

**PRINCIPAL DEPOSIT FUND 2**

**INTERIM REPORT**

**FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2022**

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## INVESTORS' LETTER

Dear Valued Investor,

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

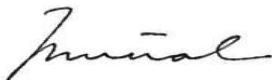
We are pleased to bring you a copy of the Interim Fund Report of the Principal Deposit Fund 2 for the financial period ended 31 March 2022. You may also download this report from our website at [www.principal.com.my](http://www.principal.com.my).

We are pleased to share that we continue to win accolades – the most recent recognition coming from the Refinitiv Lipper Fund Awards 2022 with four awards where Principal Asia Titans Fund won the Best Equity Asia Pacific ex-Japan fund award over 10 years (Malaysia Pension Funds Awards) and Principal Islamic Asia Pacific Dynamic Equity Fund won the Best Equity Asia Pacific ex-Japan fund award in the three-, five-, and 10-year categories (Malaysia Islamic Funds Awards). Principal also won two awards for Best Asset Manager Malaysia and Best Equity Fund Manager Malaysia at the International Business Magazine Awards 2022.

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

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

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



**Munirah Khairuddin**  
Chief Executive Officer

**MANAGER’S REPORT**

**FUND OBJECTIVE AND POLICY**

**What is the investment objective of the Fund?**

The Fund aims to provide 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 period under review, the Fund was 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 NAV in Deposits. 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. We will manage the portfolio actively with trading frequency that will depend on the view of the interest rate outlook. The investment policy and strategy is to invest in liquid and low risk short-term investments for capital preservation\* and to accommodate the short-term cash flow requirements of its unit holders.

\* The Fund is neither a capital guaranteed fund nor a capital protected fund within the definition in the SC Guidelines on Unit Trust Funds (“GUTF”).

Asset Allocation

- At least 70% of the Fund’s NAV in Deposits;
- 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?**

<b>Name of Class</b>	<b>Formerly known as</b>	<b>Launch date</b>
Class AI	Class A	19 June 2017
Class BI*	Class B	19 June 2017
Class BR*	N/A	Effective date*
Class CI	Class C	19 June 2017
Class DI	Class D	01 April 2020
Class EI	Class E	01 April 2020
Class FI	Class F	01 April 2020

\*With effect from 10 June 2021, Class B have been split into Class BI and BR where individual unit holders in Class B will be redesignated to Class BR.

**What was the size of the Fund as of 31 March 2022?**

RM9.14 million (9.11 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 period from 1 October 2021 to 31 March 2022?**

The Fund distributed a total net income of RM2.92 million to unit holders for the financial period from 1 October 2021 to 31 March 2022.

The Fund's NAV per unit were as follows:

<b>Date</b>	<b>NAV per unit (before distribution) RM</b>	<b>NAV per unit (after distribution) RM</b>
29.10.2021		
- Class AI	1.0012	1.0000
- Class BI	1.0014	1.0000
- Class BR	1.0014	1.0000
- Class CI	1.0014	1.0000
- Class DI	1.0013	1.0000
- Class EI	1.0015	1.0000
- Class FI	1.0014	1.0000
30.11.2021		
- Class AI	1.0010	1.0000
- Class BI	1.0013	1.0000
- Class BR	1.0013	1.0000
- Class CI	1.0014	1.0000
- Class DI	1.0012	1.0000
- Class EI	1.0014	1.0000
- Class FI	1.0013	1.0000
31.12.2021		
- Class AI	1.0011	1.0000
- Class BI	1.0014	1.0000
- Class BR	1.0013	1.0000
- Class CI	1.0014	1.0000
- Class DI	1.0012	1.0000
- Class EI	1.0014	1.0000
- Class FI	1.0014	1.0000
31.01.2022		
- Class BI	1.0011	1.0011
- Class BR	1.0011	1.0011
- Class CI	1.0013	1.0011
28.02.2022		
- Class BI	1.0024	1.0024
- Class BR	1.0024	1.0024
- Class CI	1.0002	1.0002

**FUND OBJECTIVE AND POLICY (CONTINUED)**

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

Date	NAV per unit (before distribution)	NAV per unit (after distribution)
	RM	RM
31.03.2022		
- Class BI	1.0038	1.0038
- Class BR	1.0038	1.0038
- Class CI	1.0017	1.0017

**PERFORMANCE DATA**

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

	31.03.2022	31.03.2021	31.03.2020
		%	%
Deposits with licensed financial institutions	99.91	100.04	100.04
Cash and other assets	0.37	0.01	0.01
Liabilities	(0.28)	(0.05)	(0.05)
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	31.03.2022	31.03.2021	31.03.2020
NAV (RM Million)*			
- Class AI	0.00*	0.05	0.00*
- Class BI	8.56	28.86	37.26
- Class BR	0.56	-	-
- Class CI	0.02	766.23	730.54
- Class DI	0.00*	0.00*	-
- Class EI	0.00*	0.00*	-
- Class FI	0.00*	0.00*	-
Units in circulation (Million)			
- Class AI	0.00*	0.05	0.00*
- Class BI	8.52	28.86	37.26
- Class BR	0.56	-	-
- Class CI	0.02	766.23	730.54
- Class DI	0.00*	0.00*	-
- Class EI	0.00*	0.00*	-
- Class FI	0.00*	0.00*	-
NAV per unit (RM)*			
- Class AI	1.0031	1.0000	1.0000
- Class BI	1.0038	1.0000	0.9999
- Class BR	1.0038	1.0000	-
- Class CI	1.0017	1.0000	0.9999
- Class DI	1.0038	1.0000	-
- Class EI	1.0038	1.0000	-
- Class FI	1.0048	1.0000	-

Note: 0.00\* denotes value/unit count less than 0.01

**PERFORMANCE DATA**

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

	<b>01.10.2021 to 31.03.2022</b>	<b>01.10.2020 to 31.03.2021</b>	<b>01.10.2019 to 31.03.2020</b>
Highest NAV per unit (RM)			
- Class AI	1.0034	1.0016	1.0031
- Class BI	1.0038	1.0016	1.0026
- Class BR	1.0038	-	-
- Class CI	1.0025	1.0017	1.0027
- Class DI	1.0038	1.0015	-
- Class EI	1.0044	1.0018	-
- Class FI	1.0039	1.0018	-
Lowest NAV per unit (RM)*			
- Class AI	1.0000	1.0000	1.0000
- Class BI	1.0000	1.0000	0.9999
- Class BR	1.0000	-	-
- Class CI	1.0000	1.0000	0.9999
- Class DI	1.0000	0.9990	-
- Class EI	1.0000	1.0000	-
- Class FI	1.0000	1.0000	-
Total return (%)			
- Class AI	0.68	0.82	1.61
- Class BI	0.80	0.98	1.58
- Class BR	0.79	-	-
- Class CI	0.63	1.03	1.63
- Class DI	0.77	0.97	-
- Class EI	0.89	1.09	-
- Class FI	0.81	1.0018	-
- Capital growth (%)			
- Class AI	0.34	-	-
- Class BI	0.38	-	-
- Class BR	0.38	-	-
- Class CI	0.17	-	-
- Class DI	0.37	-	-
- Class EI	0.44	-	-
- Class FI	0.39	-	-
- Income distribution (%)			
- Class AI	0.34	0.82	1.61
- Class BI	0.41	0.98	1.58
- Class BR	0.41	-	-
- Class CI	0.46	1.03	1.63
- Class DI	0.40	0.97	-
- Class EI	0.45	1.09	-
- Class FI	0.42	1.0018	-

\*Ex-distribution

Total Expense Ratio ("TER") (%) ^	0.09	0.08	0.08
Portfolio Turnover Ratio ("PTR") (times) #	15.28	4.63	5.83

^ For the financial period under review, the Fund's TER increased from 0.08% to 0.09% mainly due to decrease in average NAV.

# The Fund's PTR increased from 4.63 times to 15.28 times reflecting the higher number of transactions recorded for the period under review.

PERFORMANCE DATA (CONTINUED)

	01.10.2021 to 31.03.2022	01.10.2020 to 31.03.2021	01.10.2019 to 31.03.2020
<b>Gross/Net distribution per unit (sen)</b>			
Distribution on 29 October 2021			
- Class AI	0.12	-	-
- Class BI	0.14	-	-
- Class BR	0.14	-	-
- Class CI	0.15	-	-
- Class DI	0.14	-	-
- Class EI	0.15	-	-
- Class FI	0.14	-	-
Distribution on 30 November 2021			
- Class AI	0.11	-	-
- Class BI	0.13	-	-
- Class BR	0.13	-	-
- Class CI	0.14	-	-
- Class DI	0.13	-	-
- Class EI	0.15	-	-
- Class FI	0.14	-	-
Distribution on 31 December 2021			
- Class AI	0.11	-	-
- Class BI	0.14	-	-
- Class BR	0.13	-	-
- Class CI	0.14	-	-
- Class DI	0.13	-	-
- Class EI	0.15	-	-
- Class FI	0.14	-	-
Distribution on 31 January 2022			
- Class BI	0.00*	-	-
- Class BR	0.00*	-	-
- Class CI	0.02	-	-
Distribution on 28 February 2022			
- Class BI	0.00*	-	-
- Class BR	0.00*	-	-
- Class CI	0.00*	-	-
Distribution on 31 March 2022			
- Class BI	0.00*	-	-
- Class BR	0.00*	-	-
- Class CI	0.00*	-	-
Distribution on 30 October 2020			
- Class A	-	0.06	-
- Class B	-	0.17	-
- Class C	-	0.18	-
- Class D	-	0.17	-
- Class E	-	0.19	-
- Class F	-	0.19	-
Distribution on 30 November 2020			
- Class A	-	0.15	-
- Class B	-	0.17	-
- Class C	-	0.18	-
- Class D	-	0.16	-
- Class E	-	0.18	-
- Class F	-	0.19	-

Note: 0.00\* denotes unit value less than 0.01.



## PERFORMANCE DATA (CONTINUED)

	01.10.2021 to 31.03.2022	01.10.2020 to 31.03.2021	01.10.2019 to 31.03.2020
<b>Gross/Net distribution per unit (sen)</b>			
Distribution on 31 December 2020			
- Class A	-	0.15	-
- Class B	-	0.16	-
- Class C	-	0.17	-
- Class D	-	0.16	-
- Class E	-	0.18	-
- Class F	-	0.17	-
Distribution on 29 January 2021			
- Class A	-	0.16	-
- Class B	-	0.17	-
- Class C	-	0.17	-
- Class D	-	0.16	-
- Class E	-	0.18	-
- Class F	-	0.18	-
Distribution on 26 February 2021			
- Class A	-	0.14	-
- Class B	-	0.15	-
- Class C	-	0.16	-
- Class D	-	0.16	-
- Class E	-	0.17	-
- Class F	-	0.15	-
Distribution on 31 March 2021			
- Class A	-	0.16	-
- Class B	-	0.16	-
- Class C	-	0.17	-
- Class D	-	0.16	-
- Class E	-	0.18	-
- Class F	-	0.15	-
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 30 March 2020			
- Class A	-	-	0.31
- Class B	-	-	0.25
- Class C	-	-	0.25

**PERFORMANCE DATA (CONTINUED)**

	31.03.2022	31.03.2021 %	31.03.2020 %	31.03.2019 %	Since inception to 31.03.2018 %
Annual total return					
- Class AI	1.43	10.91	3.32	3.50	5.80
- Class BI	1.67	11.81	3.34	3.57	5.91
- Class BR*	1.66	-	-	-	-
- Class CI	1.55	12.65	3.43	3.68	6.52

(Launch date: 19 June 2017)

	31.03.2022	Since inception to 31.03.2021 %
Annual total return		
- Class DI	1.62	2.13
- Class EI	1.85	2.38
- Class FI	1.74	2.25

(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 period have been extracted from Lipper.

**MARKET REVIEW (1 OCTOBER 2021 TO 31 MARCH 2022)**

Bank Negara Malaysia (“BNM”) kept its Overnight Policy Rate (“OPR”) unchanged at 1.75% as widely expected in its Marginal Propensity to Consume meeting on 3 March 2022. The official policy statement appears to be neutral suggesting there is no plan for an immediate rate hike. Bank Negara Malaysia maintained their view that both the global and domestic economy would continue to recover and strengthen in 2022 but highlighted new risk from the ongoing Russia-Ukraine conflict that could tilt the outlook to the downside.

In February 2022, headline Consumer Price Index (“CPI”) moderated to 2.2% Year on Year (“YoY”) as compared to January’s 2022 CPI of 2.3% and market consensus of 2.4% amid a slowdown in cost of transport but inflation was unchanged for both alcoholic beverages & tobacco and education. Meanwhile, food prices went up the most since January 2018.

The Malaysian economy registered a positive growth of 3.6% in the fourth quarter of 2021 (3Q 2021: -4.5%), as economic activities resumed with the easing of containment measures. The rebound in economic activity was aided by recovery in the labour market as well as continued policy support. In addition, strong external demand amid the continued upcycle in global technology provided a further lift to growth. On the supply side, all economic sectors recorded improvements in growth, led by the services and manufacturing sectors. On the expenditure side, growth was driven mainly by the improvement in household spending and trade activity. On a quarter-on-quarter seasonally-adjusted basis, the economy registered an increase of 6.6% (3Q 2021: -3.6%). With the turnaround in growth in the fourth quarter, the economy grew by 3.1% for 2021 as a whole, and the unemployment rate declined to 4.6%.

**FUND PERFORMANCE**

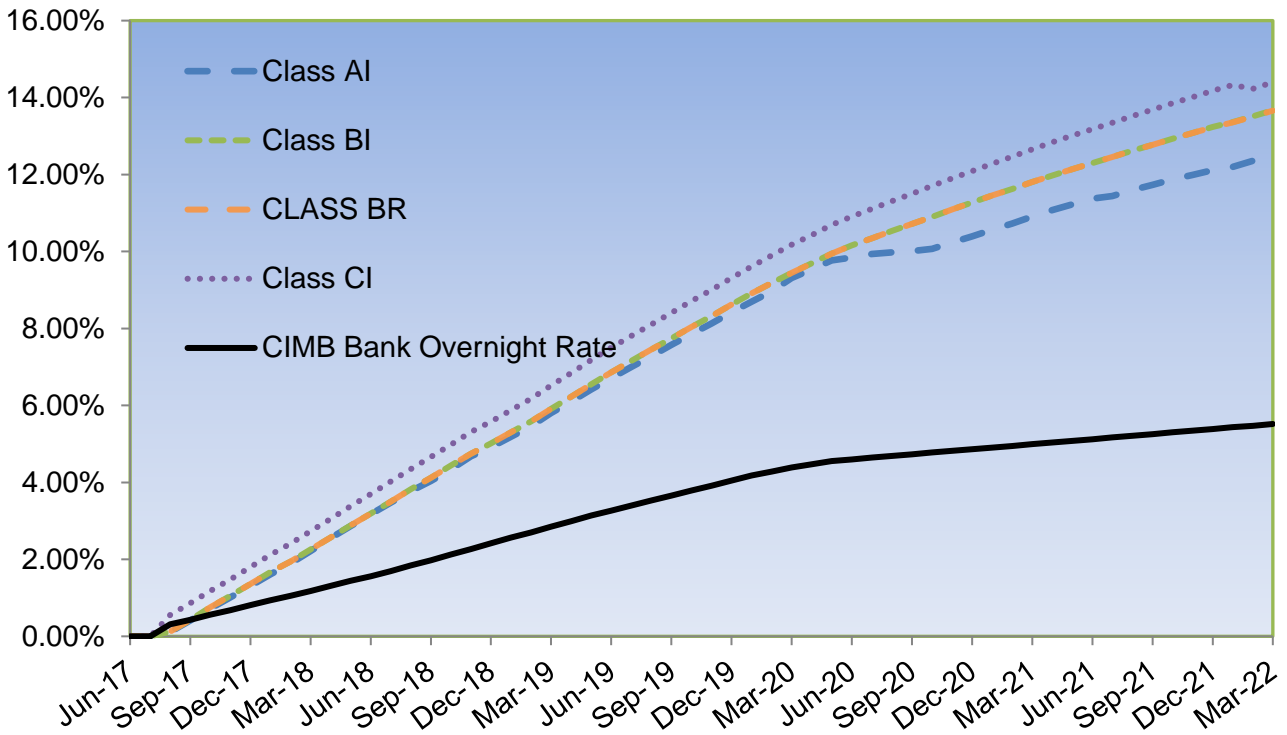
<b>6 Month to 31.03.2022</b>							
	<b>Class AI</b>	<b>Class BI</b>	<b>Class BR</b>	<b>Class CI</b>	<b>Class DI</b>	<b>Class EI</b>	<b>Class FI</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Income							
Distribution	0.34	0.41	0.41	0.46	0.40	0.45	0.42
Capital Growth	0.34	0.38	0.38	0.17	0.37	0.44	0.39
Total Return	0.68	0.80	0.79	0.63	0.77	0.89	0.81
Benchmark	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Average Total Return	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>1 years to 31.03.2022</b>							
	<b>Class AI</b>	<b>Class BI</b>	<b>Class BR</b>	<b>Class CI</b>	<b>Class DI</b>	<b>Class EI</b>	<b>Class FI</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Income							
Distribution	1.09	1.28	1.27	1.38	1.24	1.41	1.34
Capital Growth	0.34	0.38	0.38	0.17	0.37	0.44	0.39
Total Return	1.43	1.67	1.66	1.55	1.62	1.85	1.74
Benchmark	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Average Total Return	1.43	1.67	1.66	1.55	1.62	1.85	1.74
<b>3 years to 31.03.2022</b>							
	<b>Class AI</b>	<b>Class BI</b>	<b>Class BR</b>	<b>Class CI</b>	<b>Class DI</b>	<b>Class EI</b>	<b>Class FI</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Income							
Distribution	5.97	6.92	6.91	7.21	N/A	N/A	N/A
Capital Growth	0.34	0.38	0.38	0.17	-	-	-
Total Return	6.33	7.32	7.31	7.40	N/A	N/A	N/A
Benchmark	2.59	2.59	2.59	2.59	N/A	N/A	N/A
Average Total Return	2.07	2.38	2.38	2.41	N/A	N/A	N/A
<b>Since inception to 31.03.2022</b>							
	<b>Class AI</b>	<b>Class BI</b>	<b>Class BR</b>	<b>Class CI</b>	<b>Class DI</b>	<b>Class EI</b>	<b>Class FI</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Income							
Distribution	12.12	13.24	13.23	14.20	3.40	3.82	3.62
Capital Growth	0.34	0.38	0.38	0.17	0.37	0.44	0.39
Total Return	12.50	13.67	13.66	14.40	3.78	4.27	4.03
Benchmark	5.52	5.52	5.52	5.52	1.08	1.08	1.08
Average Total Return	2.49	2.71	2.71	2.85	1.87	2.12	1.99

For the 6-month period under review, the Fund's Class AI, BI, BR, CI, DI, EI, FI gave return of 0.68%, 0.80%, 0.79%, 0.63%, 0.77%, 0.89% and 0.81% respectively. Since inception until to 31 March 2012, the Fund's Class AI, BI, BR, CI, DI, EI, FI has delivered return of 12.50%, 13.67%, 13.66%, 14.40%, 3.78%, 4.27% and 4.03% respectively.

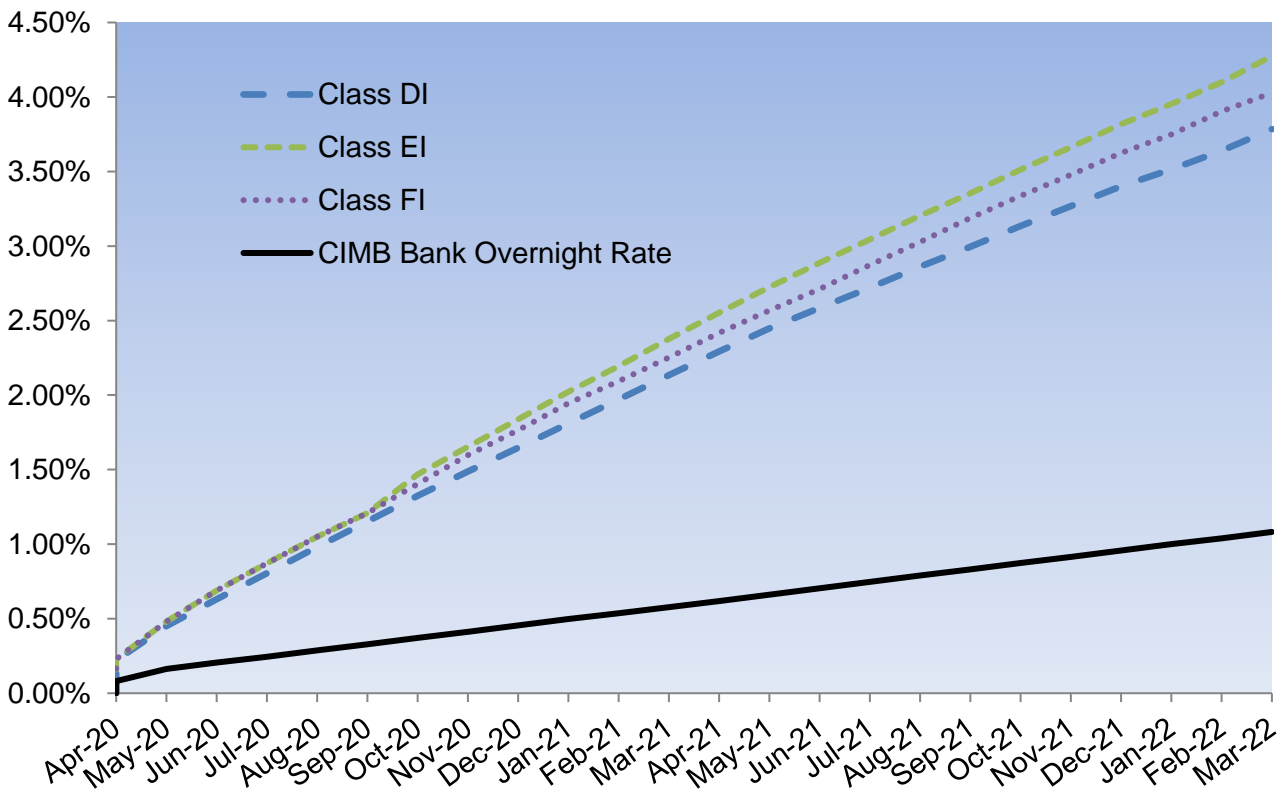
**FUND PERFORMANCE (CONTINUED)**

**Since inception**

**Class AI, BI, BR & CI**



**Class DI, EI & FI**



**FUND PERFORMANCE (CONTINUED)**

**Changes in NAV**

	<b>31.03.2022</b>	<b>30.09.2021</b>	<b>Changes</b>
<b>Class AI</b>		<b>Audited</b>	<b>%</b>
NAV (RM Million)*	0.00*	0.00*	0.80
NAV/Unit (RM)*	1.0031	1.0000	0.31
<b>Class BI</b>			
NAV (RM Million)*	8.56	25.57	(66.53)
NAV/Unit (RM)*	1.0038	1.0000	0.38
<b>Class BR</b>			
NAV (RM Million)*	0.56	0.55	0.41
NAV/Unit (RM)*	1.0038	1.0000	0.38
<b>Class CI</b>			
NAV (RM Million)*	0.02	746.63	(100.00)
NAV/Unit (RM)*	1.0017	1.0000	0.17
<b>Class DI</b>			
NAV (RM Million)*	0.00*	0.00*	0.78
NAV/Unit (RM)*	1.0038	1.0000	0.38
<b>Class EI</b>			
NAV (RM Million)*	0.00*	0.00*	0.87
NAV/Unit (RM)*	1.0038	1.0000	0.38
<b>Class FI</b>			
NAV (RM Million)*	0.00*	0.00*	0.78
NAV/Unit (RM)*	1.0048	1.0000	0.48

\*Ex-distribution

Note: 0.00\* denotes unit count less than 0.01 million.

The Fund's NAV decreased by 98.82% from RM772.75 million on 30 September 2021 to RM9.14 million on 31 March 2022

**PORTFOLIO STRUCTURE**

**Asset allocation**

(% of NAV)	<b>31.03.2022</b>	<b>31.03.2021</b>
		<b>Audited</b>
Deposits with licensed financial institutions	99.91	100.04
Cash and other assets	0.37	0.01
Liabilities	(0.28)	(0.05)
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

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

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.

**MARKET OUTLOOK\***

BNM kept the benchmark OPR at 1.75% citing continued strength in global demand, supply chain disruptions, higher commodity prices and labour shortages, hence driving inflation higher globally. BNM maintained their view that both the global and domestic economy would continue to recover and strengthen in 2022 but highlighted new risk from the ongoing Russia-Ukraine conflict that could tilt the outlook to the downside.

We are expecting at least one hike in 2022, when the economic recovery is more entrenched, and the slack of the labour market has improved to close the output gap as most sectors were reopened and movement restriction was eased.

\*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.

**UNIT HOLDINGS STATISTICS**

Breakdown of unit holdings by size as at 31 March 2022 were as follows:

**CLASS AI**

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	-	-	-
<b>Total</b>	<b>1</b>	<b>0.00</b>	<b>100.00</b>

**CLASS BI**

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	8.52	100.00
<b>Total</b>	<b>2</b>	<b>8.52</b>	<b>100.00</b>

Note: 0.00\* denotes unit count less than 0.01 million.

**UNIT HOLDINGS STATISTICS (CONTINUED)**

Breakdown of unit holdings by size as at 31 March 2022 are as follows: (continued)

**CLASS BR**

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	-	0.00*	0.00*
5,001-10,000	-	-	-
10,001-50,000	-	-	-
50,001-500,000	-	-	-
500,001 and above	1	0.56	100.00
<b>Total</b>	<b>1</b>	<b>0.56</b>	<b>100.00</b>

**CLASS CI**

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	100.00
50,001-500,000	-	-	-
500,001 and above	-	-	-
<b>Total</b>	<b>1</b>	<b>0.02</b>	<b>100.00</b>

**CLASS DI**

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	-	-	-
<b>Total</b>	<b>1</b>	<b>0.00*</b>	<b>100.00</b>

**CLASS EI**

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	-	-	-
<b>Total</b>	<b>1</b>	<b>0.00*</b>	<b>100.00</b>

Note: 0.00\* denotes unit count less than 0.01 million.

**UNIT HOLDINGS STATISTICS (CONTINUED)**

Breakdown of unit holdings by size as at 31 March 2022 are as follows: (continued)

**CLASS FI**

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	-	-	-
<b>Total</b>	<b>1</b>	<b>0.00*</b>	<b>100.00</b>

Note: 0.00\* denotes unit count less than 0.01 million.

**SOFT COMMISSIONS AND REBATES**

Principal Asset Management Berhad (the “Manager”) and the Trustee will not retain any form of rebate or soft commission from, or otherwise share in any commission with, any broker in consideration for directing dealings in the investments of the Principal Malaysia Funds (“Funds”) unless the soft commission received is retained in the form of goods and services such as research and advisory services that assist in the decision making process relating to the Fund’s investments. All dealings with brokers are executed on most favourable terms available for the Fund. Any rebates will be directed to the account of the Fund.

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

**SECURITIES FINANCING TRANSACTIONS**

The Fund has not undertaken any securities lending or repurchase transactions during the financial period under review.

**STATE OF AFFAIR OF THE FUND**

There is neither any significant change to the state affairs of the Fund nor any circumstances that materially affect any interest of the unit holders during the financial period under review.

**CROSS TRADE**

No cross trade transactions have been carried out during the financial period under review.



**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF  
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 unaudited financial statements set out on pages 16 to 38 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 March 2022 and of its financial performance, changes in net assets attributable to unit holders and cash flows for the financial period then ended in accordance with the 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.: 199401018399 (304078-K))**

**MUNIRAH KHAIRUDDIN**  
Chief Executive Officer/Executive Director

**JUAN IGNACIO EYZAGUIRRE BARAONA**  
Director

Kuala Lumpur  
17 May 2022

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

We have acted as the Trustee of Principal Deposit Fund 2 (the "Fund") for the financial period ended 31 March 2022. 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 Deed, the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation or pricing is carried out in accordance with the Deed of the Fund and applicable regulatory requirements; and
- (c) creation and cancellation of units have been carried out in accordance with the Deed of the Fund and applicable regulatory requirements.

During the financial period, a total distribution of 2.88 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  
17 May 2022

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2022**

	Note	01.10.2021 to 31.03.2022 RM	01.10.2020 to 31.03.2021 RM
<b>INCOME</b>			
Interest income		<u>3,509,689</u>	<u>8,301,778</u>
<b>EXPENSES</b>			
Management fee	4	291,842	574,160
Trustee fee	5	18,885	37,266
Audit fee		8,567	4,556
Tax Agent's fee		9,174	5,517
Other expenses		<u>2,169</u>	<u>1,991</u>
		<u>330,637</u>	<u>623,490</u>
<b>PROFIT BEFORE DISTRIBUTION AND TAXATION</b>		3,179,052	7,678,288
Distribution (excluding increase in net assets attributable to unit holders):			
- Class AI		18	536
- Class BI		93,696	323,365
- Class BR		2,249	-
- Class CI		2,824,261	7,373,845
- Class DI		4	10
- Class EI		5	11
- Class FI		<u>4</u>	<u>10</u>
	6	<u>2,920,237</u>	<u>7,697,777</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		258,815	(19,489)
Taxation	7	<u>-</u>	<u>-</u>
<b>PROFIT/(LOSS) AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD</b>		<u>258,815</u>	<u>(19,489)</u>
Profit/(Loss) after taxation is made up as follows:			
Realised amount		<u>258,815</u>	<u>(19,489)</u>

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2022**

		<b>31.03.2022</b>	<b>30.09.2021</b>
		<b>RM</b>	<b>Audited RM</b>
	<b>Note</b>		
<b>ASSETS</b>			
Cash and cash equivalents	<b>9</b>	33,926	20,698
Financial assets at fair value through profit or loss	<b>8</b>	9,133,072	773,049,497
Amount due from Manager		-	31,340
<b>TOTAL ASSETS</b>		<u>9,166,998</u>	<u>773,101,535</u>
<b>LIABILITIES</b>			
Accrued management fee		1,939	97,649
Amount due to Trustee		85	6,357
Distribution payable		-	236,405
Other payables and accruals		23,321	10,999
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)</b>		<u>25,345</u>	<u>351,410</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>9,141,653</u>	<u>772,750,125</u>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>9,141,653</u>	<u>772,750,125</u>

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

STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT 31 MARCH 2022

	Note	31.03.2022 RM	30.09.2021 Audited RM
<b>REPRESENTED BY:</b>			
<b>FAIR VALUE OF OUTSTANDING UNITS</b>			
- Class AI		631	627
- Class BI		8,556,788	25,566,585
- Class BR		558,182	553,795
- Class CI		22,930	746,626,023
- Class DI		1,038	1,030
- Class EI		1,043	1,033
- Class FI		1,041	1,032
		<u>9,141,653</u>	<u>772,750,125</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>			
- Class AI		629	627
- Class BI		8,523,940	25,566,399
- Class BR		556,040	553,791
- Class CI		22,889	746,620,604
- Class DI		1,034	1,030
- Class EI		1,039	1,033
- Class FI		1,036	1,032
	<b>10</b>	<u>9,106,607</u>	<u>772,744,516</u>
<b>NET ASSET VALUE PER UNIT (RM) (EX-DISTRIBUTION)</b>			
- Class AI		1.0031	1.0000
- Class BI		1.0038	1.0000
- Class BR		1.0038	1.0000
- Class CI		1.0017	1.0000
- Class DI		1.0038	1.0000
- Class EI		1.0038	1.0000
- Class FI		1.0038	1.0000
		<u>1.0038</u>	<u>1.0000</u>

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

**UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2022**

	<b>01.10.2021 to 31.03.2022</b>	<b>01.10.2020 to 31.03.2021</b>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<u>772,750,125</u>	<u>894,392,733</u>
Movement due to units created and cancelled during the financial period:		
Creation of units from applications		
- Class AI	14,500	130,000
- Class BI	9,456,961	31,101,000
- Class CI	<u>20,091,400</u>	<u>124,585,050</u>
	<u>29,562,861</u>	<u>155,816,050</u>
Creation of units from distribution		
- Class AI	18	536
- Class BI	93,696	323,365
- Class BR	2,249	
- Class CI	2,332,135	5,983,315
- Class DI	4	10
- Class EI	5	11
- Class FI	<u>4</u>	<u>10</u>
	<u>2,428,111</u>	<u>6,307,247</u>
Cancellation of units		
- Class AI	(14,508)	(80,343)
- Class BI	(26,601,541)	(31,277,734)
- Class CI	<u>(769,242,210)</u>	<u>(230,000,000)</u>
	<u>(795,858,259)</u>	<u>(261,358,077)</u>
Total comprehensive income/(loss) for the financial period	<u>258,815</u>	<u>(19,489)</u>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL PERIOD</b>	<u>9,141,653</u>	<u>795,138,464</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 31 MARCH 2022**

	<b>01.10.2021 to 31.03.2022 RM</b>	<b>01.10.2020 to 31.03.2021 RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from maturity of deposits with licensed financial institutions	6,053,397,000	3,484,708,000
Placement of deposits with licensed financial institutions	(5,334,830,000)	(3,400,465,000)
Redemption of deposits with licensed financial institutions	43,000,000	13,752,000
Interest received on deposits with licensed financial Institutions at amortised cost	5,859,114	9,492,215
Management fee paid	(387,552)	(583,040)
Trustee fee paid	(25,157)	(37,864)
Payments for other fees and expenses	(7,588)	(5,491)
<b>Net cash generated from operating activities</b>	<u>767,005,817</u>	<u>106,860,820</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash proceeds from units created	29,594,201	155,835,133
Payments for cancellation of units	(795,858,259)	(261,358,077)
Distribution paid	(728,531)	(1,324,379)
<b>Net cash used in financing activities</b>	<u>(766,992,589)</u>	<u>(106,847,323)</u>
Net increase in cash and cash equivalents	13,228	13,497
Cash and cash equivalents at the beginning of the financial period	<u>20,698</u>	<u>20,556</u>
Cash and cash equivalents at the end of the financial period	<u><u>33,926</u></u>	<u><u>34,053</u></u>
<u>Cash and cash equivalents comprises of</u>		
Bank balances	<u>33,926</u>	<u>34,053</u>
Cash and cash equivalents at the end of the financial period	<u><u>33,926</u></u>	<u><u>34,053</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

**1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES**

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 and Second Supplemental Master Deed dated 9 April 2021 (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. 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. We will manage the portfolio actively with trading frequency that will depend on the view of the interest rate outlook. The investment policy and strategy is to invest in liquid and low risk short-term investments for capital preservation\* and to accommodate the short-term cash flow requirements of its unit holders.

\* The Fund is neither a capital guaranteed fund nor a capital protected fund within the definition in the GUTF.

Asset Allocation

- At least 70% of the Fund’s NAV in Deposits
- 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 GUTF, 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 as issued by the Malaysian Accounting Standards Board (“MASB”) and International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (continued)

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

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

There are no other standards, amendments to standards or interpretations that are effective for interim periods beginning on 1 October 2021 that have a material effect on the financial statements of the Fund.

None of the standards, amendments to standards or interpretations that are effective for the financial period beginning on/after 1 April 2022 are applicable to 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 contractual cash flows of the Fund's debt securities are solely 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.

All of the Fund's financial liabilities are 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.

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

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

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

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

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

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

Impairment for assets carried at amortised costs

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

### (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 period.

### (g) Distribution

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 period in which it is approved by the Trustee.

### (h) Realised and unrealised portions of profit or loss after tax

The analysis of realised and unrealised portions of profit or loss after tax as presented on the statement of comprehensive income is prepared in accordance with GUTF.

### (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 seven classes of units, known respectively as the Class AI, Class BI, Class BR, Class CI, Class DI, Class EI and Class FI 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) 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 GUTF.

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

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 GUTF.

### (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.

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

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(b) Liquidity risk**

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

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

**(c) Credit risk**

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

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

For the amount due from Manager, the settlement terms of the proceeds from the creation or units receivable from the Manager are governed by the GUTF.

**(d) Capital risk management**

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

**(e) Fair value estimation**

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

The fair value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial period end date. The Fund utilises the last traded market price for financial assets where the last traded market 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 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 (continued)**

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, calculated daily based on the NAV of the Fund.

For the six months financial period ended 31 March 2022 and 31 March 2021, the management fee is recognised at:

<b>Class A</b>	<b>Class B</b>	<b>Class C</b>	<b>Class D</b>	<b>Class E</b>	<b>Class F</b>
0.35%	0.25%	0.15%	0.20%	0.10%	0.05%

There was 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 0.07% per annum, calculated daily based on the NAV of the Fund.

For the six months financial period ended 31 March 2022, the Trustee fee is recognised at a rate of 0.01% per annum (31.03.2021: 0.01% per annum).

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

6. DISTRIBUTION

Distributions to unit holders were derived from the following sources:

	<b>01.10.2021 to 31.03.2022 RM</b>	<b>01.10.2020 to 31.03.2021 RM</b>
Interest income	3,509,689	8,301,778
Distribution equalisation	(62,336)	19,501
	<u>3,447,353</u>	<u>8,321,279</u>
Less:		
Expenses	(291,567)	(623,502)
Taxation	(28)	-
Net distribution amount	<u>2,920,237</u>	<u>7,697,777</u>

<b>Date of distribution</b>	<b>01.10.2021 to 31.03.2022 RM</b>	<b>01.10.2020 to 31.03.2021 RM</b>
<b>Gross/ Net distribution per unit (sen)</b>	<b>RM</b>	<b>RM</b>
Distribution on 29 October 2021		
- Class AI	0.12	-
- Class BI	0.14	-
- Class BR	0.14	-
- Class CI	0.15	-
- Class DI	0.14	-
- Class EI	0.15	-
- Class FI	0.14	-
Distribution on 30 November 2021		
- Class AI	0.11	-
- Class BI	0.13	-
- Class BR	0.13	-
- Class CI	0.14	-
- Class DI	0.13	-
- Class EI	0.15	-
- Class FI	0.14	-
Distribution on 31 December 2021		
- Class AI	0.11	-
- Class BI	0.14	-
- Class BR	0.13	-
- Class CI	0.14	-
- Class DI	0.13	-
- Class EI	0.15	-
- Class FI	0.14	-
Distribution on 31 January 2022		
- Class BI	0.00*	-
- Class BR	0.00*	-
- Class CI	0.02	-
- Class BI	0.00*	-
- Class BR	0.00*	-
- Class CI	0.00*	-
Distribution on 28 February 2022		
- Class BI	0.00*	-
- Class BR	0.00*	-

Note: 0.00\* denotes unit value less than 0.01.



6. DISTRIBUTION (CONTINUED)

Date of distribution	01.10.2021 to 31.03.2022	01.10.2020 to 31.03.2021
Gross/ Net distribution per unit (sen)	RM	RM
Distribution on 31 March 2022		
- Class BI	0.00*	-
- Class BR	0.00*	-
- Class CI	0.00*	-
Distribution on 30 October 2020		
- Class A	-	0.06
- Class B	-	0.17
- Class C	-	0.18
- Class D	-	0.17
- Class E	-	0.19
- Class F	-	0.19
Distribution on 30 November 2020		
- Class A	-	0.15
- Class B	-	0.17
- Class C	-	0.18
- Class D	-	0.16
- Class E	-	0.18
- Class F	-	0.19
Distribution on 31 December 2020		
- Class A	-	0.15
- Class B	-	0.16
- Class C	-	0.17
- Class D	-	0.16
- Class E	-	0.18
- Class F	-	0.17
Distribution on 31 January 2021		
- Class A	-	0.16
- Class B	-	0.17
- Class C	-	0.17
- Class D	-	0.16
- Class E	-	0.18
- Class F	-	0.18
Distribution on 28 February 2020		
- Class A	-	0.14
- Class B	-	0.15
- Class C	-	0.16
- Class D	-	0.16
- Class E	-	0.17
- Class F	-	0.15
Distribution on 31 March 2020		
- Class A	-	0.16
- Class B	-	0.16
- Class C	-	0.17
- Class D	-	0.16
- Class E	-	0.18
- Class F	-	0.15

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

**6. DISTRIBUTION (CONTINUED)**

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**

	<b>01.10.2021 to 31.03.2022 RM</b>	<b>01.10.2020 to 31.03.2021 RM</b>
Tax charged for the financial period:		
- Current taxation	-	-

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

	<b>01.10.2021 to 31.03.2022 RM</b>	<b>01.10.2020 to 31.03.2021 RM</b>
Profit/ (Loss) before taxation	258,815	(19,489)
Taxation at Malaysian statutory rate of 24%	62,116	(4,677)
Tax effects of:		
- Investment income not subject to tax	(842,325)	(1,992,427)
- Expenses not deductible for tax purposes	848,197	1,858,092
- Restriction on tax deductible expenses for Unit Trust Funds	(67,988)	139,012
Taxation	-	-

**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>31.03.2022 RM</b>	<b>30.09.2021 Audited RM</b>
At fair value through profit or loss:		
- Deposits with licensed financial institutions*	9,133,072	773,049,497

\* Includes interest receivable of RM21,072 (30.09.2021: RM4,917,974).

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

	<b>31.03.2022 %</b>	<b>30.09.2021 Audited %</b>
Deposits with licensed financial institutions	2.07	1.90

Deposits with licensed financial institutions of the Fund have an average maturity of 45 days (30.09.2021: 61 days).

9. CASH AND CASH EQUIVALENTS

	<b>31.03.2022</b>	<b>30.09.2021</b>
	<b>RM</b>	<b>Audited</b>
		<b>RM</b>
Bank balances	<u>33,926</u>	<u>20,698</u>

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	<b>31.03.2022</b>	<b>30.09.2021</b>
	<b>No. of units</b>	<b>Audited</b>
		<b>No. of units</b>
Class AI	629	627
Class BI	8,523,940	25,566,399
Class BR	556,040	553,791
Class CI	22,889	746,620,604
Class DI	1,034	1,030
Class EI	1,039	1,033
Class FI	1,036	1,032
	<u>9,106,607</u>	<u>772,744,516</u>

(i) Class AI

	<b>31.03.2022</b>	<b>30.09.2021</b>
	<b>No. of units</b>	<b>Audited</b>
		<b>No. of units</b>
At the beginning of the financial period/year	627	618
Add : Creation of units from applications	14,490	149,867
Add : Creation of units from distributions	18	781
Less : Cancellation of units	(14,506)	(150,639)
At the end of the financial period/year	<u>629</u>	<u>627</u>

(ii) Class BI

	<b>31.03.2022</b>	<b>30.09.2021</b>
	<b>No. of units</b>	<b>Audited</b>
		<b>No. of units</b>
At the beginning of the financial year	25,566,399	28,739,731
Add: Creation of units from applications	9,456,084	36,165,169
Add: Creation of units from distributions	93,696	578,249
Less: Cancellation of units	(26,592,239)	(39,255,869)
Class Split	-	(660,881)
At the end of the financial year	<u>8,523,940</u>	<u>25,566,399</u>

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

(iii) Class BR

	<b>31.03.2022</b>	<b>30.09.2021</b> <b>Audited</b>
	<b>No. of units</b>	<b>No. of units</b>
At the beginning of the financial year	553,791	-
Add: Creation of units from applications	-	-
Add: Creation of units from distributions	2,249	3,391
Less: Cancellation of units	-	(110,481)
Class Split	-	660,881
At the end of the financial year	<u>556,040</u>	<u>553,791</u>

(iv) Class CI

	<b>31.03.2022</b>	<b>30.09.2021</b> <b>Audited</b>
	<b>No. of units</b>	<b>No. of units</b>
At the beginning of the financial period/year	746,620,603	865,649,358
Add: Creation of units from applications	20,091,272	179,764,513
Add: Creation of units from distributions	2,332,135	11,196,733
Less: Cancellation of units	(769,021,121)	(309,990,000)
At the end of the financial period/year	<u>22,889</u>	<u>746,620,604</u>

(v) Class DI

	<b>31.03.2022</b>	<b>30.09.2021</b> <b>Audited</b>
	<b>No. of units</b>	<b>No. of units</b>
At the beginning of the financial period/year	1,030	1,012
Add: Creation of units from applications	-	-
Add: Creation of units from distributions	4	18
At the end of the financial period/year	<u>1,034</u>	<u>1,030</u>

(vi) Class EI

	<b>31.03.2022</b>	<b>30.09.2021</b> <b>Audited</b>
	<b>No. of units</b>	<b>No. of units</b>
At the beginning of the financial period/year	1,034	1,013
Add: Creation of units from applications	-	-
Add: Creation of units from distributions	5	20
At the end of the financial period/year	<u>1,039</u>	<u>1,033</u>

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

(vii) Class FI

	<b>31.03.2022</b>	<b>30.09.2021 Audited</b>
	<b>No. of units</b>	<b>No. of units</b>
At the beginning of the financial period/year	1,032	1,012
Add: Creation of units from applications	-	-
Add: Creation of units from distributions	4	20
At the end of the financial period/year	<u>1,036</u>	<u>1,032</u>

**11. TOTAL EXPENSE RATIO (“TER”)**

	<b>01.10.2021 to 31.03.2022</b>	<b>01.10.2020 to 31.03.2021</b>
	<b>%</b>	<b>%</b>
TER	<u>0.09</u>	<u>0.08</u>

TER is derived from the following calculation:

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

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 RM 374,350,130 (31.03.2021: RM744,168,398).

**12. PORTFOLIO TURNOVER RATIO (“PTR”)**

	<b>01.10.2021 to 31.03.2022</b>	<b>01.10.2020 to 31.03.2021</b>
PTR (times)	<u>15.28</u>	<u>4.63</u>

PTR is derived from the following calculation:

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

where:

total placements for the financial period = RM 5,334,830,000 (31.03.2021: RM3,400,465,000)  
 total maturity for the financial period = RM 6,102,255,773 (31.03.2021: RM3,494,200,216)

**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, Incorporation	Ultimate holding company of shareholder of the Manager
Principal International (Asia) Limited	Shareholder of the Manager
Subsidiaries and associates of Principal Financial Group Incorporation, other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager
CIMB Group Holdings Bhd	Ultimate holding company of shareholder of the Manager
CIMB Group Sdn Bhd	Shareholder of the Manager
CIMB Bank Bhd	Shareholder of the Manager
CIMB Islamic Bank Bhd	Shareholder of the Manager

Units held by the Manager and parties related to the Manager

	<b>31.03.2022</b>		<b>30.09.2021</b>	
	<u>No. of units</u>	<u>RM</u>	<u>No. of units</u>	<u>Audited RM</u>
<b>Manager</b>				
Principal Asset Management Berhad				
- Class AI	629	631	627	626
- Class BI	0*	0*	2,144	2,144
- Class BR	0*	0*	22,713	22,713
- Class CI	22,889	22,931	1,030	1,030
- Class DI	1,034	1,038	1,033	1,034
- Class EI	1,038	1,042	1,032	1,032
- Class FI	1,036	1,040	627	626

Note: 0\* denotes unit count less than 1.

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 PARTIES TRANSACTIONS AND BALANCES (CONTINUED)**

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

	<b>01.10.2021 to 31.03.2022</b>	<b>01.10.2020 to 31.03.2021</b>
	<b>RM</b>	<b>RM</b>
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institutions:		
- CIMB Bank Bhd	108,222	861,466
- CIMB Islamic Bank Bhd	466,891	852,027
	<u>31.03.2022</u>	<u>30.09.2021</u>
	<b>RM</b>	<b>Audited RM</b>
<u>Significant related party balances</u>		
Bank balances:		
- CIMB Bank Bhd	33,926	34,051
Deposits with licensed financial institutions:		
- CIMB Bank Bhd	600,000	164,450,000
- CIMB Islamic Bank Bhd	1,000,000	118,000,000
	<u>1,600,000</u>	<u>282,450,000</u>

**14. TRANSACTIONS WITH FINANCIAL INSTITUTIONS**

Details of transactions, primarily cash placements with the licensed financial institutions for the six months financial period ended 31 March 2022 were as follows:

<b>Financial Institutions</b>	<b>Value of placements</b>	<b>Percentage of total placements</b>
	<b>RM</b>	<b>%</b>
Affin Bank Bhd	1,518,161,000	28.46
Malayan Banking Bhd	953,167,000	17.87
United Overseas Bank Malaysia Berhad	788,749,000	14.78
Public Islamic Bank Berhad	647,746,000	12.14
Hong Leong Islamic Bank Berhad	466,601,000	8.75
Amlslamic Bank Berhad	274,168,000	5.14
CIMB Islamic Bank Berhad #	239,037,000	4.48
Public Bank Berhad	117,385,000	2.20
Malayan Banking Bhd	92,127,000	1.73
Hong Leong Bank Berhad	91,658,000	1.72
Others #	146,031,000	2.74
	<u>5,334,830,000</u>	<u>100.00</u>

**14. TRANSACTIONS WITH FINANCIAL INSTITUTIONS (CONTINUED)**

Details of transactions, primarily cash placements with the licensed financial institutions for the six months financial period ended 31 March 2021 were as follows:

<b>Financial Institutions</b>	<b>Value of placements</b>	<b>Percentage of total placements</b>
	<b>RM</b>	<b>%</b>
Malayan Banking Bhd	1,288,185,000	37.88
Hong Leong Bank Bhd	762,552,000	22.42
Public Bank Bhd	247,761,000	7.29
Hong Leong Islamic Bank Bhd	223,722,000	6.58
CIMB Bank Bhd #	164,450,000	4.84
Amlslamic Bank Bhd	118,000,000	3.47
CIMB Islamic Bank Bhd #	118,000,000	3.47
Malayan Banking Bhd	116,052,000	3.41
Bank Islam Malaysia Bhd	113,000,000	3.32
Public Islamic Bank Berhad	78,000,000	2.29
Others	170,743,000	5.03
	<u>3,400,465,000</u>	<u>100.00</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 RM 26,882,000 (31.03.2021: RM164,450,000) and RM239,037,000 (31.03.2021:RM118,000,000) respectively. The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

**15. SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD**

The COVID-19 pandemic and related lockdowns and movement restrictions have had, and will continue to have, a significant impact on global economic conditions and the environment in which the Fund operates.

The Manager continue to closely monitor the macro-economic outlook as a result of COVID-19 pandemic and its impact to the Fund's performance and will be managing the risks to achieve.



## DIRECTORY

### Head Office of the Manager

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### Trustee for the Principal Deposit Fund 2

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