

PRINCIPAL GLOBAL MULTI ASSET INCOME FUND 2
(formerly known as CIMB-Principal Global Multi Asset Income Fund 2)

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

PRINCIPAL GLOBAL MULTI ASSET INCOME FUND 2
(formerly known as CIMB-Principal Global Multi Asset Income Fund 2)

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INVESTORS' LETTER

Dear Valued Investor,

Most of you would have heard investment experts saying that there is no time like the present to invest. I couldn't agree more to this, given that the economic recovery has started to broaden - this is the time that you should remain invested.

Below are some key questions Investors may have, and which we have attempted to answer:

Is there still upside for equities ?

- Yes. 3 stories driving the markets are: central bank liquidity, medical development of Coronavirus 2019 ("COVID-19"), and the US elections.
- The Federal Reserve System (the "Fed") - central bank of the United States will continue to loosen financial conditions and keep stimulus in place even as the economy starts to recover.

Should I remain invested now ?

- Yes. Global stocks have room to rally, backed by positive medical developments, reopening of economies and accommodative monetary policies.
- The Fed announced it will allow target inflation at 2% over time, investors can therefore expect low rates for a longer period, and ultra-low interest rates making it rational for investors to pay more for a given dollar of equity earnings.
- Global stocks have rebounded around 49% since their March lows and credit spreads have narrowed.

Where can investors find yield ?

- Central banks around the world have cut their rates to unprecedented levels to cushion the COVID-19-induced economic slowdown. Accommodative monetary policies also mean rates are set to stay lower for the foreseeable future.
- The Fed has said it is "not even thinking about" raising rates.
- Investors will likely be pushed to search harder for yield, especially in the Asian equities and fixed income space in the medium to long term.

INVESTORS' LETTER (CONTINUED)

We're here to help you choose the right investments according to your risk appetite and long-term financial goals. For our:

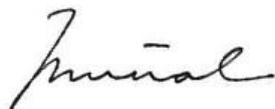
- **Conservative investors, we recommend:** Malaysia focus bond and balanced funds that are income focussed.
- **Moderate investors, we recommend:** Regional Asia-Pacific mixed asset funds.
- **More aggressive investors, we recommend:** Growth-oriented funds that offer exposure to growth areas in China, Asia-Pacific, ASEAN and Malaysian aggressive funds.

Be sure to check out our website (www.principal.com.my) and Facebook account (@PrincipalAssetMY) regularly for our latest insights and investment articles.

Please be informed that effective 31 December 2019, the Fund has been renamed as Principal Global Multi Asset Income Fund 2 following the issuance of the Replacement Information Memorandum Issue No. 2.

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 income* and potential capital growth to investors through investments in one collective investment scheme, which invests in a diversified portfolio of global assets.

Note:

* All distributions (if any) will be automatically reinvested into additional units in the Class at the Net Asset Value ("NAV") per unit of the Class on the distribution date (the number of units is rounded using the normal rounding policy to two decimal places), unless written instructions to the contrary are communicated by you to the Manager.

Has the Fund achieved its objective?

For the financial year under review, the Fund has performed in line with its objective as stated under the Fund Performance section.

What are the Fund investment policy and principal investment strategy?

In order to achieve its objective, the Fund will invest at least 95% of its NAV in the Schroder International Selection Fund Global Multi-Asset Income (the "Target Fund"); a Société d'Investissement à Capital Variable ("SICAV") domiciled in Luxembourg and established on the 18 April 2012. The Fund will also maintain up to a maximum of 5% of its NAV in liquid assets.

Information on the Target Fund

Investment manager: Schroder Investment Management Limited

Management company: Schroder Investment Management (Luxembourg) S.A.

Regulatory authority: Commission de Surveillance du Secteur Financier (Luxembourg Financial Sector Supervisory Authority)

Base Currency

US Dollar ("USD")

Fund category/type

Wholesale Fund (Feeder Fund)/Income and capital growth

When was the Fund launched?

10 February 2015

What was the size of the Fund as at 31 July 2020?

USD2.68 million (2.99 million units)

What is the Fund's benchmark?

The Fund is benchmark unconstrained as the Target Fund is benchmark unconstrained, i.e. it will be actively managed without reference to any specific benchmark.

What is the Fund distribution policy?

Depending on level of income (if any) the Class generates, the Class will distribute on a quarterly basis depending on the level of the Fund's income. If the distribution 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. We have the discretion to decide on the amount to be distributed to the Unit holders.

PRINCIPAL GLOBAL MULTI ASSET INCOME FUND 2
(formerly known as CIMB-Principal Global Multi Asset Income Fund 2)

FUND OBJECTIVE AND POLICY (CONTINUED)

What was the net income distribution for the financial year ended 31 July 2020?

The Fund distributed a total net income of USD0.21 million to unit holders for the financial year ended 31 July 2020.

The Fund's NAV per unit are as follows:

Date	NAV per unit (before distribution) USD	NAV per unit (after distribution) USD
14.10.2019	0.9646	0.9308
06.01.2020	0.9646	0.9559
11.03.2020	0.8880	0.8850
12.06.2020	0.8728	0.8644

PERFORMANCE DATA

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

	31.07.2020 %	31.07.2019 %	31.07.2018 %
Collective investment scheme	96.21	98.39	99.67
Cash and other net assets	3.79	1.61	0.33
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	31.07.2020	31.07.2019	31.07.2018
NAV (USD Million)	2.68	4.22	6.25
Units in circulation (Million)	2.99	4.37	6.62
NAV per unit (USD)	0.8964	0.9655	0.9443
Highest NAV per unit (USD)	0.9728	0.9679	0.9877
Lowest NAV per unit (USD)	0.7248	0.8938	0.9309
Total return (%)	(2.02)	2.31	0.37
- Capital growth (%)	(7.24)	2.17	(1.11)
- Income distribution (%)	5.95	0.14	1.49
Management Expense Ratio ("MER") (%) ^	2.00	1.93	0.79
Portfolio Turnover Ratio ("PTR") (times) #	0.33	0.30	0.35

^ The Fund's MER increased from 1.93% to 2.00% due to decreased average NAV during the financial year under review.

The Fund's PTR increased slightly from 0.30 times to 0.33 times due to decreased average NAV during the financial year under review. As a feeder fund, the turnover reflects investments and withdrawals in the Target Fund.

PRINCIPAL GLOBAL MULTI ASSET INCOME FUND 2
(formerly known as CIMB-Principal Global Multi Asset Income Fund 2)

PERFORMANCE DATA (CONTINUED)

	31.07.2020	31.07.2019	31.07.2018
Gross/Net distribution per unit (cent)			
Distribution on 14 October 2019	3.38	-	-
Distribution on 6 January 2020	0.87	-	-
Distribution on 11 March 2020	0.30	-	-
Distribution on 12 June 2020	0.84	-	-
Distribution on 31 December 2018	-	0.13	-
Distribution on 2 October 2017	-	-	0.42
Distribution on 2 January 2018	-	-	0.42
Distribution on 3 April 2018	-	-	0.42
Distribution on 5 July 2018	-	-	0.15

	Since inception to				
	31.07.2020	31.07.2019	31.07.2018	31.07.2017	31.07.2016
	%	%	%	%	%
Annual total return	(2.02)	2.31	0.37	4.48	(0.02)

(Launch date: 10 February 2015)

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 AUGUST 2019 TO 31 JULY 2020)

August 2019 saw global stock markets decline and safe haven assets such as bonds outperform amid escalating worries over trade and global growth. In the US, the inversion of the 2-year, 10-year yield curve, for the first time since 2007, magnified concerns that the US economy may be heading into recession. Meanwhile, the US-China trade dispute unexpectedly escalated as President Trump unveiled new tariff measures. A surprise primary election result in Argentina triggered a major sell-off in equities and the currency. Government bond yields declined significantly amid various geopolitical concerns (bond prices move inversely of yields). The US 10-year Government bond yield fell 50 basis points ("bps"), closing the month at 1.50%, a three-year low, while the two-year yield fell 37 bps, also closing at 1.50%

September 2019 saw a more positive tone return to equity markets. Despite periods of volatility, US equities posted their best performance in the first nine months of any year since 1997. The month also saw initial signs of a market rotation, away from the growth and defensive stocks into value names. Government bond yields rose and corporate and emerging market bonds outperformed with a better mood in the market. Corporate bonds reflected the rejuvenated risk appetite, with high yield delivering positive returns and outperforming. Investment grade corporate bonds produced negative returns, although they still outperformed government bonds.

With US-China trade negotiators agreeing the outline of the initial phase of a trade deal, risk appetite picked up in October 2019 and fueled a rally in risk assets. Investor sentiment was further buoyed by the Fed lowering interest rates for the third time this year, and by Chair Powell explicitly targeting the USD liquidity concerns that had weighed on the market in September 2019. Against this more positive backdrop, global equities recorded solid returns, with Emerging Markets ("EM") outperforming developed markets for the first time since January 2019. Corporate bonds also rallied, where Government bonds fell, as renewed appetite for risk reduced their safe haven appeal.

MARKET REVIEW (1 AUGUST 2019 TO 31 JULY 2020) (CONTINUED)

Equity markets had a strong month in November 2019. The negotiations between the US and China on a 'phase one' trade deal is yet to arrive at a conclusion, but trade escalations did not take place during the month. In the United Kingdom ("UK"), the spotlight has shifted to the upcoming general election on 12 December 2019, so politics is likely to remain front and Centre of investors' minds as the year draws to a close. In terms of Purchasing Managers' Index ("PMI") business surveys and manufacturing data, global conditions continue to improve.

Equity markets had another strong month in December 2019. The US decided against proceeding with a planned tariff hike on consumer goods imported from China and reduced prevailing tariffs as the two countries entered the first phase of a trade deal. In terms of economic data, US non-farm payrolls were above expectations, indicating the resilience of the US labour market. In China, manufacturing activity expanded in November, following a period of contraction, and industrial profits increased above market expectations. Elsewhere, the victory of the Conservative Party in the UK general election lifted investor sentiment, as the chances of a 'no-deal' Brexit diminished. On the other hand, in the eurozone, output rose at the weakest pace since 2013. Thus, investors are increasingly paying attention to fiscal responses, especially by Germany, to gauge the economic trajectory

Equity markets initially rose in January 2020 as US-China trade relations improved. However, fears over the outbreak of the coronavirus in China reduced investors' appetite for risk, stoking demand for safe havens such as government bonds, which were further buoyed by a number of Central Banks reaffirming their accommodative stances. The US 10-year Treasury ("UST") yield fell from 1.92% to 1.51%. Still within fixed income, US high yield was broadly flat as supportive technical and appetite for yield against a benign backdrop was offset by weakness in the energy sector, as crude oil prices fell

Concerns over the spread of COVID-19 and its potential impact on global growth dominated financial markets in February 2020. Equity markets fell sharply and government bond yields were broadly lower. US equities began the month strongly, with the Standard & Poor's ("S&P") 500 Index setting a new record high on robust jobs data and an acceleration in wages, as well as President Trump's acquittal in the final impeachment vote. However, a rising number of coronavirus cases – including in the US itself – prompted one of the sharpest US stock market sell-offs in history. All areas of the market were lower, but energy and financials led the decline. Eurozone equities also experienced a sharp fall. There were concerns that the coronavirus and its impact on travel and business activity could send the fragile eurozone economy into recession.

We entered March 2020 with accelerating fears surrounding COVID-19's impact on global growth before steep falls in crude prices, triggered by the breakdown of talks between Russia and The Organization of the Petroleum Exporting Countries ("OPEC"), exacerbated investor nervousness and sent the S&P 500 Index on the largest one day fall since 1929. As borders closed and the severity of Covid-19 became more apparent, policy makers scrambled. In the US, the Fed cut rates by 150bps, increased the size of its asset purchases and launched two new facilities to buy corporate bonds via primary and secondary markets. In addition, US lawmakers passed a USD2 trillion fiscal package. The European Central Bank ("ECB") launched a GBP750 billion stimulus package of their own, and a promise of "no limits" to support the union. From a market's standpoint, equities fell across the board, particularly those in the eurozone which became the epicenter of the COVID-19 outbreak. The S&P 500 touched its lowest point in over three years. EM equities also fell, compounded by a stronger USD. Credit markets were not spared, where corporate and emerging market bonds declined significantly. High yield credit was particularly weak, as would be expected in a period of such heightened risk aversion, with sectors related to travel and retailing most vulnerable. UST bonds rallied, as risk aversion fueled demand for safe haven assets.

MARKET REVIEW (1 AUGUST 2019 TO 31 JULY 2020) (CONTINUED)

Support measures aimed at mitigating the COVID-19 pandemic pushed markets firmly higher in April 2020. Economic data continued to illustrate the severity of the lockdown in April. US initial jobless claims totalled over 20 million for April 2020 alone, and the tally since the COVID-19 outbreak began is over 30 million. Meanwhile, US Gross Domestic Product (“GDP”) growth was down 4.8% in first quarter of 2020. Even so, the S&P 500 Index registered its strongest rally in 30 years following unprecedented stimulus delivery and signs of lockdown easing. European equities followed, as stabilisation in the infection rate led a number of countries to begin to loosen lockdowns, which, in tandem with positive news in the US, pushed Asian markets higher led by the export sensitive markets of Indonesia and Taiwan. By contrast, Mexico, where new daily COVID-19 cases accelerated, and Turkey, where currency weakness weighed on performance, were the weakest index markets. China also lagged, having strongly outperformed in March 2020. Lastly, Government bonds were broadly flat, aside from Italy where the 10-year yield rose from 1.52% to 1.76% as it was downgraded by ratings agency, Fitch. Credit markets rallied following a bruising March 2020, as robust policy measures and attractive levels of yield saw investors flock back to the asset class.

Markets continued their recovery in May 2020, albeit at a slower pace. Easing lockdown measures and positive vaccine headlines outweighed rather sobering economic data, particularly in the US, where the unemployment rate reached its highest level in post-war history. Equities rallied across the board; however, rising tensions between the US and China capped gains in emerging markets. Global high yielding corporate bonds outperformed both investment grade and government bonds, fuelled by the demand for income and investors’ increased appetite for risk, sending spreads firmly lower. Cyclical areas of the fixed income universe also benefitted in the risk-on environment, particularly emerging market debt, with both USD and local currency debt rounding out the month firmly higher.

The opposing forces of rising markets and COVID-19 fears extended into June 2020, with the former again victorious amidst a sea of stimulus and the (sometimes contentious) reopening of economies. Equities led the way, with Asia receiving the bulk of investor cheer, in part rewarding their relative effectiveness in managing the crisis. Eurozone equities were also strong, following on from May’s rally, as easing lockdowns led to a marked improvement in economic activity. The opposite was true in the US, where although the S&P 500 Index finished positively, it underperformed Asia and Europe owing to increasing COVID-19 cases across a number of states. Credit markets also rallied with global corporates healthy across the quality spectrum. EM USD debt performed strongly, fuelled by demand for higher yielding USD assets.

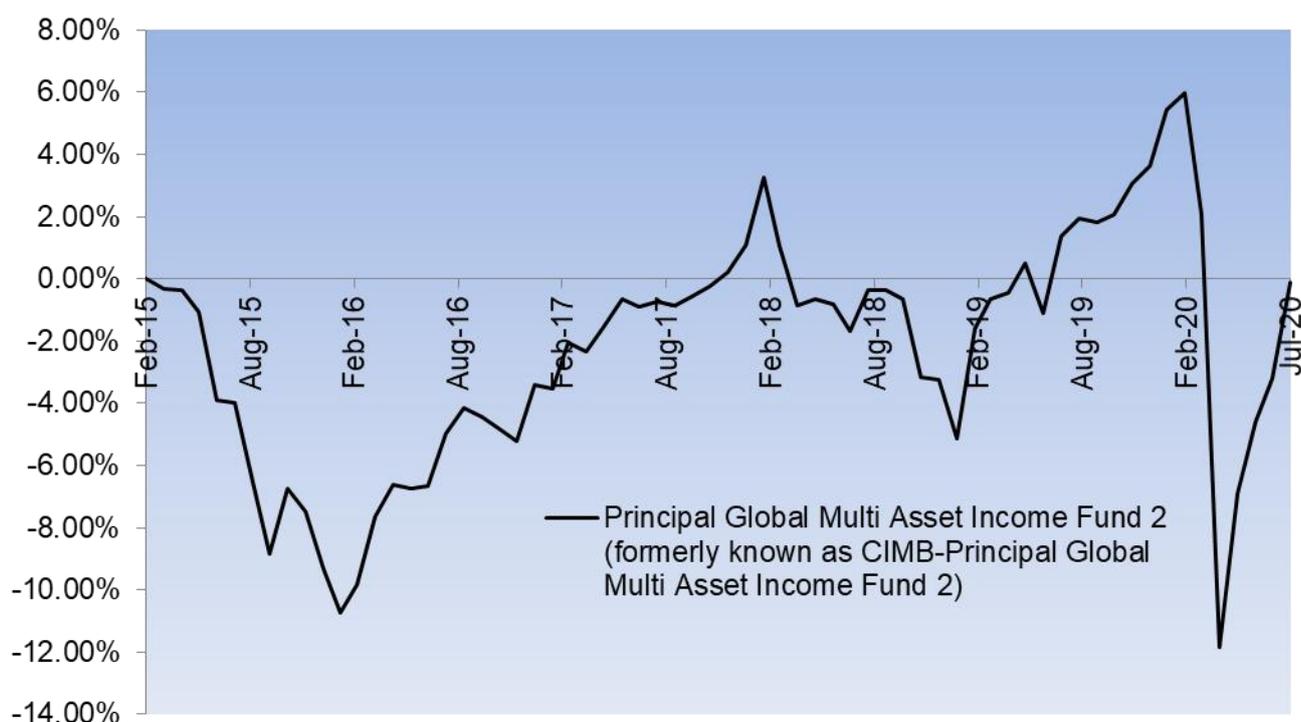
The number of new COVID-19 infections surged to record highs in US but slowed down towards end of July 2020 with rising infections in Europe and Japan from very low levels. Positive Phase II vaccine clinical trial results boosted hopes globally. Equity markets were overall positive with developed markets gaining further supported by the positive economic and earnings data. US PMI rebounded slightly back to expansion zone. However, labor market recovery is slowing with initial jobless claims hovering at high levels in July 2020. Europe PMI rebounded significantly to 52.2, leading developed markets’ economic recovery.

PRINCIPAL GLOBAL MULTI ASSET INCOME FUND 2
(formerly known as *CIMB-Principal Global Multi Asset Income Fund 2*)

FUND PERFORMANCE

	1 year to 31.07.2020	3 years to 31.07.2020	5 years to 31.07.2020	Since inception to 31.07.2020
	%	%	%	%
Income Distribution	5.95	7.69	11.64	12.01
Capital Growth	(7.24)	(6.28)	(6.52)	(10.55)
Total Return	(2.02)	0.61	4.03	(0.12)
Benchmark	-	-	-	-
Average Total Return	(2.02)	0.20	0.79	(0.02)

For the financial year under review, the Fund declined by 2.02%. Detractors during the year were global equities and high yield bonds, which were negatively affected in February 2020 and March 2020. To note, the Fund does not have a benchmark for comparison.



Changes in NAV

	31.07.2020	31.07.2019	Changes %
NAV (USD Million)	2.68	4.22	(36.49)
NAV/Unit (USD)	0.8964	0.9655	(7.16)

For the financial year under review, the Fund's NAV fell 36.49%, while the NAV per unit decreased by 7.16%. The lower NAV was mainly due to net redemptions, while the decrease in NAV per unit was mainly due to negative investment performance.

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

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	31.07.2020	31.07.2019
Collective investment scheme	96.21	98.39
Cash and other net assets	3.79	1.61
TOTAL	100.00	100.00

The Fund was fully invested during the financial year under review. A minimal level of liquid assets was maintained primarily for liquidity purposes

MARKET OUTLOOK*

Looking forward, we remain more concerned about growth than inflation for the rest of this year as “coronaphobia” will subdue economic activity. Government intervention has reduced tail risks and has been necessary to plug the huge gap in demand. For now, we are assuming that the response has been proportionate rather than an overdose of stimulus.

This muted inflationary backdrop, combined with treasury yields anchored by low rates, and equity markets that have rallied strongly but remain vulnerable to further dividend cuts, should benefit income strategies as we venture further into the second half of the year. That being said, in the absence of a medical breakthrough, we continue to tread cautiously. We retain a sharp focus on quality, well capitalized, resilient companies which are well placed to weather what may be a bumpy ride ahead.

*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 will continue to remain fully invested in the Target Fund minimal cash kept for liquidity purposes. Our asset allocation decision will continue to be subject to market conditions.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 31 July 2020 are as follows:

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	2	0.00*	0.00
5,001-10,000	-	-	-
10,001-50,000	-	-	-
50,001-500,000	4	0.53	17.73
500,001 and above	1	2.46	82.27
Total	7	2.99	100.00

Note: 0.00* denotes value 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 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 commission in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds.

PRINCIPAL GLOBAL MULTI ASSET INCOME FUND 2
(formerly known as CIMB-Principal Global Multi Asset Income Fund 2)

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
PRINCIPAL GLOBAL MULTI ASSET INCOME FUND 2**
(formerly known as CIMB-Principal Global Multi Asset Income 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 17 to 39 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 July 2020 and of its financial performance, changes in equity 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
14 September 2020

TRUSTEE'S REPORT
TO THE UNIT HOLDERS OF PRINCIPAL GLOBAL MULTI ASSET INCOME FUND 2
(formerly known as CIMB-Principal Global Multi Asset Income Fund 2)

We have acted as Trustee for Principal Global Multi Asset Income Fund 2 *(formerly known as CIMB-Principal Global Multi Asset Income Fund 2)* (the "Fund") for the financial year ended 31 July 2020. To the best of our knowledge, for the financial year under review, 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 under the Deed(s), the Securities Commission's Guidelines on Unlisted Capital Market Products under The Lodge and Launch Framework, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation and pricing for the Fund has been carried out in accordance with the Deed(s) 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 Deed(s) of the Fund and applicable regulatory requirements.

We are of the view that the distributions made during this financial year ended 31 July 2020 by the Manager are not inconsistent with the objectives of the Fund.

For Deutsche Trustees Malaysia Berhad

Ng Hon Leong
Head, Trustee Operations

Richard Lim Hock Seng
Chief Executive Officer

Kuala Lumpur
14 September 2020

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL GLOBAL MULTI ASSET INCOME FUND 2
(formerly known as CIMB-Principal Global Multi Asset Income Fund 2)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Principal Global Multi Asset Income Fund 2 (*formerly known as CIMB-Principal Global Multi Asset Income Fund 2*) (the "Fund") give a true and fair view of the financial position of the Fund as at 31 July 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 31 July 2020, and the statement of comprehensive income, statement of changes in equity 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 17 to 39.

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 GLOBAL MULTI ASSET INCOME FUND 2 (CONTINUED)**
(formerly known as CIMB-Principal Global Multi Asset Income 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 auditors' 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 GLOBAL MULTI ASSET INCOME FUND 2 (CONTINUED)**
(formerly known as CIMB-Principal Global Multi Asset Income 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 GLOBAL MULTI ASSET INCOME FUND 2 (CONTINUED)**
(formerly known as CIMB-Principal Global Multi Asset Income 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
14 September 2020

PRINCIPAL GLOBAL MULTI ASSET INCOME FUND 2
(formerly known as CIMB-Principal Global Multi Asset Income Fund 2)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

	Note	2020 USD	2019 USD
INCOME			
Dividend income		161,010	250,607
Net loss on financial assets at fair value through profit or loss	8	(153,408)	(62,059)
Net foreign exchange loss		(1,228)	(83)
		<u>6,374</u>	<u>188,465</u>
EXPENSES			
Management fee	4	60,221	92,039
Trustee's fee	5	1,004	1,534
Audit fee		1,770	2,012
Tax agent's fee		1,086	630
Other expenses		2,570	2,416
		<u>66,651</u>	<u>98,631</u>
(LOSS)/PROFIT BEFORE TAXATION		(60,277)	89,834
Taxation	7	<u>-</u>	<u>-</u>
(LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR		<u>(60,277)</u>	<u>89,834</u>
(Loss)/Profit after taxation is made up as follows:			
Realised amount		(24,153)	7,244
Unrealised amount		(36,124)	82,590
		<u>(60,277)</u>	<u>89,834</u>

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

PRINCIPAL GLOBAL MULTI ASSET INCOME FUND 2
(formerly known as CIMB-Principal Global Multi Asset Income Fund 2)

STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2020

	Note	2020 USD	2019 USD
ASSETS			
Cash and cash equivalents	9	95,223	77,019
Financial assets at fair value through profit or loss	8	2,581,358	4,148,503
Amount due from Manager of collective investment scheme:			
- Disposal of collective investment scheme		-	30,000
- Management fee rebate		1,584	2,534
Dividends receivable		10,773	17,504
TOTAL ASSETS		2,688,938	4,275,560
LIABILITIES			
Amount due to Manager		65	52,020
Accrued management fee		2,710	4,169
Amount due to Trustee		68	112
Other payables and accruals		3,029	2,800
TOTAL LIABILITIES		5,872	59,101
NET ASSET VALUE OF THE FUND		2,683,066	4,216,459
EQUITY			
Unit holders' capital		3,045,495	4,307,363
Accumulated losses		(362,429)	(90,904)
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		2,683,066	4,216,459
NUMBER OF UNITS IN CIRCULATION (UNITS)	10	2,993,141	4,366,912
NET ASSET VALUE PER UNIT (USD)		0.8964	0.9655

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

PRINCIPAL GLOBAL MULTI ASSET INCOME FUND 2
(formerly known as CIMB-Principal Global Multi Asset Income Fund 2)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

	Note	Unit holders' capital USD	Accumulated losses USD	Total USD
Balance as at 1 August 2019		4,307,363	(90,904)	4,216,459
Movement in unit holders' contributions:				
- Creation of units from applications		491,015	-	491,015
- Creation of units from distributions		208,400	-	208,400
- Cancellation of units		(1,961,283)	-	(1,961,283)
Total comprehensive loss for the financial year		-	(60,277)	(60,277)
Distributions	6	-	(211,248)	(211,248)
Balance as at 31 July 2020		<u>3,045,495</u>	<u>(362,429)</u>	<u>2,683,066</u>
Balance as at 1 August 2018		6,427,756	(173,291)	6,254,465
Movement in unit holders' contributions:				
- Creation of units from applications		325,408	-	325,408
- Creation of units from distributions		7,447	-	7,447
- Cancellation of units		(2,453,248)	-	(2,453,248)
Total comprehensive income for the financial year		-	89,834	89,834
Distributions	6	-	(7,447)	(7,447)
Balance as at 31 July 2019		<u>4,307,363</u>	<u>(90,904)</u>	<u>4,216,459</u>

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

PRINCIPAL GLOBAL MULTI ASSET INCOME FUND 2
(formerly known as CIMB-Principal Global Multi Asset Income Fund 2)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

	Note	2020 USD	2019 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of collective investment scheme		1,823,000	2,500,000
Purchase of collective investment scheme		(420,000)	(570,000)
Dividend income received		167,741	259,307
Management fee paid		(62,867)	(95,016)
Management fee rebate received		42,874	65,487
Trustee's fee paid		(1,048)	(1,584)
Payments for other fees and expenses		(6,247)	(5,596)
Net realised foreign exchange loss		-	(22)
Net cash generated from operating activities		1,543,453	2,152,576
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		491,015	325,408
Payments for cancellation of units		(2,013,238)	(2,416,978)
Distribution paid		(2,848)	-
Net cash used in financing activities		(1,525,071)	(2,091,570)
Net increase in cash and cash equivalents		18,382	61,006
Effects of foreign exchange differences		(178)	(69)
Cash and cash equivalents at the beginning of the financial year	9	77,019	16,082
Cash and cash equivalents at the end of the financial year		95,223	77,019
<u>Cash and cash equivalents comprised of:</u>			
Bank balances	9	95,223	77,019
Cash and cash equivalents at the end of the financial year		95,223	77,019

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 31 JULY 2020

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal Global Multi Asset Income Fund 2 (*formerly known as CIMB-Principal Global Multi Asset Income Fund 2*) (the “Fund”) was constituted pursuant to the execution of a Deed dated 29 January 2015 and a First Supplemental Deed dated 24 December 2019 (collectively referred to as the “Deeds”), made between Principal Asset Management Berhad (the “Manager”) and Deutsche Trustees Malaysia Berhad (the “Trustee”).

The Fund will invest at least 95% of its NAV in the Schroder International Selection Fund Global Multi-Asset Income (the “Target Fund”); a Société d'Investissement à Capital Variable (“SICAV”) domiciled in Luxembourg and established on the 18 April 2012. The Fund will also maintain up to a maximum of 5% of its NAV in liquid assets.

All investments are subjected to the Securities Commission Malaysia (“SC”) Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, 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 Global Multi Asset Income Fund 2 to Principal Global Multi Asset Income Fund 2 following the issuance of the Replacement Information Memorandum Issue No. 2

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 assumptions are based on the Manager’s best knowledge of current events and actions, actual results may differ.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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 August 2019:

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

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

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

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

(b) Financial assets and financial liabilities

Classification

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

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

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

Investment in collective investment scheme is debt instrument with contractual cash flow that do not represent solely payment of principal and interest ("SPPI") and therefore are classified as fair value through profit or loss.

The Fund classifies cash and cash equivalents, amount due from Manager of collective investment scheme and dividends receivable 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 amount due to Manager, accrued management fee, amount due to Trustee, and other payables and accruals as financial liabilities measured at amortised cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Recognition and measurement

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

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

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

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

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

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income when the Fund's right to receive payments is established.

Collective investment scheme is valued based on the most recent published NAV per unit or share of such collective investment scheme or, if unavailable, on the last published price of such unit or share (excluding any sales charge included in such selling price).

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 cost

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

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

Dividend income is recognised on the ex-dividend date when the right to receive payment is established.

Realised gain or loss on disposal of collective investment scheme is accounted for as the difference between the net disposal proceeds and the carrying amount of collective investment scheme, determined on a weighted average cost basis.

(d) Foreign currency

Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency").

Due to mixed factors in determining the functional currency of the Fund, the Manager has used its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have determined the functional currency to be in USD primarily due to the following factors:

- i) Significant portion of the NAV is invested in the form of collective investment scheme denominated in USD.
- ii) Significant portion of the Fund's expenses are denominated in USD.
- iii) Significant portion of the cash is denominated in USD for the purpose of making settlement of foreign trades.

The financial statements are presented in USD, which is the Fund's functional and presentation currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(e) Cash and cash equivalents

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

(f) Taxation

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

Tax on income from foreign collective investment scheme is based on the tax regime of the respective countries that the Fund invests in.

(g) Amount due from Manager of collective investment scheme (sales of investment)

Amounts due from Manager of collective investment scheme represent receivables for investments sold that have been contracted for but not yet settled or delivered on the statement of financial position date.

These amounts are measured at amortised cost. At each reporting date, the Fund measure the loss allowance on amounts due from Manager of collective investment scheme at an amount equal to the lifetime ECL if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month ECL. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

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

(h) Management fee rebate

Management fee rebate is derived from the collective investment scheme held by the Fund on an accrual basis to ensure no double charging of management fee. It is accrued daily based on the fair value of collective investment scheme held.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Distribution

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

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

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

(k) Unit holders' contributions

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

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

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

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

(l) 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 Unlisted Capital Market Products under the Lodge and Launch Framework.

However, the Manager is of the opinion that in applying this accounting policy, no significant judgement was required.

PRINCIPAL GLOBAL MULTI ASSET INCOME FUND 2
(formerly known as CIMB-Principal Global Multi Asset Income Fund 2)

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 USD	Financial assets at amortised cost USD	Total USD
2020			
Cash and cash equivalents (Note 9)	-	95,223	95,223
Collective investment scheme (Note 8)	2,581,358	-	2,581,358
Amount due from Manager of collective investment scheme			
- Management fee rebate	-	1,584	1,584
Dividends receivable	-	10,773	10,773
	<u>2,581,358</u>	<u>107,580</u>	<u>2,688,938</u>
2019			
Cash and cash equivalents (Note 9)	-	77,019	77,019
Collective investment scheme (Note 8)	4,148,503	-	4,148,503
Amount due from Manager of collective investment scheme			
- Disposal of collective investment scheme	-	30,000	30,000
- Management fee rebate	-	2,534	2,534
Dividends receivable	-	17,504	17,504
	<u>4,148,503</u>	<u>127,057</u>	<u>4,275,560</u>

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

The Fund aims to provide income and potential capital growth to investors through investments in one collective investment scheme, which invests in a diversified portfolio of global assets.

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and currency 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 Unlisted Capital Market Products under the Lodge and Launch Framework.

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

(a) Market risk

(i) Price risk

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

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

The Fund's overall exposure to price risk was as follows:

	2020	2019
	USD	USD
Financial assets at fair value through profit or loss:		
- Collective investment scheme	<u>2,581,358</u>	<u>4,148,503</u>

The table below summarises the sensitivity of the Fund's profit or loss and NAV to movements in prices of collective investment scheme at the end of each reporting year. The analysis is based on the assumptions that the price of the collective investment scheme fluctuates by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the collective investment scheme, having regard to the historical volatility of the prices.

% Change in prices of collective investment scheme	Market value USD	Impact on profit or loss/ NAV USD
2020		
-5%	2,452,290	(129,068)
0%	2,581,358	-
+5%	<u>2,710,426</u>	<u>129,068</u>
2019		
-5%	3,941,078	(207,425)
0%	4,148,503	-
+5%	<u>4,355,928</u>	<u>207,425</u>

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

(a) Market risk (continued)

(ii) Currency risk

Currency risk is associated with investments that are quoted and/or priced in foreign currency denomination. Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Manager will evaluate the likely directions of a foreign currency versus USD based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels, and technical chart considerations.

The following table sets out the foreign currency risk concentrations arising from the denomination of the Fund's financial instruments in foreign currency:

Financial assets	Cash and cash equivalents USD
2020	
MYR	308
2019	
MYR	5,084
Financial liabilities	Other payables and accruals USD
2020	
MYR	3,029
2019	
MYR	2,800

The table below summarises the sensitivity of the Fund's profit or loss and NAV to changes in foreign exchange movements at the end of each reporting year. The analysis is based on the assumption that the foreign exchange rate fluctuates by 5% with all other variables remain constants. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate.

	Change in foreign exchange rate	Impact on profit or loss/NAV	
		2020	2019
	%	USD	USD
MYR	+/- 5	+/- 136	+/- 114

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

(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 bank balances in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

For amount due from Manager of collective investment scheme, the Fund will invest with an investment management company of the collective investment scheme which is authorised or approved by the relevant regulatory authority in its home jurisdiction.

The following table sets out the credit risk concentration of the Fund at the end of each reporting year:

	Cash and cash equivalents	Amount due from Manager of collective investment scheme	Dividends receivable	Total
	USD	USD	USD	USD
2020				
- AA1	95,223	-	-	95,223
- Not Rated	-	1,584	10,773	12,357
	95,223	1,584	10,773	107,580
2019				
- AA1	77,019	-	-	77,019
- Not Rated	-	32,534	17,504	50,038
	77,019	32,534	17,504	127,057

(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 other instruments which are capable of being converted into cash within 7 business days. The Fund's investments in collective investment scheme are realisable which are capable of being converted into cash within 10 business days. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

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

(c) Liquidity risk (continued)

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining year 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 USD	Between 1 month to 1 year USD	Total USD
2020			
Amount due to Manager	65	-	65
Accrued management fee	2,710	-	2,710
Amount due to Trustee	68	-	68
Other payables and accruals	-	3,029	3,029
Contractual undiscounted cash flows	<u>2,843</u>	<u>3,029</u>	<u>5,872</u>
2019			
Amount due to Manager	52,020	-	52,020
Accrued management fee	4,169	-	4,169
Amount due to Trustee	112	-	112
Other payables and accruals	-	2,800	2,800
Contractual undiscounted cash flows	<u>56,301</u>	<u>2,800</u>	<u>59,101</u>

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital of USD3,045,495 (2019: USD4,307,363) and accumulated losses of USD362,429 (2019: USD90,904). 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 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 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 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 in the following page analyses financial instruments carried at fair value. The different levels have been defined as follows:

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

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

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

Assessing the significance of a particular input to the fair value measurement in its entirety requires 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.

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
2020				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	2,581,358	-	-	2,581,358
2019				
Financial assets at fair value through profit or loss:				
- Collective investment scheme	4,148,503	-	-	4,148,503

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include collective investments scheme. The Fund does not adjust the quoted prices for these instruments. 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 of collective investment scheme, dividends receivable, 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 up to 3.00% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 31 July 2020, the management fee is recognised at a rate of 1.80% per annum (2019: 1.80% per annum).

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

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5. TRUSTEE'S FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.20% per annum, calculated daily based on the NAV of the Fund. The Trustee's fee includes local custodian fees and charges but excluding foreign sub-custodian fees and charges.

For the financial year ended 31 July 2020, the Trustee's fee is recognised at a rate of 0.03% per annum (2019: 0.03% per annum).

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

6. DISTRIBUTIONS

Distributions to unit holders are derived from the following sources:

	2020	2019
	USD	USD
Dividend income	161,010	24,270
Net realised loss on disposal of investments	-	(19,210)
Other income	-	3,112
Prior financial year's realised income	50,238	-
	<u>211,248</u>	<u>8,172</u>
Less:		
Expenses	-	(725)
Net distribution amount	<u>211,248</u>	<u>7,447</u>
Gross/Net distribution per unit (cent)		
Distribution on 14 October 2019	3.38	-
Distribution on 6 January 2020	0.87	-
Distribution on 11 March 2020	0.30	-
Distribution on 12 June 2020	0.84	-
Distribution on 31 December 2018	-	0.13
	<u>5.39</u>	<u>0.13</u>

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

There are unrealised losses of USD36,124 arising during the financial year ended 31 July 2020.

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7. TAXATION

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

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

	2020	2019
	USD	USD
(Loss)/Profit before taxation	(60,277)	89,834
Taxation at Malaysian statutory rate of 24%	(14,466)	21,560
Tax effects of:		
- Investment income not subject to tax	(1,530)	(45,232)
- Expenses not deductible for tax purposes	1,105	1,157
- Restriction on tax deductible expenses for Wholesale Funds	14,891	22,515
Taxation	-	-

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	USD	USD
At fair value through profit or loss:		
- Collective investment scheme	2,581,358	4,148,503
Net loss on financial assets at fair value through profit or loss:		
- Realised loss on disposals	(158,199)	(208,201)
- Unrealised fair value (loss)/gain	(35,946)	82,659
- Management fee rebate #	40,737	63,483
	(153,408)	(62,059)

Management fee rebate is derived from the Manager of the collective investment scheme on an accrual basis to ensure no double charging of management fee. It is accrued daily based on the fair value of collective investment scheme held.

For the financial year ended 31 July 2020, the rebate is recognised at a rate of 1.25% per annum (2019: 1.25% per annum) calculated daily based on the NAV of the collective investment scheme.

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

Name of counter	Quantity Units	Aggregate cost USD	Market value USD	Percentage of NAV %
2020				
COLLECTIVE INVESTMENT SCHEME				
Schroder-ISF-Global Multi Asset Income	31,333	2,923,066	2,581,358	96.21
TOTAL COLLECTIVE INVESTMENT SCHEME	31,333	2,923,066	2,581,358	96.21
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>(341,708)</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>2,581,358</u>		
2019				
COLLECTIVE INVESTMENT SCHEME				
Schroder-ISF-Global Multi Asset Income	47,419	4,454,265	4,148,503	98.39
TOTAL COLLECTIVE INVESTMENT SCHEME	47,419	4,454,265	4,148,503	98.39
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>(305,762)</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		<u>4,148,503</u>		

9. CASH AND CASH EQUIVALENTS

	2020 USD	2019 USD
Bank balances	<u>95,223</u>	<u>77,019</u>

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10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2020	2019
	No. of units	No. of units
At the beginning of the financial year	4,366,912	6,622,951
Add : Creation of units from applications	509,719	347,026
Add : Creation of units from distributions	225,606	8,302
Less : Cancellation of units	(2,109,096)	(2,611,367)
At the end of the financial year	2,993,141	4,366,912

11. MANAGEMENT EXPENSE RATIO (“MER”)

	2020	2019
	%	%
MER	2.00	1.93

MER is derived based on the following calculation:

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

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

The average NAV of the Fund for the financial year calculated on a daily basis is USD3,337,771 (2019: USD5,106,283).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2020	2019
PTR (times)	0.33	0.30

PTR is derived from the following calculation:

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

where:

- total acquisition for the financial year = USD420,000 (2019: USD570,000)
- total disposal for the financial year = USD1,793,000 (2019: USD2,530,000)

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 Berhad, other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager

Units held by the Manager and parties related to the Manager

Manager	<u>No. of units</u>	<u>2020</u> USD	<u>No. of units</u>	<u>2019</u> USD
Principal Asset Management Berhad	114	102	107	103

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.

There are no significant related party transactions and balances at the end of the financial year.

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14. TRANSACTIONS WITH BROKER/DEALER

Details of transactions with the broker/dealer for the financial year ended 31 July 2020 are as follows:

Broker/Dealer	Value of trades USD	Percentage of total trades %	Brokerage fees USD	Percentage of total brokerage fees %
Schroder Investment Management Ltd	<u>2,213,000</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Details of transactions with the broker/dealer for the financial year ended 31 July 2019 are as follows:

Broker/Dealer	Value of trades USD	Percentage of total trades %	Brokerage fees USD	Percentage of total brokerage fees %
Schroder Investment Management Ltd	<u>3,100,000</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

15. SIGNIFICANT EVENT DURING THE YEAR

The worsening of the 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 continues monitoring the situation closely and will be managing the portfolio to achieve the Fund's objective.

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 14 September 2020.

DIRECTORY

Head Office of the Manager

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Trustee for the Principal Global Multi Asset Income Fund 2

(formerly known as CIMB-Principal Global Multi Asset Income Fund 2)

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