

CIMB-Principal Institutional Bond Fund 2

Unaudited Interim Report

For The Six Months Financial Period Ended 30 September 2019

CIMB-PRINCIPAL INSTITUTIONAL BOND FUND 2

UNAUDITED INTERIM REPORT

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

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INVESTORS' LETTER

Dear Valued Investors,

We have recently launched two new funds – Principal Global Real Estate Fund and Principal Greater Bay Fund in our effort to help you diversify your investments portfolios. These funds will enable you to have the opportunity to increase your investment potential in generating income and capital appreciation with diversified global portfolios.

The Principal Greater Bay Fund seeks investment opportunities in equities of companies which benefit from the development of the Greater Bay Area which includes Hong Kong, Macau, Shenzhen, and Guangdong to achieve capital appreciation over the medium to long term. It provides a variety of asset classes, namely the China A and H shares, focusing on large and/or mid-capitalisation companies in equities from sectors under the Benchmark Index, which includes but not limited to technology, financials and consumer sector.

Principal Global Real Estate Fund, the dynamic real estate strategy is different from anything currently available in the market. The unique combination of real estate equity and fixed income securities helps cushion the impact of any unforeseen eventualities.

The Principal Global Real Estate Fund intends to increase investor investment potential, while limiting their downside exposure. This unique combination allows investors to benefit from the growing popularity of Real Estate Investment Trusts (“REITs”) have experienced in recent years for their strong performance in low interest rate and volatile global market conditions; and from Commercial Mortgage-backed Securities (“CMBS”), historically known for strong yields without additional risk exposure. Talk to your consultant today to know more how you can further diversify your portfolios with these funds.

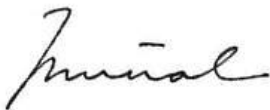
As of September 2019, our Assets under Management (“AUM”) stood at RM57.06 billion. Thank you for your continuous support and allowing us to help you achieve your financial goals and live your best life.

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 income to investors.

Has the Fund achieved its objective?

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

What are the Fund investment policy and principal investment strategy?

The Manager will invest in Deposits and debt instruments which includes but not limited to bonds, fixed rate and floating rate debt instruments and/or commercial papers issued by the government, statutory authorities and/or companies. The debt instruments requires a minimum credit rating of "A" by RAM Rating ("RAM") or Malaysian Rating Corporation Berhad ("MARC") equivalent if issued in Malaysia, or if issued outside Malaysia, requires a minimum credit rating of "BBB" by Standard & Poor's ("S&P") or Fitch, or "Baa" by Moody's or other international rating agencies in the Asia Pacific region (excluding Malaysia).

At least 70% of the Fund's Net Asset Value ("NAV") will be invested in Malaysia, and up to 30% of the Fund's NAV may be invested in the Asia Pacific region (excluding Malaysia), where the regulatory authorities are ordinary or associate members of the International Organisation of Securities Commissions ("IOSCO") which includes but not limited to Australia, New Zealand, South Korea, Hong Kong Special Administrative Region ("SAR"), Indonesia, the Philippines, Thailand, Singapore, Taiwan and India.

Fund category/type

Bond/Income

How long should you invest for?

Recommended for three (3) years

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

Low to Moderate

When was the Fund launched?

15 February 2006

What was the size of the Fund as at 30 September 2019?

RM1,527.26 million (1,471.37 million units)

What is the Fund's benchmark?

3-month Kuala Lumpur Interbank Offered Rate ("KLIBOR")

What is the Fund distribution policy?

Distributions, if any, will be made 4 times per annum at the end of each quarter of the year, i.e. March, June, September and December. Such distributions will depend on the availability of realised income and/or realised gains and at the Manager's discretion. The Manager has the right to make provisions for reserves in respect of distribution of the Fund. If the income available is too small or insignificant, any distribution may not be of benefit to unit holders as the total cost to be incurred in any such distribution may be higher than the amount for distribution. The Manager has the discretion to decide on the amount to be distributed to unit holders. The Manager also has the discretion to make income distribution on an ad-hoc basis, taking into consideration the level of its realised income and/or realised gains, as well as the performance of the Fund.

FUND OBJECTIVE AND POLICY (CONTINUED)

What was the net income distribution for the six months financial period ended 30 September 2019?

The Fund distributed a total net income of RM28.04 million to unit holders for the six months financial period ended 30 September 2019.

The Fund's NAV per unit are as follows:

Date	NAV per unit (before distribution)	NAV per unit (after distribution)
	RM	RM
28.06.2019	1.0459	1.0373
30.09.2019	1.0475	1.0380

PERFORMANCE DATA

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

	30.09.2019	30.09.2018	30.09.2017
	%	%	%
Unquoted fixed income securities	43.13	18.21	8.69
Cash and other net assets	56.87	81.79	91.31
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	30.09.2019	30.09.2018	30.09.2017
NAV (RM Million)	1,527.26	1,962.06	2,716.78
Units in circulation (Million)	1,471.37	1,890.79	2,613.23
NAV per unit (RM)	1.0379	1.0376	1.0396
	01.04.2019	01.04.2018	01.04.2017
	to 30.09.2019	to 30.09.2018	to 30.09.2017
Highest NAV per unit (RM)	1.0473	1.0496	1.0509
Lowest NAV per unit (RM)	1.0364	1.0374	1.0395
Total return (%)	1.95	1.88	1.85
- Capital growth (%)	0.20	(0.87)	(0.18)
- Income distribution (%)	1.75	2.16	2.03
Management Expense Ratio ("MER") (%)	0.04	0.04	0.04
Portfolio Turnover Ratio ("PTR") (times) #	0.14	0.02	0.05

The Fund's PTR during the financial period under review was 0.14 times versus previous financial period PTR of 0.02 times due to higher trading activities.

PERFORMANCE DATA (CONTINUED)

	01.04.2019 to 30.09.2019	01.04.2018 to 30.09.2018	01.04.2017 to 30.09.2017
Distribution on 28 June 2019			
Gross/Net distribution per unit (sen)	0.86	-	-
Distribution on 30 September 2019			
Gross/Net distribution per unit (sen)	0.95	-	-
Distribution on 29 June 2018			
Gross/Net distribution per unit (sen)	-	1.19	-
Distribution on 28 September 2018			
Gross/Net distribution per unit (sen)	-	1.04	-
Distribution on 30 June 2017			
Gross/Net distribution per unit (sen)	-	-	1.03
Distribution on 29 September 2017			
Gross/Net distribution per unit (sen)	-	-	1.07

	30.09.2019	30.09.2018	30.09.2017	30.09.2016	30.09.2015
	%	%	%	%	%
Annual total return	3.90	3.72	3.62	3.98	3.77

(Launch date: 15 February 2006)

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 APRIL 2019 TO 30 SEPTEMBER 2019)

On 7 May 2019, the Monetary Policy Committee (“MPC”) cut the Overnight Policy Rate (“OPR”) by 25 basis points (“bps”) to 3.00% as a pre-emptive measure upon signs of tightening financial conditions whilst also highlighting that the domestic monetary and financial conditions remained supportive of economic growth. BNM also announced that it was taking several development initiatives to improve the domestic foreign exchange (“FX”) and bond market liquidity, likely in response to The Financial Times Stock Exchange (“FTSE”) Russell’s action whereby Malaysia was placed on the watch list for their World Government Bond Index (“WGBI”). At the most recent MPC meeting held on 12 September 2019, the MPC kept the OPR unchanged but continued to reiterate the downside risks from ongoing uncertainties in the global and domestic environment as well as highlighting that prolonged trade disputes and geopolitical developments could lead to excessive financial market volatility.

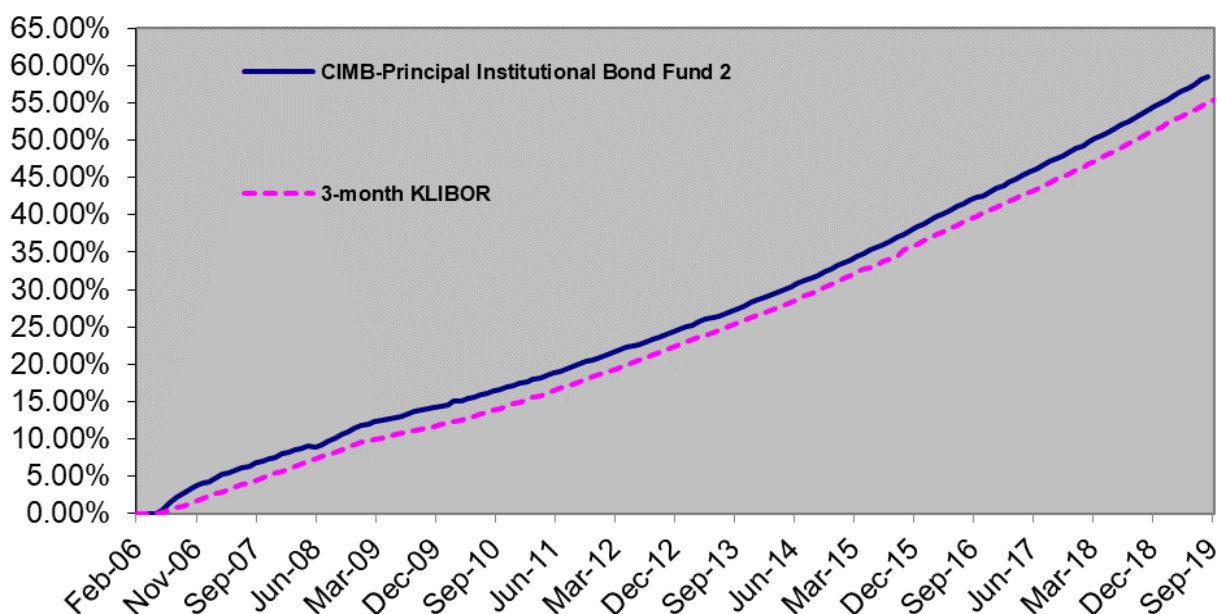
The Consumer Price Index (“CPI”) grew 0.2% yoy in the month of April 2019. Generally, apart from the cost of transport which declined by 2.6% in April 2019, the other segments registered stable inflation or saw moderation during the month. It remained steady at 0.2% in the month of May 2019. However, a sharp pick-up was seen in the month of June 2019 whereby it rose 1.5% year-on-year (“y-o-y”), due entirely to the low base in June 2018 following the removal of the Goods and Services Tax (“GST”) and the start of the three-month tax holiday. It continued to pick-up further in both July 2019 and August 2019 as it registered an increase of 1.4% and 1.5% y-o-y, respectively.

After recording a growth of 4.5% in the first quarter of 2019, the Malaysian economy grew faster by 4.9% in the second quarter of the year. Growth in the second quarter was due to faster expansion in household spending and slightly higher private investment growth seen during the months of April 2019 to June 2019. Higher net exports were also recorded in the second quarter of 2019.

FUND PERFORMANCE

	6 months to 30.09.2019	1 year to 30.09.2019	3 years to 30.09.2019	5 years to 30.09.2019	Since inception to 30.09.2019
	%	%	%	%	%
Income	1.75	3.84	11.88	20.76	53.01
Capital	0.20	0.06	(0.21)	(0.28)	5.53
Total Return	1.95	3.90	11.67	20.48	58.53
Benchmark	1.75	3.63	11.15	19.66	55.44
Average Total Return	N/A	3.90	3.75	3.80	3.01

For the financial period under review, the Fund delivered total return of 1.95% and outperformed the benchmark by 0.20%. Meanwhile, the 3-year and 5-year total return for the fund was 11.67% and 20.48%, which outperformed the benchmark by 0.52% and 0.82% respectively.



Changes in NAV

	30.09.2019	31.03.2019 Audited	Changes %
NAV (RM Million)	1,527.26	1,794.70	(14.90)
NAV/Unit (RM)	1.0379	1.0363	0.15

The Fund's NAV fell by 14.90% from RM1,794.70 million on 31 March 2019 to RM1,527.26 million on 30 September 2019, mainly due to units redemption. The Fund's NAV per unit increased by 0.15% over a six months period due to positive market performance.

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

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	30.09.2019	31.03.2019 Audited
Unquoted fixed income securities	43.13	18.79
Cash and other net assets	56.87	81.21
TOTAL	100.00	100.00

The Fund's allocation into the unquoted fixed income securities increased from 18.79% to 43.13%, during the 6-month financial period ended 30 September 2019. Consequently, the cash and other net assets exposure were lower at 56.87% versus 81.21% over six months.

MARKET OUTLOOK*

On 7 May 2019, the MPC cut the OPR by 0.25% to 3.00% as a pre-emptive measure to maintain the degree of monetary accommodativeness. We believe the current monetary policy remains accommodative and are of the view that BNM will maintain its OPR unchanged for the remainder of 2019 unless the trade wars worsen significantly, or domestic growth is significantly lower than expected.

We believe investors will be watching BNM's monetary policy meeting decision in the month of November 2019 closely. For now, the overhang on FTSE Russell's decision to remove Malaysia from the WGBI Index has been removed temporarily as FTSE Russell has decided to retain Malaysia on the Watch List for another 6 months, with the next review scheduled in March 2020. We are expecting some primary issuances in the last quarter of the year, but supply seems fairly limited for now.

*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

As global growth trajectory is still heading south and the interest rate environment remains dovish, this coupled with the recent steepening and the removal of the overhang from FTSE Russell, we see pockets of opportunity in govies although traditionally going into the final quarter of the year liquidity is expected to be thin. For corporates, as more issuers are seen tapping the bond market, we believe we can afford to cherry-pick on issuers with stronger financial metrics and relatively higher yielding to anchor portfolio yields. We aim to stay defensive overall duration as more profit taking is expected to kick-in before year-end.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 30 September 2019 are as follows:

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	-	-	-
500,001 and above	1	1,471.37	100.00
Total	2	1,471.37	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 INSTITUTIONAL BOND 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 10 to 33 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 30 September 2019 and of its financial performance, changes in equity 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

JUAN IGNACIO EYZAGUIRRE BARAONA

Director

Kuala Lumpur

14 November 2019

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

We have acted as Trustee of CIMB-PRINCIPAL INSTITUTIONAL BOND FUND 2 (the "Fund") for the six months financial period ended 30 September 2019. To the best of our knowledge, PRINCIPAL ASSET MANAGEMENT BERHAD (*formerly known as CIMB-Principal Asset Management Berhad*) (the "Manager") has managed the Fund in the financial period under review in accordance with the following:

1. limitations imposed on the investment powers of the Manager under the deeds, securities laws and Guidelines on Unit Trust Funds;
2. valuation and pricing of the Fund are carried out in accordance with the deeds and any regulatory requirement; and
3. creation and cancellation of units are carried out in accordance with the deeds and any regulatory requirement.

Total income distributions of 1.8128 sen per unit (gross) have been declared to the unitholders of the Fund for the financial period ended 30 September 2019.

We are of the view that the distribution is consistent with the objectives and distribution policy of the Fund.

For **Maybank Trustees Berhad**
(Company No.: 5004-P)

BERNICE K M LAU
Head, Operations

Kuala Lumpur, Malaysia
14 November 2019

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

		01.04.2019 to 30.09.2019	01.04.2018 to 30.09.2018
	Note	RM	RM
INCOME			
Interest income from unquoted fixed income securities at fair value through profit and loss		8,369,549	8,753,877
Interest income from deposits with licensed financial institutions at amortised cost		20,807,023	35,339,106
Net gain/(loss) on financial assets at fair value through profit or loss		3,008,837	(70,573)
		<u>32,185,409</u>	<u>44,022,410</u>
EXPENSES			
Management fee	4	589,570	826,079
Trustee's fee	5	127,751	104,714
Audit fee		6,250	-
Tax agent's fee		3,300	-
Other expenses		3,533	26,509
		<u>730,404</u>	<u>957,302</u>
PROFIT BEFORE TAXATION		31,455,005	43,065,108
Taxation	6	-	-
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u>31,455,005</u>	<u>43,065,108</u>
Profit after taxation is made up as follows:			
Realised amount		32,754,966	41,960,686
Unrealised amount		(1,299,961)	1,104,422
		<u>31,455,005</u>	<u>43,065,108</u>

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019**

		30.09.2019	31.03.2019
	Note	RM	Audited RM
ASSETS			
Cash and cash equivalents	9	868,646,819	29,381
Financial assets at fair value through profit or loss	8	<u>658,768,357</u>	<u>1,794,783,276</u>
TOTAL ASSETS		<u>1,527,415,176</u>	<u>1,794,812,657</u>
LIABILITIES			
Accrued management fee		85,662	108,048
Amount due to Trustee		63,876	-
Other payables and accruals		<u>9,550</u>	<u>-</u>
TOTAL LIABILITIES		<u>159,088</u>	<u>108,048</u>
NET ASSET VALUE OF THE FUND		<u>1,527,256,088</u>	<u>1,794,704,609</u>
EQUITY			
Unit holders' capital		1,515,419,396	1,786,279,735
Retained earnings		<u>11,836,692</u>	<u>8,424,874</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>1,527,256,088</u>	<u>1,794,704,609</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	<u>1,471,373,993</u>	<u>1,731,820,611</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.0379</u>	<u>1.0363</u>

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 April 2019		1,786,279,735	8,424,874	1,794,704,609
Movement in unit holders' contributions:				
- Creation of units from applications		101,578,000	-	101,578,000
- Creation of units from distributions		25,459,651	-	25,459,651
- Cancellation of units		(397,897,990)	-	(397,897,990)
Total comprehensive income for the financial period		-	31,455,005	31,455,005
Distributions	7	-	(28,043,187)	(28,043,187)
Balance as at 30 September 2019		<u>1,515,419,396</u>	<u>11,836,692</u>	<u>1,527,256,088</u>
Balance as at 1 April 2018		2,833,056,134	12,066,943	2,845,123,077
Movement in unit holders' contributions:				
- Creation of units from applications		793,396,000	-	793,396,000
- Creation of units from distributions		45,337,033	-	45,337,033
- Cancellation of units		(1,719,524,404)	-	(1,719,524,404)
Total comprehensive income for the financial period		-	43,065,108	43,065,108
Distributions	7	-	(45,337,033)	(45,337,033)
Balance as at 30 September 2018		<u>1,952,264,763</u>	<u>9,795,018</u>	<u>1,962,059,781</u>

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

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	01.04.2019 to 30.09.2019 RM	01.04.2018 to 30.09.2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from disposal of unquoted fixed income securities	20,442,336	35,422,919
Proceed from redemption on unquoted fixed income securities	90,000,000	50,000,000
Purchase of unquoted fixed income securities	(432,971,257)	(81,052,168)
Interest income received from deposits with licensed financial institutions	20,807,023	35,339,105
Interest income received from unquoted fixed income securities	12,343,748	10,201,732
Management fee paid	(611,956)	(709,847)
Trustee's fee paid	(63,875)	(89,980)
Payments for other fees and expenses	(3,533)	(27,140)
Net cash (used in)/generated from operating activities	(290,057,514)	49,084,621
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	101,578,000	793,396,000
Payments for cancellation of units	(397,897,990)	(1,719,524,403)
Distribution paid	(2,583,536)	-
Net cash used in financing activities	(298,903,526)	(926,128,403)
Net decrease in cash and cash equivalents	(588,961,040)	(877,043,782)
Cash and cash equivalents at the beginning of the financial period	1,457,607,859	2,481,949,096
Cash and cash equivalents at the end of the financial period	868,646,819	1,604,905,314
<u>Cash and cash equivalents comprised of:</u>		
Bank balances	2,383,165	19,048
Deposits with licensed financial institutions	866,263,654	1,604,886,266
Cash and cash equivalents at the end of the financial period	868,646,819	1,604,905,314

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

CIMB-Principal Institutional Bond Fund 2 (the “Fund”) was constituted pursuant to the execution of a Deed dated 16 January 2006, a First Supplemental Deed dated 3 December 2007, a Second Supplemental Deed dated 17 September 2013 and a Third Supplemental Deed dated 20 January 2015 (collectively referred to as the “Deeds”) between Principal Asset Management Berhad (formerly known as CIMB-Principal Asset Management Berhad) (the “Manager”), Maybank Trustees Berhad (the “Trustee”) and the registered unit holders of the Fund.

The principal activity of the Fund is to invest in Deposits and debt instruments which includes but not limited to bonds, fixed rate and floating rate debt instruments and/or commercial papers issued by the government, statutory authorities and/or companies. The debt instruments requires a minimum credit rating of “A” by RAM or MARC equivalent if issued in Malaysia, or if issued outside Malaysia, requires a minimum credit rating of “BBB” by S&P or Fitch, or “Baa” by Moody’s or other international rating agencies in the Asia Pacific region (excluding Malaysia).

At least 70% of the Fund’s NAV will be invested in Malaysia, and up to 30% of the Fund’s NAV may be invested in the Asia Pacific region (excluding Malaysia), where the regulatory authorities are ordinary or associate members of the IOSCO which includes but not limited to Australia, New Zealand, South Korea, Hong Kong SAR, Indonesia, the Philippines, Thailand, Singapore, Taiwan and India.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the MFRS 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

It also requires the Manager to exercise their judgment 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(i).

Standard that is effective:

The Fund has applied the following standard for the first time for the financial period beginning 1 April 2019:

(i) Financial year 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 ("OCI") 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.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 April 2019 that have a material effect on the financial statements of the Fund.

(b) Financial assets and financial liabilities

Classification

The Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities at fair value through OCI.

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.

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

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, and other payables and accruals as financial liabilities measured at amortised cost.

Recognition and measurement

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

Financial liabilities 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.

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

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

Unquoted fixed income securities denominated in Ringgit Malaysia ("RM") are revalued on a daily basis based on fair value prices quoted by a Bond Pricing Agency ("BPA") registered with the SC as per the SC Guidelines on Unit Trust Funds. Refer to Note 2(i) for further explanation.

Deposits with licensed financial institutions are stated at cost plus accrued profit calculated on the effective profit method over the period from the date of placement to the date of maturity of the respective deposits.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets and financial liabilities (continued)**Impairment for assets carried at amortised costs

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

Significant increase in credit risk

A significant increase in credit risk is defined by the Manager as any contractual payment which is more than 30 days past due.

Definition of default and credit-impaired financial assets

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

Write-off

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

(c) Income recognition

Interest income from deposits with licensed financial institutions and unquoted fixed income securities are recognised on a time proportionate basis using the effective interest rate method on an accrual basis.

Realised gain or loss on disposal of unquoted fixed income securities is accounted for as the difference between the net disposal proceeds and the carrying amount of unquoted fixed income securities, determined on cost adjusted for accretion of discount or amortisation of premium.

(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 RM, which is the Fund’s functional and presentation currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(e) Unit holders' capital**

The unit holders' contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's NAV;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial period if unit holder exercises the right to put the unit back to the Fund.

Units are created and cancelled at prices based on the Fund's NAV per unit at the time of creation or cancellation. The Fund's NAV per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units.

(f) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balances and deposits with licensed financial institutions held in highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Taxation

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

(h) Distribution

A distribution to the Fund's unit holders is accounted for as a deduction from realised reserve. A proposed distribution is recognised as a liability in the financial period in which it is approved by the Trustee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Critical accounting estimates and judgments 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 judgment 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.

Estimate of fair value of unquoted fixed income securities

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.

Ringgit-denominated unquoted fixed income securities are valued using fair value prices quoted by a BPA. Where the Manager is of the view that the price quoted by BPA for a specific unquoted fixed income securities differs from the market price by more than 20 bps, the Manager may use market price, provided that the Manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The investment objective of the Fund is to provide income to investors.

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and 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) Price risk

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

The price risk is managed through diversification and selection of unquoted securities and other financial instruments within specified limits according to the Deeds.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(a) Market risk (continued)****(ii) Interest rate risk**

In general, when interest rates rise, unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund holds an unquoted fixed income securities till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

Investors should note that the movement in prices of unquoted fixed income securities and money market instruments are benchmarked against interest rates. As such, the investments are exposed to the movement of the interest rates.

This risk is crucial since unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of unquoted fixed income securities move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted fixed income securities decrease and vice versa. Furthermore, unquoted fixed income securities with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The Fund's exposure to interest rate risk arises associated with deposits with licensed financial institutions is not material as the deposits are held on short-term basis.

(b) Credit risk

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

Investment in unquoted fixed income securities may involve a certain degree of credit/default risk with regards to the issuers. Generally, credit risk or default risk is the risk of loss due to the issuer's non-payment or untimely payment of the investment amount as well as the returns on investment. This will cause a decline in value of the defaulted unquoted fixed income securities and subsequently depress the NAV of the Fund. Usually credit risk is more apparent for an investment with a longer tenure, i.e. the longer the duration, the higher the credit risk.

Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the Manager imposes a minimum rating duration of the investment in accordance with the objective of the Fund. For this Fund, the unquoted fixed income securities must satisfy a minimum credit rating of "A3" by RAM or its equivalent rating by MARC.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(b) Credit risk (continued)**

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.

(c) Liquidity risk

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

The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise bank balances and deposits with licensed financial institutions, which are capable of being converted into cash within 7 business days. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital and retained earnings. The amount of capital can change significantly on a daily basis as the Fund is subjected 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 holder and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Fair value estimation

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

The fair value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial 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 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 and liabilities 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 different levels have been defined as follows:

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

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

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

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.

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
30.09.2019				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	658,768,357	-	658,768,357
	<u>-</u>	<u>658,768,357</u>	<u>-</u>	<u>658,768,357</u>
 31.03.2019				
Audited				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	337,204,798	-	337,204,798
- Deposits with licensed financial institutions	-	1,457,578,478	-	1,457,578,478
	<u>-</u>	<u>1,794,783,276</u>	<u>-</u>	<u>1,794,783,276</u>

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 unquoted fixed income securities. 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, AUDIT FEE AND TAX AGENT'S FEE

In accordance with the Deeds, the Manager is entitled to a maximum management fee of 1.00% per annum, calculated daily based on the NAV of the Fund.

For the six months financial period ended 30 September 2019, the management fee is recognised at a rate of 0.08% per annum (30.09.2018: 0.08% per annum) in accordance with the fee structure of the Fund as follows:

Fund size (NAV of the Fund)	% per annum of the NAV of the Fund
Up to and including RM500 million	0.20% per annum
Above RM500 million and up to and including RM1.0 billion	0.15% per annum
Above RM1.0 billion and up to and including RM1.5 billion	0.10% per annum
Above RM1.5 billion	0.08% per annum subject to maximum of RM1.5 million per annum

Audit fee and tax agent's fee are borne by the Manager.

There is no further liability to the Manager in respect of management fee, audit fee and tax agent's 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 0.10% per annum, calculated daily based on the NAV of the Fund.

For the six months financial period ended 30 September 2019, the Trustee's fee is recognised at a rate of 0.009% per annum (30.09.2018: 0.009% per annum) in accordance with the fee structure of the Fund as follows, which have been included in the management fee:

Fund size (NAV of the Fund)	% per annum of the NAV of the Fund
Up to and including RM500 million	0.022% per annum
Above RM500 million and up to and including RM1.0 billion	0.016% per annum
Above RM1.0 billion and up to and including RM1.5 billion	0.011% per annum
Above RM1.5 billion	0.009% per annum

The above fees structure is subject to a maximum of RM165,000 per annum.

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

6. TAXATION

	01.04.2019 to 30.09.2019 RM	01.04.2018 to 30.09.2018 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:

	01.04.2019 to 30.09.2019 RM	01.04.2018 to 30.09.2018 RM
Profit before taxation	<u>31,455,005</u>	<u>43,065,108</u>
Taxation at Malaysian statutory rate of 24% (30.09.2018: 24%)	7,549,202	10,335,626
Tax effects of:		
Income not subject to tax	(7,724,498)	(10,565,378)
Expenses not deductible for tax purposes	31,732	26,382
Restriction on tax deductible expenses for Unit Trust Funds	<u>143,564</u>	<u>203,370</u>
Taxation	<u>-</u>	<u>-</u>

7. DISTRIBUTION

Distributions to unit holders are derived from the following sources:

	01.04.2019 to 30.09.2019 RM	01.04.2018 to 30.09.2018 RM
Interest income	19,463,582	31,901,662
Realised loss on disposal of financial assets at fair value through profit or loss	1,037	(222,058)
Realised profit from prior financial period	<u>9,101,756</u>	<u>14,406,743</u>
	28,566,375	46,086,347
Less:		
Expenses	<u>(523,188)</u>	<u>(749,314)</u>
Net distribution amount	<u>28,043,187</u>	<u>45,337,033</u>

Gross/Net distribution per unit (sen)

Distribution on 28 June 2019	0.86	-
Distribution on 30 September 2019	0.95	-
Distribution on 29 June 2018	-	1.19
Distribution on 28 September 2018	-	1.04

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.09.2019	31.03.2019
	RM	Audited RM
Designated at fair value through profit or loss at inception:		
- Unquoted fixed income securities	658,768,357	337,204,798
- Deposits with licensed financial institutions*	-	1,457,578,478
	<u>658,768,357</u>	<u>1,794,783,276</u>

*Includes interest receivable of Nil (31.03.2019: RM2,576,478)

	01.04.2019 to 30.09.2019	01.04.2018 to 30.09.2018
	RM	RM
Net (loss)/gain on financial assets at fair value through profit or loss:		
- Realised (loss)/gain on disposals	1,371	(301,090)
- Unrealised fair value gain	3,007,466	230,517
	<u>3,008,837</u>	<u>(70,573)</u>

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage on NAV %
30.09.2019				
UNQUOTED FIXED INCOME SECURITIES				
Alliance Bank (M) Bhd 5.75% 27/10/2020 (A2)	20,000,000	20,569,348	20,853,356	1.37
BGSM Management Sdn Bhd 4.48% 28/12/2020 (AA3)	50,000,000	50,583,664	51,118,664	3.35
BGSM Management Sdn Bhd 4.58% 28/09/2021 (AA3)	5,000,000	5,015,081	5,084,627	0.33
BGSM Management Sdn Bhd 6.60% 27/12/2019 (AA3)	25,000,000	25,559,270	25,609,952	1.68
Binariang GSM Sdn Bhd 5.25% 24/12/2020 (AA3)	30,000,000	30,710,212	31,003,332	2.03
Cagamas Bhd 3.40% 10/08/2020 (AAA)	10,000,000	10,049,370	10,061,470	0.66
Cagamas Bhd 3.95% 07/09/2020 (AAA)	20,000,000	20,125,816	20,171,052	1.32
Celcom Networks Sdn Bhd 4.85% 29/08/2022 (AA2)	15,000,000	15,108,772	15,594,824	1.02
CIMB Bank Bhd 4.77% 07/08/2026 (AA2)	5,000,000	5,035,285	5,120,235	0.34
CIMB Group Holdings Bhd 4.88% 03/09/2029 (AA)	5,000,000	5,012,033	5,223,083	0.34
CIMB Group Holdings Bhd 4.95% 29/03/2028 (AA)	5,000,000	5,000,678	5,175,778	0.34
CIMB Thai Bank PCL 5.20% 29/03/2028 (AA3)	5,000,000	5,000,712	5,211,462	0.34
Edra Energy Sdn Bhd 5.64% 05/07/2022 (AA3)	5,000,000	5,123,451	5,263,789	0.34
Edra Energy Sdn Bhd 5.67% 05/01/2023 (AA3)	5,000,000	5,133,109	5,298,351	0.35
Gamuda Bhd 4.62% 23/04/2021 (AA3)	10,000,000	10,204,002	10,344,955	0.68

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage on NAV %
30.09.2019 (Continued)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
Genting Malaysia Capital Bhd 4.78% 31/03/2022 (AAA)	10,000,000	10,041,081	10,289,610	0.67
Genting Malaysia Capital Bhd 4.98% 11/07/2023 (AAA)	10,000,000	10,135,540	10,575,379	0.69
Government Investment 3.95% 14/04/2022 #	30,000,000	30,991,956	31,144,500	2.04
Government Investment 4.39% 07/07/2023 #	20,000,000	20,858,059	21,008,585	1.38
HSBC Amanah Malaysia Bhd 4.30% 02/10/2023 (AAA)	5,000,000	5,107,205	5,236,905	0.34
Malaysia Government Securities 3.80% 17/08/2023 #	20,000,000	20,525,085	20,490,980	1.34
Malaysian Government 3.42% 15/08/2022 #	30,000,000	30,188,910	30,384,553	1.99
Malaysian Government 3.49% 31/03/2020 #	100,000,000	100,200,054	100,209,541	6.56
Malaysian Government 3.66% 15/10/2020 #	25,000,000	25,547,101	25,557,385	1.67
Malaysian Government 3.89% 31/07/2020 #	150,000,000	151,896,256	151,936,818	9.95
Public Islamic Bank Bhd 4.30% 27/07/2021 (AAA)	10,000,000	10,105,946	10,253,353	0.67
Rantau Abang Capital Bhd 4.57% 19/10/2022 (AAA)	5,000,000	5,151,438	5,267,099	0.34
RHB Bank Bhd 4.82% 27/9/2027 (AA3)	5,000,000	5,002,641	5,115,790	0.33
Tanjung Bin Power Sdn Bhd 4.66% 14/08/2020 (AA2)	10,000,000	10,078,556	10,162,929	0.67
TOTAL UNQUOTED FIXED INCOME SECURITIES	645,000,000	654,060,631	658,768,357	43.13
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		4,707,726		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		658,768,357		

The unquoted fixed income securities which are not rated as at the end of the financial period/year are issued, backed or guaranteed by government or government agencies.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage on NAV %
31.03.2019				
Audited				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
UNQUOTED FIXED INCOME SECURITIES				
Alliance Bank (M) Bhd 5.75% 27/10/2020 (AA2)	20,000,000	20,602,814	20,809,405	1.16
BGSM Management Sdn Bhd 4.48% 28/12/2020 (AA3)	50,000,000	50,577,521	50,837,521	2.83
BGSM Management Sdn Bhd 4.58% 28/09/2021 (AA3)	5,000,000	5,020,358	5,039,060	0.28
BGSM Management Sdn Bhd 6.60% 27/12/2019 (AA3)	25,000,000	25,828,071	25,893,182	1.44
Binariang GSM Sdn Bhd 5.25% 24/12/2020 (AA3)	30,000,000	30,824,410	30,940,516	1.72
Cagamas Bhd 3.65% 09/08/2019 (AAA)	10,000,000	10,037,126	10,047,300	0.56
Celcom Transmission (M) Sdn Bhd 4.85% 29/8/2022 (AA2)	15,000,000	15,113,743	15,350,581	0.86
CIMB Bank Bhd 4.77% 7/8/2026 (AAA)	5,000,000	5,033,978	5,077,328	0.28
CIMB Group Holdings Bhd 4.88% 13/09/2029 (AA)	5,000,000	5,012,701	5,088,501	0.28
CIMB Group Holdings Bhd 4.95% 29/3/2028 (AA)	5,000,000	5,002,712	5,087,362	0.28
CIMB Thai Bank PCL 5.20% 29/03/2028 (AA3)	5,000,000	5,002,137	5,040,937	0.28
Edra Energy Sdn Bhd 5.64% 05/07/2022 (AA3)	5,000,000	5,129,726	5,132,699	0.29
Edra Energy Sdn Bhd 5.67% 05/01/2023 (AA3)	5,000,000	5,139,117	5,143,844	0.29
Gamuda Bhd 4.62% 13/03/2019 (AA3)	10,000,000	10,203,661	10,257,089	0.57
Genting Malaysia Capital Bhd 4.78% 31/03/2022 (AAA)	10,000,000	10,051,077	10,095,629	0.56
Genting Malaysia Capital Bhd 4.98% 11/07/2023 (AAA)	10,000,000	10,135,759	10,285,351	0.57
Hong Leong Bank Bhd 4.80% 21/06/2024 (AA1)	15,000,000	15,188,142	15,218,065	0.85
Hong Leong Islamic Bank Bhd 4.80% 17/06/2024 (AA1)	10,000,000	10,139,839	10,154,882	0.57
HSBC Amanah Malaysia Bhd 4.30% 02/10/2023 (AAA)	5,000,000	5,106,616	5,155,366	0.29
OCBC Bank Malaysia Bhd 6.75% 15/04/2039 (AA2)	20,000,000	20,629,235	20,636,773	1.15
Public Bank Bhd 4.30% 27/07/2021 (AA1)	10,000,000	10,115,043	10,141,797	0.57
Public Islamic Bank Bhd 4.75% 07/06/2024 (AAA)	10,000,000	10,148,520	10,160,253	0.57

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage on NAV %
31.03.2018				
Audited (Continued)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
Rantau Abang Capital Bhd 4.57% 19/10/2022 (AAA)	5,000,000	5,159,973	5,194,801	0.29
RHB Bank Bhd 4.99% 08/07/2024 (AA2)	10,000,000	10,121,795	10,138,471	0.56
RHB Bank Bhd 4.82% 27/9/2027 (AA2)	5,000,000	5,003,301	5,060,451	0.28
Tanjung Bin Power Sdn Bhd 4.54% 16/08/2019 (AA2)	15,000,000	15,092,304	15,101,912	0.84
Tanjung Bin Power Sdn Bhd 4.66% 14/08/2020 (AA2)	10,000,000	10,084,859	10,115,722	0.57
TOTAL UNQUOTED FIXED INCOME SECURITIES	330,000,000	335,504,538	337,204,798	18.79
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		1,700,260		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		337,204,798		

9. CASH AND CASH EQUIVALENTS

	30.09.2019 RM	31.03.2019 Audited RM
Deposits with licensed financial institutions	866,263,654	-
Bank balances	2,383,165	29,381
	<u>868,646,819</u>	<u>29,381</u>

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

	30.09.2019 %	31.03.2019 Audited %
Deposits with licensed financial institutions	<u>3.21</u>	<u>-</u>

Deposits with licensed financial institutions of the Fund have an average maturity of 17 days (31.03.2019: 16 days).

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	01.04.2019 to 30.09.2019	01.04.2018 to 31.03.2019 Audited
	No. of units	No. of units
At the beginning of the financial period/year	1,731,820,611	2,734,551,549
Add : Creation of units from applications	110,417,422	802,469,314
Add : Creations of units from distributions	11,183,982	79,580,489
Less: Cancellation of units	<u>(382,048,022)</u>	<u>(1,884,780,741)</u>
At the end of the financial period/year	<u>1,471,373,993</u>	<u>1,731,820,611</u>

11. MANAGEMENT EXPENSE RATIO (“MER”)

	01.04.2019 to 30.09.2019	01.04.2018 to 30.09.2018
	%	%
MER	<u>0.04</u>	<u>0.04</u>

MER is derived from the following calculation:

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

- A = Management fee
- B = Trustee’s fee
- C = Other expenses
- D = 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 RM1,655,367,731 (30.09.2018: RM2,315,289,267).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	01.04.2019 to 30.09.2019	01.04.2018 to 30.09.2018
PTR (times)	<u>0.14</u>	<u>0.02</u>

PTR is derived based on the following calculation:

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

where:

- total acquisition for the financial period = RM428,396,200 (30.09.2018 : RM74,807,622)
- total disposal for the financial period = RM20,208,000 (30.09.2018 : RM35,166,500)

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

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

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

	30.09.2019		31.03.2019	
			Audited	
	No. of units	RM	No. of units	RM
Manager				
Principal Asset Management Bhd <i>(formerly known as CIMB-Principal Asset Management Berhad)</i>	273	283	268	278

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.

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.

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

	01.04.2019 to 30.09.2019 RM	01.04.2018 to 30.09.2018 RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institutions:		
- CIMB Bank Bhd	2,575,469	3,974,770
- CIMB Islamic Bank Bhd	1,891,317	311,869
	<hr/>	<hr/>
Cash placement with licensed financial institutions:		
- CIMB Bank Bhd	1,137,271,000	2,509,701,200
- CIMB Islamic Bank Bhd	759,374,000	546,132,000
	<hr/>	<hr/>
	30.09.2019	31.03.2019
	RM	Audited
		RM
<u>Significant related party balances</u>		
Deposits with licensed financial institutions:		
- CIMB Bank Bhd	2,575,469	54,751,594
- CIMB Islamic Bank Bhd	1,891,317	110,079,350
	<hr/>	<hr/>
Bank balance:		
- CIMB Bank Bhd	2,383,165	29,381
	<hr/>	<hr/>

14. TRANSACTIONS WITH BROKERS/DEALERS

Details of transactions with brokers/dealers for the six months financial period ended 30 September 2019 are as follows:

Broker/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Malayan Banking Bhd	176,124,100	39.26	-	-
CIMB Bank Bhd #	160,813,000	35.85	-	-
CIMB Islamic Bank Bhd #	91,579,500	20.41	-	-
AmBank Berhad	20,087,600	4.48	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	448,604,200	100.00	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

14. TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

Details of transactions with brokers/dealers for the six months financial period ended 30 September 2018 are as follows:

Broker/Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
Hong Leong Bank Bhd	59,840,222	54.41	-	-
RHB Investment Bank Bhd	25,146,000	22.87	-	-
CIMB Bank Bhd #	9,999,800	9.09	-	-
AmBank Bhd	9,970,600	9.07	-	-
Hong Leong Investment Bank Bhd	5,017,500	4.56	-	-
	<u>109,974,122</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Included in the transactions are trades conducted with CIMB Bank Bhd and CIMB Islamic Bank Bhd, fellow related parties to the Manager amounting to RM160,813,000 (30.09.2018: RM9,999,800) and RM91,579,500 (30.09.2018: Nil) 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.

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 3000

Trustee for the CIMB-Principal Institutional Bond Fund 2

Maybank Trustees Berhad (Company No.: 5004-P)
8th Floor, Menara Maybank,
100, Jalan Tun Perak,
50050 Kuala Lumpur, MALAYSIA.
Tel: (03) 2078 8363, 2070 8833
Fax: (03) 2070 9387

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