

Principal China Multi Asset Income Fund

Annual Report

For The Financial Year Ended 31 October 2021

PRINCIPAL CHINA MULTI ASSET INCOME FUND

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2021

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INVESTORS' LETTER

Dear Valued Investor,

Greetings from Principal Asset Management Berhad and thank you for investing with us!

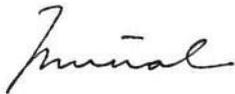
We are pleased to bring you a copy of the Annual Fund Report of the Principal China Multi Asset Income Fund for the financial year ended 31 October 2021. You may also download this report from our website at www.principal.com.my.

We are happy to share that we won the Most Innovative New Money Market Fund – Principal e-Cash Fund at the Global Business Outlook Awards 2021 and the Best Online & Mobile Platform (Asset Manager) Malaysia 2021 at the World Business Outlook Annual Awards 2021. Meanwhile, Principal Islamic won the Best 3-Year ROI Global Sukuk Fund Manager 2020 award at the EPF 2021 External Fund Manager Awards and was named Best Islamic Asset Manager of the Year (Asia Pacific) at The Asset Triple A Islamic Finance Awards 2021.

Digital innovation is central to our strategy, as we use data and technology to develop the right solutions for you. We will continue to advance our digital capabilities to provide easy access to your investment portfolio and enable you to carry out transactions seamlessly. Please continue to check out our website (www.principal.com.my), like our Facebook page (@PrincipalAssetMY), follow us on our Instagram account (@principalassetmanagement_my), and LinkedIn page (Principal Asset Management Berhad) for the latest updates, market insights and investment articles.

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

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



Munirah Khairuddin
Chief Executive Officer

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to provide income and moderate capital growth through investments in one collective investment scheme, which invests primarily in a diversified portfolio of securities related to China.

Has the Fund achieved its objective?

The Fund underperformed its benchmark during the period under review. However, it is still in line with its long-term objective to provide income and moderate capital growth.

What are the Fund investment policy and principal investment strategy?

The Fund is a feeder fund and it invests in a single collective investment scheme, i.e. HSBC China Multi-Asset Income Fund ("Target Fund"). The Fund may also invest in liquid asset for liquidity purpose.

In order to achieve its investment objective, the Fund will invest at least 95% of its Net Asset Value ("NAV") in the Target Fund; a sub-fund established on 21 November 2014 under the HSBC Collective Investment Trust. The Fund will also maintain up to 5% of its NAV in liquid assets for liquidity purposes.

Information on the Target Fund:

Trust	:	HSBC Collective Investment Trust, an umbrella unit trust established under the laws of Hong Kong by a trust deed dated 27 February 2014 between the Target Fund Manager and HSBC Institutional Trust Services (Asia) Limited as the Target Fund's trustee.
Target Fund Manager	:	HSBC Investment Funds (Hong Kong) Ltd
Target Fund Investment Adviser	:	HSBC Global Asset Management (Hong Kong) Ltd
Target Fund Research Adviser	:	HSBC Jintrust Fund Management Company Ltd
Regulatory authority	:	Securities and Futures Commission of Hong Kong

Asset Allocation:

- At least 95% of the Fund's NAV will be invested in the Target Fund; and
- Up to 5% of the Fund's NAV will be invested in liquid assets for liquidity purposes.

Base Currency

US Dollar ("USD")

Fund category/type

Feeder fund/Income & Growth

FUND OBJECTIVE AND POLICY (CONTINUED)

When was the Fund launched?

Name of Class	Launch Date
Class AUD-Hedged ("AUD-H")	2 July 2018
Class MYR	30 August 2017 ^{Note 1}
Class MYR-Hedged ("MYR-H")	3 July 2017
Class RMB-Hedged ("RMB-H")	2 July 2018
Class SGD	30 August 2017 ^{Note 1}
Class SGD-Hedged ("SGD-H")	19 June 2018
Class USD	3 July 2017

Note 1: The Manager has the discretion to determine the launch date, which shall be the date disclosed above or such other date as may be determined by the Manager.

What was the size of the Fund as at 31 October 2021?

USD43.46 million (154.83 million units)

What is the Fund's benchmark?

The Fund adheres to the benchmark of the Target Fund for performance comparison. The benchmark of the Target Fund is 50% MSCI China Net + 50% Markit iBoxx Asia Local Bond Index China Offshore for comparison purposes.

What is the Fund distribution policy?

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

What was the net income distribution for the financial year end 31 October 2021?

The Fund distributed a total net income of USD1.20 million to unit holders for the financial year end 31 October 2021.

The Fund's NAV per unit were as follows:

Date	NAV per unit (before distribution) USD	NAV per unit (after distribution) USD
4 December 2020		
Class MYR-H	0.2857	0.2840
Class SGD-H	0.8131	0.8085
Class USD	1.2161	1.2085
5 March 2021		
Class AUD-H	1.0153	1.0121
Class MYR	0.2593	0.2582
Class MYR-H	0.2949	0.2928
Class RMB-H	0.2008	0.2003
Class SGD-H	0.8324	0.8270
Class USD	1.2569	1.2486
3 June 2021		
Class AUD-H	0.9969	0.9918
Class MYR	0.2545	0.2535
Class MYR-H	0.2865	0.2850
Class RMB-H	0.2022	0.2012
Class SGD-H	0.8235	0.8194
Class USD	1.2299	1.2238

FUND OBJECTIVE AND POLICY (CONTINUED)

The Fund's NAV per unit were as follows: (continued)

Date	NAV per unit (before distribution) USD	NAV per unit (after distribution) USD
7 September 2021		
Class AUD-H	0.8807	0.8742
Class MYR	0.2342	0.2324
Class MYR-H	0.2621	0.2601
Class RMB-H	0.1854	0.1839
Class SGD-H	0.7473	0.7418
Class USD	1.1323	1.1239

PERFORMANCE DATA

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

	31.10.2021 %	31.10.2020 %	31.10.2019 %
Collective investment scheme	98.66	99.19	98.09
Cash and other net assets	2.61	3.63	2.69
Liabilities	(1.27)	(2.82)	(0.78)
	100.00	100.00	100.00

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

	31.10.2021	31.10.2020	31.10.2019
NAV (USD Million)			
- Class AUD-H	0.85	0.00*	0.00*
- Class MYR	0.97	-	-
- Class MYR-H	31.43	35.61	58.73
- Class RMB-H	2.13	0.00*	0.00*
- Class SGD-H	0.64	0.43	0.47
- Class USD	7.44	7.70	12.07
Units in circulation (Million)			
- Class AUD-H	1.03	0.00*	0.00*
- Class MYR	4.47	-	-
- Class MYR-H	129.02	132.28	259.22
- Class RMB-H	12.28	0.00*	0.00*
- Class SGD-H	0.93	0.56	0.71
- Class USD	7.10	6.58	12.18
NAV per unit (USD)			
- Class AUD-H	0.8273	0.8669	0.7140
- Class MYR	0.2166	-	-
- Class MYR-H	0.2435	0.2692	0.2265
- Class RMB-H	0.1736	0.1803	0.1403
- Class SGD-H	0.6889	0.7640	0.6534
- Class USD	1.0470	1.1706	0.9912

Note: 0.00* denotes fair value less than 1 USD.

PERFORMANCE DATA (CONTINUED)

Performance details of the Fund for the last three financial years were as follows: (continued)

	01.11.2020 to 31.10.2021	01.11.2019 to 31.10.2020	01.11.2018 to 31.10.2019
Highest NAV per unit (USD)			
- Class AUD-H	1.1119	0.8937	0.7892
- Class MYR	0.2784	-	-
- Class MYR-H	0.3197	0.2733	0.2494
- Class RMB-H	0.2186	0.1837	0.1559
- Class SGD-H	0.9050	0.7795	0.7119
- Class USD	1.3490	1.1845	1.0515
Lowest NAV per unit (USD)			
- Class AUD-H	0.8062	0.5548	0.6700
- Class MYR	0.2147	-	-
- Class MYR-H	0.2407	0.1972	0.2128
- Class RMB-H	0.1709	0.1303	0.1331
- Class SGD-H	0.6830	0.5667	0.6199
- Class USD	1.0376	0.9237	0.9126
Total return (%)			
- Class AUD-H	(9.55)	19.30	7.82
- Class MYR	-	-	-
- Class MYR-H	(7.53)	20.70	10.43
- Class RMB-H	(6.50)	22.31	0.36
- Class SGD-H	(8.95)	19.65	10.80
- Class USD	(8.26)	20.67	9.94
Capital growth (%)			
- Class AUD-H	(10.94)	19.30	7.82
- Class MYR	-	-	-
- Class MYR-H	(9.81)	18.10	7.55
- Class RMB-H	(7.90)	22.31	0.36
- Class SGD-H	(11.16)	17.19	6.38
- Class USD	(10.56)	18.10	8.81
Income distribution (%)			
- Class AUD-H	1.56	-	-
- Class MYR	-	-	-
- Class MYR-H	2.53	2.20	2.68
- Class RMB-H	1.51	-	-
- Class SGD-H	2.49	2.10	4.07
- Class USD	2.56	2.17	1.03
Management Expense Ratio ("MER") (%)			
^	1.85	1.86	1.85
Portfolio Turnover Ratio ("PTR") (times) #			
	0.17	0.32	0.12

* Newly launch

^ The Fund's MER decrease from 1.86% to 1.85% was mainly due to decrease in expenses for the financial year under review.

For the financial year under review, the Fund's PTR decreased from 0.32 times to 0.17 times mainly due to decreased trading activities during the financial year.

PERFORMANCE DATA (CONTINUED)

Performance details of the Fund for the last three financial years were as follows: (continued)

	01.11.2020 to 31.10.2021	01.11.2019 to 31.10.2020	01.11.2018 to 31.10.2019
Gross/Net distribution per unit (cent)			
Distribution on 4 December 2020			
- Class MYR-H	0.17	-	-
- Class SGD-H	0.46	-	-
- Class USD	0.76	-	-
Distribution on 5 March 2021			
- Class AUD-H	0.31	-	-
- Class MYR	0.11	-	-
- Class MYR-H	0.20	-	-
- Class RMB-H	0.05	-	-
- Class SGD-H	0.54	-	-
- Class USD	0.83	-	-
Distribution on 3 June 2021			
- Class AUD-H	0.50	-	-
- Class MYR	0.13	-	-
- Class MYR-H	0.14	-	-
- Class RMB-H	0.10	-	-
- Class SGD-H	0.41	-	-
- Class USD	0.61	-	-
Distribution on 7 September 2021			
- Class AUD-H	0.65	-	-
- Class MYR	0.17	-	-
- Class MYR-H	0.19	-	-
- Class RMB-H	0.14	-	-
- Class SGD-H	0.55	-	-
- Class USD	0.84	-	-
Distribution on 27 November 2019			
- Class MYR-H	-	0.11	-
- Class SGD-H	-	0.32	-
- Class USD	-	0.54	-
Distribution on 27 March 2020			
- Class MYR-H	-	0.12	-
- Class SGD-H	-	0.34	-
- Class USD	-	0.52	-
Distribution on 19 June 2020			
- Class MYR-H	-	0.16	-
- Class SGD-H	-	0.39	-
- Class USD	-	0.66	-
Distribution on 15 September 2020			
- Class MYR-H	-	0.12	-
- Class SGD-H	-	0.34	-
- Class USD	-	0.52	-

PERFORMANCE DATA (CONTINUED)

Performance details of the Fund for the last three financial years were as follows: (continued)

	01.11.2020 to 31.10.2021	01.11.2019 to 31.10.2020	01.11.2018 to 31.10.2019
Distribution on 21 November 2018			
- Class USD	-	-	0.20
Distribution on 26 February 2019			
- Class SGD-H	-	-	1.27
- Class USD	-	-	0.18
Distribution on 29 May 2019			
- Class MYR-H	-	-	0.58
- Class SGD-H	-	-	1.36
- Class USD	-	-	0.47
Distribution on 27 August 2019			
- Class USD	-	-	0.14
	31.10.2021	31.10.2020	31.10.2019
	%	%	%
Annual total return			
- Class MYR	N/A	-	-
- Class MYR-H	(7.53)	20.70	10.43
- Class USD (Launch date: 3 July 2017)	(8.26)	20.67	9.94
- Class SGD-H (Launch date: 19 June 2018)	(8.95)	19.65	10.80
- Class AUD-H	(9.55)	19.30	7.82
- Class RMB-H (Launch date: 2 July 2018)	(6.50)	22.31	0.36

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/period have been extracted from Lipper.

MARKET REVIEW (1 NOVEMBER 2020 TO 31 OCTOBER 2021)

Chinese stock markets underperformed other regions in November 2020, despite producing good gains. Economic data both in Mainland China and globally continue to beat expectations. The recovery in Mainland China particularly striking with economic activity likely to see positive growth for 2020 as a whole, in contrast to almost all other countries. There was also good news on the vaccine front in November with high rates of success reported in a number of different vaccine trials.

Mainland China's stock markets ended 2020 on a positive note. This positive return in December 2020 however lagged other Asian and most global stock markets despite Chinese economic data being strong and virus cases remaining under control in the country. For the year as a whole, Mainland China's markets were strong performers, particularly offshore shares. Upbeat data releases continue to suggest that Mainland China is on track to be the first economy to shake off the impact of the pandemic, with industrial profits growth expanding steadily, providing ongoing support for stocks.

MARKET REVIEW (1 NOVEMBER 2020 TO 31 OCTOBER 2021) (CONTINUED)

The new US President was sworn in in January 2021 without major incident. It is likely that the Biden administration will take a less confrontational approach to relations with Mainland China, which may take away risks for Chinese assets. It is also likely that the new administration will support economic growth with further fiscal stimulus, also positive for Chinese companies. Developments with respect to COVID-19 were mixed. Progress on developing, testing and rolling out vaccinations was evident, but growing case numbers in a number of countries, including Mainland China who had previously appeared to have the situation under control, led to further restrictions which are likely to dampen growth in the short term. Economic data has been considerably beating expectations with the Citi Economic Surprise index for Mainland China in positive territory since the end of June 2021.

Equity market saw some declines late in the month of February 2021 as concerns about global inflation came to the fore. Policy makers have continued to manage liquidity conditions carefully as part of counter-cyclical policy adjustment in response to market conditions and economic data, rather than sending asset bubble warning or policy tightening signals. The fact that policy is quite balanced in Mainland China while many other economies are still needing aggressive monetary and fiscal support is testament to the underlying strength of the Chinese economy. Meanwhile, rising bond yields were a feature of global markets during the month, with US Treasury yields in particular seeing significant increases. In China, bond yields did rise but by quite small amounts, reflecting the slightly more normal economic conditions in Mainland China, where virus numbers have remained low.

Chinese stock markets were among the weakest globally in March 2021, contrasted to stock markets in other regions which saw positive returns. The decline can in part be attributed to the more cautious policy approach undertaken in China, compared to a more aggressive pro-growth strategy being taken by the US in particular. It is to be seen whether the more cautious approach adopted by China will reap rewards over the longer term, and the March setback needs to be seen in context, where Chinese equities saw stellar double-digit returns over a one-year horizon. Economic data in China continues to show robust economic performance, with data on imports, exports, industrial production and retail sales all beat expectations with very high growth levels.

In April 2021, Chinese equities started to recover from the detraction last month thanks to strong economic data signaling ongoing economic recovery despite the relatively prudent policy mix in China. Both onshore and offshore renminbi bonds ended higher, supported by the appreciation in the renminbi against a generally weaker US dollar over the month. Chinese US Dollar ("USD") high yield bonds also recorded a positive return mainly driven by its carry together with our hedge of the underlying USD to the Renminbi, but the market was somewhat unsettled by credit problems at a major state-owned distressed asset manager, which raised questions over Government support for weak bond issuers.

While inflation moved sharply higher in the US during the month of May 2021, the inflation background is more benign in Mainland China. Although producer prices saw an increase in the year to end April 2021, this has not fed through to consumer prices. The inflation outcome came against the background of economic growth slowing somewhat but still posting strong gains, driven by growth in retail sales and industrial production. Policy continues to look to strike a balance between maintaining stable growth and preventing financial risk from developing. Interest rates were kept unchanged in May 2021 while new loans extended fell more than expected, reflecting the prudent policy approach.

In June 2021, despite producer prices and some commodity prices rising sharply, consumer prices rose just modestly compared to a year ago. Nevertheless, authorities have taken action to reign in some commodity prices in particular and restrain debt growth. A slowing of overall credit growth in Mainland China and a number of measures to restrain the property market should see commodity prices ease over the coming months, given Mainland China's dominance in commodity demand. Other economic indicators have shown growth remaining positive but easing from earlier strong levels, in line with policy objectives for balanced and inclusive growth.

MARKET REVIEW (1 NOVEMBER 2020 TO 31 OCTOBER 2021) (CONTINUED)

Domestic developments have been a key driver of relative market performance in July 2021. The news this month that China has banned companies that teach school curriculums from making profits, raising capital or going public is another piece of market unfriendly policy. China's macro policy, both monetary and fiscal, has been much less market friendly than most other major countries recently, while at the same time, there has been a series of investigations into technology firms, the timing of some of which has been market sensitive. This is not a new phenomenon as China has previously looked to cut down excess capacity in manufacturing, cracked down on shadow banking, and implemented various measures in the real estate sector, but the timing of the recent moves and the sectors targeted have generated more adverse market reactions. At the same time, the Delta variant of COVID-19 has seen cases rise in many countries around Asia, though cases are not high in China.

China remains among the countries taking a strict approach to COVID-19, looking to eliminate it entirely rather than tolerating some cases in the community while looking to protect the vulnerable. This elimination-type strategy requires a stricter level of control measures and is likely to mean that border restrictions will remain in place for some time. Possibly as a result of the control measures, economic data has been slightly disappointing in August 2021 with industrial production, retail sales, fixed asset investment and property investment all missing expectations. Nevertheless, it is not the case that growth is disappearing altogether in China as retail sales, for example, have increased substantially from a year ago, and the background is likely to see policy remain supportive. In contrast to many countries, China does not have elevated inflation at present, with year-over-year consumer price inflation at a benign level.

China has been the focus globally in September 2021 as problems at a major property developer have made headlines. This issue comes on the heels of a number of moves by the Chinese authorities to address what they see as undesirable business practices, across sectors including technology, education, gaming and property amongst others. These moves come under the broad headline of "common prosperity" where the goal is to reduce inequality and ensure that the fruits of growth are widely distributed through society. The property developer that has made headlines this month has always been aggressively run with a high level of debt, and it now appears that it will need to be restructured, with losses for creditors. However, it is unlikely that the situation will be allowed to spread widely and drag the economy into recession.

In October 2021, China's Gross domestic product expanded 4.9% from a year ago, missing forecasts, as attempts by Beijing to curb lending to the property sector exacerbated the fallout from electricity shortages which sent factory output back to levels last seen in early 2020, when heavy COVID-19 curbs were in place. Meanwhile, China's retail sales rose more than expected during the month, even as fixed asset investment remained sluggish.

FUND PERFORMANCE

	1 year to 31.10.2021					
	Class AUD-H	Class MYR	Class MYR-H	Class RMB-H	Class SGD-H	Class USD
	%	%	%	%	%	%
Income Distribution	1.56	-	2.53	1.51	2.49	2.56
Capital Growth	(10.94)	-	(9.81)	(7.90)	(11.16)	(10.56)
Total Return	(9.55)	-	(7.53)	(6.50)	(8.95)	(8.26)
Benchmark	(1.51)	-	(1.51)	(1.51)	(1.51)	(1.51)
Average						
Total Return	(9.55)	-	(7.53)	(6.50)	(8.95)	(8.26)

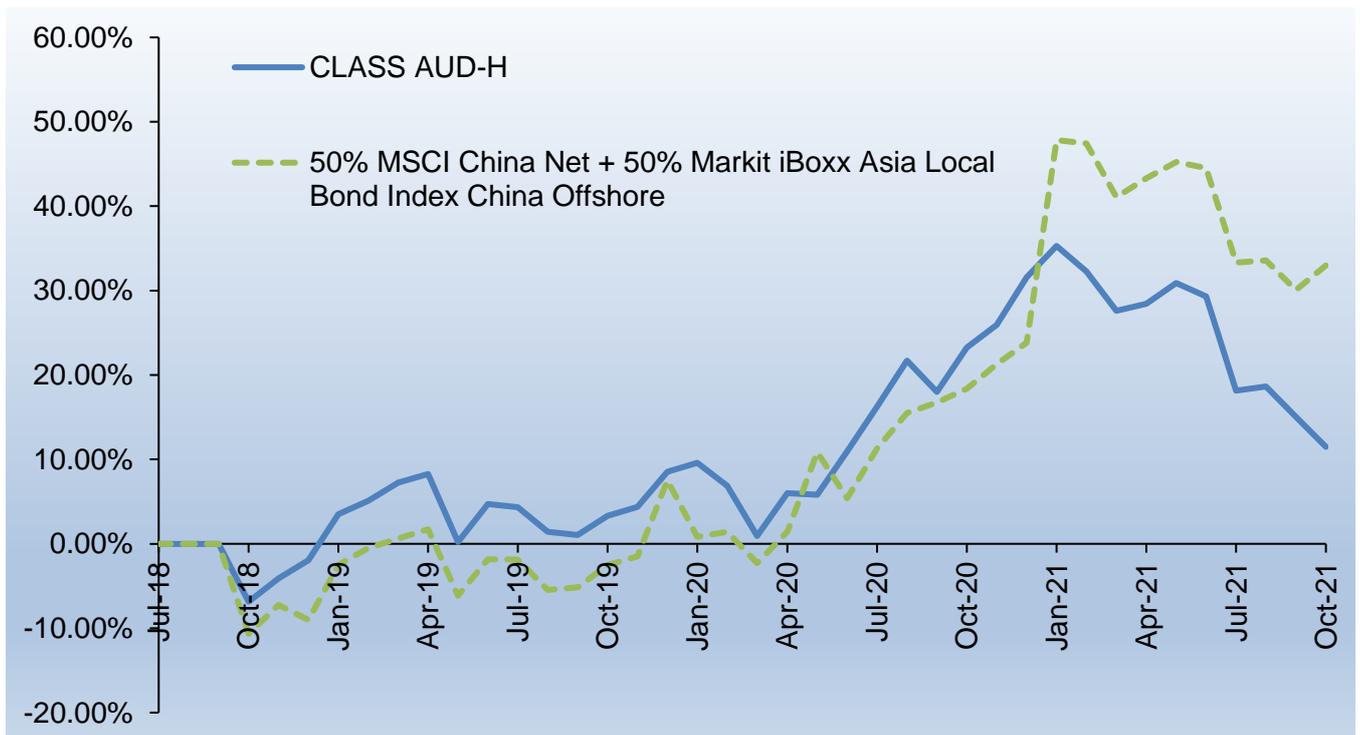
FUND PERFORMANCE (CONTINUED)

	3 years to 31.10.2021					
	Class AUD-H %	Class MYR %	Class MYR-H %	Class RMB-H %	Class SGD-H %	Class USD %
Income Distribution	1.56	-	7.59	1.51	8.90	5.88
Capital Growth	17.85	-	14.40	13.83	8.94	14.94
Total Return	19.70	-	23.08	15.55	18.63	21.70
Benchmark	31.66	-	31.66	31.66	31.66	31.66
Average Total Return	6.18	-	7.17	4.94	5.86	6.76

	Since inception to 31.10.2021					
	Class AUD-H %	Class MYR %	Class MYR-H %	Class RMB-H %	Class SGD-H %	Class USD %
Income Distribution	1.56	1.68	14.06	1.51	8.99	8.08
Capital Growth	9.77	(10.35)	0.83	11.14	(7.35)	4.71
Total Return	11.48	(8.84)	15.00	12.82	0.98	13.17
Benchmark	32.99	(1.95)	32.99	32.99	32.99	32.99
Average Total Return	3.31	(2.19)	3.28	3.68	0.29	2.90

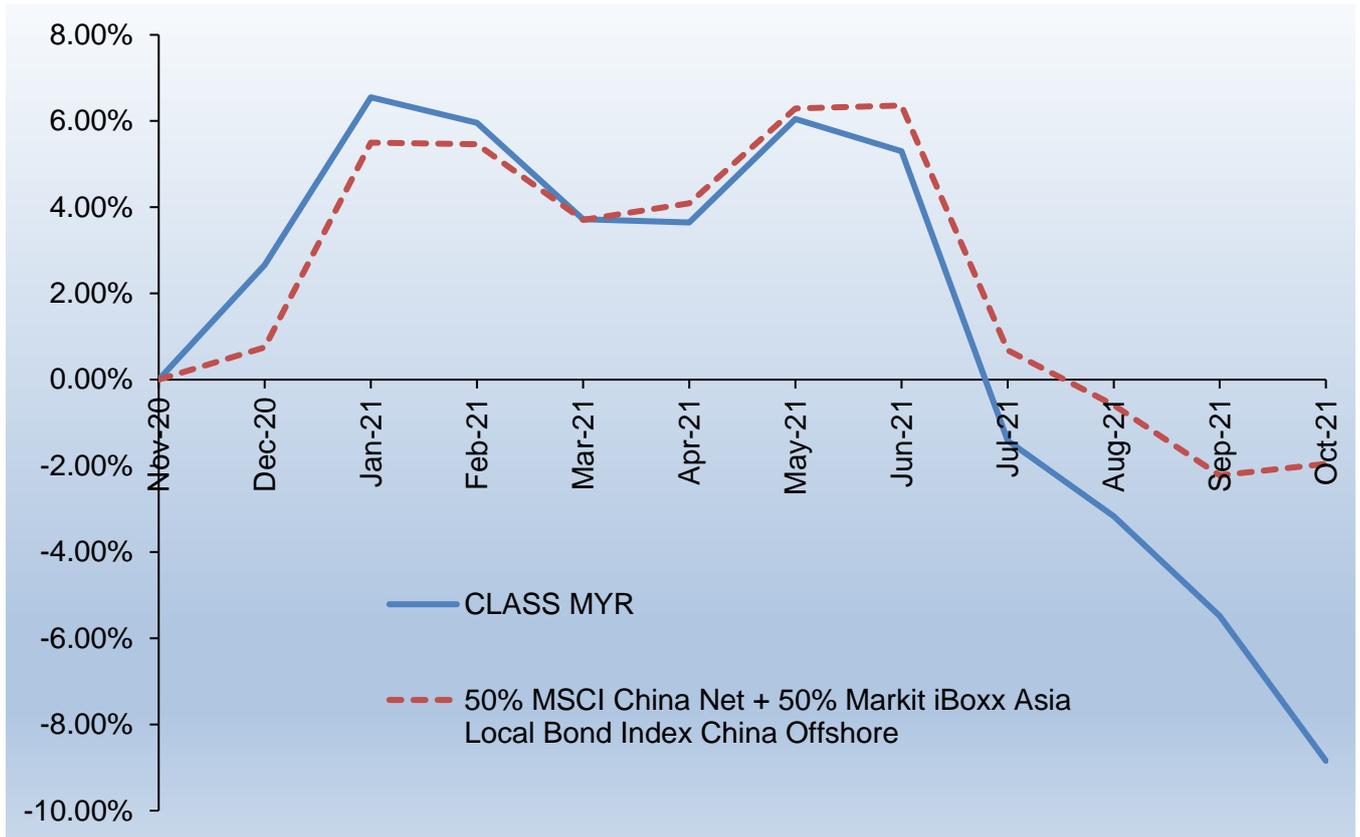
For the financial year under review, the Fund posted negative returns for all classes. Class AUD-H, Class MYR-H, Class RMB-H, Class SGD-H, and Class USD were decreased by 9.55%, 7.53%, 6.50%, 8.95%, and 8.26% respectively. All classes underperformed the benchmark that decreased by 1.51% during the same review period. Meanwhile, Class MYR posted a negative return of 8.84% against its benchmark of 1.95% since inception.

CLASS AUD-H

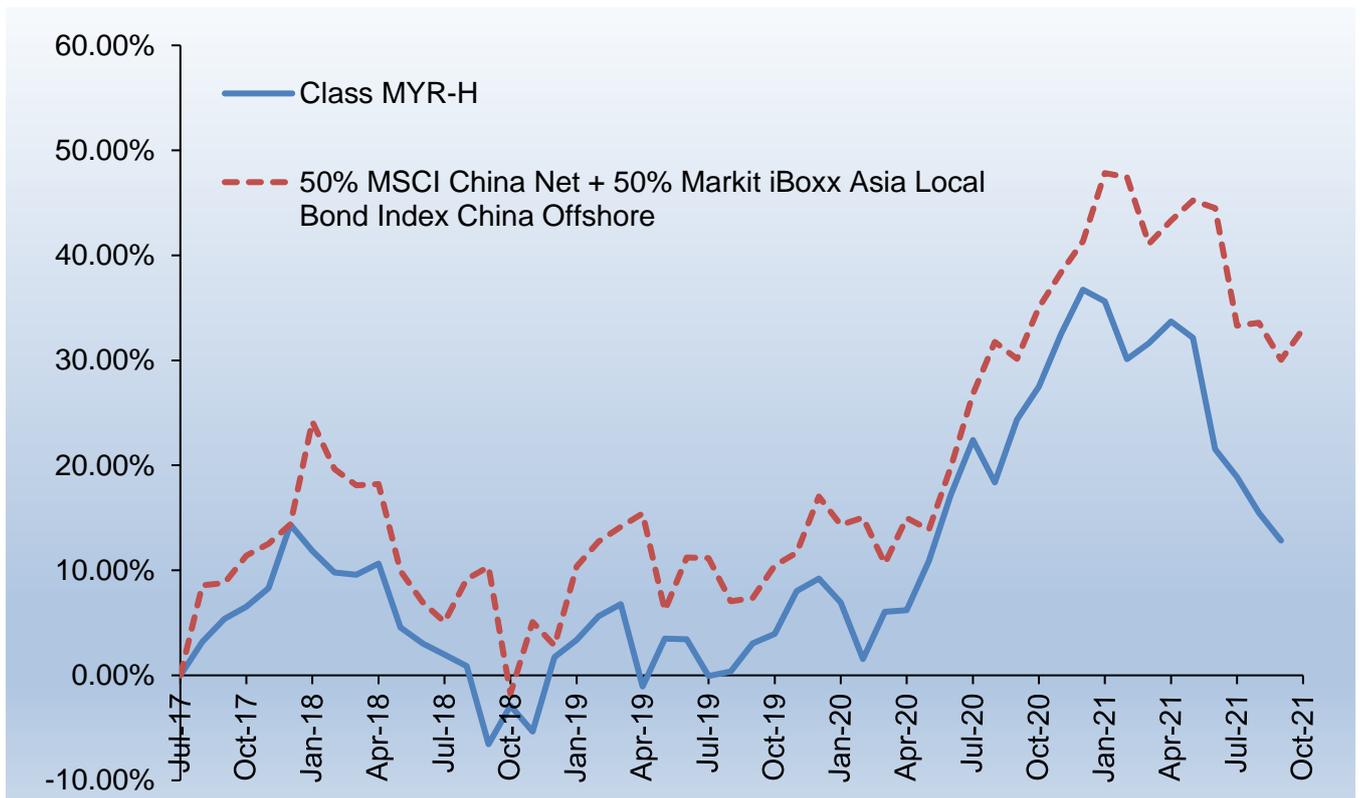


FUND PERFORMANCE (CONTINUED)

CLASS MYR

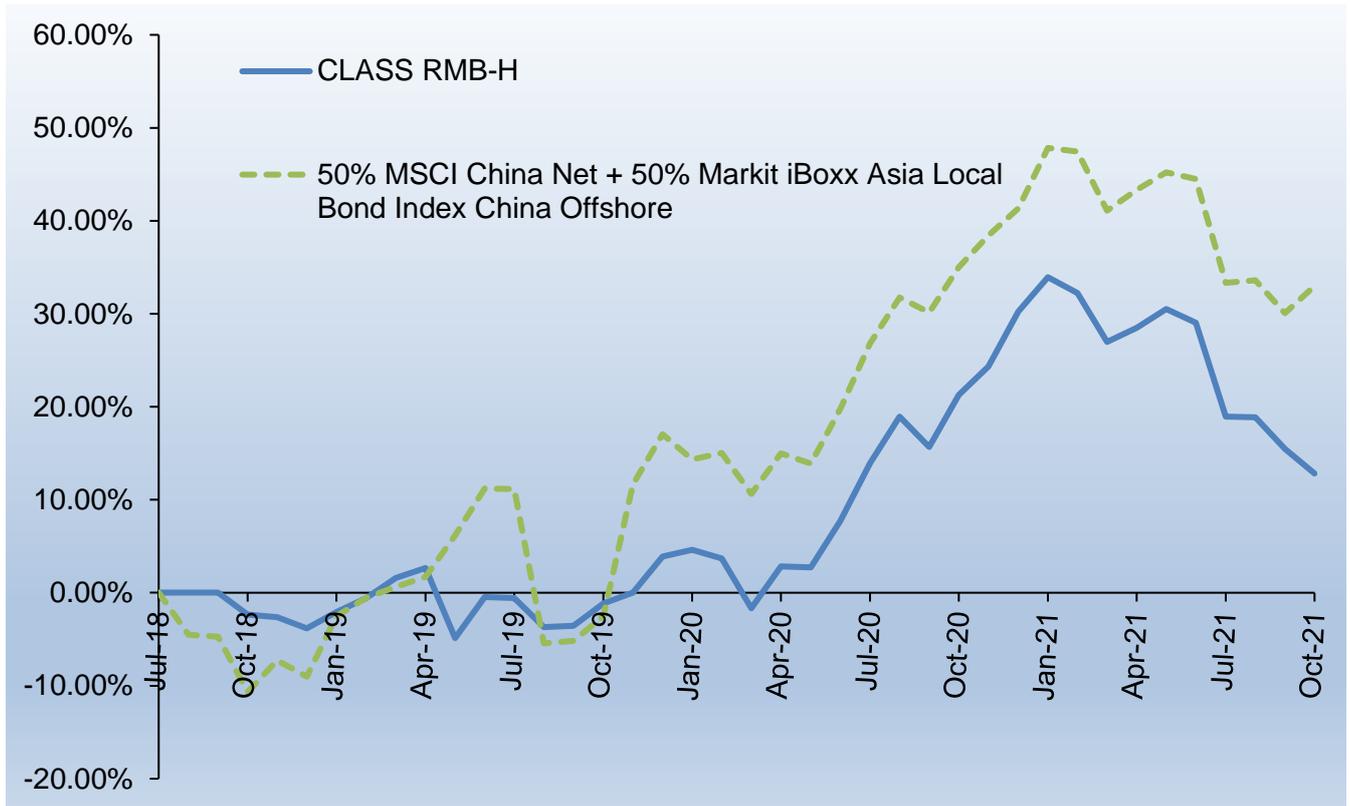


CLASS MYR-H

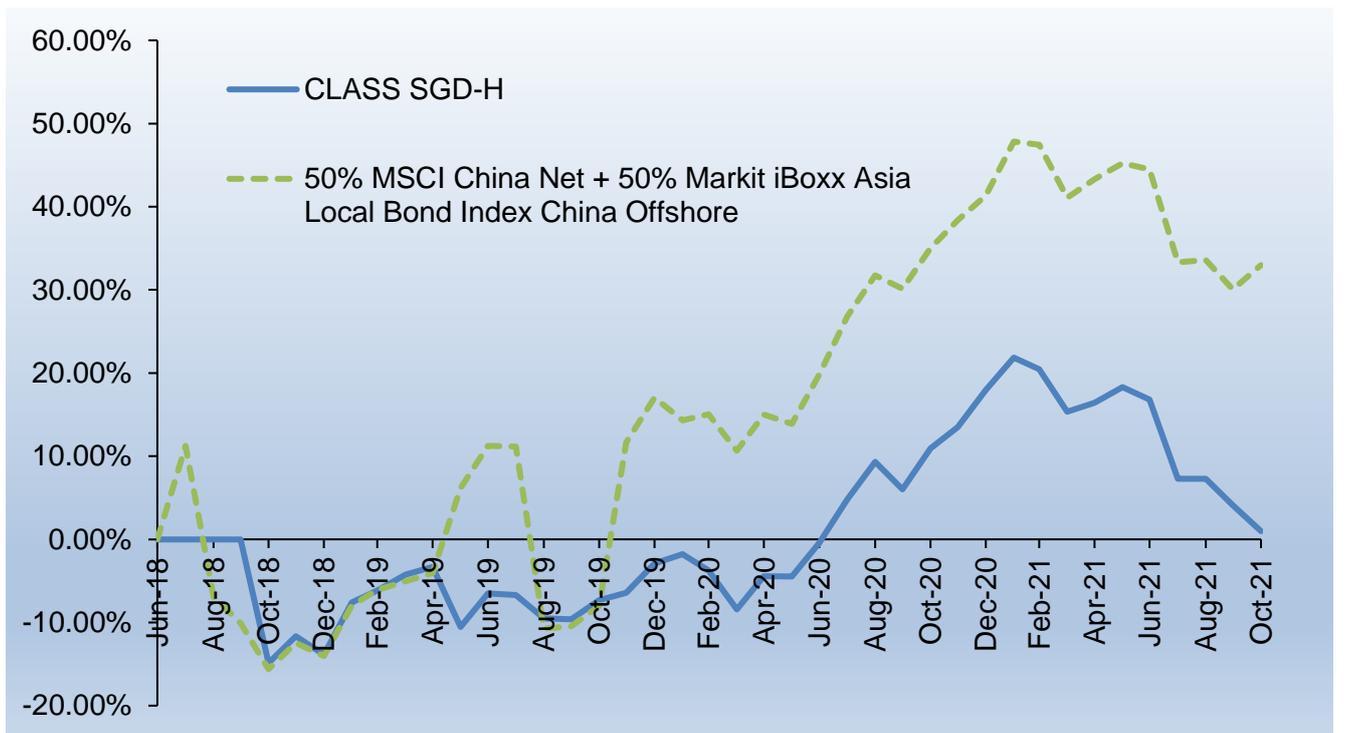


FUND PERFORMANCE (CONTINUED)

CLASS RMB-H

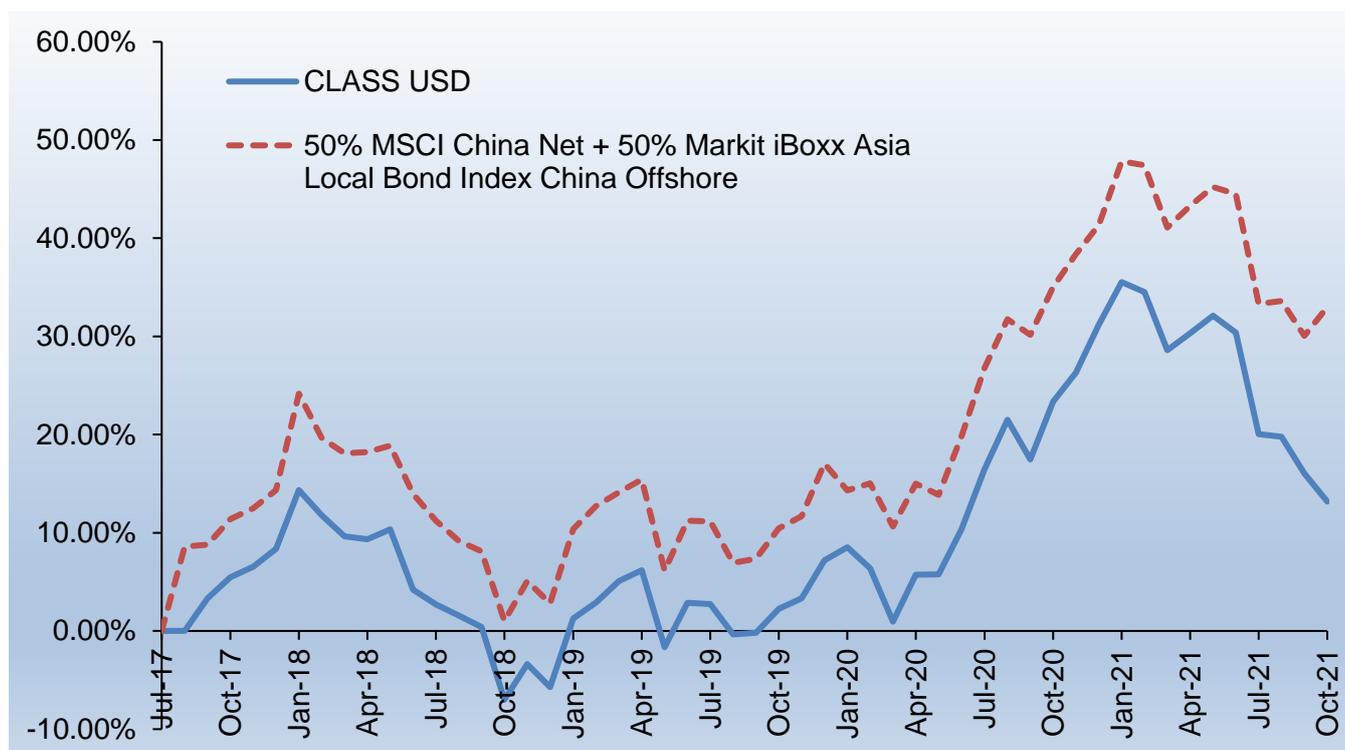


CLASS SGD-H



FUND PERFORMANCE (CONTINUED)

CLASS USD



Changes in NAV

CLASS AUD-H

	31.10.2021	31.10.2020	Changes %
NAV (USD Million)	0.85	0.00*	-
NAV/Unit (USD)	0.8273	0.8669	(4.57)

CLASS MYR

	31.10.2021	31.10.2020	Changes %
NAV (USD Million)	0.97	-	-
NAV/Unit (USD)	0.2166	-	-

CLASS MYR-H

	31.10.2021	31.10.2020	Changes %
NAV (USD Million)	31.43	35.61	(11.74)
NAV/Unit (USD)	0.2435	0.2692	(9.55)

CLASS RMB-H

	31.10.2021	31.10.2020	Changes %
NAV (USD Million)	2.13	0.00*	-
NAV/Unit (USD)	0.1736	0.1803	(3.72)

FUND PERFORMANCE (CONTINUED)

Changes in NAV (Continued)

CLASS SGD-H

	31.10.2021	31.10.2020	Changes %
NAV (USD Million)	0.64	0.43	48.84
NAV/Unit (USD)	0.6889	0.7640	(9.83)

CLASS USD

	31.10.2021	31.10.2020	Changes %
NAV (USD Million)	7.44	7.70	(3.38)
NAV/Unit (USD)	1.0470	1.1706	(10.56)

Note: 0.00* denotes fair value less than 1 million.

For the financial year under review, the Fund's NAV for Class MYR-H and Class USD decreased by 11.74% and 3.38% respectively. Meanwhile the Fund's NAV for Class AUD-H, Class MYR, and Class RMB-H remained unchanged. Only Class SGD-H increased in NAV by 48.84% during the same financial year.

In addition to that, during the financial year, the Fund's NAV per unit for Class AUD-H, Class MYR-H, Class RMB-H, Class SGD-H, and Class USD decreased by 4.57%, 9.55%, 3.72%, 9.83%, and 10.56% respectively. Meanwhile, the Fund's NAV per unit for Class MYR remained the same.

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/period have been extracted from Lipper.

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	31.10.2021	31.10.2020
Collective investment scheme	98.66	99.19
Cash and other net assets	2.61	3.63
Liabilities	(1.27)	(2.82)
TOTAL	100.00	100.00

The Fund was fully invested during the financial year under review. A minimal level of liquid assets was maintained primarily for redemption purposes.

MARKET OUTLOOK*

Stock markets have seen a reasonable setback, with Chinese high yield bonds in particular seeing price declines. These price moves leave Chinese assets at attractive levels as long as the background does not deteriorate further. Fortunately, one of the strengths of the Chinese economy is that it can be managed much more directly than other major economies. Policy makers will not want to be seen to be bailing out failing companies, but at the same time will not want there to be systemic finance issues or an economic recession. As a result, we are likely to see targeted stimulus measure in the months ahead which will be positive for markets. Our preference remains for equities and, to a lesser extent, corporate bonds, particularly in China, and we favor these assets compared to cash and government bonds.

* 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 Malaysia or based on data obtained from sources believed to be reliable by Principal Malaysia. Whilst every care has been taken in preparing this, Principal Malaysia makes no guarantee, representation or warranty and is under no circumstances liable for any loss or damage caused by reliance on, any opinion, advice or statement made in this market outlook.

INVESTMENT STRATEGY

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

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 31 October 2021 were as follows:

CLASS AUD-H

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	00.00
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	1	0.17	16.50
500,001 and above	1	0.86	83.50
Total	3	1.03	100.00

CLASS MYR

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	0.00
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	3	0.25	5.59
500,001 and above	1	4.22	94.41
Total	5	4.47	100.00

Note: 0.00* denotes value less than 0.01 million.

UNIT HOLDINGS STATISTICS (CONTINUED)

Breakdown of unit holdings by size as at 31 October 2021 were as follows (continued):

CLASS MYR-H

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	-	-	-
5,001 - 10,000	6	0.05	0.04
10,001 - 50,000	25	0.64	0.50
50,001 - 500,000	16	1.92	1.49
500,001 and above	4	126.41	97.97
Total	51	129.02	100.00

CLASS RMB-H

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	0.00
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	1	0.09	0.73
500,001 and above	1	12.19	99.27
Total	3	12.28	100.00

CLASS SGD-H

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	0.00
5,001 - 10,000	-	-	-
10,001 - 50,000	-	-	-
50,001 - 500,000	2	0.39	41.94
500,001 and above	1	0.54	58.06
Total	4	0.93	100.00

CLASS USD

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00*	0.00
5,001 - 10,000	1	0.01	0.14
10,001 - 50,000	1	0.05	0.70
50,001 - 500,000	1	0.35	4.93
500,001 and above	2	6.69	94.23
Total	6	7.10	100.00

Note: 0.00* denotes value less than 0.01 million.

SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (the “Manager”) and the Trustee will not retain any form of rebate or soft commission from, or otherwise share in any commission with, any broker in consideration for directing dealings in the investments of the Principal Malaysia Funds (“Funds”) unless the soft commission received is retained in the form of goods and services such as 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 year under review, the Manager and Trustee did not receive any rebates from the brokers or dealers but the Manager has retained soft commission in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds.

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
PRINCIPAL CHINA MULTI ASSET INCOME FUND**

We, being the Directors of Principal Asset Management Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 24 to 52 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 October 2021 and of its financial performance, changes in net assets attributable to unit holders and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

Principal Asset Management Berhad (Company No.: 199401018399 (304078-K))

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
20 December 2021

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
PRINCIPAL CHINA MULTI ASSET INCOME FUND**

We have acted as Trustee of Principal China Multi Asset Income Fund (the "Fund") for the financial year ended 31 October 2021. To the best of our knowledge, Principal Asset Management Berhad (the "Manager"), has operated and managed the Fund in accordance with the following:-

- a) limitations imposed on the investment powers of the Management Company and the Trustee under the Deeds, the Securities Commission's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, the Capital Markets and Services Act 2007 and other applicable laws;
- b) valuation/pricing is carried out in accordance with the Deeds and any regulatory requirements; and
- c) creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirements.

During this financial year, a total distribution of 1.46 cent per unit (gross) for AUD-Hedged class, 0.41 cent per unit (gross) for MYR class, 0.70 cent per unit (gross) for MYR-Hedged class, 0.29 cent per unit (gross) for RMB-Hedged class, 1.96 cent per unit (gross) for SGD-Hedged class and 3.04 cent per unit (gross) for USD class have been distributed to the unit holders of the Fund respectively. We are of the view that the distributions are not inconsistent with the objectives of the Fund.

For HSBC (Malaysia) Trustee Berhad

Yap Lay Guat
Manager, Investment Compliance Monitoring

Kuala Lumpur
14 December 2021

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL CHINA MULTI ASSET INCOME FUND**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Principal China Multi Asset Income Fund (the "Fund"), which comprise the statement of financial position as at 31 October 2021, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 24 to 52.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 October 2021, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL CHINA MULTI ASSET INCOME FUND (CONTINUED)**

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

Information other than the financial statements and auditors' report thereon

The Manager of the Fund (the "Manager") is responsible for the other information. The other information comprises the information included in the annual report of the Fund, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation of financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Trustee is responsible for overseeing the Fund's financial reporting process. The Trustee is also responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL CHINA MULTI ASSET INCOME FUND (CONTINUED)**

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 skepticism 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 CHINA MULTI ASSET INCOME FUND (CONTINUED)**

Other matters

This report is made solely to the unit holders of the Fund, as a body, in accordance with the Guidelines on Unit Trust Funds 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. 03013/10/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
20 December 2021

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2021

	Note	2021 USD	2020 USD
INCOME			
Dividend income		1,707,755	1,449,528
Interest income		-	4
Net (loss)/gain on financial assets at fair value through profit or loss	8	(5,067,523)	10,161,077
Net gain on derivative assets at fair value through profit or loss	9	339,619	539,771
Net foreign exchange gain/(loss)		391	(17,998)
		<u>(3,019,758)</u>	<u>12,132,382</u>
EXPENSES			
Management fee	4	873,069	1,007,893
Trustee fee	5	19,401	22,397
Audit fee		2,300	2,403
Tax agent's fee		1,200	900
Other expenses		4,078	2,418
		<u>900,048</u>	<u>1,036,011</u>
(LOSS)/PROFIT BEFORE FINANCE COST AND TAXATION		(3,919,806)	11,096,371
Finance cost			
- Class AUD-H		12,517	-
- Class MYR		14,885	-
- Class MYR-H		917,743	970,499
- Class RMB-H		30,433	-
- Class SGD-H		14,715	8,766
- Class USD		204,787	212,069
	6	<u>1,195,080</u>	<u>1,191,334</u>
(LOSS)/PROFIT BEFORE TAXATION		(5,114,886)	9,905,037
Taxation	7	-	-
(LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>(5,114,886)</u>	<u>9,905,037</u>
(Loss)/Profit after taxation is made up as follows:			
Realised amount		1,139,581	654,191
Unrealised amount		(6,254,467)	9,250,846
		<u>(5,114,886)</u>	<u>9,905,037</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2021**

	Note	2021 USD	2020 USD
ASSETS			
Cash and cash equivalents	10	693,636	188,529
Financial assets at fair value through profit or loss	8	42,875,489	43,384,652
Derivative assets at fair value through profit or loss	9	58,484	-
Amount due from dealer		123,144	1,187,466
Amount due from Manager		14,514	34,587
Amount due from Manager of collective investment scheme			
- management fee rebate		54,627	57,311
Dividends receivable		189,114	121,215
TOTAL ASSETS		<u>44,009,008</u>	<u>44,973,760</u>
LIABILITIES			
Derivative liabilities at fair value through profit or loss	9	-	56,924
Amount due to dealer		122,847	487,108
Amount due to Manager		206,692	615,615
Amount due to Manager of collective investment scheme			
- Purchase of collective investment scheme		150,000	-
Accrued management fee		67,470	70,459
Amount due to Trustee		1,499	1,566
Other payables and accruals		3,175	1,885
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)		<u>551,683</u>	<u>1,233,557</u>
NET ASSET VALUE OF THE FUND		<u>43,457,325</u>	<u>43,740,203</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>43,457,325</u>	<u>43,740,203</u>

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2021 (CONTINUED)

	Note	2021 USD	2020 USD
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDING UNITS (USD)			
- Class AUD-H		850,362	867
- Class MYR		968,735	-
- Class MYR-H		31,429,319	35,612,246
- Class RMB-H		2,131,994	180
- Class SGD-H		638,990	427,291
- Class USD		7,437,925	7,699,619
		<u>43,457,325</u>	<u>43,740,203</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)			
- Class AUD-H		1,027,820	1,000
- Class MYR		4,471,880	-
- Class MYR-H		129,023,500	132,283,896
- Class RMB-H		12,279,786	1,000
- Class SGD-H		927,512	559,274
- Class USD		7,103,753	6,577,297
	11	<u>154,834,251</u>	<u>139,422,467</u>
NET ASSET VALUE PER UNIT (USD)			
- Class AUD-H		0.8273	0.8669
- Class MYR		0.2166	-
- Class MYR-H		0.2435	0.2692
- Class RMB-H		0.1736	0.1803
- Class SGD-H		0.6889	0.7640
- Class USD		<u>1.0470</u>	<u>1.1706</u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES			
- Class AUD-H		AUD1.0976	AUD 1.2324
- Class MYR		RM0.8965	-
- Class MYR-H		RM1.0083	RM1.1180
- Class RMB-H		RMB1.1114	RMB 1.2061
- Class SGD-H		SGD0.9265	SGD 1.0429
- Class USD		<u>USD1.0470</u>	<u>USD 1.1706</u>

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

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2021**

	2021	2020
	USD	USD
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR	43,740,203	71,265,758
Movement due to units created and cancelled during the financial year:		
Creation of units from applications		
- Class AUD-H	1,083,621	-
- Class MYR	1,454,886	-
- Class MYR-H	11,708,515	1,603,523
- Class RMB-H	2,531,759	-
- Class SGD-H	701,656	132,059
- Class USD	2,532,094	445,775
	<u>20,012,531</u>	<u>2,181,357</u>
Creation of units from distributions		
- Class AUD-H	12,516	-
- Class MYR	14,884	970,455
- Class MYR-H	917,553	-
- Class RMB-H	30,433	-
- Class SGD-H	14,715	8,766
- Class USD	204,787	212,069
	<u>1,194,888</u>	<u>1,191,290</u>
Cancellation of units		
- Class AUD-H	(59,770)	-
- Class MYR	(331,804)	-
- Class MYR-H	(13,412,337)	(33,858,581)
- Class RMB-H	(99,185)	-
- Class SGD-H	(410,500)	(251,821)
- Class USD	(2,061,815)	(6,692,837)
	<u>(16,375,411)</u>	<u>(40,803,239)</u>
(Decrease)/Increase in net assets attributable to unit holders during the financial year	<u>(5,114,886)</u>	<u>9,905,037</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR	<u><u>43,457,325</u></u>	<u><u>43,740,203</u></u>

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

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2021**

	Note	2021 USD	2020 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of collective investment scheme		5,565,000	35,940,000
Purchase of collective investment scheme		(10,615,000)	-
Dividend income received		1,639,856	1,489,714
Interest income received		-	4
Management fee paid		(876,057)	(1,045,928)
Management fee rebates received		644,323	767,574
Trustee fees paid		(19,468)	(23,242)
Payments for other fees and expenses		(6,289)	(7,070)
Net realised foreign exchange gain/(loss)		585,045	(458,366)
Net realised gain on forward foreign currency contracts		366,265	513,712
Net cash (used in)/generated from operating activities		(2,716,325)	37,176,398
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		20,032,602	2,196,896
Payments for cancellation of units		(16,784,334)	(40,467,936)
Distributions paid		(192)	(44)
Net cash generated from/(used in) financing activities		3,248,076	(38,271,084)
Net increase/(decrease) in cash and cash equivalents		531,751	(1,094,686)
Effects of foreign exchange differences		(26,644)	26,058
Cash and cash equivalents at the beginning of the financial year		188,529	1,257,157
Cash and cash equivalents at the end of the financial year	10	693,636	188,529
<u>Cash and cash equivalents comprised of:</u>			
Bank balances		693,636	188,529
Cash and cash equivalents at the end of the financial year	10	693,636	188,529

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2021**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal China Multi Asset Income Fund (the “Fund”) is governed by Principal Deed dated 28 June 2017 and a First Supplemental Deed dated 7 June 2018 and Second Supplement Deed dated 24 December 2019 (collectively referred to as the “Deeds”), made between Principal Asset Management Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

The Fund is a feeder fund and it invests in a single collective investment scheme, i.e. HSBC China Multi-Asset Income Fund (“Target Fund”). The Fund may also invest in liquid asset for liquidity purpose.

In order to achieve its investment objective, the Fund will invest at least 95% of its NAV in the Target Fund; a sub-fund established on 21 November 2014 under the HSBC Collective Investment Trust. The Fund will also maintain up to 5% of its NAV in liquid assets for liquidity purposes.

Asset Allocation:

- At least 95% of the Fund’s NAV will be invested in the Target Fund; and
- Up to 5% of the Fund’s NAV will be invested in liquid assets for liquidity purposes.

Information on the Target Fund:

Trust	:	HSBC Collective Investment Trust, an umbrella unit trust established under the laws of Hong Kong by a trust deed dated 27 February 2014 between the Target Fund Manager and HSBC Institutional Trust Services (Asia) Limited as the Target Fund’s trustee.
Target Fund Manager	:	HSBC Investment Funds (Hong Kong) Ltd
Target Fund Investment Adviser	:	HSBC Global Asset Management (Hong Kong) Ltd
Target Fund Research Adviser	:	HSBC Jintrust Fund Management Company Ltd
Regulatory authority	:	Securities and Futures Commission of Hong Kong

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 Deed, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

The Manager, is a joint venture between Principal Financial Group®, a member of the FORTUNE 500® and a Nasdaq-listed global financial services and CIMB Group Holdings Berhad, one of Southeast Asia’s leading universal banking groups. The principal activities of the Manager are the establishment and management of unit trust funds and fund management activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the MFRS as issued by the Malaysian Accounting Standards Board (“MASB”) and IFRS as issued by the International Accounting Standards Board (“IASB”).

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

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported year.

It also requires the Manager to exercise their judgement in the process of applying the Fund’s accounting policies. Although these estimates and assumptions are based on the Manager’s best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(n).

There are no other standards, amendments to standards or interpretations that are effective for financial year beginning on 1 November 2020 that have a material effect on the financial statements of the Fund.

There are no new applicable standards, amendments to standards or interpretations that are effective for financial year beginning on/after 1 November 2021 that are applicable to the financial statements of 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”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities

Classification (continued)

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

Investment in collective investment scheme has debt instrument with contractual cash flow that do not represent solely payment of principal and interest ("SPPI") and therefore are classified as fair value through profit or loss.

The contractual cash flows of the Fund's investments are solely principal and interest. Derivatives are financial assets/liabilities at fair value through profit or loss unless they are designated hedges (Note 2(m)).

The Fund classifies cash and cash equivalents, amount due from dealers, amount due from Manager, amount due from Manager of collective investment scheme - management fee rebate, dividends receivable and other receivable as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies amount due to dealers, amount due to Manager, amount due to Manager of collective investment scheme - purchase, accrued management fee, amount due to Trustee, and other payables and accruals as financial liabilities measured at amortised cost.

(b) Financial assets and financial liabilities

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

The Fund classifies cash and cash equivalents, amount due from dealer, amount due from Manager and amount due from Manager of collective investment scheme – management fee rebate as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies amount due to dealer, amount due to Manager, accrued management fee, amount due to Trustee, and other payables and accruals as other financial liabilities measured at amortised cost.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value.

Financial instruments are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

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

Financial liabilities are derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income within net gain or loss on financial assets at fair value through profit or loss in the financial year which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income when the Fund's right to receive payments is established.

Foreign collective investment scheme is valued based on the most recent published NAV per unit or share of such collective investment scheme or, if unavailable, on the last published price of such unit or share (excluding any sales charge included in such selling price).

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

Impairment for assets carried at amortised costs

The Fund measures credit risk and expected credit losses ("ECL") using probability of default, exposure at default and loss given default. The Manager consider both historical analysis and forward looking information in determining any ECL. The Manager consider 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 the Manager as any contractual payment which is more than 30 days past due.

Definition of default and credit-impaired financial assets

Any contractual payment which is more than 90 days past due is considered credit impaired.

Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(c) Income recognition**

Dividend income is recognised on the ex-dividend date when the right to receive payment is established.

Realised gain or loss on disposal of collective investment schemes are accounted for as the difference between the net disposal proceeds and the carrying amount of quoted securities and collective investment schemes, determined on a weighted average cost basis.

(d) Foreign currency**Functional and presentation currency**

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

Due to mixed factors in determining the functional currency of the Fund, the Manager has used its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have determined the functional currency to be in USD primarily due to the following factors:

Functional and presentation currency (continued)

- i) The Fund’s investments are denominated in USD;
- ii) Significant portion of the cash is denominated in USD for the purpose of making settlement of the foreign trades; and
- iii) Significant portion of the Fund’s expenses are denominated in USD.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income.

(e) Cash and cash equivalents

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

(f) Distribution

A distribution to the Fund’s unit holders is accounted for as finance cost in the statement of comprehensive income as the unit holders’ contributions are classified as financial liability as per Note 2(l). A proposed distribution is recognised as a liability in the financial year in which it is approved by the Trustee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(g) Taxation**

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

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

(h) 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 GUTF.

(i) Amount due from/to Manager of collective investment scheme (sales/purchase of investment)

Amounts due to Manager of collective investment scheme represent payables for collective investment scheme purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

(j) Unit holders' contributions

The unit holders' contributions to the Fund meet the definition of puttable instruments classified as financial liability under MFRS 132 "Financial Instruments: Presentation".

The Fund issues cancellable units, in five classes of units, known respectively as the Class AUD-H, Class RMB-H, Class MYR-H, Class SGD-H and Class USD, which are cancelled at the unit holder's option. The units are classified as financial liabilities. 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.

(k) Amount due from/to dealers

Amounts due from and amount due to dealers represent receivables for Spot FX sold and payables for Spot FX purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(k) Amount due from/to dealers (continued)**

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund measure the loss allowance on amounts due from dealers at an amount equal to the lifetime ECL if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month ECL. Significant financial difficulties of the dealer, probability that the dealer will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by the Manager as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(l) Management fee rebate

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

(m) Derivative financial instruments

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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 judgements are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

However, the Manager is of the opinion that in applying these accounting policies, no significant judgement was required.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund were as follows:

	Financial assets at fair value through profit or loss USD	Financial assets at amortised cost USD	Total USD
2021			
Cash and cash equivalents (Note 10)	-	693,636	693,636
Collective investment scheme (Note 8)	42,875,489	-	42,875,489
Derivatives asset	-	58,484	58,484
Amount due from dealer	-	123,144	123,144
Amount due from Manager	-	14,514	14,514
Amount due from Manager of the collective investment scheme			
- management fee rebate	-	54,627	54,627
Dividends receivable	-	189,114	189,114
	<u>42,875,489</u>	<u>1,133,519</u>	<u>44,009,008</u>
2020			
Cash and cash equivalents (Note 10)	-	188,529	188,529
Collective investment scheme (Note 8)	43,384,652	-	43,384,652
Amount due from dealer	-	1,187,466	1,187,466
Amount due from Manager	-	34,587	34,587
Amount due from Manager of the collective investment scheme			
- management fee rebate	-	57,311	57,311
Dividends receivable	-	121,215	121,215
	<u>43,384,652</u>	<u>1,589,108</u>	<u>44,973,760</u>

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

All liabilities, except derivative liabilities at fair value through profit or loss, are financial liabilities which are carried at amortised cost.

The Fund aims to provide income and moderate capital growth through investments in one collective investment scheme, which invests primarily in a diversified portfolio of securities related to China.

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

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

(a) Market risk

(i) Price risk

Price risk is the risk that the fair value of an investment in collective investment scheme will fluctuate because of changes in market prices (other than those arising from currency risk). The value of collective investment scheme may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's NAV and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

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

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

	2021	2020
	USD	USD
Financial assets at fair value through profit or loss:		
- Collective investment scheme	<u>42,875,489</u>	<u>43,384,652</u>

The table below summarises the sensitivity of the Fund's profit or loss and NAV to movements in price of collective investment scheme at the end of each reporting year/period. The analysis is based on the assumptions that the price of the collective investment scheme fluctuated by 5% with all the other variables held constant. This represents management's best estimate of a reasonable possible shift in the collective investment scheme, having regard to the historical volatility of the prices.

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

(a) Market risk (continued)

(i) Price risk (continued)

% Change in price of collective investment scheme	Market value USD	Impact on profit or loss/NAV USD
2021		
-5%	40,731,715	(2,143,774)
0%	42,875,489	-
+5%	45,019,264	2,143,774
2020		
-5%	41,215,419	(2,169,233)
0%	43,384,652	-
+5%	45,553,885	2,169,233

(ii) Currency risk

Currency risk is associated with investments that are quoted and/or priced in foreign currency denomination. Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Manager will evaluate the likely directions of a foreign currency versus USD based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels, and technical chart considerations.

The following table sets out the foreign currency risk concentrations arising from the denomination of the Fund's financial instruments in foreign currencies of the Fund:

	Cash and cash equivalents USD	Amount due from Manager USD	Amount due from dealer USD	Total USD
Financial assets				
2021				
AUD	744	11	-	755
MYR	311,640	14,469	123,144	449,253
RMB	136	-	-	136
SGD	762	33	-	795
	<u>313,282</u>	<u>14,513</u>	<u>123,144</u>	<u>450,939</u>
Financial assets				
2020				
AUD	694	11	-	705
MYR	2,566	20,070	472,894	495,530
RMB	150	-	-	150
SGD	625	14,506	-	15,131
	<u>4,035</u>	<u>34,587</u>	<u>472,894</u>	<u>511,516</u>

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

(a) Market risk (continued)

(ii) Currency risk (continued)

	Amount due to Manager USD	Amount due to Manager – Purchase of collective investment scheme USD	Amount due to dealer USD	Derivative liabilities at fair value through profit or loss USD	Total USD
Financial liabilities 2021					
MYR	206,692	-	-	-	206,692
	<u>206,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,692</u>
2020					
MYR	583,011	-	2930	2930	588,871
SGD	-	14,506	(65)	(65)	14,376
	<u>583,011</u>	<u>14,506</u>	<u>2,865</u>	<u>2,865</u>	<u>603,247</u>

The table below summarises the sensitivity of the Fund's profit or loss and NAV to changes in foreign exchange movements at the end of the reporting year. The analysis is based on the assumption that the foreign exchange rate fluctuated by 5%, with all other variables remain constants. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in foreign exchange rate	%	Impact on profit or loss/NAV	
			2021 USD	2020 USD
AUD	+5		38	8
MYR	+5		12,128	4,667
RMB	+5		7	2
SGD	+5		40	21,330
			<u>12,213</u>	<u>26,007</u>
	Change in foreign exchange rate	%	Impact on profit or loss/NAV	
			2021 USD	2020 USD
AUD	-5		(38)	(8)
MYR	-5		(12,128)	(4,667)
RMB	-5		(7)	(2)
SGD	-5		(40)	(21,330)
			<u>(12,213)</u>	<u>(26,007)</u>

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

(b) Credit risk

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

The credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

In derivative activities, credit risk arises when counterparties to derivative contracts, are unable or unwilling to fulfil their obligation to pay the positive fair value or receivable resulting from the execution of contract terms.

For amount due from Manager, the settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

For amount due from Manager of collective investment scheme, the Fund will invest with an investment management company of the collective investment scheme which is authorised or approved by relevant regulatory authority in its home jurisdiction.

The following table sets out the credit risk concentration of the Fund at the end of the reporting year/period:

	Cash and cash equivalents USD	Amount due from dealer USD	Amount due from Manager USD	Amount due from - management fee rebate USD	Dividends receivable USD	Total USD
2021						
-AAA	693,636	-	-	-	-	693,636
-Not Rated	-	123,144	14,514	54,627	189,114	381,399
	<u>693,636</u>	<u>123,144</u>	<u>14,514</u>	<u>54,627</u>	<u>189,114</u>	<u>1,075,035</u>
2020						
-AAA	188,529	-	-	-	-	188,529
-Not Rated	-	1,187,466	34,587	57,311	121,215	1,400,579
	<u>188,529</u>	<u>1,187,466</u>	<u>34,587</u>	<u>57,311</u>	<u>121,215</u>	<u>1,589,108</u>

All assets at the Fund as at the end of the financial year are neither past due nor impaired.

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

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations.

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balances and deposits with licensed financial institutions, which are capable of being converted into cash within 7 business days. The Fund's investments in collective investment scheme are realisable which are capable of being converted into cash within 10 business days. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period on the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month USD	Between 1 month to 1 year USD	Total USD
2021			
Amount due to Manager	206,692	-	206,692
Amount due to Manager of collective investment scheme			
- Purchase of collective investment scheme	150,000	-	150,000
Amount due to dealer	122,847	-	122,847
Accrued management fee	67,470	-	67,470
Amount due to Trustee	1,499	-	1,499
Other payables and accruals	-	3,175	3,175
Net assets attributable to unit holders*	<u>43,457,325</u>	<u>-</u>	<u>43,457,325</u>
Contractual undiscounted cash flows	<u>44,005,833</u>	<u>3,175</u>	<u>44,009,008</u>
2020			
Derivative liabilities at fair value through profit or loss	56,924	-	56,924
Amount due to Manager	615,615	-	615,615
Amount due to dealer	487,108	-	487,108
Accrued management fee	70,459	-	70,459
Amount due to Trustee	1,566	-	1,566
Other payables and accruals	-	1,885	1,885
Net assets attributable to unit holders*	<u>43,740,203</u>	<u>-</u>	<u>43,740,203</u>
Contractual undiscounted cash flows	<u>44,971,875</u>	<u>1,885</u>	<u>44,973,760</u>

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

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

(d) Capital risk management

The capital of the Fund is represented by net assets attributable to unit holders of USD43,457,325 (2020: USD43,740,203). The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Fair value estimation

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

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

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

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

(i) Fair value hierarchy

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

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

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

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

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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

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

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
2021				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	42,875,489	-	-	42,875,489
Derivative asset at fair value through profit or loss:				
- Forward foreign currency contracts	-	58,484	-	58,484
	<u>42,875,489</u>	<u>58,484</u>	<u>-</u>	<u>42,933,973</u>
2020				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	43,384,652	-	-	43,384,652
Derivative liabilities at fair value through profit or loss:				
- Forward foreign currency contracts	-	56,924	-	56,924
	<u>-</u>	<u>56,924</u>	<u>-</u>	<u>56,924</u>

Investments whose values are based on quoted market prices in active markets and are therefore classified within Level 1, include collective investment scheme. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

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 considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted fixed income securities, forward foreign currency contracts and interest rate swaps. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

- (ii) The carrying values of cash and cash equivalents, amount due from dealer, amount due from Manager, amount due from Manager of collective investment scheme - management fee rebate, dividends receivable 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 Deed, the Manager is entitled to a maximum management fee of 3.00% per annum for each class, calculated daily based on the NAV of the Fund.

For the financial year ended 31 October 2021, the management fee is recognised at a rate of 1.80% per annum (2020: 1.80% per annum) for each class.

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

5. TRUSTEE FEE

In accordance with the Deed, the Trustee is entitled to a maximum fee of 0.04% per annum, calculated daily based on the NAV of the Fund. The Trustee fee includes local custodian fees and charges but excludes foreign sub-custodian fees and charges.

For the financial year ended 31 October 2021, the trustee fee is recognised at a rate of 0.04% per annum (2020: 0.04% per annum) for each classes.

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

6. FINANCE COST

Distribution to unit holders was derived from the following sources:

	2021	2020
	USD	USD
Dividend income	1,195,080	935,708
Interest income	-	3
Net realised gain on disposal of collective investment scheme	-	436,737
Net realised gain on forward foreign currency contract	-	487,658
	<u>1,195,080</u>	<u>1,860,106</u>
Less:		
Expenses	-	(668,772)
Net distribution amount	<u>1,195,080</u>	<u>1,191,334</u>

Gross/Net distribution per unit (cent)

Distribution on 4 December 2020

- Class MYR-H	0.17	-
- Class SGD-H	0.46	-
- Class USD	0.76	-

Distribution on 5 March 2021

- Class AUD-H	0.31	-
- Class MYR	0.11	-
- Class MYR-H	0.20	-
- Class RMB-H	0.05	-
- Class SGD-H	0.54	-
- Class USD	0.83	-

Distribution on 3 June 2021

- Class AUD-H	0.50	-
- Class MYR	0.13	-
- Class MYR-H	0.14	-
- Class RMB-H	0.10	-
- Class SGD-H	0.41	-
- Class USD	0.61	-

Distribution on 7 September 2021

- Class AUD-H	0.65	-
- Class MYR	0.17	-
- Class MYR-H	0.19	-
- Class RMB-H	0.14	-
- Class SGD-H	0.55	-
- Class USD	0.84	-

6. FINANCE COST (CONTINUED)

	2021 USD	2020 USD
Gross/Net distribution per unit (cent)		
Distribution on 27 November 2019		
- Class MYR-H	-	0.11
- Class SGD-H	-	0.32
- Class USD	-	0.54
Distribution on 27 March 2020		
- Class MYR-H	-	0.12
- Class SGD-H	-	0.34
- Class USD	-	0.52
Distribution on 19 June 2020		
- Class MYR-H	-	0.16
- Class SGD-H	-	0.39
- Class USD	-	0.66
Distribution on 15 September 2020		
- Class MYR-H	-	0.12
- Class SGD-H	-	0.34
- Class USD	-	0.52
	7.86	4.14

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

Gross distribution per unit is derived from gross realised income less expenses, 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.

7. TAXATION

	2021 USD	2020 USD
Tax charged for the financial year:		
- Current taxation	-	-

A numerical reconciliation between the (loss)/profit before taxation multiplied by the Malaysian statutory income tax rate and tax expense of the Fund is as follows:

	2021 USD	2020 USD
(Loss)/Profit before taxation	(5,114,886)	9,905,037
Taxation at Malaysian statutory rate of 24% (2020: 24%)	(1,227,573)	2,377,209
Tax effects of:		
Investment income not subject to tax	724,742	(2,911,771)
Expenses not deductible for tax purposes	292,742	292,092
Restriction on tax deductible expenses for Wholesale Funds	210,089	242,470
Taxation	-	-

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 USD	2020 USD
At fair value through profit or loss:		
- Collective investment scheme	<u>42,875,489</u>	<u>43,384,652</u>
	2021 USD	2020 USD
Net (loss)/gain on financial assets at fair value through profit or loss:		
- Realised gain/(loss) on disposals	634,070	(65,211)
- Unrealised fair value (loss)/gain	(6,343,232)	9,484,517
- Management fee rebate #	641,639	741,771
	<u>(5,067,523)</u>	<u>10,161,077</u>

Management fee rebate represents the Fund's entitlement to management fee rebate from the Manager of collective investment scheme the Fund invests in.

For the financial year ended 31 October 2021, the rebate is recognised at a rate of 1.35% per annum (2020: 1.35% per annum) calculated and accrued daily based on the NAV of the collective investment scheme.

Name of counter	Quantity Units	Aggregate cost USD	Market value USD	Percentage of NAV %
2021				
COLLECTIVE INVESTMENT SCHEME				
HSBC China Multi-Asset Income Fund	<u>3,609,048</u>	<u>45,168,982</u>	<u>42,875,489</u>	<u>98.66</u>
TOTAL COLLECTIVE INVESTMENT SCHEME	<u>3,609,048</u>	<u>45,168,982</u>	<u>42,875,489</u>	<u>98.66</u>
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>(2,293,493)</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>43,384,652</u>		

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Name of counter	Quantity Units	Aggregate cost USD	Market value USD	Percentag e of NAV %
2020				
COLLECTIVE INVESTMENT SCHEME				
HSBC China Multi-Asset Income Fund	<u>3,241,047</u>	<u>39,334,913</u>	<u>43,384,652</u>	<u>99.19</u>
TOTAL COLLECTIVE INVESTMENT SCHEME	<u>3,241,047</u>	<u>39,334,913</u>	<u>43,384,652</u>	<u>99.19</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>4,049,739</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>43,384,652</u>		

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

	2021 USD	2020 USD
Forward foreign currency contracts	<u>58,484</u>	<u>(56,924)</u>
	2021 USD	2020 USD
Net realised gain on forward foreign currency contracts	250,855	773,442
Net unrealised gain/(loss) on forward foreign currency contracts	<u>88,764</u>	<u>(233,671)</u>
	<u>339,619</u>	<u>539,771</u>

As at 31 October 2021, there are 7 outstanding (2020: 11 outstanding) forward foreign currency contracts. The notional principal amount of the outstanding forward foreign currency contracts amounted to USD35,962,841 (2020: USD39,619,770).

The forward foreign currency contracts are entered into during the financial year to minimise the risk of foreign currency exposure between the USD and the Australian Dollar ("AUD"), Chinese Yuan Renminbi ("RMB"), Malaysian Ringgit ("MYR"), and Singapore Dollar ("SGD") for the Fund.

As the Fund has not adopted hedge accounting during the financial year, any changes in the fair value of the forward foreign currency contracts are recognised immediately in the statement of comprehensive income during the period in which it was incurred.

10. CASH AND CASH EQUIVALENTS

	2021 USD	2020 USD
Bank balances	<u>693,636</u>	<u>188,529</u>

11. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2021 No. of units	2020 No. of units
Class AUD-H (i)	1,027,820	1,000
Class MYR (ii)	4,471,880	-
Class MYR-H (iii)	129,023,500	132,283,896
Class RMB-H (iv)	12,279,786	1,000
Class SGD-H (v)	927,512	559,274
Class USD (vi)	7,103,753	6,577,297
	<u>154,834,251</u>	<u>139,422,467</u>

(i) Class AUD-H

	2021 No. of units	2020 No. of units
At the beginning of the financial year	1,000	1,000
Add: Creation of units from applications	1,069,595	-
Add: Creation of units from distribution	13,496	-
Less: Cancellation of units	(56,271)	-
At the end of the financial year	<u>1,027,820</u>	<u>1,000</u>

(ii) Class MYR

	2021 No. of units	2020 No. of units
At the beginning of the financial year	-	-
Add: Creation of units from applications	5,723,290	-
Add: Creation of units from distribution	61,196	-
Less: Cancellation of units	(1,312,606)	-
At the end of the financial year	<u>4,471,880</u>	<u>-</u>

(iii) Class MYR-H

	2021 No. of units	2020 No. of units
At the beginning of the financial year	132,283,896	259,219,284
Add: Creation of units from applications	40,620,997	6,557,641
Add: Creation of units from distribution	3,281,660	4,179,930
Less: Cancellation of units	(47,163,053)	(137,672,959)
At the end of the financial year	<u>129,023,500</u>	<u>132,283,896</u>

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

(iv) Class RMB-H

	<u>2021</u>	<u>2020</u>
	No. of units	No. of units
At the beginning of the financial year	1,000	1,000
Add: Creation of units from applications	12,592,889	-
Add: Creation of units from distributions	158,888	-
Less: Cancellation of units	(472,991)	-
At the end of the financial year	<u>12,279,786</u>	<u>1,000</u>

(iv) Class SGD-H

	<u>2021</u>	<u>2020</u>
	No. of units	No. of units
At the beginning of the financial year	559,273	712,321
Add: Creation of units from applications	843,378	193,980
Add: Creation of units from distributions	18,589	13,215
Less: Cancellation of units	(493,728)	(360,242)
At the end of the financial year	<u>927,512</u>	<u>559,274</u>

(v) Class USD

	<u>2021</u>	<u>2020</u>
	No. of units	No. of units
At the beginning of the financial year	6,577,298	12,177,508
Add: Creation of units from applications	2,037,918	412,125
Add: Creation of units from distributions	171,280	205,767
Less: Cancellation of units	(1,682,743)	(6,218,103)
At the end of the financial year	<u>7,103,753</u>	<u>6,577,297</u>

12. MANAGEMENT EXPENSE RATIO ("MER")

	<u>2021</u>	<u>2020</u>
	%	%
MER	<u>1.85</u>	<u>1.86</u>

MER is derived from the following calculation:

$$\text{MER} = \frac{(A + B + C + D + E) \times 100}{F}$$

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 ended 31 October 2021 calculated on a daily basis is USD48,537,997 (2020: USD55,842,625).

13. PORTFOLIO TURNOVER RATIO (“PTR”)

	2021	2020
PTR (times)	0.17	0.32

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	=	USD10,615,000 (2020: USD35,940,000)
total disposal for the financial year	=	USD5,415,000 (2020: Nil)

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

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

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

Units held by the Manager and parties related to the Manager

	2021		2020
	No. of units	USD	No. of units
Manager			USD
Principal Asset Management Berhad			
- Class AUD-H	1,016	840	1,000
- Class MYR	1,017	220	-
- Class MYR-H	27,963	6,809	27,340
- Class RMB-H	1,015	176	1,000
- Class SGD-H	37	25	35
- Class USD	929	973	906
			1,061

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

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 significant related party transactions during the financial year, other than those already disclosed in the financial statements.

15. TRANSACTIONS WITH BROKERS

Details of transactions with the broker for the financial year ended 31 October 2021 were as follows:

Broker	Value of trades USD	Percentage of total trades %
HSBC Investment Funds (Hong Kong) Ltd	16,030,000	100.00
	<u>16,030,000</u>	<u>100.00</u>

Details of transactions with the brokers for the financial year ended 31 October 2020 were as follows:

Broker	Value of trades USD	Percentage of total trades %
HSBC Investment Funds (Hong Kong) Ltd	35,940,000	100.00
	<u>35,940,000</u>	<u>100.00</u>

16. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The COVID-19 pandemic and related lockdowns and movement restrictions have had, and will continue to have, a significant impact on global economic conditions and the environment in which the Fund operates. The Manager continues to closely monitor the macro-economic outlook as a result of COVID-19 pandemic and its impact to the Fund's performance and will be managing the risks to achieve the Fund's objective.

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 20 December 2021.

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