

PRINCIPAL DEPOSIT FUND 2
(formerly known as CIMB-Principal Deposit Fund 2)

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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INVESTORS' LETTER

Dear Valued Investor,

Volatility has always been part of investing. Markets aren't more volatile than they've been in recent years. I would say the difference now is how quickly risks - may it be an announcement from the Government, a possible pandemic, or simply a tweet - can appear to affect the equity market. The roadmap to recovery will continue to be driven by supportive stimulus post US election, successful vaccine trials and the broadening recovery in China and other parts of Asia. Thus, focusing on your long-term investment plan can be one way to counteract the stresses of volatility. Eventually, markets will learn to separate noise from true information and adapt to the speed of information. It just takes time.

Our commitment to you remains steadfast. We are not advocating short-term, reactive investment decisions. A practical investment approach is generally based on a long-term view and your time horizon. Here are a few things to keep in mind:

1. Stay the course.

Remember volatility, isn't just markets dropping. It's movement. Markets can move up or down and this can create opportunities for long-term growth.

2. Review your goals, risk tolerance, and time horizon.

It's important to make sure your portfolio diversification continues to be in line with your long-term goals and matches your risk tolerance preferences.

3. Keep investing.

There is always a good time to invest. Invest whenever you can.

We continue to prefer equities over fixed income and remain Positive on Asian equities favouring China and more developed Asian economies on a 12-month basis. For our:

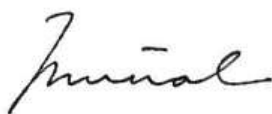
- **Conservative investors, we recommend:** Malaysia focus bond funds and regional balanced funds that are income focused.
- **More aggressive investors, we recommend:** Growth-oriented funds that offer exposure to growth areas in China, Asia-Pacific, ASEAN, Global Technology and Malaysian aggressive funds.

Please continue to check out our website (<http://www.principal.com.my>) and Facebook account (@PrincipalAssetMY) for our latest insights and investment articles.

Please be informed that effective 1 April 2020, the Fund has been renamed as Principal Deposit Fund 2 following the issuance of the Replacement Prospectus issue no. M2.

We appreciate your continuous support and the trust you place in us. And, we're happy to share that we recently won four awards at the iFAST Awards Night 2020 and another eight awards from the Private Pension Administration ("PPA").

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



Munirah Khairuddin
Chief Executive Officer

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to provide 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 year 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 any local rating agencies of the country or "BBB" by Standard & Poor's ("S&P") or equivalent rating by any other international rating agencies. The Manager 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 guaranteed fund nor a capital protected fund within the definition in the Securities Commission Malaysia ("SC") Guidelines.

Asset Allocation

- At least 70% of the Fund's NAV in deposits with financial institutions;
- Up to 30% of the Fund's NAV in money market instruments, all of which have a remaining maturity period of not more than 365 days; and
- 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.

Fund category/type

Money Market/Income

When was the Fund launched?

Name of Class	Launch date
Class A	19 June 2017
Class B	19 June 2017
Class C	19 June 2017
Class D	01 April 2020
Class E	01 April 2020
Class F	01 April 2020

What was the size of the Fund as at 30 September 2020?

RM894.39 million (894.39 million units)

What is the Fund's benchmark?

CIMB Bank Overnight Rate

FUND OBJECTIVE AND POLICY (CONTINUED)

What is the Fund distribution policy?

Monthly, depending 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 the 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 the 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.

What was the net income distribution for the financial year ended 30 September 2020?

The Fund distributed a total net income of RM20.79 million to unit holders for the financial year ended 30 September 2020.

The Fund's NAV per unit are as follows:

Date	NAV per unit (Before distribution)	NAV per unit (After distribution)
31.10.2019		
- Class A	1.0026	1.0000
- Class B	1.0027	1.0000
- Class C	1.0028	1.0000
29.11.2019		
- Class A	1.0025	1.0000
- Class B	1.0026	1.0000
- Class C	1.0027	1.0000
31.12.2019		
- Class A	1.0026	1.0000
- Class B	1.0027	1.0000
- Class C	1.0028	1.0000
31.01.2020		
- Class A	1.0025	1.0000
- Class B	1.0026	1.0000
- Class C	1.0027	1.0000
28.02.2020		
- Class A	1.0024	1.0000
- Class B	1.0024	1.0000
- Class C	1.0025	1.0000
31.03.2020		
- Class A	1.0031	1.0000
- Class B	1.0024	1.0000
- Class C	1.0025	1.0000
30.04.2020		
- Class A	1.0020	1.0000
- Class B	1.0022	1.0000
- Class C	1.0023	1.0000
- Class D	1.0021	1.0000
- Class E	1.0023	1.0000
- Class F	1.0023	1.0000

PRINCIPAL DEPOSIT FUND 2
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FUND OBJECTIVE AND POLICY (CONTINUED)

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

Date	NAV per unit (Before distribution)	NAV per unit (After distribution)
29.05.2020		
- Class A	1.0021	1.0000
- Class B	1.0022	1.0000
- Class C	1.0023	1.0000
- Class D	1.0023	1.0000
- Class E	1.0024	1.0000
- Class F	1.0024	1.0000
30.06.2020		
- Class A	1.0007	1.0000
- Class B	1.0019	1.0000
- Class C	1.0019	1.0000
- Class D	1.0018	1.0000
- Class E	1.0020	1.0000
- Class F	1.0020	1.0000
30.07.2020		
- Class A	1.0008	1.0000
- Class B	1.0016	1.0000
- Class C	1.0018	1.0000
- Class D	1.0017	1.0000
- Class E	1.0019	1.0000
- Class F	1.0018	1.0000
28.08.2020		
- Class A	1.0003	1.0000
- Class B	1.0017	1.0000
- Class C	1.0018	1.0000
- Class D	1.0017	1.0000
- Class E	1.0019	1.0000
- Class F	1.0017	1.0000
30.09.2020		
- Class A	1.0002	1.0000
- Class B	1.0016	1.0000
- Class C	1.0017	1.0000
- Class D	1.0016	1.0000
- Class E	1.0019	1.0000
- Class F	1.0015	1.0000

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PERFORMANCE DATA

Details of portfolio composition of the Fund for the last three audited financial years/period are as follows:

	30.09.2020	30.09.2019	30.09.2018
	%	%	%
Deposits with licensed financial institutions	100.03	100.06	100.19
Cash and other net assets	(0.03)	(0.06)	(0.19)
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Performance details of the Fund for the last three audited financial years/period are as follows:

	30.09.2020	30.09.2019	30.09.2018
NAV (RM Million)*			
- Class A	0.00	0.00	0.00
- Class B	28.74	35.29	10.77
- Class C	865.65	511.96	148.96
- Class D	0.00	-	-
- Class E	0.00	-	-
- Class F	0.00	-	-
Units in circulation (Million)			
- Class A	0.00	0.00	0.00
- Class B	28.74	35.28	10.77
- Class C	865.65	511.97	148.96
- Class D	0.00	-	-
- Class E	0.00	-	-
- Class F	0.00	-	-
NAV per unit (RM)*			
- Class A	1.0000	1.0000	1.0000
- Class B	1.0000	0.9999	0.9999
- Class C	0.9999	0.9999	0.9999
- Class D	1.0000	-	-
- Class E	1.0000	-	-
- Class F	1.0000	-	-
	01.10.2019	01.10.2018	19.06.2017
	to 30.09.2020	to 30.09.2019	(date of launch)
			to 30.09.2018
Highest NAV per unit (RM)			
- Class A	1.0031	1.0029	1.0127
- Class B	1.0026	1.0030	1.0132
- Class C	1.0027	1.0031	1.0151
- Class D	1.0020	-	-
- Class E	1.0023	-	-
- Class F	1.0022	-	-
Lowest NAV per unit (RM)*			
- Class A	1.0000	1.0000	1.0000
- Class B	1.0000	0.9999	0.9999
- Class C	0.9999	0.9999	0.9999
- Class D	1.0000	-	-
- Class E	1.0000	-	-
- Class F	1.0000	-	-

*Ex-distribution

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PERFORMANCE DATA (CONTINUED)

Performance details of the Fund for the last three audited financial years/period are as follows:
(continued)

	01.10.2019 to 30.09.2020	01.10.2018 to 30.09.2019	19.06.2017 (date of launch) to 30.09.2018
Total return (%)			
- Class A	2.26	3.40	4.04
- Class B	2.76	3.48	4.12
- Class C	2.86	3.58	4.66
- Class D	1.15	-	-
- Class E	1.28	-	-
- Class F	1.21	-	-
Capital growth (%)			
- Class A	-	-	-
- Class B	-	-	-
- Class C	-	-	-
- Class D	-	-	-
- Class E	-	-	-
- Class F	-	-	-
Income distribution (%)			
- Class A	2.26	3.40	4.04
- Class B	2.76	3.48	4.12
- Class C	2.86	3.58	4.66
- Class D	1.15	-	-
- Class E	1.28	-	-
- Class F	1.21	-	-
Management Expense Ratio ("MER") (%) ^	0.17	0.18	0.24
Portfolio Turnover Ratio ("PTR") (times) #	10.46	7.31	15.16

^ The Fund's MER decreased from 0.18% to 0.17% due to increase in average NAV during the financial year under review.

The Fund's PTR for the financial year under review was higher at 10.46 times from 7.31 times a year ago, mainly due to the higher number of deposit placements with licensed financial institutions.

PERFORMANCE DATA (CONTINUED)

Date of distribution	01.10.2019 to 30.09.2020	01.10.2018 to 30.09.2019	19.06.2017 (date of launch) to 30.09.2018
Gross/Net distribution per unit (sen)			
Distribution on 31 October 2019			
- Class A	0.26	-	-
- Class B	0.27	-	-
- Class C	0.28	-	-
Distribution on 29 November 2019			
- Class A	0.26	-	-
- Class B	0.26	-	-
- Class C	0.27	-	-
Distribution on 31 December 2019			
- Class A	0.26	-	-
- Class B	0.27	-	-
- Class C	0.28	-	-
Distribution on 31 January 2020			
- Class A	0.26	-	-
- Class B	0.27	-	-
- Class C	0.28	-	-
Distribution on 28 February 2020			
- Class A	0.25	-	-
- Class B	0.25	-	-
- Class C	0.26	-	-
Distribution on 31 March 2020			
- Class A	0.31	-	-
- Class B	0.25	-	-
- Class C	0.25	-	-
Distribution on 30 April 2020			
- Class A	0.21	-	-
- Class B	0.22	-	-
- Class C	0.23	-	-
- Class D	0.21	-	-
- Class E	0.24	-	-
- Class F	0.23	-	-
Distribution on 29 May 2020			
- Class A	0.21	-	-
- Class B	0.23	-	-
- Class C	0.24	-	-
- Class D	0.23	-	-
- Class E	0.24	-	-
- Class F	0.25	-	-

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PERFORMANCE DATA (CONTINUED)

Date of distribution	01.10.2019 to 30.09.2020	01.10.2018 to 30.09.2019	19.06.2017 (date of launch) to 30.09.2018
Gross/Net distribution per unit (sen)			
Distribution on 30 June 2020			
- Class A	0.07	-	-
- Class B	0.20	-	-
- Class C	0.20	-	-
- Class D	0.18	-	-
- Class E	0.21	-	-
- Class F	0.21	-	-
Distribution on 30 July 2020			
- Class A	0.08	-	-
- Class B	0.17	-	-
- Class C	0.18	-	-
- Class D	0.17	-	-
- Class E	0.19	-	-
- Class F	0.19	-	-
Distribution on 28 August 2020			
- Class A	0.04	-	-
- Class B	0.17	-	-
- Class C	0.18	-	-
- Class D	0.18	-	-
- Class E	0.20	-	-
- Class F	0.18	-	-
Distribution on 30 September 2020			
- Class A	0.03	-	-
- Class B	0.16	-	-
- Class C	0.17	-	-
- Class D	0.17	-	-
- Class E	0.19	-	-
- Class F	0.16	-	-
Distribution on 31 October 2018			
- Class A	-	0.29	-
- Class B	-	0.30	-
- Class C	-	0.31	-
Distribution on 30 November 2018			
- Class A	-	0.32	-
- Class B	-	0.30	-
- Class C	-	0.31	-
Distribution on 31 December 2018			
- Class A	-	0.22	-
- Class B	-	0.24	-
- Class C	-	0.25	-

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PERFORMANCE DATA (CONTINUED)

Date of distribution	01.10.2019 to 30.09.2020	01.10.2018 to 30.09.2019	19.06.2017 (date of launch) to 30.09.2018
Gross/Net distribution per unit (sen)			
Distribution on 31 January 2019			
- Class A	-	0.26	-
- Class B	-	0.28	-
- Class C	-	0.29	-
Distribution on 28 February 2019			
- Class A	-	0.26	-
- Class B	-	0.27	-
- Class C	-	0.28	-
Distribution on 29 March 2019			
- Class A	-	0.33	-
- Class B	-	0.31	-
- Class C	-	0.32	-
Distribution on 30 April 2019			
- Class A	-	0.28	-
- Class B	-	0.30	-
- Class C	-	0.31	-
Distribution on 31 May 2019			
- Class A	-	0.30	-
- Class B	-	0.31	-
- Class C	-	0.32	-
Distribution on 28 June 2019			
- Class A	-	0.27	-
- Class B	-	0.28	-
- Class C	-	0.29	-
Distribution on 31 July 2019			
- Class A	-	0.27	-
- Class B	-	0.28	-
- Class C	-	0.29	-
Distribution on 30 August 2019			
- Class A	-	0.27	-
- Class B	-	0.28	-
- Class C	-	0.28	-
Distribution on 30 September 2019			
- Class A	-	0.27	-
- Class B	-	0.27	-
- Class C	-	0.27	-
Distribution on 31 July 2017			
- Class C	-	-	0.25

PRINCIPAL DEPOSIT FUND 2
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PERFORMANCE DATA (CONTINUED)

Date of distribution	01.10.2019 to 30.09.2020	01.10.2018 to 30.09.2019	19.06.2017 (date of launch) to 30.09.2018
Gross/Net distribution per unit (sen)			
Distribution on 29 December 2017			
- Class A	-	-	1.31
- Class B	-	-	1.36
- Class C	-	-	1.55
Distribution on 30 January 2018			
- Class A	-	-	0.29
- Class B	-	-	0.30
- Class C	-	-	0.31
Distribution on 28 February 2018			
- Class A	-	-	0.28
- Class B	-	-	0.27
- Class C	-	-	0.28
Distribution on 30 March 2018			
- Class A	-	-	0.33
- Class B	-	-	0.31
- Class C	-	-	0.32
Distribution on 30 April 2018			
- Class A	-	-	0.32
- Class B	-	-	0.30
- Class C	-	-	0.31
Distribution on 31 May 2018			
- Class A	-	-	0.31
- Class B	-	-	0.31
- Class C	-	-	0.32
Distribution on 29 June 2018			
- Class A	-	-	0.29
- Class B	-	-	0.30
- Class C	-	-	0.31
Distribution on 31 July 2018			
- Class A	-	-	0.29
- Class B	-	-	0.30
- Class C	-	-	0.31
Distribution on 30 August 2018			
- Class A	-	-	0.28
- Class B	-	-	0.31
- Class C	-	-	0.32
Distribution on 28 September 2018			
- Class A	-	-	0.26
- Class B	-	-	0.29
- Class C	-	-	0.29

PERFORMANCE DATA (CONTINUED)

	30.09.2020	30.09.2019	30.09.2018	Since inception to 30.09.2017
	%	%	%	%
Annual total return				
- Class A	2.26	3.40	3.62	0.41
- Class B	2.76	3.48	3.68	0.43
- Class C	2.86	3.58	3.76	0.86

(Launch date: 19 June 2017)

	Since inception to 30.09.2020
	%
Annual total return	
- Class D	1.15
- Class E	1.28
- Class F	1.21

(Launch date: 01 April 2020)

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

MARKET REVIEW (1 OCTOBER 2019 TO 30 SEPTEMBER 2020) (CONTINUED)

On 22 January 2020, Bank Negara Malaysia (“BNM”) reduced the overnight policy rate (“OPR”) to 2.75% from 3.00%, at its first Monetary Policy Committee (“MPC”) meeting in 2020. This came in as a surprise to the market, as BNM highlighted the downside risks to the economy from various trade negotiations, geopolitical risks, weaker-than-expected growth of major trade partners, heightened volatility in financial markets, and domestic factors that include weakness in commodity related sectors and delays in the implementation of projects.

The Coronavirus 2019 (“COVID-19”) pandemic further pressured BNM to deliver successive rate cuts in its March 2020, May 2020 and July 2020 meetings – bringing the OPR to 1.75% with a total of 125 basis points (“bps”) of cut to date. At its latest MPC meeting held on 10 September 2020, BNM kept hold its OPR at 1.75%. The September 2020 MPC statement sounded mildly neutral albeit still reiterating risks faced to the local and global economy due to the pandemic.

On the fiscal side, Prime Minister Muhyiddin Yassin announced a RM250 billion stimulus package in March 2020, with the primary focus of (i) sustaining private consumption and confidence; (ii) preserving the viability and continuity of domestic business entities; and (iii) strengthening the domestic economy. The Government subsequently introduced more stimulus packages (i.e. PENJANA - Short-Term Economic Recovery Plan (“ERP”)) worth RM35 billion on 5 June 2020 containing 40 measures, mainly on jobs initiatives, Micro-, Small-, and Medium-Enterprises (“MSMEs”) supports, stimulation of foreign direct investment (“FDI”) & consumption as well as to facilitate digitalization. To finance the additional stimulus, the Parliament has recently approved to raise Malaysia’s debt ceiling from 55% of gross domestic products (“GDP”) to 60% of GDP. On 23 September 2020, the Prime Minister announced an additional RM10 billions of fiscal stimulus package to bolster the country’s economy in weathering the impact of COVID-19. The Malaysia “Kita Prihatin” Economic Stimulus Package 2020 programme is a special initiative aimed at helping micro entrepreneurs, the country’s workforce and those from the Bottom 40% (“B40”) as well as the Middle 40% (“M40”) income group.

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FUND PERFORMANCE

	1 year to 30.09.2020					
	Class A	Class B	Class C	Class D	Class E	Class F
	%	%	%	%	%	%
Income Distribution	2.26	2.76	2.86	N/A	N/A	N/A
Capital Growth	-	-	-	-	-	-
Total Return	2.26	2.76	2.86	N/A	N/A	N/A
Benchmark	1.04	1.04	1.04	N/A	N/A	N/A
Average Total Return	2.26	2.76	2.86	N/A	N/A	N/A

	3 years to 30.09.2020					
	Class A	Class B	Class C	Class D	Class E	Class F
	%	%	%	%	%	%
Income Distribution	10.01	10.72	11.23	N/A	N/A	N/A
Capital Growth	(0.42)	(0.44)	(0.62)	-	-	-
Total Return	9.56	10.24	10.55	N/A	N/A	N/A
Benchmark	4.28	4.28	4.28	N/A	N/A	N/A
Average Total Return	3.09	3.30	3.40	N/A	N/A	N/A

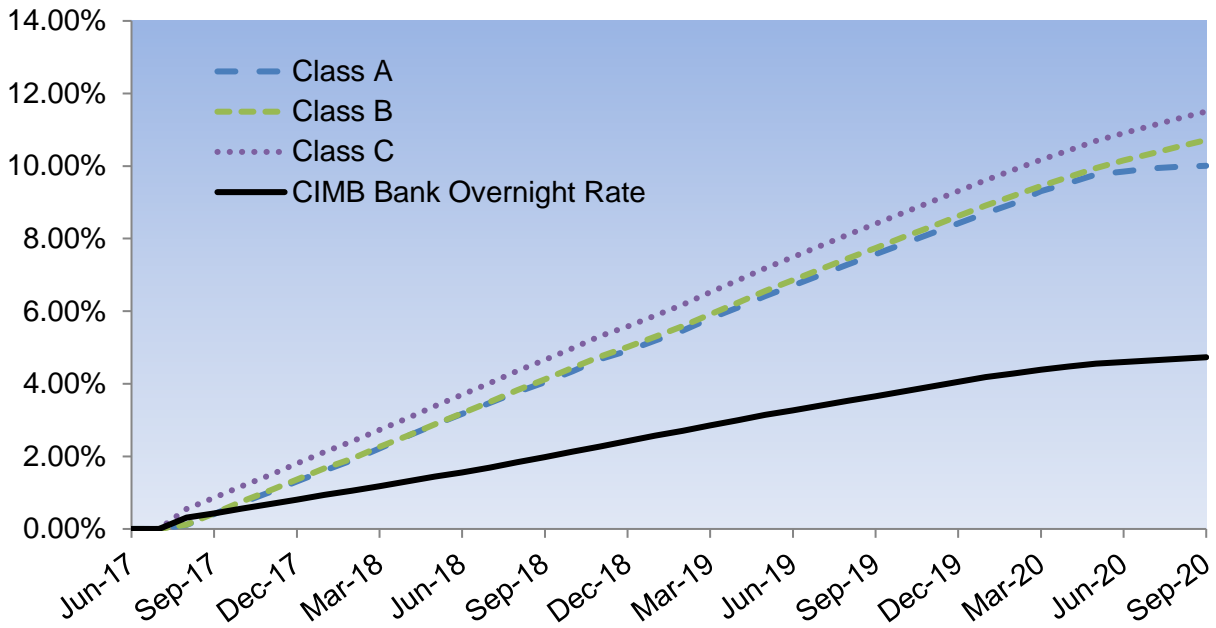
	Since inception to 30.09.2020					
	Class A	Class B	Class C	Class D	Class E	Class F
	%	%	%	%	%	%
Income Distribution	10.01	10.72	11.50	1.15	1.28	1.21
Capital Growth	-	-	-	-	-	-
Total Return	10.01	10.72	11.50	1.15	1.28	1.21
Benchmark	4.73	4.73	4.73	0.33	0.33	0.33
Average Total Return	2.94	3.14	3.37	N/A	N/A	N/A

As at 30 September 2020, the Fund gave a 1-year return of 2.26% on Class A, 2.76% on Class B and 2.86% on Class C, beating the benchmark returns of 1.04%.

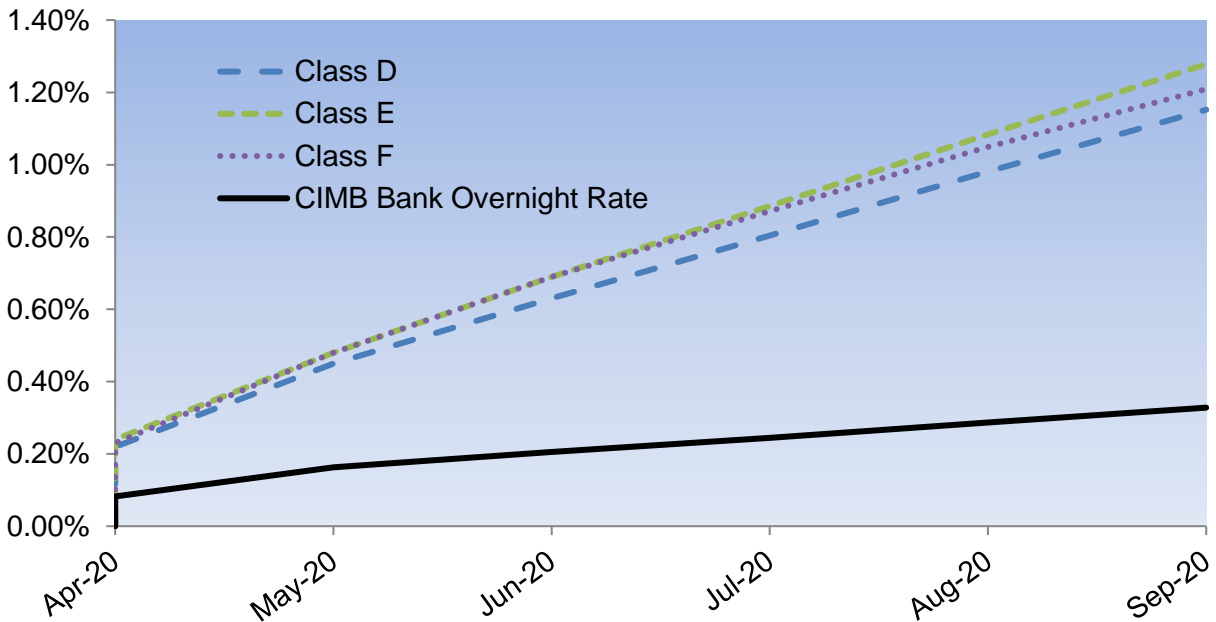
Since inception, the Fund achieved a total return of 10.01% on Class A, 10.72% on Class B, and 11.50% on Class C beating the benchmark returns of 4.73%. Additionally, the Fund generated a total return of 1.15% on Class D, 1.28% on Class E and 1.21% on Class F, beating the benchmark returns of 0.33% during the same period.

FUND PERFORMANCE (CONTINUED)

Class A, B & C



Class D, E & F



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FUND PERFORMANCE (CONTINUED)

Changes in NAV

	30.09.2020	30.09.2019	Changes
Class A			%
NAV (RM Million)*	0.00	0.00	-
NAV/Unit (RM)*	1.0000	1.0000	-
Class B	30.09.2020	30.09.2019	Changes
			%
NAV (RM Million)*	28.74	35.29	(18.56)
NAV/Unit (RM)*	1.0000	0.9999	0.01
Class C	30.09.2020	30.09.2019	Changes
			%
NAV (RM Million)*	865.65	511.96	69.09
NAV/Unit (RM)*	0.9999	0.9999	-
Class D	30.09.2020		
NAV (RM Million)*	0.00		
NAV/Unit (RM)*	1.0000		
Class E	30.09.2020		
NAV (RM Million)*	0.00		
NAV/Unit (RM)*	1.0000		
Class F	30.09.2020		
NAV (RM Million)*	0.00		
NAV/Unit (RM)*	1.0000		

*Ex-distribution

The Fund's total NAV increased from RM547.25 million as at 30 September 2019 to RM894.39 million as at 30 September 2020. The increase in NAV per unit for Class B was due to under provision of liabilities on previous year, i.e. 30 September 2019. NAV per unit for Class A and Class C remain unchanged.

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

PORTFOLIO STRUCTURE

Asset allocation

(%) of NAV	30.09.2020	30.09.2019
Deposits with licensed financial institutions	100.03	100.06
Cash and other net assets	(0.03)	(0.06)
Total	100.00	100.00

The Fund was fully invested in deposit placements with licensed financial institutions.

MARKET OUTLOOK*

Malaysia's GDP in second quarter of 2020 came in weak at -17.1% year-on-year ("y-o-y") (first quarter of 2020: +0.7% y-o-y), as the economy suffered from double digit declines across most activities (i.e. manufacturing: -18.3% y-o-y; services: -16.2% y-o-y; mining: -20.0% y-o-y; and construction: -44.5% y-o-y). The economy is expected to have bottomed in second quarter of 2020, as the key indicators like manufacturing purchasing manager index ("PMI"), external and retail trade have all improved under the current Recovery Movement Control Order ("RMCO").

Malaysia's August 2020 consumer price index ("CPI") fell by 1.4% y-o-y, led by the transport segment of the index. The CPI's transport segment declined on cheaper petrol and diesel. In the statement, the department said the average price of unleaded petrol RON95 in August 2020 decreased to RM1.68 per litre from RM2.08 in August 2019. On a month-on-month ("m-o-m") basis, the CPI reading increased 0.2%. Year-to-date ("YTD"), CPI reading has decreased by 1% y-o-y.

Unemployment rate fell slightly to 4.7% in July 2020 following the record high figures seen in the prior months (May 2020: 5.3%; June 2020: 4.9%). The number of employed people grew by 0.6% to 15.07 million in July 2020 against 14.99 million in June 2020. A significant increase in employment was seen in the services sector - mainly in accommodation, food, beverages, transport and storage-related activities.

Given the still weak macro-environment, both globally and domestically, we think that BNM will keep its monetary policies accommodative in the near-term to support the economic recovery going into 2021.

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

INVESTMENT STRATEGY

The Fund's objective is to provide investors with liquidity and regular income hence it will continue to maintain its investment primarily in deposits with licensed financial institutions.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 30 September 2020 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	1	0.00	100.00
5,001-10,000	-	-	-
10,001-50,000	-	-	-
50,001-500,000	-	-	-
500,001 and above	-	-	-
Total	1	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	2	0.27	0.94
500,001 and above	4	28.47	99.06
Total	7	28.74	100.00

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	1	0.02	0.00
50,001-500,000	-	-	-
500,001 and above	4	865.63	100.00
Total	5	865.65	100.00

CLASS D

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

UNIT HOLDINGS STATISTICS (CONTINUED)

Breakdown of unit holdings by size as at 30 September 2020 are as follows: (continued)

CLASS E

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

CLASS F

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

SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (the “Manager”) and the Trustee will not retain any form of rebate or soft commission from, or otherwise share in any commission with, any broker in consideration for directing dealings in the investments of the Principal Malaysia funds unless the soft commission received is retained in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds. All dealings with brokers are executed on best available terms.

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

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
PRINCIPAL DEPOSIT FUND 2**
(formerly known as CIMB-Principal Deposit Fund 2)

We, being the Directors of Principal Asset Management Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 24 to 50 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 2020 and of its financial performance, changes in net assets attributable to unit holders and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

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

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
12 November 2020

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
PRINCIPAL DEPOSIT FUND 2**
(formerly known as CIMB-Principal Deposit Fund 2)

We have acted as the Trustee of Principal Deposit Fund 2 *(formerly known as CIMB-Principal Deposit Fund 2)* (the "Fund") for the financial year ended 30 September 2020. To the best of our knowledge, Principal Asset Management Berhad (the "Manager"), has operated and managed the Fund in accordance with the following:

- a) limitations imposed on the investment powers of the Manager and the Trustee under the Deeds, the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- b) valuation/pricing is carried out in accordance with the Deeds of the Fund and applicable regulatory requirements; and
- c) creation and cancellation of units for the Fund have been carried out in accordance with the Deeds of the Fund and applicable regulatory requirements.

During the financial year, a distribution of 11.41 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

CHEAH KUAN YOON
Chief Executive Officer

Kuala Lumpur
12 November 2020

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL DEPOSIT FUND 2**
(formerly known as CIMB-Principal Deposit Fund 2)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Principal Deposit Fund 2 (the "Fund") *(formerly known as CIMB-Principal Deposit Fund 2)* give a true and fair view of the financial position of the Fund as at 30 September 2020, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 September 2020, and the statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 24 to 50.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

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

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL DEPOSIT FUND 2 (CONTINUED)**
(formerly known as CIMB-Principal Deposit Fund 2)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's Report but does not include the financial statements of the Fund and our auditor's report thereon.

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

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

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

Responsibilities of the Manager for the financial statements

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

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

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL DEPOSIT FUND 2 (CONTINUED)**
(formerly known as CIMB-Principal Deposit Fund 2)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL DEPOSIT FUND 2 (CONTINUED)**
(formerly known as CIMB-Principal Deposit Fund 2)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the unit holders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
12 November 2020

PRINCIPAL DEPOSIT FUND 2
(formerly known as CIMB-Principal Deposit Fund 2)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 RM	2019 RM
INCOME			
Interest income from deposits with licensed financial institutions at fair value through profit or loss		22,077,577	8,762,926
Interest income from current account		818	2,630
		<u>22,078,395</u>	<u>8,765,556</u>
EXPENSES			
Management fee	4	1,170,361	390,736
Trustee fee	5	75,609	24,133
Audit fee		9,500	9,500
Tax agent's fee		4,600	4,600
Other expenses		6,635	6,796
		<u>1,266,705</u>	<u>435,765</u>
PROFIT BEFORE FINANCE COST AND TAXATION		20,811,690	8,329,791
Finance cost (excluding increase in net assets attributable to unit holders):			
- Class A		(3,030)	(18)
- Class B		(997,608)	(1,040,437)
- Class C		(19,786,052)	(7,191,169)
- Class D		(12)	-
- Class E		(13)	-
- Class F		(12)	-
	6	<u>(20,786,727)</u>	<u>(8,231,624)</u>
PROFIT BEFORE TAXATION		24,963	98,167
Taxation	7	<u>-</u>	<u>-</u>
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>24,963</u>	<u>98,167</u>
Increase in net assets attributable to unit holders is made up as follows:			
Realised amount		<u>24,963</u>	<u>98,167</u>

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

PRINCIPAL DEPOSIT FUND 2
(formerly known as CIMB-Principal Deposit Fund 2)

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Note	2020 RM	2019 RM
ASSETS			
Cash and cash equivalents	9	20,556	20,325
Financial assets at fair value through profit or loss	8	894,655,411	547,598,759
Amount due from Manager		53,733	24,700
TOTAL ASSETS		894,729,700	547,643,784
LIABILITIES			
Accrued management fee		112,311	72,694
Amount due to Trustee		7,327	4,646
Distribution payable		205,029	298,856
Other payables and accruals		12,300	16,300
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)		336,967	392,496
NET ASSET VALUE OF THE FUND		894,392,733	547,251,288
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		894,392,733	547,251,288

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

PRINCIPAL DEPOSIT FUND 2
(formerly known as CIMB-Principal Deposit Fund 2)

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 SEPTEMBER 2020

	2020	2019
	RM	RM
Note		
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS		
- Class A	618	604
- Class B	28,739,731	35,286,727
- Class C	865,649,347	511,963,957
- Class D	1,012	-
- Class E	1,013	-
- Class F	1,012	-
	894,392,733	547,251,288
NUMBER OF UNITS IN CIRCULATION (UNITS)		
- Class A	618	604
- Class B	28,739,731	35,286,960
- Class C	865,649,358	511,967,353
- Class D	1,012	-
- Class E	1,013	-
- Class F	1,012	-
10	894,392,744	547,254,917
NET ASSET VALUE PER UNIT (RM) (EX-DISTRIBUTION)		
- Class A	1.0000	1.0000
- Class B	1.0000	0.9999
- Class C	0.9999	0.9999
- Class D	1.0000	-
- Class E	1.0000	-
- Class F	1.0000	-
	1.0000	-

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

PRINCIPAL DEPOSIT FUND 2
(formerly known as CIMB-Principal Deposit Fund 2)

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE FINANCIAL ENDED 30 SEPTEMBER 2020**

	2020 RM	2019 RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR	547,251,288	159,723,026
Movement due to units created and cancelled during the financial year:		
Creation of units from applications		
- Class A	450,000	-
- Class B	26,735,350	33,596,454
- Class C	426,690,540	460,066,450
- Class D	1,000	-
- Class E	1,000	-
- Class F	1,000	-
	453,878,890	493,662,904
Creation of units from distributions		
- Class A	3,030	20
- Class B	997,609	1,040,437
- Class C	16,980,743	3,651,473
- Class D	12	-
- Class E	13	-
- Class F	12	-
	17,981,419	4,691,930
Cancellation of units		
- Class A	(453,350)	-
- Class B	(34,270,445)	(10,062,141)
- Class C	(90,020,032)	(100,862,598)
	(124,743,827)	(110,924,739)
Increase in net assets attributable to unit holders during the financial year	24,963	98,167
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS DURING THE FINANCIAL YEAR	894,392,733	547,251,288

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

		2020	2019
		RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Proceeds from maturity of deposits with licensed financial institutions		7,694,942,000	1,540,089,348
Placement of deposits with licensed financial institutions		(8,133,287,000)	(2,001,199,000)
Redemption of deposits with licensed financial institutions		92,711,000	77,368,652
Interest income received from deposits with licensed financial institutions		20,654,925	4,931,316
Interest income received from current account		818	-
Management fee paid		(1,130,744)	(339,650)
Trustee fee paid		(72,928)	(20,803)
Payments for other fees and expenses		(24,735)	(15,896)
Net cash used in operating activities		<u>(326,206,664)</u>	<u>(379,186,033)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		453,849,857	493,639,604
Payments for cancellation of units		(124,743,827)	(110,924,739)
Distributions paid		(2,899,135)	(3,528,653)
Net cash generated from financing activities		<u>326,206,895</u>	<u>379,186,212</u>
 Net increase in cash and cash equivalents		231	179
Cash and cash equivalents at the beginning of the financial year		20,325	20,146
Cash and cash equivalents at the end of the financial year	9	<u>20,556</u>	<u>20,325</u>
 <u>Cash and cash equivalents comprised of:</u>			
Bank balance		20,556	20,325
Cash and cash equivalents at the end of the financial year	9	<u>20,556</u>	<u>20,325</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal Deposit Fund 2 (*formerly known as CIMB-Principal Deposit Fund 2*) (the “Fund”) is governed by a Principal Deed dated 8 March 2017 and First Supplemental Master Deed dated 12 December 2019 (collectively referred to as the “Deeds”) made between 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 any local rating agencies of the country or “BBB” by S&P or equivalent rating by any other international rating agencies. The Manager 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 guaranteed fund nor a capital protected fund within the definition in the SC Guidelines.

Asset Allocation

- At least 70% of the Fund’s NAV in deposits with financial institutions;
- Up to 30% of the Fund’s NAV in money market instruments, all of which have a remaining maturity period of not more than 365 days; and
- 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.

All investments are subjected to the 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 Fund has changed its name from CIMB-Principal Deposit Fund 2 to Principal Deposit Fund 2 following the issuance of the Replacement Prospectus issue No. M2 dated 1 April 2020.

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 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 year.

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

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

Standards, amendments to published standards or interpretation that are effective and relevant:

The Fund has applied the following amendments to published standards for the first time for the financial year beginning 1 October 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 standards, amendments to standards or interpretations that are effective for financial year beginning on 1 October 2019 that have a material effect on the financial statements of the Fund.

There are no standards, amendments to standards or interpretations that are effective for financial year beginning on/after 1 October 2020 that are applicable to the financial statements of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 contractual cash flows of the Fund's debt securities are solely payment of principal and interest ("SPPI"). 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 and amount due from Manager 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 payables 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. Deposits with licensed financial institutions 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.

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

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

(c) Income recognition

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

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 currencies

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 Malaysian Ringgit (“MYR”), which is the Fund’s functional and presentation currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balance which is 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 profit earned during the financial year.

(g) Finance cost

A distribution to the Fund's unit holders is accounted for as finance cost in the statement of comprehensive income. A proposed distribution is recognised as a liability in the financial year in which it is approved by the Trustee.

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

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

(i) Unit holders' contributions

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

The Fund issues cancellable units, in six classes of units, known respectively as the Class A, Class B, Class C, Class D, Class E and Class F which are cancelled at the unit holder's option. The units are classified as financial liabilities. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV of respective classes. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the member exercises the right to put back the unit to the Fund.

Units are created and cancelled at the unit holders' option at prices based on the Fund's NAV per unit of respective classes at the close of business on the relevant dealing day. The Fund's NAV per unit of respective classes is calculated by dividing the net assets attributable to unit holders of respective classes with the total number of outstanding units of respective classes.

(j) Realised and unrealised portions of increase/decrease in net assets attributable to unit holders.

The analysis of realised and unrealised portions of increase/decrease in net assets attributable to unit holders as presented on the statement of comprehensive income is prepared in accordance with SC Guidelines on Unit Trust Funds.

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 in applying these accounting policies, no significant judgement was required.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2020			
Cash and cash equivalents (Note 9)	-	20,556	20,556
Deposits with licensed financial institutions (Note 8)	894,655,411	-	894,655,411
Amount due from Manager	-	53,733	53,733
	<u>894,655,411</u>	<u>74,289</u>	<u>894,729,700</u>
2019			
Cash and cash equivalents (Note 9)	-	20,325	20,325
Deposits with licensed financial institutions (Note 8)	547,598,759	-	547,598,759
Amount due from Manager	-	24,700	24,700
	<u>547,598,759</u>	<u>45,025</u>	<u>547,643,784</u>

All financial liabilities are liabilities which are carried at amortised cost.

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

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

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

The Fund's 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.

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

(a) Market risk (continued)

(i) Interest rate risk (continued)

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

As at the end of the financial year, the Fund is not exposed to a material level of interest rate risk.

(b) Credit risk

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

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

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

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Amount due from Manager RM	Total RM
2020				
- AAA	20,556	465,175,334	-	465,195,890
- AA2	-	267,154,164	-	267,154,164
- AA3	-	162,325,913	-	162,325,913
- Not Rated	-	-	53,733	53,733
	<u>20,556</u>	<u>894,655,411</u>	<u>53,733</u>	<u>894,729,700</u>
2019				
- AAA	20,325	186,114,343	-	186,134,668
- AA2	-	308,965,050	-	308,965,050
- AA3	-	52,519,366	-	52,519,366
- Not Rated	-	-	24,700	24,700
	<u>20,325</u>	<u>547,598,759</u>	<u>24,700</u>	<u>547,643,784</u>

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

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

(c) Liquidity risk

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

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

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

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2020			
Accrued management fee	112,311	-	112,311
Amount due to Trustee	7,327	-	7,327
Distribution payable	205,029	-	205,029
Other payables and accruals	-	12,300	12,300
Net assets attributable to unit holders	<u>894,392,733</u>	<u>-</u>	<u>894,392,733</u>
Contractual undiscounted cash flows	<u><u>894,717,400</u></u>	<u><u>12,300</u></u>	<u><u>894,729,700</u></u>
2019			
Accrued management fee	72,694	-	72,694
Amount due to Trustee	4,646	-	4,646
Distribution payable	298,856	-	298,856
Other payables and accruals	-	16,300	16,300
Net assets attributable to unit holders	<u>547,251,288</u>	<u>-</u>	<u>547,251,288</u>
Contractual undiscounted cash flows	<u><u>547,627,484</u></u>	<u><u>16,300</u></u>	<u><u>547,643,784</u></u>

(d) Capital risk management

The capital of the Fund is represented by net assets attributable to unit holders of RM894,392,733 (2019: RM547,251,288). 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.

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

(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 year 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.

(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.

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2020				
Financial assets at fair value through profit or loss:				
- Deposits with licensed financial institutions	-	<u>894,655,411</u>	-	<u>894,655,411</u>
2019				
Financial assets at fair value through profit or loss:				
- Deposits with licensed financial institutions	-	<u>547,598,759</u>	-	<u>547,598,759</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 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, amount due from Manager, 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 for each class, calculated daily based on the NAV of the Fund.

For the financial year ended 30 September 2020 and 30 September 2019, the management fee for the respective classes is recognised at the following rates:

Class A	Class B	Class C	Class D	Class E	Class F
0.35%	0.25%	0.15%	0.20%	0.10%	0.05%

The management fee was charged starting from April 2020 for Class D, Class E and Class F.

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

5. TRUSTEE FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.01% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 30 September 2020, the Trustee fee is recognised at a rate of 0.01% per annum (2019: 0.01% per annum).

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

6. DISTRIBUTIONS

Distributions to unit holders are derived from the following sources:

	2020 RM	2019 RM
Interest income	22,078,196	8,769,527
Distribution equalisation	<u>(25,293)</u>	<u>(105,003)</u>
	22,052,903	8,664,524
Expenses	<u>(1,266,176)</u>	<u>(432,900)</u>
Net distribution amount	<u>20,786,727</u>	<u>8,231,624</u>

6. DISTRIBUTIONS (CONTINUED)

	2020	2019
	RM	RM
Date of distribution		
Gross/Net distribution per unit (sen)		
Distribution on 31 October 2019		
- Class A	0.26	-
- Class B	0.27	-
- Class C	0.28	-
Distribution on 29 November 2019		
- Class A	0.26	-
- Class B	0.26	-
- Class C	0.27	-
Distribution on 31 December 2019		
- Class A	0.26	-
- Class B	0.27	-
- Class C	0.28	-
Distribution on 31 January 2020		
- Class A	0.26	-
- Class B	0.27	-
- Class C	0.28	-
Distribution on 28 February 2020		
- Class A	0.25	-
- Class B	0.25	-
- Class C	0.26	-
Distribution on 31 March 2020		
- Class A	0.31	-
- Class B	0.25	-
- Class C	0.25	-
Distribution on 30 April 2020		
- Class A	0.21	-
- Class B	0.22	-
- Class C	0.23	-
- Class D	0.21	-
- Class E	0.24	-
- Class F	0.23	-
Distribution on 29 May 2020		
- Class A	0.21	-
- Class B	0.23	-
- Class C	0.24	-
- Class D	0.23	-
- Class E	0.24	-
- Class F	0.25	-

6. DISTRIBUTIONS (CONTINUED)

	2020	2019
	RM	RM
Date of distribution		
Gross/Net distribution per unit (sen)		
Distribution on 30 June 2020		
- Class A	0.07	-
- Class B	0.20	-
- Class C	0.20	-
- Class D	0.18	-
- Class E	0.21	-
- Class F	0.21	-
Distribution on 30 July 2020		
- Class A	0.08	-
- Class B	0.17	-
- Class C	0.18	-
- Class D	0.17	-
- Class E	0.19	-
- Class F	0.19	-
Distribution on 28 August 2020		
- Class A	0.04	-
- Class B	0.17	-
- Class C	0.18	-
- Class D	0.18	-
- Class E	0.20	-
- Class F	0.18	-
Distribution on 30 September 2020		
- Class A	0.03	-
- Class B	0.16	-
- Class C	0.17	-
- Class D	0.17	-
- Class E	0.19	-
- Class F	0.16	-
Distribution on 31 October 2018		
- Class A	-	0.29
- Class B	-	0.30
- Class C	-	0.31
Distribution on 30 November 2018		
- Class A	-	0.32
- Class B	-	0.30
- Class C	-	0.31
Distribution on 31 December 2018		
- Class A	-	0.22
- Class B	-	0.24
- Class C	-	0.25

6. DISTRIBUTIONS (CONTINUED)

	2020	2019
	RM	RM
Date of distribution		
Gross/Net distribution per unit (sen)		
Distribution on 31 January 2019		
- Class A	-	0.26
- Class B	-	0.28
- Class C	-	0.29
Distribution on 28 February 2019		
- Class A	-	0.26
- Class B	-	0.27
- Class C	-	0.28
Distribution on 29 March 2019		
- Class A	-	0.33
- Class B	-	0.31
- Class C	-	0.32
Distribution on 30 April 2019		
- Class A	-	0.28
- Class B	-	0.30
- Class C	-	0.31
Distribution on 31 May 2019		
- Class A	-	0.30
- Class B	-	0.31
- Class C	-	0.32
Distribution on 28 June 2019		
- Class A	-	0.27
- Class B	-	0.28
- Class C	-	0.29
Distribution on 31 July 2019		
- Class A	-	0.27
- Class B	-	0.28
- Class C	-	0.29
Distribution on 30 August 2019		
- Class A	-	0.27
- Class B	-	0.28
- Class C	-	0.28
Distribution on 30 September 2019		
- Class A	-	0.27
- Class B	-	0.27
- Class C	-	0.27

6. DISTRIBUTIONS (CONTINUED)

	2020	2019
	RM	RM
Total Distribution		
Gross/Net distribution per unit (sen)		
- Class A	2.24	3.34
- Class B	2.72	3.42
- Class C	2.82	3.52
- Class D	1.14	-
- Class E	1.27	-
- Class F	1.22	-

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

Gross distribution per unit is derived from gross realised income less expenses, divided by the number of units in circulation. Net distribution per unit is derived from gross realised income less expenses and taxation, divided by the number of units in circulation.

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 gain or income available for distribution.

7. TAXATION

	2020	2019
	RM	RM
Tax charged for the financial year		
- Current taxation	-	-

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:

	2020	2019
	RM	RM
Profit before taxation	24,963	98,167
Taxation at Malaysian statutory rate of 24%	5,991	23,560
Tax effects of:		
Income not subject to tax	(5,298,815)	(2,103,733)
Expenses not deductible for tax purposes	5,008,947	1,983,627
Restriction on tax deductible expenses for Unit Trust Funds	283,877	96,546
Taxation	-	-

PRINCIPAL DEPOSIT FUND 2
(formerly known as CIMB-Principal Deposit Fund 2)

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RM	RM
At fair value through profit or loss at inception:		
- Deposits with licensed financial institutions*	894,655,411	547,598,759

* Includes interest receivable of RM6,108,411 (2019: RM4,685,759).

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

	2020	2019
	%	%
Deposits with licensed financial institutions	2.29	3.52

Deposits with licensed financial institutions of the Fund have an average maturity of 86 days (2019: 85 days).

9. CASH AND CASH EQUIVALENTS

	2020	2019
	RM	RM
Bank balance	20,556	20,325

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2020	2019
	No. of units	No. of units
Class A (i)	618	604
Class B (ii)	28,739,731	35,286,960
Class C (iii)	865,649,358	511,967,353
Class D (iv)	1,012	-
Class E (v)	1,013	-
Class F (vi)	1,012	-
	894,392,744	547,254,917

(i) Class A

	2020	2019
	No. of units	No. of units
At the beginning of the financial year	604	584
Add: Creation of units from applications	449,650	-
Add: Creation of units from distributions	3,030	20
Less: Cancellation of units	(452,666)	-
At the end of the financial year	618	604

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

(ii) Class B

	2020	2019
	No. of units	No. of units
At the beginning of the financial year	35,286,960	10,766,051
Add: Creation of units from applications	26,688,675	33,533,876
Add: Creation of units from distributions	997,609	1,040,437
Less: Cancellation of units	(34,233,513)	(10,053,404)
At the end of the financial year	28,739,731	35,286,960

(iii) Class C

	2020	2019
	No. of units	No. of units
At the beginning of the financial year	511,967,353	148,957,158
Add: Creation of units from applications	426,661,310	460,033,276
Add: Creation of units from distributions	16,980,743	3,651,473
Less: Cancellation of units	(89,960,048)	(100,674,554)
At the end of the financial year	865,649,358	511,967,353

(iv) Class D

	2020
	No. of units
At the beginning of the financial year	-
Add: Creation of units from applications	1,000
Add: Creation of units from distributions	12
At the end of the financial year	1,012

(v) Class E

	2020
	No. of units
At the beginning of the financial year	-
Add: Creation of units from applications	1,000
Add: Creation of units from distributions	13
At the end of the financial year	1,013

(vi) Class F

	2020
	No. of units
At the beginning of the financial year	-
Add: Creation of units from applications	1,000
Add: Creation of units from distributions	12
At the end of the financial year	1,012

11. MANAGEMENT EXPENSE RATIO (“MER”)

	2020	2019
	%	%
MER	0.17	0.18

MER is derived from the following calculation:

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

- A = Management fee
- B = Trustee fee
- C = Audit fee
- D = Tax agent's fee
- E = Other expenses
- F = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial period calculated on a daily basis is RM756,521,809 (2019: RM242,118,170).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2020	2019
PTR (times)	10.46	7.31

PTR is derived from the following calculation:

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

where:

total placements for the financial year = RM8,133,287,000 (2019: RM2,001,199,000)

total maturity for the financial year = RM7,694,942,000 (2019: RM1,540,089,348)

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	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 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

	<u>2020</u>		<u>2019</u>
	<u>No. of units</u>	<u>RM</u>	<u>No. of units</u>
			<u>RM</u>
Manager			
Principal Asset Management Berhad			
- Class A	618	618	604
- Class B	1,855	1,855	1,276
- Class C	21,765	21,763	1,106
- Class D	1,012	1,012	-
- Class E	1,013	1,013	-
- Class F	1,012	1,012	-

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.

PRINCIPAL DEPOSIT FUND 2
(formerly known as CIMB-Principal Deposit Fund 2)

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

	2020	2019
	RM	RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institutions:		
- CIMB Bank Bhd	1,299,861	778,743
- CIMB Islamic Bank Bhd	1,456,950	562,630
	2,756,811	1,341,373
<u>Significant related party balances</u>		
Bank balances:		
- CIMB Bank Bhd	20,556	20,325
Deposits with licensed financial institutions:		
- CIMB Bank Bhd	100,477,774	241,343,000
- CIMB Islamic Bank Bhd	70,630,959	40,000,000
	171,108,733	281,343,000

14. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with the top 10 financial institutions for the financial year ended 30 September 2020 are as follows:

Financial Institutions	Value of placements	Percentage of total placements
	RM	%
Malayan Banking Bhd	3,235,176,000	39.78
Hong Leong Bank Bhd	1,748,587,000	21.50
Public Bank Bhd	731,680,000	9.00
AmBank (M) Bhd	409,256,000	5.03
CIMB Bank Bhd #	397,234,000	4.88
Public Islamic Bank Bhd	340,351,000	4.18
CIMB Islamic Bank Bhd #	278,430,000	3.42
Hong Leong Islamic Bank Bhd	260,505,000	3.20
RHB Bank Bhd	222,500,000	2.74
RHB Islamic Bank Bhd	178,021,000	2.19
Others	331,547,000	4.08
	8,133,287,000	100.00

14. TRANSACTIONS WITH FINANCIAL INSTITUTIONS (CONTINUED)

Details of transactions with the top 10 financial institutions for the financial year ended 30 September 2019 are as follows:

Financial Institutions	Value of placements RM	Percentage of total placements %
Hong Leong Bank Bhd	467,089,000	23.34
Malayan Banking Bhd	463,223,000	23.15
Public Bank Bhd	244,694,000	12.23
CIMB Bank Bhd #	241,343,000	12.06
AmBank Bhd	142,572,000	7.12
Hong Leong Islamic Bank Bhd	86,500,000	4.32
Amlslamic Bank Bhd	67,841,000	3.39
RHB Islamic Bank Bhd	64,500,000	3.22
RHB Bank Bhd	61,010,000	3.05
Public Islamic Bank Bhd	52,129,000	2.60
Others #	110,298,000	5.52
	2,001,199,000	100.00

Included in the transactions are trades conducted with CIMB Bank Bhd and CIMB Islamic Bank Bhd, fellow related parties to the Manager amounting to RM397,234,000 (2019: RM241,343,000) and RM278,430,000 (2019: RM40,000,000) respectively. The Manager is of the opinion that all transactions with the related companies have been entered into in the normal

15. SUBSEQUENT EVENTS

The Manager proposed for the payment of a gross distribution of 0.96 sen per unit in respect of the month of October 2020, which has been approved by the Trustee. The distribution will be accounted for in the net assets attributable to unit holders as an appropriation of the retained earnings for the financial year ending 30 September 2021.

16. SIGNIFICANT EVENT DURING THE YEAR

The worsening macro-economic outlook as a result of COVID-19, both domestically and globally, has impacted the Fund's performance during the financial year.

The Manager is monitoring the situation closely and will be managing the portfolio to achieve the Fund's objective.

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 12 November 2020.

DIRECTORY

Head Office of the Manager

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

Customer Care Centre

(03) 7718 3000

Trustee for the Principal Deposit Fund 2 (formerly known as *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

Auditors of the Fund and of the Manager

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146)
Level 10, 1 Sentral,
Jalan Rakyat, Kuala Lumpur Sentral,
PO Box 10192, 50706 Kuala Lumpur, MALAYSIA.
Tel: (03) 2173 1188
Fax: (03) 2173 1288