

PRINCIPAL ISLAMIC WHOLESALE SUKUK FUND

QUARTERLY REPORT

FOR THE QUARTER AND FINANCIAL PERIOD TO 31 AUGUST 2022

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INVESTORS' LETTER

Dear Valued Investor,

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

We are pleased to bring you a copy of the Quarterly Fund Report of the Principal Islamic Wholesale Sukuk Fund for the financial period ended 31 August 2022. You may also download this report from our website at www.principalislamic.com.

We are pleased to share that Principal Malaysia was accorded with the ESG Asset Management Company of the Year-Highly Commended (Malaysia) award at The Asset Triple A Sustainable Investing Awards 2022 for Institutional Investor, ETF, and Asset Servicing Providers 2022.

Digital innovation is central to our strategy, as we use data and technology to develop the right solutions for you. We will continue to advance our digital capabilities to provide easy access to your investment portfolio and enable you to carry out transactions seamlessly. Please continue to check out our website (www.principalislamic.com), and LinkedIn page (Principal Islamic Asset Management Sdn Bhd) for the latest updates, market insights and investment articles.

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

Thank you.

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



Dato' Paduka Syed Mashafuddin Syed Badarudin
Chief Executive Officer

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 2022?

RM103.01 million (103.88 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 2022 to 31 August 2022?

The Fund distributed a total net income of RM0.95 million to unit holders. As a result, the NAV per unit for Class C dropped from RM0.9714 to RM0.9622 on 21 June 2022, during the financial period from 1 June 2022 to 31 August 2022.

PERFORMANCE DATA

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

	31.08.2022	31.08.2021 %
Unquoted Sukuk	93.25	97.12
Cash and other assets	6.79	2.91
Liabilities	(0.04)	(0.03)
	100.00	100.00

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

	31.08.2022	31.08.2021
NAV (RM Million)		
- Class A	0.00*	0.00*
- Class B	0.00*	0.00*
- Class C	103.01	102.33
Units in circulation (Million)		
- Class A	0.00*	0.00*
- Class B	0.00*	0.00*
- Class C	103.88	100.24
NAV per unit (RM)		
- Class A	1.0286	1.0228
- Class B	1.0289	1.0228
- Class C	0.9915	1.0208
	01.06.2022	01.06.2021
	to 31.08.2022	to 31.08.2021
Highest NAV per unit (RM)		
- Class A	1.0286	1.0229
- Class B	1.0290	1.0228
- Class C	0.9916	1.0208
Lowest NAV per unit (RM)*		
- Class A	0.9969	1.0016
- Class B	0.9971	1.0014
- Class C	0.9622	1.0015
Total return (%)		
- Class A	2.52	1.80
- Class B	2.53	1.81
- Class C	2.56	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 periods were as follows (continued):

	01.06.2022 to 31.08.2022	01.06.2021 to 31.08.2021
Capital growth (%)		
- Class A	2.52	1.80
- Class B	2.53	1.81
- Class C	1.59	1.59
Income distribution (%)		
- Class A	-	-
- Class B	-	-
- Class C	0.96	0.24
Total Expense Ratio ("TER") (%)^	0.06	0.06
Portfolio Turnover Ratio ("PTR") (times) #	0.11	0.16

For the financial period under review, the Fund's PTR stood at 0.11 times, which reflected the number of transactions

	31.08.2022	31.08.2021	Since inception to 31.08.2020 %
Annual total return			
- Class A	0.56	2.27	0.00
- Class B	0.60	2.27	0.00
- Class C	0.67	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 2022 TO 31 AUGUST 2022)

During the financial period under review, Malaysian bond yields initially trended higher in early June 2022 led by the government Malaysian Government Securities ("MGS") bonds, in tandem with a rise in US Treasury ("UST") yields, fuelled by expectations that the US Fed (the "Fed") may raise rates by a larger quantum in June 2022 after US headline inflation recorded a fresh 40-year high. Subsequently, MGS yields rallied lower recording some gains towards end July, as they tracked lower UST yields movements amid growing concerns that the US Fed's aggressive monetary tightening may induce an economic recession, before trending higher again in August 2022.

The Malaysian fixed income market continued to weaken in early June 2022 following a rise in UST yields, fuelled by expectations that the US Fed may raise interest rates by a larger quantum in June 2022, after US headline inflation recorded a fresh 40-year high of 8.6% year-on-year ("y-o-y") in May 2022. 10-year MGS yields rose 20 basis points ("bps") higher from 4.20% at end-May 2022 to peak at 4.40% on 13 June 2022. On 15 June 2022, the Fed aggressively raised interest rates by 75 bps, the largest quantum since 1994, to 1.50% to 1.75%.

MARKET REVIEW (1 JUNE 2022 TO 31 AUGUST 2022)(CONTINUED)

Subsequently, MGS 10-year yields reversed course, rallying 52bps lower to touch 3.88% at end July 2022, amid growing concerns that the US Fed's aggressive monetary tightening may induce an economic recession.

As widely expected, the Fed raised interest rates by 75 bps for the second consecutive meeting to 2.25% to 2.50% on 27 July and indicated that another large hike remains possible at its next meeting in September 2022, subject to economic data. Meanwhile in the local market, the Monetary Policy Committee ("MPC") of Bank Negara Malaysia ("BNM") increased the Overnight Policy Rate ("OPR") by 25 bps from 2.00% to 2.25% in its July 2022 meeting. This is the second time the MPC has increased the OPR this year. In its statement, BNM mentioned that amid the growth prospects for the Malaysian economy, the MPC decided to further adjust the degree of monetary accommodation, consistent in its view that the unprecedented conditions that necessitated a historically low OPR have continued to recede. MGS yields pared some gains in August, trading rangebound 3.88% to 4.01%, in line with an uptrend in US treasury yields as the Fed officials maintained their hawkish stance despite a decline in US inflation. Sentiment continued to be soft ahead of the highly anticipated Jackson Hole economic symposium at end-August, where global central banks (including the Fed) are widely expected to remain resolute in their fight against inflation, despite slowing economic growth.

Meanwhile, Malaysia's GDP accelerated from 5.0% y-o-y in first quarter of 2022 to 8.9% y-o-y in second quarter of 2022 (consensus: +7.0%), the strongest GDP growth since second quarter of 2021, mainly boosted by domestic demand post-Coronavirus Disease 2019 ("COVID-19") recovery. Malaysia's annual inflation rate increased to a 14-month high of 4.4% in July 2022 from 3.4% in June, matching market consensus. Food prices rose at a new record peak of 6.9% in July after rising 6.1% in June 2022, amid robust consumption following further improvement in COVID-19 situation.

During the period under review, MGS yield curve bull flattened and shifted lower (3 to 5 year yields rallied 11 to 15bps lower, while the longer 7 to 30 year yields rallied 21 to 29bps lower).

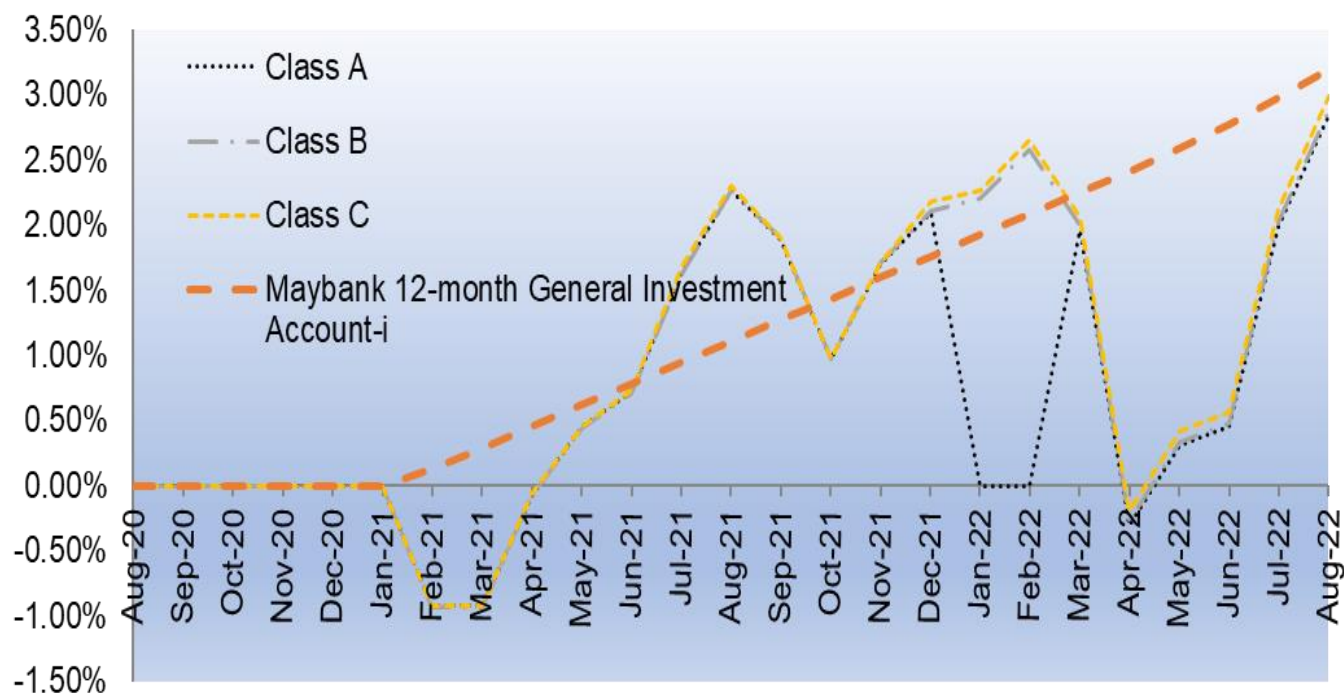
FUND PERFORMANCE

	3 months to 31.08.2022			6 months to 31.08.2022		
	Class A	Class B	Class C	Class A	Class B	Class C
	%	%	%	%	%	%
Income Distribution	-	-	0.96	-	-	1.79
Capital Growth	2.52	2.53	1.59	0.27	0.29	(1.43)
Total Return	2.52	2.53	2.56	0.27	0.29	0.33
Benchmark	0.59	0.59	0.59	1.09	1.09	1.09
Average total return	10.48	10.52	10.64	0.55	0.59	0.67
	1 year 31.08.2022			Since inception to 31.08.2022		
	Class A	Class B	Class C	Class A	Class B	Class C
	%	%	%	%	%	%
Income Distribution	-	-	3.64	-	-	3.88
Capital Growth	0.56	0.60	(2.86)	2.84	2.88	(0.86)
Total Return	0.56	0.60	0.67	2.84	2.88	2.99
Benchmark	2.06	2.06	2.06	3.19	3.19	3.19
Average total return	2.06	2.06	2.06	1.37	1.39	1.45

Since inception, the fund's Class A, Class B and Class C's total return stood at 2.84%, 2.88% and 2.99% respectively.

FUND PERFORMANCE (CONTINUED)

Since Inception



Changes in NAV

	31.08.2022	30.11.2021 Audited	Changes %
CLASS A			
NAV (RM Million)	0.00*	0.00*	-
NAV/Unit (RM)	1.0286	1.0170	1.14
CLASS B			
NAV (RM Million)	0.00*	0.00*	-
NAV/Unit (RM)	1.0289	1.0170	1.17
CLASS C			
NAV (RM Million)	103.01	101.77	1.22
NAV/Unit (RM)	0.9915	1.0113	(1.96)

Note: 0.00* denotes value less than 0.01 million.

During the financial 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)	31.08.2022	30.11.2021 Audited
Unquoted Sukuk	93.25	88.43
Cash and other assets	6.79	11.61
Liabilities	(0.04)	(0.04)
TOTAL	100.00	100.00

During the financial period under review, the Fund reduced its unquoted sukuk holdings to 93.25%, with the remaining balance in cash and other assets (deposits with Islamic financial institutions). The Fund's asset allocation was in line with the overall strategy.

MARKET OUTLOOK*

BNM raised its OPR by +25 bps from 2.25% to 2.50% at the 7&8 September 2022 BNM's MPC meeting, in line with expectations and marking the third successive hike since the start of the normalization cycle. BNM noted a marked slowdown in global economic growth momentum since the last MPC meeting attributed to rising cost pressures, tighter global financial conditions and strict zero-COVID-19 containment measures in China. Although some downside could be alleviated by ongoing labour market improvements and the reopening of international borders, BNM continues to see a challenging outlook ahead. That said, the impact on the domestic economy thus far has not been significant, with domestic demand momentum remaining relatively intact attributed to an improving labour market and the realization of multi-year projects.

BNM noted the continued upward price pressures and especially that of core inflation, which they indicated will likely reach the upper band of their 2 to 3% forecast for this year. However, they expect headline inflation to peak in third quarter of 2022 before moderating thereafter as global commodity prices ease. That said, BNM remains cognizant of inflation risks going ahead stemming from geopolitical developments and changes to domestic policy measures. The potential introduction of a targeted fuel subsidy scheme next year is the main upside risk to their 2023 inflation forecast.

Meanwhile, Malaysia's Consumer Price Index ("CPI") picked up further from 4.4% y-o-y in July 2022 to 4.7% y-o-y in August 2022 (consensus: 4.7%), mainly driven by food and transportation. Core inflation rose to 3.8% in August 2022 (July 2022: 3.4%). Food prices rose from 6.9% in July 2022 to 7.2%, the highest on record

* 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 has realized some of its holdings to capture income and has reinvested in new Sukuk issuance with higher yields and upside potential. We look to hold a neutral duration strategy in the near term, while selectively redeploying cash into primary issuances and value investments and will monitor market movements to identify opportunistic entry points for reinvestment. We continue to overweight corporate sukuk for yield enhancements.

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.

SECURITIES FINANCING TRANSACTIONS

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

STATE OF AFFAIR OF THE FUND

Please find the latest changes to the Statement by Manager’s signatory as follows:

Mr. Juan Ignacio Eyzaguirre Baraona (retired on 30 June 2022)

Mr. Uday Jayaram (appointed on 30 June 2022)

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

CIRCUMSTANCES THAT MATERIALLY AFFECT ANY INTEREST OF UNIT HOLDERS

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

CROSS TRADE

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

Unit Split

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

Shariah Adviser's Report

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

For the Financial Period From 1 June 2022 to 31 August 2022

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 period 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 asset of the Fund comprises of instruments that have been classified as Shariah compliant.

For Amanie Advisors Sdn Bhd

Tan Sri Dr Mohd Daud Bakar
Executive Chairman

Kuala Lumpur
14 October 2022

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 JUNE 2022 TO 31 AUGUST 2022**

	01.06.2022 to 31.08.2022 RM	01.06.2021 to 31.08.2021 RM
INCOME		
Profit income from unquoted Sukuk	1,135,554	960,745
Profit income from Shariah-compliant deposits with licensed Islamic financial institutions	26,281	38,969
Net gain on financial assets at fair value through profit or loss	1,480,806	916,874
	<u>2,642,641</u>	<u>1,916,588</u>
EXPENSES		
Management fee	51,147	51,073
Trustee fee	6,393	6,384
Audit fee	3,025	3,025
Tax agent's fee	1,260	1,260
Other expenses	278	428
	<u>62,103</u>	<u>62,170</u>
PROFIT BEFORE TAXATION & DISTRIBUTION	2,580,538	1,854,418
Distribution:		
- Class C	947,384	239,002
	<u>947,384</u>	<u>239,002</u>
PROFIT BEFORE TAXATION	1,633,154	1,615,416
Taxation	-	-
	<u>-</u>	<u>-</u>
PROFIT AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	<u>1,633,154</u>	<u>1,615,416</u>
Profit after taxation is made up as follows:		
Realised amount	(75,152)	813,049
Unrealised amount	1,708,306	802,367
	<u>1,633,154</u>	<u>1,615,416</u>

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2022**

	31.08.2022	30.11.2021
	RM	Audited RM
ASSETS		
Cash and cash equivalents	6,994,950	11,814,420
Financial assets at fair value through profit or loss	96,053,106	89,992,536
TOTAL ASSETS	<u>103,048,056</u>	<u>101,806,956</u>
LIABILITIES		
Accrued management fee	17,445	16,693
Amount due to Trustee	2,180	2,087
Other payables and accruals	17,762	17,000
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)	<u>37,387</u>	<u>35,780</u>
NET ASSET VALUE OF THE FUND	<u>103,010,669</u>	<u>101,771,176</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	<u>103,010,669</u>	<u>101,771,176</u>
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS		
- Class A	1,028	1,017
- Class B	1,029	1,017
- Class C	103,008,612	101,769,142
	<u>103,010,669</u>	<u>101,771,176</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)		
- Class A	1,000	1,000
- Class B	1,000	1,000
- Class C	103,882,868	100,627,388
	<u>103,884,868</u>	<u>100,629,388</u>
NET ASSET VALUE PER UNIT		
- Class A	1.0286	1.0170
- Class B	1.0289	1.0170
- Class C	<u>0.9915</u>	<u>1.0113</u>

**UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE FINANCIAL PERIOD FROM 1 JUNE 2022 TO 31 AUGUST 2022**

	01.06.2022 to 31.08.2022 RM	01.06.2021 to 31.08.2021 RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	100,430,130	100,472,783
Movement due to units created and cancelled during the financial period:		
Creation of units from applications		
- Class C	947,385	239,002
Total comprehensive income for the financial period	1,633,154	1,615,416
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL PERIOD	103,010,669	102,327,201

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 JUNE 2022 TO 31 AUGUST 2022**

	01.06.2022 to 31.08.2022 RM	01.06.2021 to 31.08.2021 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from disposal of unquoted sukuk	12,935,110	10,753,603
Purchase of unquoted sukuk	(10,384,603)	(22,429,675)
Profit income received from unquoted sukuk	977,908	438,548
Profit income from Shariah-compliant deposits with licensed Islamic financial institutions and Hibah earned	26,281	38,969
Management fee paid	(50,659)	-
Trustee's fees paid	(6,332)	-
Payments for other fees and expenses	(276)	(57,567)
Net cash generated from/(used in) operating activities	3,497,429	(11,256,122)
Cash and cash equivalents at the beginning of the financial period	3,497,521	14,229,729
Cash and cash equivalents at the end of the financial period	6,994,950	2,973,607
<u>Cash and cash equivalents comprised of:</u>		
Shariah-compliant deposits with licensed Islamic financial institutions	6,973,879	2,953,283
Bank balance	21,071	20,323
Cash and cash equivalents at the end of the financial period	6,994,950	2,973,607

DIRECTORY

Head Office of the Manager

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enquiries.principalislamic@principal.com.my

Customer Care Centre

(03) 7723 7260

Trustee for the Principal Islamic Wholesale Sukuk Fund

PB Trustee Services Berhad (Company No.: 196801000374 (7968-T))
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