensed Islamic financial institutions and Hibah		106,754	134,378
Net gain on financial assets at fair value through profit or loss	8	<u>2,479,266</u>	<u>5,155,520</u>
		<u>7,554,685</u>	<u>10,123,731</u>
EXPENSES			
Management fee	4	237,105	218,221
Trustee fee	5	26,849	27,139
Audit fee		9,500	13,356
Tax agent's fee		4,700	5,811
Other expenses		<u>1,851</u>	<u>1,615</u>
		<u>280,005</u>	<u>266,142</u>
PROFIT BEFORE DISTRIBUTION AND TAXATION		7,274,680	9,857,589
Distribution: - Class C	6	<u>6,998,416</u>	<u>4,770,026</u>
PROFIT BEFORE TAXATION		276,264	5,087,563
Taxation	7	<u>-</u>	<u>-</u>
PROFIT AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>276,264</u>	<u>5,087,563</u>
Profit after taxation is made up as follows:			
Realised amount		(119,774)	907,124
Unrealised amount	8	<u>396,038</u>	<u>4,180,439</u>
		<u>276,264</u>	<u>5,087,563</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2024**

	Note	2024 RM	2023 RM
ASSETS			
Cash and cash equivalents	9	3,955,552	2,575,887
Financial assets at fair value through profit or loss	8	116,045,606	110,147,065
TOTAL ASSETS		<u>120,001,158</u>	<u>112,722,952</u>
LIABILITIES			
Accrued management fee		19,611	18,430
Amount due to Trustee		2,451	2,304
Other payables and accruals		23,601	21,403
TOTAL LIABILITIES		<u>45,663</u>	<u>42,137</u>
NET ASSET VALUE OF THE FUND		<u>119,955,495</u>	<u>112,680,815</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>119,955,495</u>	<u>112,680,815</u>
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDING UNITS			
- Class A		1,194	1,123
- Class B		1,196	1,124
- Class C		119,953,105	112,678,568
		<u>119,955,495</u>	<u>112,680,815</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)			
- Class A		1,000	1,000
- Class B		1,000	1,000
- Class C		116,210,223	109,402,751
	10	<u>116,212,223</u>	<u>109,404,751</u>
NET ASSET VALUE PER UNIT			
- Class A		1.1943	1.1233
- Class B		1.1959	1.1244
- Class C		<u>1.0322</u>	<u>1.0299</u>

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

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2024**

	2024 RM	2023 RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR	<u>112,680,815</u>	<u>102,823,226</u>
Movement due to units created and cancelled during the financial year:		
Creation of units from distributions		
- Class C	<u>6,998,416</u>	<u>4,770,026</u>
Total comprehensive income for the financial year	<u>276,264</u>	<u>5,087,563</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR	<u><u>119,955,495</u></u>	<u><u>112,680,815</u></u>

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

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2024**

	Note	2024 RM	2023 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of unquoted sukuk		64,214,329	35,624,169
Purchase of unquoted sukuk		(77,950,951)	(41,692,071)
Proceeds from maturity of unquoted fixed income securities		10,000,000	-
Profit income received from unquoted sukuk		5,286,012	5,079,259
Profit income from Shariah-compliant deposits with licensed Islamic financial institutions and hibah earned		106,754	134,378
Management fee paid		(235,924)	(215,432)
Trustee's fee paid		(26,702)	(26,929)
Payments for other fees and expenses		(13,853)	(22,379)
Net cash generated from/(used in) operating activities		1,379,665	(1,119,005)
Net increase/(decrease) in cash and cash equivalents		1,379,665	(1,119,005)
Cash and cash equivalents at the beginning of the financial year		2,575,887	3,694,892
Cash and cash equivalents at the end of the financial year	9	3,955,552	2,575,887
<u>Cash and cash equivalents comprised:</u>			
Shariah-compliant deposits with licensed Islamic financial institutions		3,934,657	2,555,210
Bank balance		20,895	20,677
Cash and cash equivalents at the end of the financial year	9	3,955,552	2,575,887

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2024**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal Islamic Wholesale Sukuk Fund (the “Fund”) is governed by a Principal Deed dated 22 June 2020 (the “Deed”), made between Principal Islamic Asset Management Sdn Bhd (the “Manager”) and PB Trustee Services Berhad (the “Previous Trustee”) and a First Supplemental Deed dated 22 May 2023 (collectively referred to as the “Deeds”) between the Manager and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

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

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, GII and/or 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 or AA- by 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.

The asset allocation strategy for this Fund is as follows:

- 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.

All investments are subjected to the Securities Commission Malaysia (“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, a company incorporated in Malaysia, is jointly owned by Principal Financial Services, Inc and CIMB Group Sdn Bhd. The principal activities of the Manager are the establishment and management of unit trust funds and fund management activities

2. MATERIAL ACCOUNTING POLICY INFORMATION

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 Accounting Standards as issued by the Malaysian Accounting Standards Board (“MASB”) and IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”).

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(a) Basis of preparation (continued)

The preparation of financial statements in conformity with MFRS Accounting Standards and IFRS Accounting Standards 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(j).

There are no other standards, amendments to standards or interpretations that are effective for financial year beginning on 1 December 2023 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 December 2024 are applicable to the Fund.

(b) Financial assets and financial liabilities

Classification

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

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

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

The contractual cash flows of the Fund's debt securities are solely payment of principal and interest¹ ("SPPI"). However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

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

¹ For the purposes of this Fund, interest refers to profits earned from Shariah-compliant investments.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**(b) Financial assets and financial liabilities (continued)**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. Shariah-compliant 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 Shariah-compliant 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.

Unquoted Sukuk denominated in Ringgit Malaysia ("MYR" or "RM") are revalued on a daily basis based on fair value prices quoted by a Bond Pricing Agency ("BPA") registered with the SC as per the SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework. Refer to Note 2(j) for further explanation.

Shariah-compliant deposits with licensed Islamic financial institutions are stated at cost plus accrued profit calculated on the effective profit method over the year from the date of placement to the date of maturity of the respective deposits.

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

Impairment for assets carried at amortised costs

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any ECL. Management 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.

Significant increase in credit risk

A significant increase in credit risk is defined by management 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**(b) Financial assets and financial liabilities (continued)**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

Profit income from Shariah-compliant deposits with licensed Islamic financial institutions and unquoted Sukuk are recognised on a time proportionate basis using the effective profit method on an accrual basis.

Profit income is calculated by applying the effective profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective profit rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Realised gain or loss on disposal of unquoted Sukuk is accounted for as the difference between the net disposal proceeds and the carrying amount of Shariah-compliant investments, determined on cost adjusted for accretion of discount or amortisation of premium.

(d) Functional and presentation currencies

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 MYR/RM, which is the Fund's functional and presentation currency.

(e) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balances and Shariah-compliant deposits held in highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(f) Taxation

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

(g) Distribution

Distributions to unit holders are recognised in the statement of comprehensive income as the unit holders' contribution are classified as financial liability. Distribution is reinvested into the Fund on the ex-date. Reinvestment of units is based on the NAV per unit on the ex-date, which is also the time of creation. Proposed distributions are recognised as a liability in the financial year in which it is approved by the Trustee.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(h) Unit holder's 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 three classes of units, known respectively as the Class A, Class B and Class C which are cancelled at the unit holder's option and do not have identical features subject to restrictions as stipulated in the Prospectus and SC Guidelines on Unit Trust Funds¹. The units are classified as financial liabilities. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV of respective classes. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the member exercises the right to put back the unit to the Fund.

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

(i) 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 prepared in accordance with SC Guidelines on Unit Trust Funds¹.

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

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

Estimates and judgement 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.

Estimate of fair value of unquoted Sukuk

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 Unit Trust Funds¹.

MYR/RM-denominated unquoted Sukuk are valued using fair value prices quoted by a BPA. Where the Manager is of the view that the price quoted by BPA for a specific unquoted Sukuk differs from the market price by more than 20 bps the Manager may use market price, provided that the Manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price.

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.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund were as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2024			
Cash and cash equivalents (Note 9)	-	3,955,552	3,955,552
Unquoted Sukuk (Note 8)	116,045,606	-	116,045,606
	<u>116,045,606</u>	<u>3,955,552</u>	<u>120,001,158</u>
2023			
Cash and cash equivalents (Note 9)	-	2,575,887	2,575,887
Unquoted Sukuk (Note 8)	110,147,065	-	110,147,065
	<u>110,147,065</u>	<u>2,575,887</u>	<u>112,722,952</u>

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

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

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

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

(a) Market risk

(i) Price risk

This is the risk that the fair value of an investment in unquoted Sukuk will fluctuate because of changes in market prices (other than those arising from interest rate risk).

The Fund is exposed to price risk arising from profit rate fluctuation in relation to its investments of RM116,045,606 (2023: RM110,147,065) in unquoted Sukuk. The Fund's exposure to price risk arising from profit rate fluctuation and the related sensitivity analysis are disclosed in "interest rate risk" below.

(ii) Interest rate risk

In general, when interest rates rise, unquoted Sukuk prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund holds an unquoted Sukuk till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity.

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

(a) Market risk (continued)

(ii) Interest rate risk (continued)

In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

Although unquoted Sukuk is a non-interest bearing instrument, investors should note that the movement in prices of unquoted Sukuk are correlated to the movement in interest rates. As such, the investments in unquoted Sukuk are exposed to the movement of the interest rates. Even though the Fund does not invest in interest bearing instruments, the interest rate referred herein is to the general interest rate of the country, which may affect the value of the investment of the Fund. However, it does not in any way suggest that this Fund will invest in conventional financial instruments. All investments carried out for the Fund including placement and deposits are in accordance with Shariah.

This risk is crucial since unquoted Sukuk portfolio management depends on forecasting interest rate movements. Prices of unquoted Sukuk move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted Sukuk decrease and vice versa. Furthermore, unquoted Sukuk with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to meet the obligation under the instrument, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The table below summarises the sensitivity of the Fund's profit or loss and NAV to movements in prices of unquoted Sukuk held by the Fund as a result of movement in interest rate at the end of each reporting year. The analysis is based on the assumptions that the interest rate changed by 1% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

% Change in interest rate	Impact on profit or loss/NAV	
	2024 RM	2023 RM
+1%	(367,229)	(284,793)
-1%	368,919	285,898

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is not exposed to cash flow interest rate risk as the Fund does not hold any financial instruments at variable interest rate

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

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The weighted average effective interest rate per annum was as follows:

	2024 %	2023 %
Deposits with licensed financial institutions	<u>2.00</u>	<u>3.00</u>

As at the end of each financial year, the Fund is not exposed to a material level of interest rate risk.

(b) Credit risk

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

Investment in unquoted Sukuk may involve a certain degree of credit/default risk with regards to the issuers. Generally, credit risk or default risk is the risk of loss due to the issuer's non-payment or untimely payment of the investment amount as well as the returns on investment. This will cause a decline in value of the defaulted unquoted Sukuk and subsequently depress the NAV of the Fund. Usually, credit risk is more apparent for an investment with a longer tenure, i.e. the longer the duration, the higher the credit risk.

Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the Manager imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the investment in accordance with the objective of the Fund. For this Fund, the unquoted Sukuk investments must satisfy a minimum rating requirement of at least "AA3" rating by RAM or equivalent rating by "AA-" rating by MARC or by local rating agency(ies) of the country of issuance; or equivalent rating by any other international rating agencies.

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

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Total RM
2024			
- AAA	3,955,552	33,704,492	37,660,044
- AA1	-	15,246,380	15,246,380
- AA3	-	55,890,613	55,890,613
- NR (LT)	-	11,204,121	11,204,121
	<u>3,955,552</u>	<u>116,045,606</u>	<u>120,001,158</u>

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

(b) Credit risk (continued)

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

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Total RM
2023			
- AAA	2,575,887	21,108,792	23,684,679
- AA3	-	34,455,293	34,455,293
- AA	-	54,582,980	54,582,980
	<u>2,575,887</u>	<u>110,147,065</u>	<u>112,722,952</u>

Shariah-compliant deposits with licensed Islamic financial institutions of the Fund have an average maturity of 2 days (2023:1 day).

(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 balance and Shariah-compliant deposits with licensed Islamic financial institutions, which are capable of being converted into cash within 7 business days. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining year as at 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 RM	Between 1 month to 1 year RM	Total RM
2024			
Accrued management fee	19,611	-	19,611
Amount due to Trustee	2,451	-	2,451
Other payables and accruals	-	23,601	23,601
Net assets attributable to unit holders*	<u>119,955,495</u>	<u>-</u>	<u>119,955,495</u>
Contractual undiscounted cash flows	<u>119,977,557</u>	<u>23,601</u>	<u>120,001,158</u>

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

(c) Liquidity risk (continued)

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2023			
Accrued management fee	18,430	-	18,430
Amount due to Trustee	2,304	-	2,304
Other payables and accruals	-	21,403	21,403
Net assets attributable to unit holders*	112,680,815	-	112,680,815
Contractual undiscounted cash flows	112,701,549	21,403	112,722,952

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

(d) Capital risk management

The capital of the Fund is net assets attributable to unit holders of RM119,955,495 (2023: RM112,680,815). The amount of capital can change significantly daily as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Fair value estimation

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

The fair value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial year end date. The Fund utilises the last traded market price for financial assets where the last traded market 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.

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy

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

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

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

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

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

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2024				
Financial assets at fair value through profit or loss:				
- Unquoted Sukuk	-	116,045,606	-	116,045,606
2023				
Financial assets at fair value through profit or loss:				
- Unquoted Sukuk	-	110,147,065	-	110,147,065

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

Financial instruments that trade in markets that are not 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. This includes unquoted Sukuk. 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. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

- (ii) The carrying values of cash and cash equivalents and all current liabilities are a reasonable approximation of their fair values due to their short-term nature.

4. MANAGEMENT FEE

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

For the financial year ended 30 November 2024 and 30 November 2023, the management fee for the respective classes is:

Class A	Class B	Class C
0.30%	0.25%	0.20%

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

5. TRUSTEE FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of up to 0.025% per annum, calculated daily based on the NAV of the Fund. The Trustee fee includes local custodian fee but excludes foreign sub-custodian fee (if any).

For the financial year ended 30 November 2024, the Trustee fee is recognized at 0.025% per annum for each classes (2023: 0.025% per annum for each classes).

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

6. DISTRIBUTION

Distributions to unit holders were derived from the following sources (assessed up to distribution declaration date):

Source of distribution	2024		2023	
	RM	%	RM	%
Distribution out of current year's income	6,998,416	100.00	4,770,026	100.00
Distribution out of prior year's income/capital	-	-	-	-
Total	6,998,416	100.00	4,770,026	100.00

6. DISTRIBUTION (CONTINUED)

	2024 RM	2023 RM
Gross/Net distribution per unit (sen)		
Distribution on 19 December 2023		
- Class C	1.65	-
Distribution on 20 March 2024		
- Class C	1.38	-
Distribution on 20 June 2024		
- Class C	1.87	-
Distribution on 24 September 2024		
- Class C	1.35	-
Distribution on 20 December 2022		
- Class C	-	1.04
Distribution on 21 March 2023		
- Class C	-	1.04
Distribution on 21 June 2023		
- Class C	-	1.06
Distribution on 21 September 2023		
- Class C	-	1.34

Gross distribution is derived using total income less total expenses. Net distribution above is sourced from current and prior financial years' realised income.

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

There were no unrealised losses during the financial year ended 30 November 2024 (2023: nil).

7. TAXATION

	2024 RM	2023 RM
Tax charged for the financial year:		
- Current taxation	-	-

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

	2024 RM	2023 RM
Profit before taxation	276,264	5,087,563
Taxation at Malaysian statutory rate of 24% (2023: 24%)	66,303	1,221,015
Tax effects of:		
- Investment income not deductible for tax purposes	(1,813,124)	(2,429,935)
- Expenses not deductible for tax purposes	1,739,933	1,201,779
- Restriction on tax deductible expenses for Wholesale Funds	6,888	7,141
Taxation	-	-

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RM	2023 RM
At fair value through profit or loss:		
- Unquoted Sukuk	116,045,606	110,147,065
Net gain on financial assets at fair value through profit or loss:		
- Realised gain on disposals	2,083,228	975,081
- Unrealised fair value gain	396,038	4,180,439
	2,479,266	5,155,520

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2024 UNQUOTED SUKUK				
Amanat Lebuhraya Rakyat Bhd 5.29% 13/10/2033 (AAA)	5,000,000	5,504,501	5,465,584	4.56
Amanat Lebuhraya Rakyat Bhd 5.32% 13/10/2034 (AAA)	2,500,000	2,565,337	2,732,540	2.28
Amanat Lebuhraya Rakyat Bhd 5.59% 13/10/2037 (AAA)	2,500,000	2,518,378	2,736,078	2.28
Eco World Capital Bhd 5.69% 29/10/2027 (AA3)	4,500,000	4,728,062	4,732,418	3.95
Edra Energy Sdn Bhd 6.47% 05/01/2035 (AA3)	6,500,000	7,654,943	7,860,007	6.55
Edra Energy Sdn Bhd 6.51% 05/07/2035 (AA3)	10,000,000	12,311,926	12,185,751	10.16
Jimah East Power Sdn Bhd 5.85% 04/06/2031 (AA3)	15,000,000	17,220,411	16,745,990	13.96
Konsortium KAJV Sdn Bhd 5.55% 13/05/2027 (AA3)	5,000,000	5,019,498	5,064,445	4.22
Malaysian Resources Corporation Bhd 5.09% 18/10/2028 (AA3)	9,000,000	9,070,281	9,302,002	7.75
Projek Lebuhraya Usahasama Bhd 5.00% 31/12/2038 (NR(LT))	10,000,000	11,196,817	11,204,121	9.34
Projek Lebuhraya Usahasama Bhd Sukuk Plus 5.017% 12/01/2038 (AAA)	5,000,000	5,597,282	5,591,091	4.66
Projek Lebuhraya Usahasama Bhd Sukuk Plus 5.27% 12/01/2033 (AAA)	5,000,000	5,543,319	5,555,012	4.63
Tenaga Nasional Bhd 5.57% 28/06/2047 (AAA)	5,000,000	6,050,925	6,122,180	5.10
TNB Power Generation Sdn Bhd 4.84% 27/03/2043 (AAA)	5,000,000	5,535,389	5,502,007	4.59

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2024 (CONTINUED) UNQUOTED SUKUK (CONTINUED)				
YTL Power International Bhd 4.21% 18/03/2037 (AA1)	15,000,000	15,170,394	15,246,380	12.71
TOTAL UNQUOTED SUKUK	<u>105,000,000</u>	<u>115,687,463</u>	<u>116,045,606</u>	<u>96.74</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>358,143</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>116,045,606</u>		
2023 UNQUOTED SUKUK				
Amanat Lebuhraya Rakyat Bhd 5.32% 13/10/2034 (AAA)	2,500,000	2,569,898	2,675,580	2.37
Amanat Lebuhraya Rakyat Bhd 5.41% 12/10/2035 (AAA)	2,500,000	2,612,017	2,681,332	2.38
Amanat Lebuhraya Rakyat Bhd 5.59% 13/10/2037 (AAA)	2,500,000	2,518,761	2,679,936	2.38
Eco World Capital Bhd 4.90% 10/08/2028 (AA)	1,500,000	1,522,755	1,558,800	1.38
Edra Energy Sdn Bhd 6.47% 05/01/2035 (AA3)	6,000,000	7,119,633	7,158,551	6.35
Edra Energy Sdn Bhd 6.55% 04/01/2036 (AA3)	10,000,000	11,909,475	12,041,384	10.69
Jimah East Power Sdn Bhd - 5.85% 04/06/2031 (AA)	15,000,000	17,466,540	16,503,439	14.65
Johor Port Bhd 5.30% 04/10/2029 (AA)	2,000,000	2,016,844	2,111,904	1.87
Konsortium KAJV Sdn Bhd 5.10% 13/05/2024 (AA)	10,000,000	10,034,353	10,035,254	8.91
Konsortium KAJV Sdn Bhd 5.55% 13/05/2027 (AA)	5,000,000	5,019,944	5,047,175	4.48
Malayan Cement Bhd 4.99% 12/10/2028 (AA3)	10,000,000	10,089,218	10,109,757	8.97
Malayan Cement Bhd 5.05% 26/06/2028 (AA3)	5,000,000	5,119,270	5,145,601	4.57

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2023 (CONTINUED) UNQUOTED SUKUK (CONTINUED)				
Malaysian Resources Corporation Bhd 5.09% 18/10/2028 (AA)	9,000,000	9,073,828	9,109,133	8.08
MMC Port Holdings Sdn Bhd 4.83% 08/04/2032 (AA)	3,000,000	3,021,040	3,088,750	2.74
Projek Lebuhraya Usahasama Bhd Sukuk Plus 4.89% 11/01/2036 (AAA)	5,000,000	5,382,065	5,366,940	4.76
Projek Lebuhraya Usahasama Bhd Sukuk Plus 4.95% 12/01/2037 (AAA)	5,000,000	5,300,264	5,386,465	4.78
Projek Lebuhraya Usahasama Bhd Sukuk Plus 5.75% 12/01/2037 (AAA)	2,000,000	2,303,358	2,318,539	2.06
UEM Sunrise Bhd 4.40% 08/09/2026 (AA)	5,000,000	5,056,721	5,027,530	4.46
UEM Sunrise Bhd 5.45% 18/06/2027 (AA)	2,000,000	2,048,976	2,100,995	1.87
TOTAL UNQUOTED SUKUK	<u>103,000,000</u>	<u>110,184,960</u>	<u>110,147,065</u>	<u>97.75</u>
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(37,895)</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>110,147,065</u>		

9. CASH AND CASH EQUIVALENTS

	2024 RM	2023 RM
Deposits with licensed financial institutions	3,934,657	2,555,210
Bank balances	<u>20,895</u>	<u>20,677</u>
	<u>3,955,552</u>	<u>2,575,887</u>

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2024	2023
	No. of units	No. of units
Class A (i)	1,000	1,000
Class B (ii)	1,000	1,000
Class C (iii)	116,210,223	109,402,751
	<u>116,212,223</u>	<u>109,404,751</u>
 (i) Class A		
At the beginning of the financial year	<u>1,000</u>	<u>1,000</u>
At the end of the financial year	<u>1,000</u>	<u>1,000</u>
 (ii) Class B		
At the beginning of the financial year	<u>1,000</u>	<u>1,000</u>
At the end of the financial year	<u>1,000</u>	<u>1,000</u>
 (iii) Class C		
At the beginning of the financial year	109,402,751	104,653,345
Add: Creation of units from distributions	<u>6,807,472</u>	<u>4,749,406</u>
At the end of the financial year	<u>116,210,223</u>	<u>109,402,751</u>

11. TOTAL EXPENSE RATIO ("TER")

	2024	2023
	%	%
TER	<u>0.24</u>	<u>0.25</u>

TER is derived based on 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 RM117,270,520 (2023: RM108,534,488).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2024	2023
PTR (times)	<u>0.60</u>	<u>0.35</u>

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 = RM77,261,650 (2023: RM41,449,500)

total disposal for the financial year = RM63,300,750 (2023: RM35,352,500)

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

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

<u>Related parties</u>	<u>Relationship</u>
Principal Islamic Asset Management Sdn Bhd	The Manager
Principal Financial Group, Inc.	Ultimate holding company of shareholder of the Manager
Principal Financial Services, Inc	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
CIMB Bank Bhd	Fellow related party to the Manager
CIMB Islamic Bank Bhd	Fellow related party to 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 shareholder of the Manager

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

Units held by the Manager and parties related to the Manager

	2024		2023	
	No. of units	RM	No. of units	RM
Manager				
Principal Islamic Asset Management Sdn Bhd Berhad				
- Class A	1,000	1,194	1,000	1,123
- Class B	1,000	1,196	1,000	1,124
- Class C	1,162	1,200	1,094	1,127

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.

There were no other significant related party transactions and balances, in addition to the related party disclosure mentioned elsewhere in the financial statements.

	2024 RM	2023 RM
<u>Significant related party balances</u>		
Bank balance:		
- CIMB Islamic Bank Bhd	-	20,677

14. TRANSACTIONS WITH DEALERS

Details of transactions with the dealers for the financial year ended from 30 November 2024 are as follows:

Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Hong Leong Islamic Bank Bhd	48,197,600	34.29	-	-
RHB Investment Bank Bhd	35,814,100	25.48	-	-
Hong Leong Bank Bhd	35,481,500	25.24	-	-
Malayan Banking Bhd	15,045,000	10.70	-	-
RHB Bank Bhd	6,024,200	4.29	-	-
	140,562,400	100.00	-	-

14. TRANSACTIONS WITH DEALERS (CONTINUED)

Details of transactions with the dealers for the financial year ended from 30 November 2023 are as follows:

Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Hong Leong Bank Bhd	23,625,500	30.76	-	-
CIMB Bank Bhd #	17,386,500	22.64	-	-
Hong Leong Islamic Bank Bhd	10,659,500	13.88	-	-
United Overseas Bank Malaysia	7,892,000	10.28	-	-
RHB Investment Bank Bhd	7,259,000	9.45	-	-
Malayan Banking Bhd	5,011,000	6.52	-	-
RHB Bank Bhd	3,468,500	4.52	-	-
HSBC Bank Malaysia Bhd	1,500,000	1.95	-	-
	<u>76,802,000</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Included in the transactions are trades conducted with CIMB Bank Bhd, fellow related parties to the Manager amounting to nil (2023: RM17,386,500). The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

15. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 16 January 2025.

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