

CIMB-Principal Deposit Fund 2

Unaudited Interim Report

For the six months financial period ended 31 March 2019

CIMB-PRINCIPAL DEPOSIT FUND 2
UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019

CONTENTS	PAGE(S)
INVESTORS' LETTER	1
MANAGER'S REPORT	2 - 10
Fund Objective and Policy	
Performance Data	
Market Review	
Fund Performance	
Portfolio Structure	
Market Outlook	
Investment Strategy	
Unit Holdings Statistics	
Soft Commissions and Rebates	
STATEMENT BY MANAGER	11
TRUSTEE'S REPORT	12
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME	13
UNAUDITED STATEMENT OF FINANCIAL POSITION	14
UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	15
UNAUDITED STATEMENT OF CASH FLOWS	16
NOTES TO THE FINANCIAL STATEMENTS	17 - 36
DIRECTORY	37

INVESTORS' LETTER

Dear Valued Investor,

Thank you for your continued support and for the confidence that you have placed in us. Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) ("Principal Malaysia") has achieved RM64.50 billion in Asset under Management ("AUM") as of March 2019.

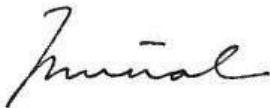
We continue to achieve prestigious recognitions, grabbing six individual awards at The Edge-Thomson Reuters Lipper Fund Awards 2018. In addition, we received recognition from Fundsupermart.com for 'Fund House of the Year' award and Recommended Unit Trust 2018/2019 awards for six funds.

We were also bestowed the 'Best Wealth Manager' in Malaysia at The Asset Triple A Private Banking, Wealth Management, Investment and Exchange-Traded Fund ("ETF") Awards 2018. Latest, we were named the 'Best Asset Management Company' in Malaysia at the International Finance Awards 2018.

These prestigious awards are a celebration of the trust that you have placed in us and testament to our capability in bringing potential value to your financial goals and needs. We look forward to serving you for many years to come and to the best of our ability.

Thank you.

Yours faithfully,
for **Principal Asset Management Berhad**
(*formerly known as CIMB-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 investors with liquidity and regular income, whilst maintaining a low risk investment portfolio by investing primarily in deposits.

Has the Fund achieved its objective?

For the financial period under review, the Fund is in line with its stated objectives.

What are the Fund investment policy and principal investment strategy?

The Fund will invest at least 70% of the Fund's Net Asset Value ("NAV") in Deposits with Financial Institutions. Up to 30% of the Fund's NAV may be invested in Money Market Instruments, all of which have a remaining maturity period of not more than 365 days. The Fund may also invest up to 10% of the Fund's NAV in Deposits and Money Market Instruments with a remaining maturity period of more than 365 days but less than 732 days. The minimum credit rating for the Money Market Instruments must be at least "BBB3" or "P2" by RAM Ratings ("RAM") or equivalent rating by Malaysian Rating Corporation Berhad ("MARC") or by local rating agency(ies) of the country or "BBB" by S&P or equivalent rating by Moody's or Fitch. We will manage the portfolio actively with trading frequency that will depend on the view of the interest rate outlook. The investment policy and strategy is to invest in liquid and low risk short-term investments for capital preservation* and to accommodate the short-term cash flow requirements of its unit holders.

Note: The Fund is neither a capital protected fund nor a capital guaranteed fund within the definition given by the Securities Commission Malaysia ("SC") Guidelines.

Fund category/type

Money Market / Income

How long should you invest for?

Recommended up to one (1) year

Indication of short-term risk (low, moderate, high)

Low

When was the Fund launched?

19 June 2017

What was the size of the Fund as at 31 March 2019?

RM135.92 million (135.93 million units)

What is the Fund's benchmark?

CIMB Bank Overnight Rate

What is the Fund distribution policy?

Monthly, depending on the availability of realised income and/or realised gains and at manager discretion.

What was the net income distribution for the financial period from 1 October 2018 to 31 March 2019?

The Fund distributed a total net income of RM2.75 million to unit holders for the financial period from 1 October 2018 to 31 March 2019.

FUND OBJECTIVE AND POLICY (CONTINUED)

What was the net income distribution for the financial period from 1 October 2018 to 31 March 2019? (Continued)

The Fund's NAV per unit are as follows:

Date	NAV per unit (before distribution) RM	NAV per unit (after distribution) RM
31.10.2018		
- Class A	1.0028	1.0000
- Class B	1.0030	1.0000
- Class C	1.0031	1.0000
30.11.2018		
- Class A	1.0032	1.0000
- Class B	1.0030	1.0000
- Class C	1.0031	1.0000
31.12.2018		
- Class A	1.0022	1.0000
- Class B	1.0024	1.0000
- Class C	1.0025	1.0000
31.01.2019		
- Class A	1.0026	1.0000
- Class B	1.0027	1.0000
- Class C	1.0029	1.0000
28.02.2019		
- Class A	1.0025	1.0000
- Class B	1.0027	1.0000
- Class C	1.0028	1.0000
31.03.2019		
- Class A	1.0032	1.0000
- Class B	1.0030	1.0000
- Class C	1.0031	1.0000

PERFORMANCE DATA

Details of portfolio composition of the Fund for the last two unaudited financial periods are as follows:

	31.03.2019	31.03.2018
	%	%
Deposits with licensed financial institutions	100.00	100.00
Cash and other net assets	-	-
	<u>100.00</u>	<u>100.00</u>

PERFORMANCE DATA

Performance details of the Fund for the last two unaudited financial periods are as follows:

	31.03.2019	31.03.2018
NAV (RM Million) *		
- Class A	0.00	0.00
- Class B	37.08	4.06
- Class C	98.84	84.76
Units in circulation (Million)		
- Class A	0.00	0.00
- Class B	37.08	4.06
- Class C	98.85	84.85
NAV per unit (RM)*		
- Class A	1.0002	1.0001
- Class B	0.9999	1.0000
- Class C	0.9999	1.0000
		19.06.2017
	01.10.2018	(date of launch)
	to 31.03.2019	to 31.03.2018
Highest NAV per unit (RM)		
- Class A	1.0030	1.0128
- Class B	1.0030	1.0132
- Class C	1.0031	1.0151
Lowest NAV per unit (RM)*		
- Class A	1.0000	1.0000
- Class B	0.9999	1.0000
- Class C	0.9999	1.0000
Total return (%)		
- Class A	1.69	2.22
- Class B	1.72	2.26
- Class C	1.78	2.73
- Capital growth (%)		
- Class A	-	-
- Class B	-	-
- Class C	-	-
- Income distribution (%)		
- Class A	1.69	2.22
- Class B	1.72	2.26
- Class C	1.78	2.73
 *Ex-distribution		
Management Expense Ratio ("MER") (%) ^	0.09	0.14
Portfolio Turnover Ratio ("PTR") (times) #	4.63	9.26

^ For the financial period under review, the Fund's MER decreased from 0.14% to 0.09% mainly due to decrease in expenses.

The Fund's PTR for the financial period under review decreased from 9.26 times to 4.63 times in the previous financial period under review due to lesser trading activities.

PERFORMANCE DATA (CONTINUED)

	01.10.2018 to 31.03.2019	19.06.2017 (date of launch) to 31.03.2018
Date of distribution		
Distribution on 31 October 2018		
Gross/Net distribution per unit (sen)		
- Class A	0.29	-
- Class B	0.30	-
- Class C	0.31	-
Distribution on 30 November 2018		
Gross/Net distribution per unit (sen)		
- Class A	0.33	-
- Class B	0.30	-
- Class C	0.31	-
Distribution on 31 December 2018		
Gross/Net distribution per unit (sen)		
- Class A	0.22	-
- Class B	0.24	-
- Class C	0.25	-
Distribution on 31 January 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.26	-
- Class B	0.28	-
- Class C	0.29	-
Distribution on 28 February 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.26	-
- Class B	0.27	-
- Class C	0.28	-
Distribution on 29 March 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.33	-
- Class B	0.31	-
- Class C	0.32	-
Distribution on 29 December 2017		
Gross/Net distribution per unit (sen)		
- Class A	-	1.31
- Class B	-	1.36
- Class C	-	1.55
Distribution on 30 January 2018		
Gross/Net distribution per unit (sen)		
- Class A	-	0.29
- Class B	-	0.30
- Class C	-	0.31
Distribution on 28 February 2018		
Gross/Net distribution per unit (sen)		
- Class A	-	0.28
- Class B	-	0.27
- Class C	-	0.28
Distribution on 30 March 2018		
Gross/Net distribution per unit (sen)		
- Class A	-	0.33
- Class B	-	0.31
- Class C	-	0.32

PERFORMANCE DATA (CONTINUED)

	31.03.2019	Since inception to 31.03.2019
	%	%
Annual total return	3.50	5.80
- Class A	3.57	5.91
- Class B	3.68	6.52
- Class C		

(Launch date: 19 June 2017)

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up. All performance figures for the financial period have been extracted from Lipper.

MARKET REVIEW (1 OCTOBER 2018 TO 31 MARCH 2019)

There were no further changes to the Overnight Policy Rate (“OPR”) throughout 2018 after the rate hike seen in January 2018. At the last Monetary Policy Committee (“MPC”) meeting held on 5 March 2019, the MPC decided to maintain its OPR at 3.25%. The meeting minutes highlighted the moderation of global growth and that unresolved trade tensions remained as a key source of risk, affecting global trade and investment activities. Bank Negara Malaysia (“BNM”) also highlighted that the Malaysian economy would remain on a steady growth path but materialisation of downside risks from the uncertain global environment could weigh on the country’s growth.

Headline inflation picked up to 0.6% year-on-year (“y-o-y”) in the month of October 2018 from 0.3% y-o-y in September 2018. In the month of November 2018, it moderated its pace again to 0.2% and rose similarly at 0.2% in the month of December 2018. However, on the back of a higher base, it decreased by 0.7% in January 2019. This was due to the drop in the Consumer Price Index (“CPI”)’s transport component caused by lower fuel prices. Similarly, in February 2019, the country remained in deflation as it fell 0.4% y-o-y led by the drop in transport cost.

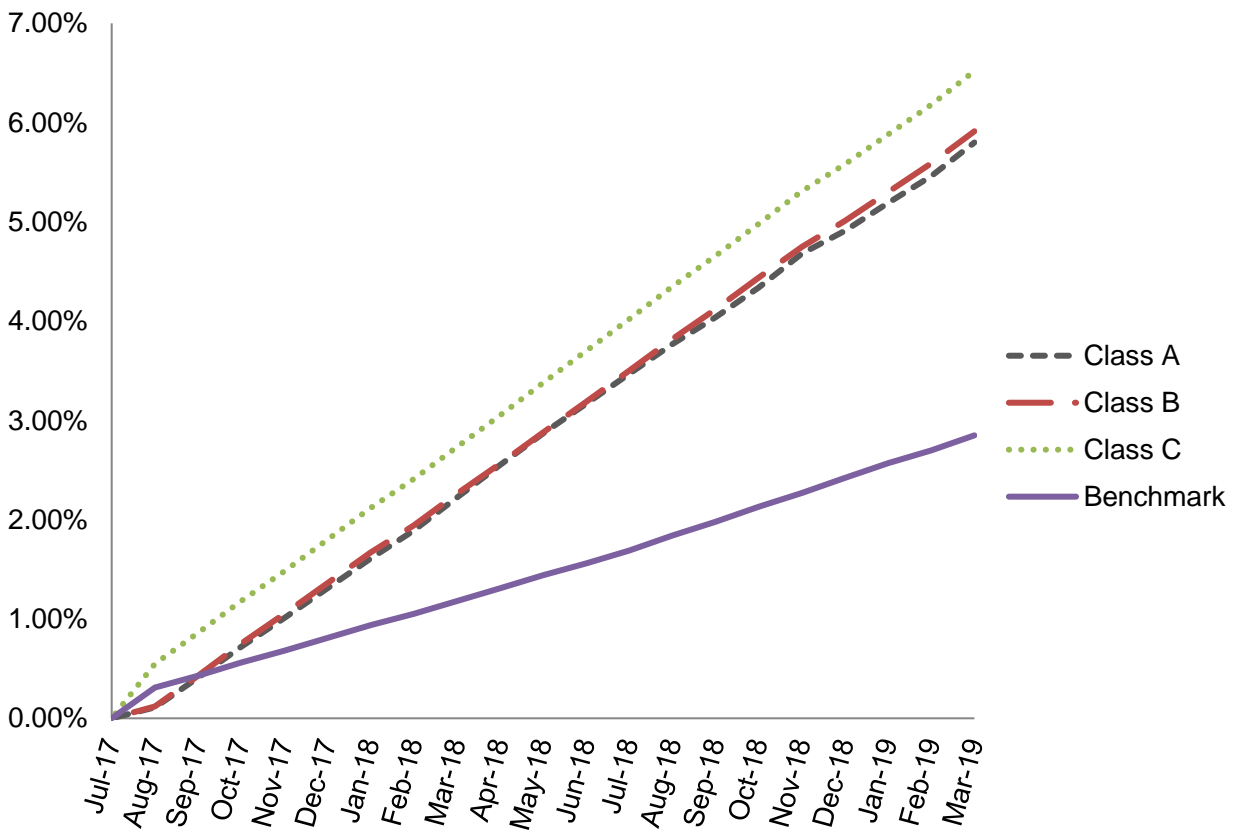
The Malaysian economy dropped to its lowest level in two years to 4.4% in the third quarter of 2018 but rose slightly to 4.7% in the fourth quarter of the year 2018. The growth rate was the strongest since the first quarter 2019 of the year as net external demand contributed to positively to Gross Domestic Product (“GDP”) growth while private consumption, Government spending and investment slowed. Overall, the economy grew 4.7% in 2018 compared to a higher 5.9% expansion seen in 2017.

FUND PERFORMANCE

	6 months to 31.03.2019			1 year to 31.03.2019			Since inception to 31.03.2019		
	Class A	Class B	Class C	Class A	Class B	Class C	Class A	Class B	Class C
	%	%	%	%	%	%	%	%	%
Income	1.69	1.72	1.78	3.50	3.57	3.68	5.80	5.91	6.52
Capital	-	-	-	-	-	-	-	-	-
Total Return	1.69	1.72	1.78	3.50	3.57	3.68	5.80	5.91	6.52
Benchmark	0.85	0.85	0.85	1.65	1.65	1.65	2.85	2.85	2.85
Average total return	N/A	N/A	N/A	3.50	3.57	3.68	3.21	3.27	3.60

For the financial period under review, the Fund's Class A, B and C gave a return of 1.69%, 1.72% and 1.78% respectively. Since inception up to 31 March 2019, the Fund's Class A, B and C has delivered a return of 5.80%, 5.91% and 6.52% respectively.

Since inception to 31.03.2019



FUND PERFORMANCE (CONTINUED)

Changes in NAV

CLASS A	31.03.2019	30.09.2018 Audited	Changes %
NAV (RM Million)	0.00	0.00	0.00
NAV/Unit (RM)	1.0002	1.0000	0.02
CLASS B	31.03.2019	30.09.2018 Audited	Changes %
NAV (RM Million)	37.08	10.77	>100.00
NAV/Unit (RM)	0.9999	0.9999	0.00
CLASS C	31.03.2019	30.09.2018 Audited	Changes %
NAV (RM Million)	98.85	148.96	(33.64)
NAV/Unit (RM)	0.9999	0.9999	0.00

*Ex-distribution

As at 31 March 2019, the total NAV of Class B and Class C was RM37.08 million and RM98.85 million, respectively. Meanwhile, the total NAV for Class A remained nil for the same period.

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

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	31.03.2019	31.03.2018
Deposits with licensed Islamic financial institutions	100.00	100.00
TOTAL	100.00	100.00

As at 31 March 2019, the Fund was 100% invested in deposits with licensed financial institutions.

MARKET OUTLOOK*

At the last MPC meeting held in March 2019, BNM kept the OPR unchanged at 3.25%. We have seen the market pricing in a potential rate cut with some sources expecting a cut as early as May 2019. As such, we believe BNM may potentially cut its OPR rate by 25 basis point (“bps”) with the window to act to potentially be in May 2019 or July 2019.

We believe some near-term volatility will remain due to pockets of policy uncertainty following the change in government. That said, we continue to believe that there may be long term gains following this short-term volatility.

In BNM’s 2018 Annual Report, the central bank downgraded 2019 growth to 4.3% to 4.8% (2018: 4.7%), below Ministry of Finance Malaysia (“MoF”)’s forecast of 4.9% in October 2018. Most of the downgrade came from smaller contribution from net export (2019: flat, 2018 1%) and domestic demand (2019: 4.1%, 2018: 5.2%). 2019 headline Consumer Price Index (“CPI”) forecast was also revised down to 0.7% to 1.7% (2.5% to 3.5% during Budget 2019 projection) given the lower oil prices and price ceiling mechanism on domestic retail fuel prices

* 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’s objective is to provide investors with liquidity and regular income hence it will continue to maintain its investment primarily in deposits.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 31 March 2019 are as follows:

CLASS A

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	2	0.00	100.00
5,001-10,000	-	-	-
10,001-50,000	-	-	-
50,001-500,000	-	-	-
500,001 and above	-	-	-
Total	2	0.00	100.00

CLASS B

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	0.21	0.57
500,001 and above	6	36.87	99.43
Total	8	37.08	100.00

UNIT HOLDINGS STATISTICS (CONTINUED)

Breakdown of unit holdings by size as at 31 March 2019 are as follows (continued):

CLASS C

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	-	-	-
10,001-50,000	-	-	-
50,001-500,000	-	-	-
500,001 and above	1	98.85	100.00
Total	1	98.85	100.00

SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (*formerly known as CIMB-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 Funds unless the soft commission received is retained in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds. All dealings with brokers are executed on best available terms.

During the financial period under review, the Manager and the Trustee did not receive any rebates from the brokers or dealers but the Manager has retained soft commission in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds.

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL DEPOSIT FUND 2**

We, being the Directors of Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the "Manager"), do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements set out on pages 13 to 36 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 March 2019 and of its financial performance, changes in net assets attributable to unit holders and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 - Interim Financial Reporting and International Accounting Standards ("IAS") 34 - Interim Financial Reporting.

For and on behalf of the Manager

Principal Asset Management Berhad (Company No.: 304078-K)
(*formerly known as CIMB-Principal Asset Management Berhad*)

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

PEDRO ESTEBAN BORDA
Director

Kuala Lumpur
15 May 2019

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL DEPOSIT FUND 2**

We have acted as the Trustee of CIMB-Principal Deposit Fund 2 (the "Fund") for the financial period ended 31 March 2019. To the best of our knowledge, Principal Asset Management Berhad (*formerly known as CIMB-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 Manager and Trustee under the Deed, the Securities Commission Malaysia ("SC") 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 or pricing is carried out in accordance with the Deed of the Fund and applicable regulatory requirements; and
- (c) creation and cancellation of units have been carried out in accordance with the Deed of the Fund and applicable regulatory requirements.

During the financial period, a total distribution of 5.15 sen per unit (gross) has been distributed to the unit holders of the Fund. We are of the view that the distribution is consistent with the objectives of the Fund.

For and on behalf of the Trustee
PB TRUSTEE SERVICES BERHAD (Company No.: 7968-T)

CHEAH KUAN YOON
Head

Kuala Lumpur
15 May 2019

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2018 TO 31 MARCH 2019**

	Note	01.10.2018 to 31.03.2019 RM	19.06.2017 (date of launch) to 31.03.2018 RM
INCOME			
Interest income		3,015,646	1,757,151
EXPENSES			
Management fee	4	133,358	69,267
Trustee's fee	5	8,176	4,495
Audit fee		5,650	5,350
Tax Agent's fee		2,000	2,000
Other expenses		4,181	5,542
		<u>153,365</u>	<u>86,654</u>
PROFIT BEFORE FINANCE COST AND TAXATION		2,862,281	1,670,497
Finance cost (excluding increase in net assets attributable to unit holders):			
- Class A		10	125,756
- Class B		425,101	89,582
- Class C		2,322,745	1,765,756
		<u>2,747,856</u>	<u>1,981,094</u>
PROFIT/(LOSS) BEFORE TAXATION		114,425	(310,597)
Taxation	7	-	-
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>114,425</u>	<u>(310,597)</u>
Increase/(Decrease) in net assets attributable to unit holders are made up as follows:			
Realised amount		<u>114,425</u>	<u>(310,597)</u>

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	Note	31.03.2019	30.09.2018 Audited RM
ASSETS			
Cash and cash equivalents	9	20,324	20,146
Financial assets at fair value through profit or loss	8	136,246,392	160,023,519
Amount due from Manager		600	1,400
TOTAL ASSETS		<u>136,267,316</u>	<u>160,045,065</u>
LIABILITIES			
Accrued management fee		20,467	21,608
Amount due to Trustee		1,155	1,316
Distribution payable		311,872	287,815
Other payables and accruals		12,349	11,300
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)		<u>345,843</u>	<u>322,039</u>
NET ASSET VALUE OF THE FUND		<u>135,921,473</u>	<u>159,723,026</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>135,921,473</u>	<u>159,723,026</u>
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDING UNITS			
- Class A		594	584
- Class B		37,077,213	10,766,000
- Class C		98,843,666	148,956,442
		<u>135,921,473</u>	<u>159,723,026</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)			
- Class A		594	584
- Class B		37,078,671	10,766,051
- Class C		98,847,554	148,957,158
	10	<u>135,926,819</u>	<u>159,723,793</u>
NET ASSET VALUE PER UNIT (EX-DISTRIBUTION)			
- Class A		1.0002	1.0000
- Class B		0.9999	0.9999
- Class C		0.9999	0.9999

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

**UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2018 TO 31 MARCH 2019**

	01.10.2018 to 31.03.2019	19.06.2017 (date of launch) to 31.03.2018
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	159,723,026	-
Movement due to units created and cancelled during the financial year:		
Creation of units from applications		
- Class A	-	12,000
- Class B	29,442,554	4,002,000
- Class C	50,003,550	85,251,365
	<u>79,446,104</u>	<u>89,265,365</u>
Creation of units from distribution		
- Class A	10	74
- Class B	425,100	89,583
- Class C	576,406	-
	<u>1,001,516</u>	<u>89,657</u>
Cancellation of units		
- Class A	-	(9,991)
- Class B	(3,501,000)	-
- Class C	(100,862,598)	(125,683)
	<u>(104,363,598)</u>	<u>(135,674)</u>
Decrease in net assets attributable to unit holders during the financial period	<u>114,425</u>	<u>(310,597)</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL PERIOD	<u><u>135,921,473</u></u>	<u><u>88,908,751</u></u>

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

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2018 TO 31 MARCH 2019**

	Note	01.10.2018 to 31.03.2019 RM	19.06.2017 (date of launch) to 31.03.2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from maturity of deposits with licensed financial institutions		770,711,000	528,233,000
Placement of deposits with licensed financial institutions		(746,246,000)	(616,965,000)
Interest received on deposits with licensed financial Institutions at amortised cost		2,327,773	1,310,482
Management fee paid		(134,499)	(57,641)
Trustee fee paid		(8,337)	(3,743)
Payments for other fees and expenses		(10,782)	(4,358)
Net cash generated from/(used in) operating activities		<u>26,639,155</u>	<u>(87,487,260)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		79,446,904	89,265,365
Payments for cancellation of units		(104,363,598)	(135,674)
Distribution payout		(1,722,283)	(1,622,295)
Net cash (used in)/generated from financing activities		<u>(26,638,977)</u>	<u>87,507,396</u>
Net increase in cash and cash equivalents		178	20,136
Cash and cash equivalents at the beginning of the financial period		20,146	-
Cash and cash equivalents at the end of the financial period	9	<u>20,324</u>	<u>20,136</u>
<u>Cash and cash equivalents comprises of</u>			
Bank balances		<u>20,324</u>	<u>20,136</u>
Cash and cash equivalents at the end of the financial period	9	<u>20,324</u>	<u>20,136</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITY

CIMB-Principal Deposit Fund 2 (the “Fund”) is governed by a Principal Deed dated 8 March 2017, between Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”) and PB Trustee Services Berhad (the “Trustee”).

The Fund will invest at least 70% of the Fund’s NAV in Deposits with Financial Institutions. Up to 30% of the Fund’s NAV may be invested in Money Market Instruments, all of which have a remaining maturity period of not more than 365 days. The Fund may also invest up to 10% of the Fund’s NAV in Deposits and Money Market Instruments with a remaining maturity period of more than 365 days but less than 732 days. The minimum credit rating for the Money Market Instruments must be at least “BBB3” or “P2” by RAM or equivalent rating by MARC or by local rating agency(ies) of the country or “BBB” by S&P or equivalent rating by Moody’s or Fitch. We will manage the portfolio actively with trading frequency that will depend on the view of the interest rate outlook. The investment policy and strategy is to invest in liquid and low risk short-term investments for capital preservation* and to accommodate the short-term cash flow requirements of its unit holders.

All investments are subjected to the Securities Commission Malaysia (“SC”) Guidelines on Unit Trust Funds, SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*), 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 and International Financial Reporting Standards (“IFRS”).

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 period.

It also requires the Manager to exercise 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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(j).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards that are effective:

The Fund has applied the following standard for the first time for the financial year beginning on 1 October 2018:

- MFRS 9 'Financial Instruments' became effective for financial period beginning on or after 1 October 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in MFRS 139.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest ("SPPI"). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instrument are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. MFRS 9 also introduces a new expected credit loss ("ECL") impairment model.

MFRS 9 has been applied retrospectively by the Fund and did not result in any change to the classification or measurement of financial instruments as outlined in Note 2(b).

The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for financial period beginning on 1 October 2018 that have a material effect on the financial statements of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The amendments to published standards that are applicable to the Fund but not yet effective and have not been early adopted is as follows:

(i) Financial period beginning on/after 1 April 2019

- Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised.

Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

The Fund will apply these amendments to published standard when effective. These amendments to published standard are not expected to have a significant impact on the Fund's financial statements.

(b) Financial assets and financial liabilities

Classification

Up to 30 September 2018, the Fund designates its investments in deposits with licensed financial institutions as financial assets at fair value through profit or loss at inception.

Financial assets are designated at fair value through profit or loss when they are managed and their performance evaluated on a fair value basis.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund's financing and receivables comprise cash and cash equivalents, amount due from stockbrokers, amount due from Manager and dividends receivable.

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

The Fund classifies amount due to stockbrokers, amount due to Manager, accrued management fee, amount due to Trustee, distribution payable and other payables and accruals as other financial liabilities.

From 1 October 2018, the Fund classify 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.

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

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 contractual cash flows of the Fund's debt securities 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.

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

The Fund classifies accrued management fee, amount due to Trustee, distribution payable, 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. Deposits with licensed financial institutions are initially recognised at fair value.

Financial liabilities, within the scope of MFRS 139, up to 30 September 2018 and MFRS 9 from 1 October 2018, 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.

Deposits with licensed financial institutions are stated at fair value. Due to the short term nature of the deposits, the cost plus accrued interest calculated based on the effective interest method over the period from the date of placement to the date of maturity of the respective deposits is a reasonable estimate of fair value.

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

Financial assets at amortised cost (31.03.2018: loans and receivables) and other financial liabilities are subsequently carried at amortised cost using the effective interest rate method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Impairment for assets carried at amortised costs

Up to 30 September 2018, for assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in statement of comprehensive income. If 'loans and receivables' have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent financial period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

From 1 October 2018, the Fund measures credit risk and ECL using probability of default, exposure at default and loss given default. The Manager considers both historical analysis and forward looking information in determining any ECL. The Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month ECL as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

A significant increase in credit risk is defined by 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets and financial liabilities (continued)**Write-off

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

(c) Income recognition

Interest income from deposits with licensed financial institutions is recognised on a time proportionate basis using the effective interest rate method on an accrual basis.

Up to 30 September 2018, when a loans and receivable is impaired, the Fund reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continue unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

From 1 October 2018, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(d) 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 Ringgit Malaysia ("RM"), which is the Fund's functional and presentation currency.

(e) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balance which are subject to an insignificant risk of changes in value.

(f) Taxation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(g) Creation and cancellation of units**

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

The Fund issues cancellable units, in three classes of units, known respectively as the Class A, Class B and Class C which are cancelled at the unit holder's option. 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 unit holder 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.

(h) Increase/Decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders.

(i) Distribution

A distribution to the Fund's unit holders is accounted for as a finance cost in the statement of comprehensive income when they are appropriately authorised and no longer at the discretion of the Fund. A proposed distribution is recognised as a liability in the financial period in which it is approved by the Trustee.

(j) Segment information

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC Guidelines on Unit Trust Funds.

However, the Manager is of the opinion that there are no accounting policies which require significant judgement to be exercised.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund aims to provide investors with liquidity and regular income, whilst maintaining a low risk investment portfolio by investing primarily in deposits.

The Fund is exposed to a variety of risks which include market risk (inclusive of interest rate 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 Deeds and SC Guidelines on Unit Trust Funds.

(a) Market risk

(i) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate is a general economic indicator that will have an impact on the management of the Fund.

The Fund's exposure to fair value interest rate risk arises from investment in money market instruments. The interest rate risk is expected to be minimal as the Fund's investments comprise mainly short term deposits with approved licensed financial institutions.

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

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

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(b) 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. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

(c) 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.

For the amount due from Manager, the settlement terms of the proceeds from the creation or units receivable from the Manager are governed by the SC Guidelines on Unit Trust Funds.

(d) Capital risk management

The capital of the Fund is represented by net asset attributable to unit holders' of RM135,921,473 (30.09.2018: RM159,723,026). 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 values 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 period end date. The Fund utilises the last traded market price for financial assets where the last traded price 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.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (Continued)

(i) Fair value hierarchy

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

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

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

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

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

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
31.03.2019				
Financial assets at fair value through profit or loss:				
- Deposits with licensed financial institutions	-	136,246,392	-	136,246,392

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (Continued)

(i) Fair value hierarchy (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
30.09.2018				
Audited				
Financial assets at fair value through profit or loss:				
- Deposits with licensed financial institutions	-	160,023,519	-	160,023,519

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. This includes deposits with licensed financial institutions. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

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

4. MANAGEMENT FEE

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

For the financial period ended 31 March 2019, the management fee is recognised at:

Class A	Class B	Class C
Up to 0.35% per annum of the NAV of the Class.	Up to 0.25% per annum of the NAV of the Class.	Up to 0.15% per annum of the NAV of the Class.

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

5. TRUSTEE'S FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.07% per annum, calculated daily based on the NAV of the Fund.

For the financial period ended 31 March 2019, the Trustee's fee is recognised at a rate of 0.01% per annum (31.03.2018: 0.01% per annum).

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

6. DISTRIBUTION

Distributions to unit holders are derived from the following sources:

	01.10.2018 to 31.03.2019 RM	19.06.2017 (date of launch) to 31.03.2018 RM
Interest income	3,015,646	1,757,151
Distribution equalisation	(119,004)	311,434
	<u>2,896,642</u>	<u>2,068,585</u>
Less:		
Expenses	(148,786)	(87,491)
Net distribution amount	<u>2,747,856</u>	<u>1,981,094</u>

Distributions to unit holders are derived from the following sources:

Date of distribution	01.10.2018 to 31.03.2019 RM	19.06.2017 (date of launch) to 31.03.2018 RM
Distribution on 31 October 2018		
Gross/Net distribution per unit (sen)		
- Class A	0.29	-
- Class B	0.30	-
- Class C	0.31	-
Distribution on 30 November 2018		
Gross/Net distribution per unit (sen)		
- Class A	0.33	-
- Class B	0.30	-
- Class C	0.31	-
Distribution on 31 December 2018		
Gross/Net distribution per unit (sen)		
- Class A	0.22	-
- Class B	0.24	-
- Class C	0.25	-
Distribution on 31 January 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.26	-
- Class B	0.28	-
- Class C	0.29	-
Distribution on 28 February 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.26	-
- Class B	0.28	-
- Class C	0.28	-
Distribution on 29 March 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.33	-
- Class B	0.31	-
- Class C	0.32	-
Distribution on 31 July 2017		
Gross/Net distribution per unit (sen)	-	0.25

6. DISTRIBUTION (CONTINUED)

Date of distribution	01.10.2018 to 31.03.2019 RM	19.06.2017 (date of launch) to 31.03.2018 RM
Distribution on 29 December 2017		
Gross/Net distribution per unit (sen)		
- Class A	-	1.31
- Class B	-	1.36
- Class C	-	1.55
Distribution on 30 January 2018		
Gross/Net distribution per unit (sen)		
- Class A	-	0.29
- Class B	-	0.30
- Class C	-	0.31
Distribution on 28 February 2018		
Gross/Net distribution per unit (sen)		
- Class A	-	0.28
- Class B	-	0.27
- Class C	-	0.28
Distribution on 30 March 2018		
Gross/Net distribution per unit (sen)		
- Class A	-	0.33
- Class B	-	0.31
- Class C	-	0.32

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

Distribution equalisation represents the average amount of distributable income included in the creation and cancellation prices of units. It is computed as at each date of creation and cancellation of units. For the purpose of determining amount available for distribution, distribution equalisation is included in the computation of realised gains or income available for distribution.

7. TAXATION

	01.10.2018 to 31.03.2019 RM	19.06.2017 (date of launch) to 31.03.2018 RM
Tax charged for the financial period:		
- Current taxation	<u>-</u>	<u>-</u>

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

	01.10.2018 to 31.03.2019 RM	19.06.2017 (date of launch) to 31.03.2018 RM
Profit before taxation	<u>114,425</u>	<u>1,670,497</u>
Taxation at Malaysian statutory rate of 24% (31.03.2018: 24%)	27,462	400,919
Tax effects of:		
Investment income not subject to tax	(723,755)	(421,716)
Expenses not deductible for tax purposes	662,610	1,815
Restriction on tax deductible expenses for Wholesale Funds	<u>33,683</u>	<u>18,982</u>
Taxation	<u>-</u>	<u>-</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.03.2019 RM	31.03.2018 RM
Designated at fair value through profit or loss at inception:		
- Deposits with licensed financial institutions*	<u>136,246,392</u>	<u>160,023,519</u>

* Includes interest receivable of RM1539,392 (30.09.2018: RM851,519).

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

	31.03.2019 %	30.09.2018 Audited %
Deposits with licensed financial institutions	<u>3.96</u>	<u>3.97</u>

Deposits with licensed financial institutions of the Fund have an average maturity of 119 days (30.09.2018: 149 days).

9. CASH AND CASH EQUIVALENTS

	31.03.2019 RM	30.09.2018 Audited RM
Bank balances	<u>20,324</u>	<u>20,146</u>

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	01.10.2018 to 31.03.2019	17.07.2017 (date of launch) to 30.09.2018 Audited
	No. of units	No. of units
Class A (i)	594	584
Class B (ii)	37,078,671	10,766,051
Class C (iii)	98,847,554	148,957,158
	<u>135,926,819</u>	<u>159,723,793</u>

(i) Class A

	01.10.2018 to 31.03.2019	17.07.2017 (date of launch) to 30.09.2018 Audited
	No. of units	No. of units
At the beginning of the financial period	584	-
Add: Creation of units from applications	10	11,990
Add: Creation of units from distributions	-	84
At the end of the financial period	-	(11,490)
At the beginning of the financial period	<u>594</u>	<u>584</u>

(ii) Class B

	01.10.2018 to 31.03.2019	17.07.2017 (date of launch) to 30.09.2018 Audited
	No. of units	No. of units
At the beginning of the financial period	10,766,051	-
Add: Creation of units from applications	29,386,770	25,416,441
Add: Creation of units from distributions	425,101	318,182
At the end of the financial period	(3,499,251)	(14,968,572)
At the beginning of the financial period	<u>37,078,671</u>	<u>10,766,051</u>

(iii) Class C

	01.10.2018 to 31.03.2019	17.07.2017 (date of launch) to 30.09.2018 Audited
	No. of units	No. of units
At the beginning of the financial period	148,957,158	-
Add: Creation of units from applications	49,988,544	148,937,356
Add: Creation of units from distributions	576,406	145,485
At the end of the financial period	(100,674,554)	(125,683)
At the beginning of the financial period	<u>98,847,554</u>	<u>148,957,158</u>

11. MANAGEMENT EXPENSE RATIO (“MER”)

	01.10.2018 to 31.03.2019	19.06.2017 (date of launch) to 31.03.2018
	%	%
MER	<u>0.09</u>	<u>0.14</u>

MER is derived from the following calculation:

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

- A = Management fee
- B = Trustee’s 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 period calculated on a daily basis is RM163,801,688 (2018: RM61,910,980).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	01.10.2018 to 31.03.2019	19.06.2017 (date of launch) to 31.03.2018
PTR (times)	<u>4.63</u>	<u>9.26</u>

PTR is derived from the following calculation:

$$\frac{(\text{Total placements for the financial period} + \text{total maturity for the financial period}) \div 2}{\text{Average NAV of the Fund for the financial period calculated on a daily basis}}$$

where:

- total placements for the financial period = RM746,246,000 (31.03.2018:RM616,965,000)
- total maturity for the financial period = RM770,711,000 (31.03.2018:RM529,543,482)

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

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

<u>Related parties</u>	<u>Relationship</u>
Principal Asset Management Berhad (formerly known as CIMB-Principal Asset Management Berhad)	The Manager
Principal Financial Group, Incorporation	Ultimate holding company of shareholder of the Manager
Principal International (Asia) Limited	Shareholder of the Manager
Subsidiaries and associates of Principal Financial Group Incorporation, other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager
CIMB Group Holdings Bhd	Ultimate holding company of shareholder of the Manager
CIMB Group Sdn Bhd	Shareholder of the Manager
CIMB Bank Bhd	Fellow related party to the Manager
CIMB Islamic Bank Bhd	Fellow related party to the Manager

Units held by the Manager and parties related to the Manager

	31.03.2019		30.09.2018	
	No. of units	RM	No. of units	RM
Manager				
Principal Asset Management Berhad (formerly known as CIMB-Principal Asset Management Berhad)				Audited
- Class A	594	594	584	584
- Class B	1,052	1,052	938	938
- Class C	905	905	-	-

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.

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

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

	01.10.2018 to 31.03.2019 RM	19.06.2017 (date of launch) to 31.03.2018 RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institutions:		
- CIMB Bank Bhd	21,993	5,830
- CIMB Islamic Bank Bhd	-	1,207
	-	1,207
	01.10.2018 to 31.03.2019 RM	19.06.2017 (date of launch) to 31.03.2018 RM
<u>Significant related party balances</u>		
Deposits with licensed financial institutions:		
- CIMB Bank Bhd	-	9,376,005
	-	9,376,005
Bank balances:		
- CIMB Bank Bhd	20,324	20,136
	20,324	20,136

14. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions, primarily cash placements with the licensed financial institutions for the six months financial period ended 31 February 2019 are as follows:

Financial Institutions	Value of placements RM	Percentage of total placements %
Malayan Banking Bhd	360,535,000	48.48
Hong Leong Bank Bhd	89,314,000	12.01
CIMB Bank Bhd #	88,909,000	11.95
Public Bank Bhd	66,782,000	8.98
Affin Hwang Investment Bank Bhd	41,056,000	5.52
AmBank Bhd	40,698,000	5.47
RHB Bank Bhd	25,510,000	3.43
Affin Bank Bhd	12,689,000	1.71
Public Islamic Bank Bhd	9,253,000	1.24
RHB Islamic Bank Bhd	9,000,000	1.21
Others	2,500,000	0.34
	746,246,000	100.00

14. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions, primarily cash placements with the licensed financial institutions for the financial period from 19.06.2017 (date of launch) to 31.03.2018 as follows:

Financial Institutions	Value of placements	Percentage of total placements
	RM	%
Malayan Banking Bhd	376,713,000	61.06
Hong Leong Bank Bhd	51,416,000	8.33
CIMB Bank Bhd #	44,652,000	7.24
Public Bank Bhd	40,015,000	6.49
AmBank Bhd	30,811,000	4.99
Affin Bank Bhd	25,326,000	4.10
Public Islamic Bank Bhd	10,000,000	1.62
Affin Hwang Investment Bank Bhd	9,000,000	1.46
RHB Bank Bhd	9,000,000	1.46
Hong Leong Islamic Bank Bhd	5,206,000	0.84
Others #	14,826,000	2.41
	<u>616,965,000</u>	<u>100.00</u>

Included in the transactions are trades conducted with CIMB Bank Bhd and CIMB Islamic Bank Bhd, fellow related party to the Manager amounting to RM88,909,000 (31.03.2018: RM44,652,000) and Nil (31.03.2018: RM4,980,000) respectively. The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

15. SEGMENT INFORMATION

The internal reporting provided to the chief operating decision-maker for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and IFRS. The chief operating decision-maker is responsible for the performance of the Fund and considers the business to have a single operating segment located in Malaysia. Asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The investment objective of the Fund is to provide investors with liquidity and regular income, whilst maintaining a low risk investment portfolio by investing primarily in deposits. The reportable operating segment derives its income by seeking investments to achieve targeted returns commensurate with an acceptable level of risk within the portfolio. These returns consist of interest income earned from investments which is derived from Ringgit-denominated deposits with licensed financial institutions.

There were no changes in reportable operating segment during the financial period.

16. MFRS 9 FINANCIAL INSTRUMENTS

As disclosed in Note 2(a), the Fund have adopted MFRS 9, which resulted in changes in accounting policies as disclosed in Note 2(b) and adjustments to the financial position. The main changes are as follows.

The measurement category and the carrying amount of financial assets and financial liabilities in accordance with MFRS 139 and MFRS 9 at 1 October 2018 are compared as follows:

	Measurement category		Carrying amount			
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139)	Reclassi- fications	Remeas- urements	New (MFRS 9)
			RM	RM	RM	RM
Assets						
Cash and cash equivalents	Loans and receivables	Amortised cost	20,146	-	-	20,146
Deposit with licensed financial institutions	FVTPL	FVTPL	160,023,519	-	-	160,023,519
Amount due from the Manager	Loans and receivables	Amortised cost	1,400	-	-	1,400
Liabilities						
Accrued management fee	Amortised cost	Amortised cost	21,608	-	-	21,608
Amount due to Trustee	Amortised cost	Amortised cost	1,316	-	-	1,316
Distribution payable	Amortised cost	Amortised cost	387,815	-	-	387,815
Other payables and accruals	Amortised cost	Amortised cost	11,300	-	-	11,300

DIRECTORY

Head office of the Manager

Principal Asset Management Berhad (Company No.: 304078-K)
(formerly known as CIMB-Principal Asset Management Berhad)
10th Floor, Bangunan CIMB,
Jalan Semantan,
Damansara Heights,
50490 Kuala Lumpur, MALAYSIA.
Tel: (03) 2084 8888

Website

www.principal.com.my

E-mail address

service@principal.com.my

General investment enquiries

(03) 7718 3100

Trustee for the CIMB-Principal Deposit Fund 2

PB Trustee Services Berhad (Company No.: 7968-T)
17th Floor, Menara Public Bank,
146, Jalan Ampang,
50450 Kuala Lumpur, MALAYSIA.
Tel: (03) 2162 6760
Fax: (03) 2164 3285

Principal Asset Management Berhad (304078-K)
(formerly known as CIMB-Principal Asset Management Berhad)

Enquiries:

Customer Care Centre
(603)7718 3000

Email
service@principal.com.my

Website
www.principal.com.my