

Principal S&P Ethical Asia Pacific Dividend ETF
(Constituted under a Trust Deed in the Republic of Singapore)

Audited Financial Statements
30 June 2021



**Principal S&P Ethical Asia Pacific Dividend ETF
(Constituted under a Trust Deed in the Republic of Singapore)**

General information

Manager

Principal Asset Management (S) Pte. Ltd.
50 Raffles Place
#22-03A&B Singapore Land Tower
Singapore 048623

Directors of the Manager

Christopher Leow
Alejandro Elias Echegorri Rodriguez
Chong Chooi Wan

Trustee/Registrar

Citicorp Trustee (Singapore) Limited
5 Changi Business Park Crescent
Level 5
Singapore 486027

Custodian

Citibank N.A., Singapore Branch
5 Changi Business Park Crescent
Level 5
Singapore 486027

Auditor

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

**Principal S&P Ethical Asia Pacific Dividend ETF
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General information

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Principal S&P Ethical Asia Pacific Dividend ETF
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Manager's investment report

About Principal S&P Ethical Asia Pacific Dividend ETF:

Principal S&P Ethical Asia Pacific Dividend (the "Fund") is an exchange traded fund, designed to track the performance of the S&P Ethical Pan-Asia Select Dividend Opportunities Index. Shares of Principal S&P Ethical Asia Pacific Dividend ETF have been listed and traded on SGX-ST since 8 March 2012.

Details of Principal S&P Ethical Asia Pacific Dividend ETF:

Fund Currency	United States dollars ("USD")
Trading Currencies	USD, Singapore dollars ("SGD")
Listing Date of USD counter on SGX-ST	8 March 2012
Listing Date of SGD counter on SGX-ST	15 June 2012
Stock Codes on SGX-ST	P5P (USD counter), QR9 (SGD counter)
Board Lot	100 units
Number of units as at 30 June 2021	21,500,000
NAV per unit as at 30 June 2021	USD0.831
Management Fee	0.65% of NAV per annum

Performance:

Cumulative Performance (%) as at 30 June 2021:

<u>From 30/06/2021</u>	<u>Period</u>	<u>Fund's Performance</u>	<u>Index's Performance</u>
3 months	31/3/2021 - 30/6/2021	0.48%	0.82%
6 months	31/12/2020 - 30/6/2021	5.99%	6.18%
1 year	30/6/2020 - 30/6/2021	22.75%	24.34%
3 years	30/6/2018 - 30/6/2021	3.84%	8.00%
Since inception	8/3/2012 - 30/6/2021	16.66%	43.72%

The Fund aims to mirror the performance of the S&P Ethical Pan-Asia Select Dividend Opportunities Index (the "Index"), using full replication strategy, by investing in Securities constituting the Index in substantially the same proportion or weighting as in the Index.

The Index represents the top 40 high-yielding stocks in the Asia Pacific region which meet the criteria for inclusion into the tracked index and is subject to rigorous ground rules such as free float adjustment and liquidity screening to ensure that these stocks are highly investable. The focus of the Index is on both capital growth and dividend income characteristics, thus providing yield and stability. The transparent and freely available index rules are governed and maintained by an independent committee of leading market professionals.

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Manager's investment report

Performance (cont'd):

From 1 January 2021 to 30 June 2021, the NAV of the Fund increased by 5.99%, whilst the value of the Index increased by 6.18%.

In the first half of 2021, early signs of divergence in recoveries appeared amongst Asian economies – a trend that is expected to continue in the second half of this year. Growth was led by China, which exceeded its pre-Covid growth trend. Despite earlier confidence in handling the pandemic, countries that had seemingly tackled the spread of Covid-19 in 2020 came under pressure as new waves emerged in Malaysia, Thailand, Philippines, Taiwan and Japan. That said, inflation remains largely subdued, and monetary policy is accommodative.

In the first quarter of 2021, Asian economies started the year on a strong footing with loose monetary policy throughout the region, coupled with robust global demand and a good handle of Covid-19. China's GDP soared to a record 18.3% in 1Q 2021, rebounding from the -6.8% contraction in 1Q 2020. This flowed through to the rest of Asia, with the exception of Malaysia and Indonesia, who saw their GDP marginally decline by -0.5% and -0.74% year-over-year ("yoy") respectively due to lockdowns from new waves of the pandemic. The Thai Baht ended 1Q as the weakest Asian currency due to the downturn in international tourist spending and weak exports.

Moving to the second quarter of 2021, the divergent trends in Asian economies' recoveries became more pronounced. The more export-driven economies, like Taiwan and Korea, continue to benefit strongly from the surge in global demand for semiconductors and electronics, leading to a decade-high purchasing managers' index ("PMI") readings. Likewise, the Singapore economy grew strongly at 14.7% yoy in 2Q, driven by strong exports and a gradually reopening economy, in line with a high domestic vaccination rate. China has not only recovered from its post-Covid decline but has exceeded its pre-Covid growth trend, mostly due to its mixture of prudent credit growth, surgical targeting of its lockdowns, and global demand for the country's exports. As a result, China's share of global exports rose to an all-time high, which has also supported the year-to-date appreciation of the Chinese yuan. Looking ahead however, the outlook for China is less clear as expectations for policy normalisation, regulatory uncertainty, and ongoing geopolitical concerns cast a shadow of doubt over the country.

Global demand is expected to hold up, due to increasing capex spending – long overdue due to many years of sluggish investments prior to 2020, exacerbated by the US-China trade war. Despite robust global demand however, domestic production challenges brought upon by lockdowns across Asian countries led to a slowdown in exports, especially within manufacturing sectors. With vaccination rates lagging its regional peers, many Asian countries returned to strict lockdowns as new waves of Covid-19 broke out. Additionally, many governments' coffers are already stretched and incremental fiscal support has been insufficient to substantially stimulate demand within the economies. Monetary policy is expected to stay accommodative throughout Asia. The Thai Baht was once again the weakest performer, having lost more than -10% of its value versus USD year-to-date.

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Manager's investment report

Investments at market value and as a percentage of NAV as at 30 June 2021 classified by:

	2021		2020	
	Market value USD	% of NAV	Market value USD	% of NAV
(i) Country				
Australia	3,763,849	21.07	2,500,011	22.18
China	4,579,589	25.63	2,578,181	22.86
Hong Kong	5,137,550	28.74	2,683,256	23.80
Indonesia	308,456	1.73	–	–
Malaysia	443,600	2.48	599,130	5.32
Singapore	587,881	3.29	1,415,571	12.54
South Korea	1,111,493	6.22	645,062	5.72
Thailand	1,576,285	8.82	726,376	6.45
	<hr/>			
(ii) Industry				
Consumer discretionary	–	–	435,628	3.86
Energy	3,019,487	16.89	1,861,289	16.52
Financials	4,679,438	26.19	2,866,367	25.42
Industrials	506,419	2.83	453,437	4.02
Materials	1,734,315	9.71	929,697	8.25
Real estate	3,922,812	21.96	2,466,336	21.87
Communication services/ Telecommunication	1,237,650	6.92	1,301,308	11.54
Utilities	2,408,582	13.48	833,525	7.39
	<hr/>			
(iii) Asset class				
Equities	17,508,703	97.98	11,147,587	98.87
Other net assets	361,780	2.02	127,662	1.13
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Manager's investment report

Details of top 10 holdings of the Fund:

As at 30 June 2021	Cost USD	Market value USD	% of total net assets
China Shenhua Energy Co Ltd	952,060	929,041	5.20
China Petroleum & Chemical Corp	1,036,980	844,171	4.72
PTT Exploration & Production PCL	686,806	820,481	4.59
Fortescue Metals Group Ltd	581,592	764,098	4.28
Power Assets Holdings Ltd	730,175	690,331	3.86
HKT Trust & HKT Ltd	666,623	668,973	3.74
Country Garden Holdings Co Ltd	707,222	630,767	3.53
AGL Energy Ltd	934,284	613,433	3.43
Henderson Land Development Co Ltd	497,554	606,596	3.39
Stockland	507,410	592,481	3.32
	7,300,706	7,160,372	40.06

As at 30 June 2020	Cost USD	Market value USD	% of total net assets
PCCW Ltd	540,949	518,422	4.60
China Petroleum & Chemical Corp	835,586	500,962	4.44
HKT Trust & HKT Ltd	464,307	496,033	4.40
Alumina Ltd	675,714	490,335	4.35
PTT Global Chemical PCL	622,707	439,362	3.90
China Shenhua Energy Co Ltd	557,618	404,260	3.59
Ascendas Real Estate Investment Trust	336,138	396,901	3.52
SK Innovation Co Ltd	458,598	385,428	3.42
Hang Lung Properties Ltd	320,457	329,295	2.92
Sino Land Co Ltd	392,287	317,032	2.81
	5,204,361	4,278,030	37.95

Exposure to derivatives

The Fund had no exposure to derivatives for the financial year ended 30 June 2021.

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Manager's investment report

Index constituents' weights:

Constituent name	As at 30 June 2021 %	As at 30 June 2020 %
China Shenhua Energy Co Ltd	5.20	3.59
China Petroleum & Chemical Corp	4.72	4.44
PTT Exploration & Production PCL	4.59	–
Fortescue Metals Group Ltd	4.28	–
Power Assets Holdings Ltd	3.86	2.41
HKT Trust & HKT Ltd	3.74	4.40
Country Garden Holdings Co Ltd	3.53	–
AGL Energy Ltd	3.43	–
Henderson Land Development Co Ltd	3.39	–
Stockland	3.32	2.76
Woori Financial Group Inc	3.29	–
CapitaLand Integrated Commercial Trust	3.29	2.01
CK Infrastructure Holdings Ltd	3.19	–
PCCW Ltd	3.18	4.60
Sino Land Co Ltd	3.10	2.81
New World Development Co Ltd	3.08	2.73
APA Group	3.00	2.77
Hana Financial Group Inc	2.93	–
CK Hutchison Holdings Ltd	2.83	–
Alumina Ltd	2.81	4.35
Bank of Communications Co Ltd	2.65	1.89
BHP Group Ltd	2.62	–
Malayan Banking Bhd	2.48	1.82
PICC Property & Casualty Co Ltd	2.47	–
PTT PCL	2.38	2.55
Wharf Real Estate Investment Co Ltd	2.25	–
China CITIC Bank Corp Ltd	2.18	1.52
China Minsheng Banking Corp Ltd	1.94	1.98
Siam Commercial Bank PCL/The	1.85	–
Bank Mandiri Persero Tbk PT	1.73	–
China Construction Bank Corp	1.57	1.87
Industrial & Commercial Bank of China Ltd	1.37	1.52
Bendigo & Adelaide Bank Ltd	1.03	1.54
Commonwealth Bank of Australia	0.58	1.63
BOC Hong Kong Holdings Ltd	0.12	1.76
PTT Global Chemical PCL	–	3.90
Ascendas Real Estate Investment Trust	–	3.52
SK Innovation Co Ltd	–	3.42
Hang Lung Properties Ltd	–	2.92
Suntec Real Estate Investment Trust	–	2.62
Singapore Telecommunications Ltd	–	2.54
CNOOC Ltd	–	2.52
Vicinity Centres	–	2.50

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Manager's investment report

Index constituents' weights (cont'd):

Constituent name	As at 30 June 2021 %	As at 30 June 2020 %
Hyundai Motor Co	–	2.30
Tenaga Nasional Bhd	–	2.21
NWS Holdings Ltd	–	2.17
Agricultural Bank of China Ltd	–	1.97
Bank of Queensland Ltd	–	1.91
ComfortDelGro Corp Ltd	–	1.85
Westpac Banking Corp	–	1.60
Australia & New Zealand Banking Group Ltd	–	1.57
Guangzhou Automobile Group Co Ltd	–	1.56
National Australia Bank Ltd	–	1.55
CIMB Group Holdings Bhd	–	1.29

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Manager's investment report

Creation/redemption for the financial year ended 30 June 2021:

Total subscription during the year under review amounted to USD4,216,000 (equivalent to 5,500,000 units) (2020: USD1,868,000 (equivalent to 2,500,000 units)) while there were no redemptions during the year under review (2020: Nil).

Other information:

During the year, the Fund had no exposure to other unit trusts, mutual funds and collective investment schemes and had no borrowings. There is no other material information that will adversely impact the valuation of the Fund:

	2021	2020
	%	%
Expense ratio ⁽¹⁾	0.98	1.26
Turnover ratio ⁽²⁾	81.78	44.05

⁽¹⁾ The expense ratio is computed in accordance with the revised IMAS' guidelines on disclosure of expense ratios dated 25 May 2005. Refer to Note 9 to the financial statements for details.

⁽²⁾ The portfolio turnover ratio is calculated in accordance with the formula stated in the "Code on Collective Investment Schemes". Refer to Note 9 to the financial statements for details.

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Manager's investment report

Soft dollar commissions:

During the financial year under review, no soft dollar commissions were received from brokers.

Information on the Manager:

The Manager of the Fund is Principal Asset Management (S) Pte. Ltd. (Company Registration Number 200607208K), a private limited company, incorporated in Singapore on 18 May 2006. The Manager is wholly-owned by Principal Asset Management Berhad in Malaysia, which has been managing discretionary and mutual funds in Malaysia for more than 20 years.

The Manager obtained its capital markets services licence on 24 April 2007 and presently manages the Fund and several other discretionary accounts, with total assets under management of about S\$3.3 billion as at 30 June 2021.

Directors of the Manager:

Christopher Leow

Mr Leow, of 50 Raffles Place, #22-03A & B Singapore Land Tower, Singapore 048623, is the Chief Executive Officer and a Director of the Manager, and is responsible for leading the International Investment team based in Singapore. He joined Principal Asset Management Berhad in December 2003 and was transferred to the Manager in May 2007. He has more than 20 years of experience in the equities and fund management industry. Mr Leow is a Chartered Financial Analyst ("CFA") and a Certified Financial Planner. He has been registered with the Monetary Authority of Singapore under the Securities and Futures Act (Cap. 289) as a Representative of the Manager in fund management since September 2007. Mr Leow holds a Bachelor of Commerce in Accounting and Finance (Hons) from the University of Western Australia.

Alejandro Elias Echegorri Rodriguez

Mr Echegorri, of One Raffles Quay, North Tower #19-01/04, Singapore 048583, is a Director of the Manager and Chief Investment Officer for Principal Global Asset Management in Asia and as such he is responsible for the overall investment strategy and the investment process for the group and for overseeing the management of pension, mutual funds and general accounts in the Asia as well as for supporting the overall development of the asset management business in the region. Prior to that Mr. Echegorri was Chief Executive Officer, ASEAN Region of Principal Asset Management Berhad, with responsibilities over Malaysia, Indonesia, Thailand and Singapore. Previously he was the Chief Investment Officer for Principal International (PIA) in Latin America. He joined PIA in 2003 as Head of Institutional Asset Management and Chief Investment Officer for Principal Financial Group in Mexico. Prior to that, he was the Senior Investment Officer for Citibank's Pension Fund Business in Latin America. He had also held different positions in the investment area in countries such as Uruguay, Argentina, Chile, Mexico and the United Kingdom. Mr Echegorri holds a degree in Economics from the Universidad Mayor de la Republica, Uruguay, and a Master in Economics from Universidad Centro de Estudios Macroeconomicos de Argentina.

**Principal S&P Ethical Asia Pacific Dividend ETF
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Manager's investment report

Directors of the Manager (cont'd):

Chong Chooi Wan

Ms Chong, of 10th Floor, Bangunan CIMB, Jalan Semantan, 50490 Damansara Heights, Kuala Lumpur, Malaysia, is a Director of the Manager and has more than 20 years of experience in strategic planning and investment, corporate developments, mergers and acquisitions in various industries ranging from the financial sector to the energy sector. In 2020, she joined CIMB as the Director of Group Ventures and Partnerships where she is tasked to oversee business optimisation projects as well as portfolio management for CIMB. Ms Chong graduated with a Bachelor Degree in Finance, a Summa Cum Laude honours, from the University of Tennessee, Knoxville, U.S.A.

Key Executives of the Manager / Appointed Portfolio Managers of the Fund:

The appointed individual/principal portfolio manager of the Fund who will be primarily performing the investment management functions for the Fund is Mr Christopher Leow, who is also one of the directors of the Manager. Please see his write-up above for more information on his qualification, experience and employment history. Mr Leow is assisted by Ms Zhang Yuzheng, Mr Jonathan Yeoh and Ms Seng Jing Xin.

Yuzheng joined the Manager in 2017 and focuses primarily on asset allocation models. Yuzheng holds a Masters of Economics from Columbia University and is a CFA charter holder.

Jonathan joined the Manager in 2018 and focuses primarily on analysing companies listed on the Singapore equities market. Jonathan holds a Bachelor of Economics from the National University of Singapore.

Jing Xin joined the Manager in 2019 and focuses primarily on quantitative strategy. Jing Xin holds a Bachelor of Business Administration (Hons) from the University of Malaya.

**Principal S&P Ethical Asia Pacific Dividend ETF
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**Report of the Trustee
For the financial year ended 30 June 2021**

The Trustee is under a duty to take into custody and hold the assets of Principal S&P Ethical Asia Pacific Dividend ETF (the "Fund") in trust for the unitholders. In accordance with the Securities and Futures Act (Chapter 289), its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each financial year and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the financial year covered by these financial statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,
Citicorp Trustee (Singapore) Limited:



Authorised signatories

Gan Lai Chun / Ramesh Sanjay Selvanayagam
Director / Resident Manager

30 September 2021

**Principal S&P Ethical Asia Pacific Dividend ETF
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**Statement by the Manager
For the financial year ended 30 June 2021**

In the opinion of the directors of Principal Asset Management (S) Pte. Ltd., the accompanying financial statements, comprising the statement of total return, statement of financial position, statement of movements of unitholders' funds, statement of portfolio and notes to the financial statements are drawn up so as to present fairly, in all material respects, the financial position and the portfolio holdings of Principal S&P Ethical Asia Pacific Dividend ETF (the "Fund") as at 30 June 2021 and the financial performance and movements in unitholders' funds for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of the directors of Principal Asset Management (S) Pte. Ltd.:



Christopher Leow
Director/Chief Executive Officer

30 September 2021

**Principal S&P Ethical Asia Pacific Dividend ETF
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**Independent auditor's report
For the financial year ended 30 June 2021**

To the Unitholders of Principal S&P Ethical Asia Pacific Dividend ETF

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Principal S&P Ethical Asia Pacific Dividend ETF (the "Fund"), which comprise the statement of financial position and statement of portfolio as at 30 June 2021, and the statement of total return and statement of movements of unitholders' funds for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Fund are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants so as to present fairly, in all material aspects, the financial position and portfolio holdings of the Fund as at 30 June 2021 and of the financial performance and movements of unitholders' funds of the Fund for the financial year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to report.

Other information

Management is responsible for other information. The other information comprises the General information, Manager's investment report, Report of the trustee and Statement by the manager, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements 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, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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.

**Principal S&P Ethical Asia Pacific Dividend ETF
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**Independent auditor's report
For the financial year ended 30 June 2021**

To the Unitholders of Principal S&P Ethical Asia Pacific Dividend ETF

Responsibilities of the Manager for the financial statements

The Fund's Manager (the "Manager") is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 SSAs 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 SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 auditor's report to the related disclosures in the financial statements 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 auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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**Independent auditor's report
For the financial year ended 30 June 2021**

To the Unitholders of Principal S&P Ethical Asia Pacific Dividend ETF

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements 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.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yap Swee Gek.

Ernst & Young LLP

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

30 September 2021

Principal S&P Ethical Asia Pacific Dividend ETF
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Statement of total return
For the financial year ended 30 June 2021

	Note	2021 USD	2020 USD
Investment income			
Dividends		963,767	605,065
Interest		–	1,362
Other income		33,893	–
Total income		997,660	606,427
Expenses			
Management fee	3	(96,007)	(75,528)
Administration fee		(18,001)	(18,051)
Custodian fee	8	(14,328)	(13,944)
Other operating expenses		(42,603)	(52,225)
Total expenses		(170,939)	(159,748)
Net investment income		826,721	446,679
Net gains/(losses) on value of investments			
Net realised (losses)/gains on investments		(1,622,657)	119,269
Net change in unrealised gains/(losses) on fair value of investments		3,754,141	(3,343,358)
Net foreign exchange gains/(losses)		8,422	(31,477)
		2,139,906	(3,255,566)
Total return/(deficit) for the financial year before income tax and distribution		2,966,627	(2,808,887)
Less: Income tax	4	(69,393)	(34,922)
Total return/(deficit) for the financial year after income tax before distribution		2,897,234	(2,843,809)
Less: Distribution	5	(518,000)	(462,000)
Total return/(deficit) for the financial year after income tax and distribution		2,379,234	(3,305,809)

The accompanying accounting policies and explanatory information form an integral part of the financial statements

Principal S&P Ethical Asia Pacific Dividend ETF
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Statement of financial position
As at 30 June 2021

	Note	2021 USD	2020 USD
Assets			
Portfolio of investments (cost: USD17,129,961; 2020: USD14,522,986)		17,508,703	11,147,587
Dividend and other receivables		256,062	95,399
Cash and cash equivalents	6	207,737	244,673
Total assets		17,972,502	11,487,659
Liabilities			
Amounts due to a broker		–	102,065
Other payables		102,019	110,345
Total liabilities		102,019	212,410
Equity			
Net assets attributable to unitholders	7	17,870,483	11,275,249

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

**Principal S&P Ethical Asia Pacific Dividend ETF
(Constituted under a Trust Deed in the Republic of Singapore)**

**Statement of movements of unitholders' funds
For the financial year ended 30 June 2021**

	Note	2021 USD	2020 USD
Net assets attributable to unitholders at beginning of financial year		11,275,249	12,713,058
Operations			
Change in net assets attributable to unitholders resulting from operations		2,897,234	(2,843,809)
Unitholders' contributions			
Creation of units		4,216,000	1,868,000
Cancellation of units		–	–
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		4,216,000	1,868,000
Distribution	5	(518,000)	(462,000)
Total increase/(decrease) in net assets attributable to unitholders		6,595,234	(1,437,809)
Net assets attributable to unitholders at end of financial year	7	17,870,483	11,275,249

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Principal S&P Ethical Asia Pacific Dividend ETF
(Constituted under a Trust Deed in the Republic of Singapore)

Statement of portfolio
As at 30 June 2021

Primary	Holdings at 30 June 2021	Fair value at 30 June 2021 USD	Percentage of total net assets attributable to unitholders at 30 June 2021 %
By geography			
Equities			
Quoted			
Australia			
AGL Energy Ltd	99,692	613,433	3.43
Alumina Ltd	407,220	502,676	2.81
APA Group	80,168	535,407	3.00
Bendigo & Adelaide Bank Ltd	23,485	184,867	1.03
BHP Group Ltd	12,828	467,541	2.62
Commonwealth Bank of Australia	1,379	103,346	0.58
Fortescue Metals Group Ltd	43,627	764,098	4.28
Stockland	169,432	592,481	3.32
Total Australia		3,763,849	21.07
China			
Bank of Communications Co Ltd	704,000	473,244	2.65
China CITIC Bank Corp Ltd	823,000	390,022	2.18
China Construction Bank Corp	356,000	280,113	1.57
China Minsheng Banking Corp Ltd	723,500	346,596	1.94
China Petroleum & Chemical Corp	1,668,000	844,171	4.72
China Shenhua Energy Co Ltd	474,000	929,041	5.20
Country Garden Holdings Co Ltd	563,000	630,767	3.53
Industrial & Commercial Bank of China Ltd	416,000	244,287	1.37
PICC Property & Casualty Co Ltd	504,000	441,348	2.47
Total China		4,579,589	25.63

Principal S&P Ethical Asia Pacific Dividend ETF
(Constituted under a Trust Deed in the Republic of Singapore)

Statement of portfolio
As at 30 June 2021

Primary (cont'd)	Holdings at 30 June 2021	Fair value at 30 June 2021 USD	Percentage of total net assets attributable to unitholders at 30 June 2021 %
By geography (cont'd)			
Equities (cont'd)			
Quoted (cont'd)			
Hong Kong			
BOC Hong Kong Holdings Ltd	6,500	22,056	0.12
CK Hutchison Holdings Ltd	65,000	506,419	2.83
CK Infrastructure Holdings Ltd	95,500	569,411	3.19
Henderson Land Development Co Ltd	128,000	606,596	3.39
HKT Trust & HKT Ltd	491,000	668,973	3.74
New World Development Co Ltd	105,750	549,497	3.08
PCCW Ltd	1,085,000	568,677	3.18
Power Assets Holdings Ltd	112,500	690,331	3.86
Sino Land Co Ltd	351,724	554,402	3.10
Wharf Real Estate Investment Co Ltd	69,000	401,188	2.25
Total Hong Kong		5,137,550	28.74
Indonesia			
Bank Mandiri Persero Tbk PT	757,800	308,456	1.73
Total Indonesia		308,456	1.73
Malaysia			
Malayan Banking Bhd	227,078	443,600	2.48
Total Malaysia		443,600	2.48
Singapore			
CapitaLand Integrated Commercial Trust (Formerly known as CapitaLand Mall Trust)	378,100	587,881	3.29
Total Singapore		587,881	3.29

Principal S&P Ethical Asia Pacific Dividend ETF
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Statement of portfolio
As at 30 June 2021

Primary (cont'd)	Holdings at 30 June 2021	Fair value at 30 June 2021 USD	Percentage of total net assets attributable to unitholders at 30 June 2021 %
By geography (cont'd)			
Equities (cont'd)			
Quoted (cont'd)			
South Korea			
Hana Financial Group Inc	12,794	523,224	2.93
Woori Financial Group Inc	57,852	588,269	3.29
Total South Korea		1,111,493	6.22
Thailand			
PTT Exploration & Production PCL (NVDR) ⁽¹⁾	224,700	820,481	4.59
PTT PCL (NVDR) ⁽¹⁾	347,600	425,794	2.38
Siam Commercial Bank PCL/The (NVDR) ⁽¹⁾	107,900	330,010	1.85
Total Thailand		1,576,285	8.82
Portfolio of investments		17,508,703	97.98
Other net assets		361,780	2.02
Net assets attributable to unitholders		17,870,483	100.00

⁽¹⁾ Non-voting Depository Receipts

Principal S&P Ethical Asia Pacific Dividend ETF
(Constituted under a Trust Deed in the Republic of Singapore)

Statement of portfolio
As at 30 June 2021

Primary (cont'd)		Percentage of total net assets attributable to unitholders at 30 June 2021 %	Percentage of total net assets attributable to unitholders at 30 June 2020 %
By geography (Summary)			
Quoted equities			
Australia		21.07	22.18
China		25.63	22.86
Hong Kong		28.74	23.80
Indonesia		1.73	–
Malaysia		2.48	5.32
Singapore		3.29	12.54
South Korea		6.22	5.72
Thailand		8.82	6.45
Portfolio of investments		97.98	98.87
Other net assets		2.02	1.13
Net assets attributable to unitholders		100.00	100.00
		Percentage of total net assets attributable to unitholders at 30 June 2021 %	Percentage of total net assets attributable to unitholders at 30 June 2020 %
Secondary	Fair value at 30 June 2021 USD		
By industry			
Consumer discretionary	–	–	3.86
Energy	3,019,487	16.89	16.52
Financials	4,679,438	26.19	25.42
Industrials	506,419	2.83	4.02
Materials	1,734,315	9.71	8.25
Real estate	3,922,812	21.96	21.87
Communication services/ Telecommunication	1,237,650	6.92	11.54
Utilities	2,408,582	13.48	7.39
Portfolio of investments	17,508,703	97.98	98.87
Other net assets	361,780	2.02	1.13
Net assets attributable to unitholders	17,870,483	100.00	100.00

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

**Principal S&P Ethical Asia Pacific Dividend ETF
(Constituted under a Trust Deed in the Republic of Singapore)**

**Notes to the financial statements
For the financial year ended 30 June 2021**

1. Corporate information

Principal S&P Ethical Asia Pacific Dividend ETF (the “Fund”) is a unit trust constituted by a Trust Deed dated 21 February 2012, and the various Supplemental Deeds of Trust between Principal Asset Management (S) Pte. Ltd. (the “Manager”) and Citicorp Trustee (Singapore) Limited (the “Trustee/Registrar”). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee appointed Citibank N.A., Singapore Branch (the “Custodian”) as the Custodian of the Fund.

The Fund was listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 8 March 2012.

The investment objective of the Fund is to provide investment results that, before expenses, closely correspond to the performance of the S&P Ethical Pan Asia Select Dividend Opportunities Index (the “Index”).

The Manager will generally invest the Fund’s assets in all of the Index securities in the same approximate proportion as their weightings within the Index. However, various circumstances may make it impossible or impracticable to purchase each component index security in such weightings. In those circumstances, the Manager may employ, alone or in combination with, other investment techniques in seeking to closely track the performance of the Index.

There is no change in the principal activity of the Fund during the year.

The Manager is a private limited company incorporated in Singapore and its immediate holding company is Principal Asset Management Berhad, a company incorporated in Malaysia. The Manager is principally engaged in the business of fund management and investment advisory.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The financial statements of the Fund which are expressed in United States dollar (“USD” or “US\$”), have been prepared under the historical cost basis, as modified by the revaluation of financial investments at fair value, and in accordance with the Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” (“RAP 7”) revised and issued by the Institute of Singapore Chartered Accountants.

2.2 *Income recognition*

Dividend income is recognised and credited to income when the right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

**Principal S&P Ethical Asia Pacific Dividend ETF
(Constituted under a Trust Deed in the Republic of Singapore)**

**Notes to the financial statements
For the financial year ended 30 June 2021**

2. Summary of significant accounting policies (cont'd)

2.3 *Distribution policy*

The Manager on behalf of the Trustee shall determine whether a distribution is to be made. In such an event, an appropriate amount will be transferred to a distribution account to be paid out on the distribution date. This amount shall not be treated as part of the property of the Fund.

2.4 *Financial assets and financial liabilities*

Classification

(a) Financial assets and financial liabilities at fair value through profit or loss

The Fund classifies its portfolio of investments as financial assets or liabilities at fair value through profit or loss. These financial assets and financial liabilities are classified as held-for-trading or designated by the Manager at fair value through profit or loss at inception.

A financial asset or financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets and liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Manager to evaluate the information on these financial assets on a fair value basis together with other related financial information.

(b) Financial assets carried at amortised cost

Non-derivative financial assets carried at amortised cost that are not quoted in an active market include cash and cash equivalents, dividend and other receivables.

Recognition/derecognition

Purchases and sales of investments in the Fund are recognised at fair value on the trade date - the date on which the Fund commits to purchase or sell the investments. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

**Principal S&P Ethical Asia Pacific Dividend ETF
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**Notes to the financial statements
For the financial year ended 30 June 2021**

2. Summary of significant accounting policies (cont'd)

2.4 *Financial assets and financial liabilities (cont'd)*

Measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are recognised in profit or loss. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains or losses arising from changes in the fair value of the financial assets and financial liabilities at fair value through profit or loss category are included in profit or loss in the period in which they arise.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets is the last traded price, where it falls within the bid-ask spread.

2.5 *Investments*

Investment transactions are accounted for on a trade date basis. Unrealised gains or losses on quoted investments are taken to the statement of total return. The realised gains or losses are taken to the statement of total return upon the disposal of investments and are computed using the weighted average cost method.

2.6 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments, if any, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.7 *Foreign currencies*

Monetary assets and liabilities denominated in foreign currencies are translated into USD at exchange rates ruling at the end of the reporting period. Transactions arising in foreign currencies during the year are translated at exchange rates prevailing at transaction dates. All exchange differences are taken to the statement of total return.

3. Expenses

The management fee for the Fund is currently set at 0.65% of its net asset value per annum (maximum 1.00% per annum).

Fees paid to the Trustee, index providers and auditors are borne by the Manager.

Principal S&P Ethical Asia Pacific Dividend ETF
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Notes to the financial statements
For the financial year ended 30 June 2021

4. Income tax

The Fund was granted the status of a Designated Unit Trust by the Inland Revenue of Singapore. In accordance to Section 35(12) and (12A) of the Income Tax Act (Chapter 134) of Singapore, subject to certain conditions, the following income shall not form part of the statutory income of the Fund and is thus not taxable for the year of assessment:

- (a) gains or profits derived from Singapore or elsewhere from the disposal of securities;
- (b) interest (other than interest for which tax has been deducted under Section 45 of the Income Tax Act);
- (c) dividends derived from outside Singapore and received in Singapore;
- (d) gains or profits derived from foreign exchange transactions; transactions in future contracts, transactions in interest rate or currency forwards, swaps or option contracts and transactions in forwards, swaps or option contracts relating to any securities of financial index, and
- (e) distributions from foreign unit trusts derived from outside Singapore and received in Singapore.

	2021 USD	2020 USD
Overseas income tax	69,393	34,922

The overseas income tax represents tax deducted at source on dividends and interests derived from outside Singapore.

5. Distribution

	2021 USD	2020 USD
Final USD0.028 (2020: USD0.033) per unit	518,000	462,000

Principal S&P Ethical Asia Pacific Dividend ETF
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Notes to the financial statements
For the financial year ended 30 June 2021

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	2021 USD	2020 USD
Bank balances	207,737	244,673

The bank balances are placed with a financial institution that is related to the Trustee.

7. Units in issue

During the financial year ended 30 June, the numbers of units created, cancelled and outstanding were as follows:

	2021	2020
Units at beginning of financial year	16,000,000	13,500,000
Units created	5,500,000	2,500,000
Units cancelled	–	–
Units at end of financial year	21,500,000	16,000,000
Net assets attributable to unitholders - USD	17,870,483	11,275,249
Net asset value (“NAV”) per unit - USD	0.831	0.705

8. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions took place during the financial year between the Fund and its related parties on terms agreed between the parties concerned and were written in the provisions of the Trust Deed:

	2021 USD	2020 USD
Management fee paid and payable to the Manager	96,007	75,528
Custodian fee paid and payable to the Custodian	14,328	13,944
Brokerage fee paid and payable to affiliated parties of the Manager	11,962	5,829

Fees that are borne by the Manager are set out in Note 3 to the financial statements.

Principal S&P Ethical Asia Pacific Dividend ETF
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Notes to the financial statements
For the financial year ended 30 June 2021

9. Financial ratios

	2021	2020
	%	%
Expense ratio ⁽¹⁾	0.98	1.26
Turnover ratio ⁽²⁾	81.78	44.05

(1) The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore (“IMAS”). The calculation of the expense ratio was based on total operating expenses of USD144,230 (2020: USD146,383) divided by the average daily NAV of USD14,757,883 (2020: USD11,609,563) for the financial year. The total operating expenses do not include (where applicable) brokerage and other transaction costs, interest expense, distribution paid out to unitholders, foreign exchange gains/losses and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average NAV is based on the daily balances.

(2) The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of purchases or sales of the underlying investments, being sales of USD12,069,047 (2020: sales of USD5,114,412) divided by the average daily NAV of USD14,757,883 (2020: USD11,609,563).

10. Financial risk management

The Manager continually monitors the Fund’s exposure to risk and that appropriate procedures are in place to manage the risks.

(a) ***Liquidity risk***

The Fund is exposed to cash redemptions and disbursements for the settlements of purchases. The Manager therefore ensures that the Fund maintains sufficient cash and cash equivalents and that it is able to obtain cash from the sale of investments held to meet its liquidity requirements.

The Fund’s investments in listed securities are considered to be readily realisable as they are listed on recognised regional stock exchanges.

**Principal S&P Ethical Asia Pacific Dividend ETF
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**Notes to the financial statements
For the financial year ended 30 June 2021**

10. Financial risk management (cont'd)

(a) **Liquidity risk (cont'd)**

The tables below analyse the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant:

	Due on demand USD	Less than 3 months USD
30 June 2021		
Payables and accrued expenses	–	102,019
Net assets attributable to unitholders	17,870,483	–
<hr/>		
30 June 2020		
Payables and accrued expenses	–	212,410
Net assets attributable to unitholders	11,275,249	–
<hr/>		

(b) **Market risk**

Market risk is the risk of potential adverse changes to the value of investments because of changes in market conditions like interest and currency rate movements and volatility in security prices. The Fund is designated to track the performance of the Index, therefore the exposure to market risk in the Fund will be substantially the same as the Index. As an indexed fund, the Manager manages the Fund's exposure to market risk by ensuring that the key characteristics of the portfolio, such as security weight and industry weight, are closely aligned to the Index characteristics.

(i) **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Fund's financial assets and liabilities are largely non-interest bearing. Hence, the Fund is not subject to significant risk of fluctuations in the prevailing levels of market interest rates.

(ii) **Market price risk**

The Fund's market risk is affected by changes in actual market prices. If the Index in fund currency ("USD") had increased/decreased by 5% (2020: 5%) with all other variables held constant, this would have increased/decreased the NAV of the Fund by approximately USD894,000 (2020: USD564,000) for the financial year ended 30 June 2021 ("being 5% of the year end NAV").

Principal S&P Ethical Asia Pacific Dividend ETF
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Notes to the financial statements
For the financial year ended 30 June 2021

10. Financial risk management (cont'd)

(b) **Market risk (cont'd)**

(iii) *Foreign currency risk*

The Fund holds assets denominated in currencies other than USD, the functional currency. The Fund is therefore exposed to currency risk, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The Fund's policy is not to enter into any currency hedging transactions.

The table below summarises the Fund's exposure to currency risks:

30 June 2021	USD USD	AUD USD	HKD USD	KRW USD	IDR USD	MYR USD	SGD USD	THB USD	Total USD
ASSETS									
Portfolio of investments	–	3,763,849	9,717,139	1,111,493	308,456	443,600	587,881	1,576,285	17,508,703
Dividend and other receivables	–	23,207	232,855	–	–	–	–	–	256,062
Cash and cash equivalents	141,590	30,740	5,585	–	–	–	29,822	–	207,737
Total assets	141,590	3,817,796	9,955,579	1,111,493	308,456	443,600	617,703	1,576,285	17,972,502
LIABILITIES									
Payables and accrued expenses	102,019	–	–	–	–	–	–	–	102,019
Net assets attributable to unitholders	17,870,483	–	–	–	–	–	–	–	17,870,483
Total liabilities	17,972,502	–	–	–	–	–	–	–	17,972,502

**Principal S&P Ethical Asia Pacific Dividend ETF
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**Notes to the financial statements
For the financial year ended 30 June 2021**

10. Financial risk management (cont'd)

(b) **Market risk (cont'd)**

(iii) **Foreign currency risk (cont'd)**

30 June 2020	USD USD	AUD USD	CNY USD	HKD USD	KRW USD	MYR USD	SGD USD	THB USD	Total USD
ASSETS									
Portfolio of investments	–	2,500,011	–	5,261,437	645,062	599,130	1,415,571	726,376	11,147,587
Dividend and other receivables	–	19,988	50,417	24,994	–	–	–	–	95,399
Cash and cash equivalents	190,972	28,012	–	5,596	–	–	20,093	–	244,673
Total assets	190,972	2,548,011	50,417	5,292,027	645,062	599,130	1,435,664	726,376	11,487,659
LIABILITIES									
Amounts due to brokers	–	21,856	–	50,457	5,761	5,293	12,436	6,262	102,065
Payables and accrued expenses	110,345	–	–	–	–	–	–	–	110,345
Net assets attributable to unitholders	11,275,249	–	–	–	–	–	–	–	11,275,249
Total liabilities	11,385,594	21,856	–	50,457	5,761	5,293	12,436	6,262	11,487,659

“Portfolio of investments”, which is a significant item in the statement of financial position, is exposed to currency risk. The Manager has considered the impact of currency risk sensitivity on non-monetary assets as part of the price risk sensitivity analysis.

Principal S&P Ethical Asia Pacific Dividend ETF
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Notes to the financial statements
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10. Financial risk management (cont'd)

(b) **Market risk (cont'd)**

(iii) *Foreign currency risk (cont'd)*

The analysis below calculates the effect of a reasonably possible movement of the currency rate against the USD on the net assets attributable to unitholders, with all other variables held constant:

Foreign exchange ("FX") position	Net assets attributable to unitholders impact of a 5% increase/(decrease) in FX rate %
2021	
AUD/USD	±1.07
HKD/USD	±2.79
KRW/USD	±0.31
IDR/USD	±0.09
MYR/USD	±0.12
SGD/USD	±0.17
THB/USD	±0.44
2020	
AUD/USD	±1.12
HKD/USD	±2.32
KRW/USD	±0.28
MYR/USD	±0.26
SGD/USD	±0.63
CNY/USD	±0.02
THB/USD	±0.32

**Principal S&P Ethical Asia Pacific Dividend ETF
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**Notes to the financial statements
For the financial year ended 30 June 2021**

10. Financial risk management (cont'd)

(c) **Credit risk**

The Fund takes on credit risk, which is the risk that the counterparty will be unable to pay amounts in full when due, including transactions with counterparties such as participating dealers, brokers, custodians and banks.

Concentrations of credit risk are minimised primarily by ensuring that:

- counterparties, together with the respective credit limits, are approved; and
- the securities transactions are undertaken on recognised exchanges.

As such, the Fund does not have a concentration of credit risk that arises from an exposure to a single counterparty. Furthermore, the Fund does not have a material exposure to a group of counterparties which are expected to be affected similarly by changes in economic or other conditions.

The Fund invests in financial assets, which have an investment grade as rated by Standard & Poor's or Moody's. The credit ratings are reviewed regularly.

All transactions in listed securities are settled/paid upon delivery using approved brokers. The risk of default is considered minimal, as for sales transaction, delivery of securities is only made once the broker has made payment. Payment is made on a purchase once the securities have been received from the broker. The trade will fail if either party fails to meet its obligation.

Credit risk also arises from cash and cash equivalents and investments held with financial institutions. The tables below summarise the credit rating of banks and custodians in which the Fund's assets are held as at 30 June 2021 and 2020:

	Amount USD	Credit rating	Source of credit rating
As at 30 June 2021			
<u>Custodian</u>			
Citibank N.A., Singapore Branch	17,716,440	A+	Standard & Poor's
As at 30 June 2020			
<u>Custodian</u>			
Citibank N.A., Singapore Branch	11,392,260	A+	Standard & Poor's

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets. The Manager has in place procedures for proper credit screening and monitoring of credit risk.

**Principal S&P Ethical Asia Pacific Dividend ETF
(Constituted under a Trust Deed in the Republic of Singapore)**

**Notes to the financial statements
For the financial year ended 30 June 2021**

10. Financial risk management (cont'd)

(d) ***Fair value estimation***

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - Inputs for the assets or liabilities that are not based on observable market data (i.e., unobservable inputs).

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 30 June 2021 and 2020:

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
30 June 2021				
Assets				
Equity securities	17,508,703	–	–	17,508,703
30 June 2020				
Assets				
Equity securities	11,147,587	–	–	11,147,587

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include active listed equities and exchange traded derivatives. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently.

The Fund does not invest in any Level 2 and 3 investments.

(e) ***Capital management***

The Fund's capital is represented by the net assets attributable to unitholders. The Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholders' redemptions.

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**Notes to the financial statements
For the financial year ended 30 June 2021**

11. Impact of Covid-19

The extent of the impact of the coronavirus (“COVID-19”) outbreak on the financial performance of the Fund’s investments will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions and the impact of COVID-19 on the financial markets and the overall economy, all of which are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the carrying value of the investments and the Fund’s investments results may be materially adversely affected.

The Fund Manager has a program of measures in place to manage and respond to the risks as the situation evolves.

12. Authorisation on financial statements

The financial statements of the Fund for the financial year ended 30 June 2021 were authorised for issue by the Trustee on 30 September 2021.