

PRINCIPAL SUSTAINABLE CONSERVATIVE BOND FUND

QUARTERLY REPORT

FOR THE QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2024

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INVESTORS' LETTER

Dear Valued Investor,

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

We are pleased to bring you a copy of the Quarterly Fund Report of the Principal Sustainable Conservative Bond Fund for the financial period ended 30 September 2024. You may also download this report from our website at www.principal.com.my.

We are proud to announce that Principal Malaysia has received numerous accolades in 2024. At the Asia Asset Management 2024 Best of the Best Awards, we won the Best of the Best Performance Award: China A-Share Equity (3 years) and Best Institutional House – Malaysia. At the 2024 Global Banking & Finance Awards, our CEO, Munirah Khairuddin, was named Asset Management CEO of the Year Malaysia, and we were recognized as Asset Management Company of the Year Malaysia. We also received the Best International Equity Fund Manager for MSCI EM Latin America 2023 at the EPF External Fund Managers Awards 2023.

At the Alpha Southeast Asia Fund Management Awards 2024, we won three awards: Best Absolute Return Strategy, Best Online & Mobile Platform (Asset Manager), and Best Asset Manager (Income Oriented, Money Market & Alternative Investment Funds). At the Triple A Sustainable Investing Awards 2024, we secured the Asset Management Company of the Year (Malaysia) award. The World Business Outlook magazine awarded us Best Investment Management and Solutions Provider Malaysia, Best Institutional House Malaysia, and Asset Management CEO (Munirah Khairuddin) of the Year Malaysia. Additionally, we received three awards at the iFast Awards 2024, seven at the LSEG Lipper Fund Awards 2024, and ten at the FSMOne Recommended Funds 2023/2024.

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 (www.principal.com.my), like our Facebook page (@PrincipalAssetMY), follow us on our Instagram account (@principalassetmanagement_my), and LinkedIn page (Principal Asset Management Berhad) for the latest updates, market insights and investment articles.

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

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

Munirah Khairuddin
Chief Executive Officer,
Malaysia & Global Shariah & Managing Director,
Strategic Distribution & Institutional Client Relations
(Southeast Asia & Global Shariah)
Non-Independent Executive Director

MANAGER’S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to achieve regular income through sustainable investments in a diversified portfolio of Malaysian bonds.

Has the Fund achieved its objective?

The Fund has achieved its objective of providing income through sustainable investment in a diversified portfolio of Malaysian bonds

What are the Fund investment policy and principal investment strategy?

The Fund will be managed with the aim of achieving regular income through sustainable investments in a diversified portfolio of Malaysian bonds. The Fund will invest at least 80% of its NAV in corporate bonds, and up to 20% of its NAV in government bonds and liquid assets including cash and short-term money market instruments.

The Fund’s investment in bonds will be restricted to bonds rated at least a minimum credit rating of “AA3” by RAM or its equivalent rating by MARC. For diversification purpose, the Fund intends to invest in a variety of short-term (less than 1 year), short to medium term (1 - 3 years), medium to long term (3 - 5 years) and long term (more than 5 years) bonds, in which the Fund aims to maintain an overall portfolio duration of below 3 years.

The asset allocation strategy for this Fund is as follows:

- at least 80% of the Fund’s NAV will be invested in the corporate bonds; and
- up to 20% of the Fund’s NAV may be invested in government bond and liquid assets including cash and short-term money market instruments.

Base Currency

MYR

Fund category/type

Wholesale Fund (Bond) Income.

When was the Fund launched?

Name of Class	Launch Date
Class MYR	18 June 2024

What was the size of the Fund as at 30 June 2024?

RM 462.94million (457.78 million units)

What is the Fund’s benchmark?

50% RF BPAM Corporates AAA 1Y-3Y All Bond Index + 50% RF BPAM Corporates AA 1Y-3Y All Bond Index.

Note: The Fund’s benchmark is for performance comparison purpose only. The information on the benchmark can be obtained from www.bpam.com.my.

What is the Fund distribution policy?

Distributions, if any, will be at the discretion of the Manager and will vary from period to period depending on market conditions and performance of the Fund.

What was the net income distribution for the financial period from 18 June 2024 (date of launch) to 30 September 2024?

There was no distribution made for the financial period from 18 June 2024 (date of launch) to 30 September 2024.

PERFORMANCE DATA

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

	30.09.2024
	%
Unquoted fixed income securities	87.77
Cash and other assets	12.26
Liabilities	(0.03)
	100.00

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

	30.09.2024
NAV (RM Million)	
- Class MYR	462.84
Units in circulation (Million)	
- Class MYR	457.78
NAV per unit (RM)	
- Class MYR	1.0110
	18.06.2024
	(date of launch)
	to 30.09.2024
Highest NAV per unit (RM)	
- Class MYR	1.0110
Lowest NAV per unit (RM)	
- Class MYR	0.9999
Total return (%)	
- Class MYR	1.10
Capital growth (%)	
- Class MYR	0.64
Income distribution (%)	
- Class MYR	0.46
Total Expense Ratio ("TER") (%)	0.08
Portfolio Turnover Ratio ("PTR") (times)	0.85
	Since Inception
	to 30.09.2024
	%
Annual total return	
- Class MYR	1.10

(Launch date: 18 June 2024)

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 (18 JUNE 2024 (DATE OF LAUNCH) TO 30 SEPTEMBER 2024)

Bond movements during the quarter were mostly mixed and was influenced by both global and domestic factors as the market shifted its focus between global factors like United States (“US”) monetary policy expectations and domestic influences such as fiscal announcements and issuance trends.

The bond market began the quarter on a strong footing as overall yields shifted lower during the month of July driven by market optimism over moderating US inflation and expectations of future US Federal Reserve (the “Fed”) rate cuts. The Malaysian Government Securities (“MGS”) yield curve bull steepened in the month of July which saw yield for the 3 year to 15 year falling between 12 basis points (“bps”) to 15 bps while the 20 year and 30 year tightened 8bps and 5bps respectively.

There were some slight weakness in the bond market in August which was attributed to heavy supply pressure expected in October 2024, which induced some profit-taking activities, as well as several domestic events, including higher-than-expected second quarter of 2024 (“2Q24”) Gross Domestic Product (“GDP”) and the civil service wage review announcement. The MGS yield curve twisted in August 2024 as short-term yields declined marginally while the longer dated benchmark yields shifted higher during the month.

Towards the end of the quarter, yields shifted lower modestly reflected by stable market sentiment as Bank Negara Malaysia (“BNM”) left overnight policy rate (“OPR”) unchanged for the eighth consecutive time and continuing to strike a neutral tone in their accompanying statement. The MGS yield curve shifted lower in September 2024, with the 10 year yield compressing by 5 bps, while both short-term and long-term yields remained relatively unchanged by the end of the month. Despite mixed movements during the quarter, overall bond performance was positive with benchmark yield curve falling by 2 bps to 17 bps on a quarterly basis.

FUND PERFORMANCE

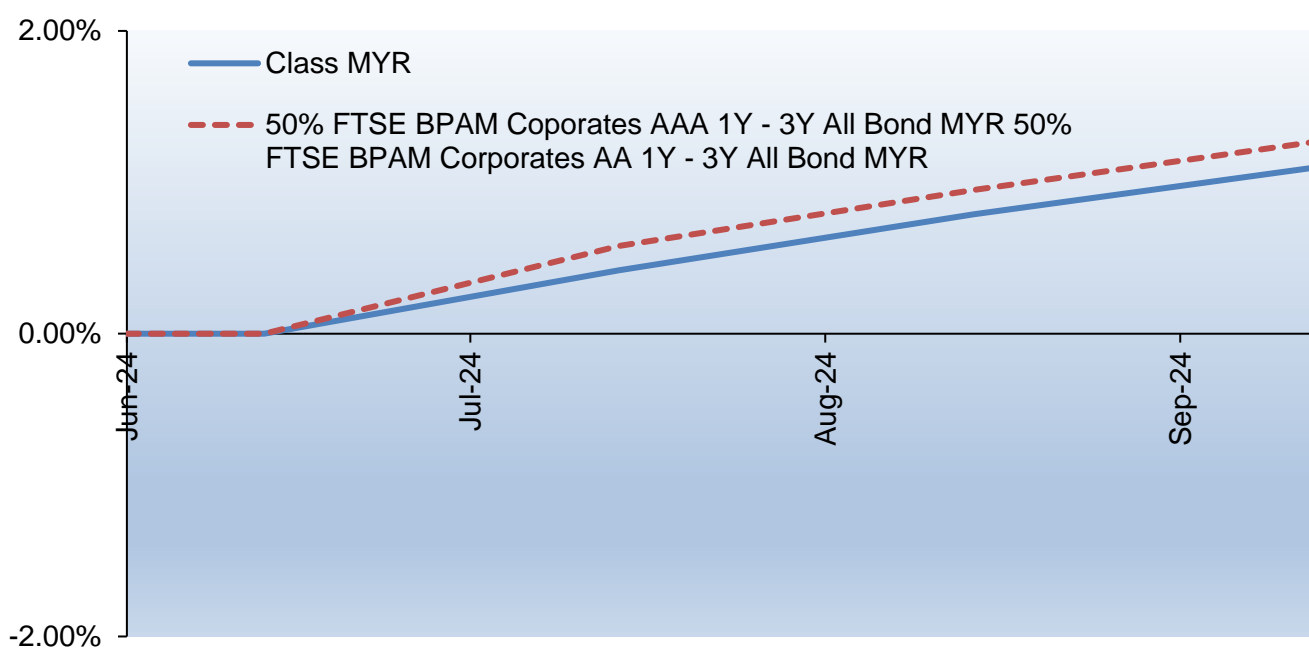
	3 months to 30.09.2024	Since inception to 30.09.2024 %
Income Distribution		
- Class MYR	0.46	0.46
Capital Growth		
- Class MYR	0.65	0.64
Total Return		
- Class MYR	1.11	1.10
Benchmark		
- Class MYR	1.13	1.27
Average Total Return		
- Class MYR	4.47	3.91

For the financial period under review, the fund returned 1.10% against benchmark returns of 1.27%.

FUND PERFORMANCE (CONTINUED)

Since inception

CLASS MYR



Changes in NAV

30.09.2024

CLASS MYR

NAV (RM Million)	462.84
NAV/Unit (RM)	1.0110

The fund's NAV as at 30 September 2024 stood at RM462.84 million while NAV per unit stood at RM1.0110.

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)	30.09.2024
Unquoted fixed income securities	87.77
Cash and other assets	12.26
Liabilities	(0.03)
Total	100.00

As at 30 September, the fund had 87.77% of its holdings in fixed income asset while 12.26% was held in cash and other assets.

MARKET OUTLOOK*

Looking ahead, BNM projects Malaysia's GDP growth to range between 4.5% to 5.5% for 2025 versus a revised 4.8% to 5.3% for 2024, driven by sustained domestic demand and recovery in exports. Ministry of Finance ("MOF") also projects inflation to range between 2.0% to 3.5% for 2025, and unemployment rate to improve further to 3.1%.

The Malaysia 2025 budget appears to be neutral from the fixed income perspective on the back of narrowing fiscal deficit, potential inflationary pressures stemming from subsidy rationalizations and rising income and robust growth prospects amid strong domestic demand. The government's focus to narrow fiscal deficit will be positive on the overall supply demand dynamics, as the smaller net government debt issuances of RM80 billion (gross debt issuances of RM164 billion) in 2025 against net government debt issuances of RM84.3 billion in 2024 (gross debt issuances of RM183 billion) will result in a drop in total gross debt issuance by approximately RM19 billion in 2025.

However, at the same time, we can expect some inflationary pressure over the execution of subsidy rationalization particularly RON 95 by mid-2025, which could have an impact on bond yields. Additionally, possible change in spending trends due to the increase in civil servants' minimum salary in February 2025 might give a boost to economic growth via domestic demand at least during the first half of the year.

In conclusion, based on the projected inflation and real GDP growth for 2025 provided by the MOF, we are of the view that BNM can keep the overnight policy rate ("OPR") steady at 3.00% for most of 2025 with potential upside risk coming in from inflationary pressures and robust growth domestically, while downside risk will stem from the downward cycle of global economy and monetary policy cycle by major central banks. This backdrop allows for continued support to the domestic bond market with bond yields to stay range bound which supports expectation of a stable total return for Ringgit ("MYR/RM") bond fund.

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

INVESTMENT STRATEGY

The correction in MGS makes govies looks attractive again, but we might want to be cautious on potential short-term volatilities related to the US elections. Meanwhile, new issuances of corporate bonds also look attractive, offering better yields over the last few weeks. We will be participating in these new issuances, as they offer more favorable valuations. Overall, the positive outlook for the local bond market—underpinned by stable policy rates, strong economic growth, and a narrowing fiscal deficit—continues to support an overweight duration strategy.

SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (the "Manager") and the Trustee will not retain any form of rebate or otherwise share in any commission with, any broker or dealer in consideration for directing dealings in the investments of the Fund. Accordingly, any rebates or shared commission will be directed to the account of the Fund. The Manager may retain goods and services (soft commission) provided by any broker or dealer if the following conditions are met:

- (a) the soft commission bring 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 Funds; and
- (c) the availability of soft commissions is not the sole or primary purpose to perform or arrange transactions with such broker or dealer, and the Manager will not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commissions.

SOFT COMMISSIONS AND REBATES (CONTINUED)

During the financial period under review, the Manager and the Trustee did not receive any rebates from the brokers or dealers, but the Manager has retained soft commission in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds. The Manager confirms that the goods and services received were for the benefit of the Fund, the trades were made on a best execution basis and there was no churning of trades.

SECURITIES FINANCING TRANSACTIONS

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

STATE OF AFFAIR OF THE FUND

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

CIRCUMSTANCES THAT MATERIALLY AFFECT ANY INTEREST OF UNIT HOLDERS

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

CROSS TRADE

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

UNIT SPLIT

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

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 18 JUNE 2024 (DATE OF LAUNCH) TO 30 SEPTEMBER
2024**

**18.06.2024
(date of launch)
to 30.09.2024
MYR**

INCOME

Interest income from unquoted fixed income securities	2,596,094
Net gain on financial assets at fair value through profit or loss	414,232
	3,010,326

EXPENSES

Management fee	170,913
Trustee fee	20,440
Audit fee	2,410
Tax agent's fee	1,515
	195,278

PROFIT BEFORE DISTRIBUTION AND TAXATION 2,815,048

Distribution:

- Class MYR 2,098,936

PROFIT BEFORE TAXATION 716,112

Taxation -

**PROFIT AFTER TAXATION, REPRESENTING
TOTAL COMPREHENSIVE INCOME FOR THE
FINANCIAL PERIOD** 716,112

Profit after taxation is made up as follows: :

Realised amount	302,040
Unrealised amount	414,072
	716,112

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2024**

	30.09.2024 MYR
ASSETS	
Cash and cash equivalents	56,723,282
Financial assets at fair value through profit or loss	<u>406,216,282</u>
TOTAL ASSETS	<u><u>462,939,564</u></u>
LIABILITIES	
Accrued management fee	86,185
Amount due to Trustee	10,342
Other payables and accruals	<u>3,928</u>
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)	<u>100,455</u>
NET ASSET VALUE OF THE FUND	<u><u>462,839,109</u></u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	<u><u>462,839,109</u></u>
REPRESENTED BY:	
FAIR VALUE OF OUTSTANDING UNITS	
- Class MYR	<u><u>462,839,109</u></u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	
- Class MYR	<u><u>457,783,198</u></u>
NET ASSET VALUE PER UNIT (RM)	
- Class MYR	<u><u>1.0110</u></u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES	
- Class MYR	<u><u>1.0110</u></u>

**UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE FINANCIAL PERIOD FROM 18 JUNE 2024 (DATE OF LAUNCH) TO 30 SEPTEMBER
2024**

**18.06.2024
(date of launch)
to 30.09.2024
MYR**

NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	-
Movement due to units created and cancelled during the financial period:	
Creation of units from applications	
- Class MYR	460,024,061
Creation of units from distributions	
- Class MYR	2,098,936
Total comprehensive income for the financial period	716,112
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL PERIOD	462,839,109

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 18 JUNE 2024 (DATE OF LAUNCH) TO 30 SEPTEMBER
2024**

**18.06.2024
(date of launch)
to 30.09.2024
MYR**

CASH FLOWS FROM OPERATING ACTIVITIES

Purchase of unquoted fixed income securities	(402,215,714)
Proceeds from disposal of unquoted fixed income securities	1,003,450
Interest income received from deposits with licensed financial institutions	(2,007,236)
Management fee paid	(84,728)
Trustee fee paid	(10,098)
Net cash used in operating activities	(403,314,326)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from units created	460,024,060
Net cash generated from financing activities	460,024,060

Net increase in cash and cash equivalents	56,709,734
Cash and cash equivalents at the end of the financial period	56,709,734

Cash and cash equivalents comprises of:

Bank balances	56,709,734
Cash and cash equivalents at the end of financial period	56,709,734

DIRECTORY

Head Office of the Manager

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