

**PRINCIPAL GLOBAL MULTI ASSET INCOME FUND 2**

**QUARTERLY REPORT**

**FOR THE QUARTER AND FINANCIAL PERIOD ENDED 31 OCTOBER 2020**

<b>CONTENTS</b>	<b>PAGE(S)</b>
INVESTORS' LETTER	1
MANAGER'S REPORT	2 - 7
Fund Objective and Policy	
Performance Data	
Market Review	
Fund Performance	
Portfolio Structure	
Market Outlook	
Investment Strategy	
Unit Holdings Statistics	
Soft Commissions and Rebates	
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME	8
UNAUDITED STATEMENT OF FINANCIAL POSITION	9
UNAUDITED STATEMENT OF CHANGES IN EQUITY	10
UNAUDITED STATEMENT OF CASH FLOWS	11
DIRECTORY	12

## INVESTORS' LETTER

Dear Valued Investor,

The month of December is always a good time to re-evaluate where you stand financially and relook at how you can diversify and strategise your investment portfolio for the new year and years to come.

What's more, the recent Budget 2021 announcement that the tax relief for the Private Retirement Scheme ("PRS") has been extended till 2025 is something all of us should take advantage of - for your financial planning in the new year and beyond that for your retirement.

This year, we have seen unprecedented hits to our economic activities, major infusion of monetary and fiscal policymaking, and a vote for new leadership in the US. Going into 2021, I believe it will be a year of renewal where we will see the world trying to shift to pre-pandemic norms while at the same time, accelerate into the post-pandemic future.

Our commitment to responsible investing focuses on one key priority—your long-term best interest. We're able to deliver on this commitment to you by developing strong, stable, research-based investment solutions through our globally integrated asset class teams and shared information infrastructure.

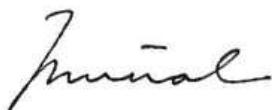
We continue to prefer equities over fixed income and remain positive on Asian equities favouring China and more developed Asian economies on a 12-month basis. For our:

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

We are constantly sharing content on investing, retirement and latest market outlook in our website ([www.principal.com.my](http://www.principal.com.my)). Do like out our Facebook page (@PrincipalAssetMY) in order not to miss these updates and promotions – and for those who already have, I take this opportunity to thank you.

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 period under review, the Fund is in line with its objectives 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 October 2020?

USD2.11 million (2.38 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. The Manager has the discretion to decide on the amount to be distributed to the Unit holders.

**FUND OBJECTIVE AND POLICY (CONTINUED)**

**What was the net income distribution for the financial period from 1 August 2020 to 31 October 2020?**

The Fund distributed a total net income of USD0.02 million to unit holders for the financial period from 1 August 2020 to 31 October 2020.

The Fund's NAV per unit are as follows:

<b>Date</b>	<b>NAV per unit (before distribution) USD</b>	<b>NAV per unit (after distribution) USD</b>
24.09.2020	0.8904	0.8822

**PERFORMANCE DATA**

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

	<b>31.10.2020</b>	<b>31.10.2019</b>	<b>31.10.2018</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Collective investment scheme	97.56	98.83	99.74
Cash and other net assets	2.44	1.17	0.26
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	<b>31.10.2020</b>	<b>31.10.2019</b>	<b>31.10.2018</b>
NAV (USD Million)	2.11	4.01	5.29
Units in circulation (Million)	2.38	4.26	5.76
NAV per unit (USD)	0.8875	0.9420	0.9179
	<b>01.08.2020 to 31.10.2020</b>	<b>01.08.2019 to 31.10.2019</b>	<b>01.08.2018 to 31.10.2018</b>
Highest NAV per unit (USD)	0.9181	0.9705	0.9462
Lowest NAV per unit (USD)	0.8793	0.9308	0.9135
Total return (%)	0.17	1.09	(2.81)
- Capital growth (%)	(1.07)	(2.45)	(2.81)
- Income distribution (%)	0.93	3.63	-
Management Expense Ratio ("MER") (%) ^	0.53	0.18	0.17
Portfolio Turnover Ratio ("PTR") (times) #	0.11	0.07	0.08

^ The Fund's MER increased from 0.18% to 0.53% due to decrease in average NAV during the financial period under review.

# The Fund's PTR increased slightly from 0.07 times to 0.11 times as there were more trading activities carried out within the reporting period and also decrease in average NAV.

**PERFORMANCE DATA (CONTINUED)**

	01.08.2020 to 31.10.2020	01.08.2019 to 31.10.2019	01.08.2018 to 31.10.2018
<b>Gross/Net distribution per unit (cent)</b>			
Distribution on 24 September 2020	0.82	-	-
Distribution on 14 October 2019	-	3.38	-
	<b>31.10.2020</b>	<b>31.10.2019</b>	<b>31.10.2018</b>
		<b>%</b>	<b>%</b>
Annual total return	(2.91)	6.42	(2.92)
		<b>%</b>	<b>%</b>
		<b>31.10.2017</b>	<b>31.10.2016</b>
		<b>%</b>	<b>%</b>
		4.81	2.06

(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 period have been extracted from Lipper.

**MARKET REVIEW (1 AUGUST 2020 TO 31 OCTOBER 2020)**

Positive global economic data and perceived progress on viable Coronavirus 2019 (“COVID-19”) vaccine outweighed second wave fears in Europe in August 2020. Developed equity markets rallied over 6%, led primarily by the US where 84% of companies beat expectations and a large number revised their guidance higher. Emerging market (“EM”) equities also recorded a positive return, albeit less than their developed counterparts. Turning to bond markets, the focus remained firmly on the US Federal Reserve’s (the “Fed”) annual conference at Jackson Hole late in the month. The Fed, significantly, announced that it would tolerate higher inflation, dispensing with its 2% target in favour of a 2% average level. This strengthened investor expectations that highly accommodative monetary policy will remain in place for a long time yet. Government bond yields rose (meaning bond prices fell) and the USD continued to decline. Appetite for risk ensured corporate and EM bonds performed well.

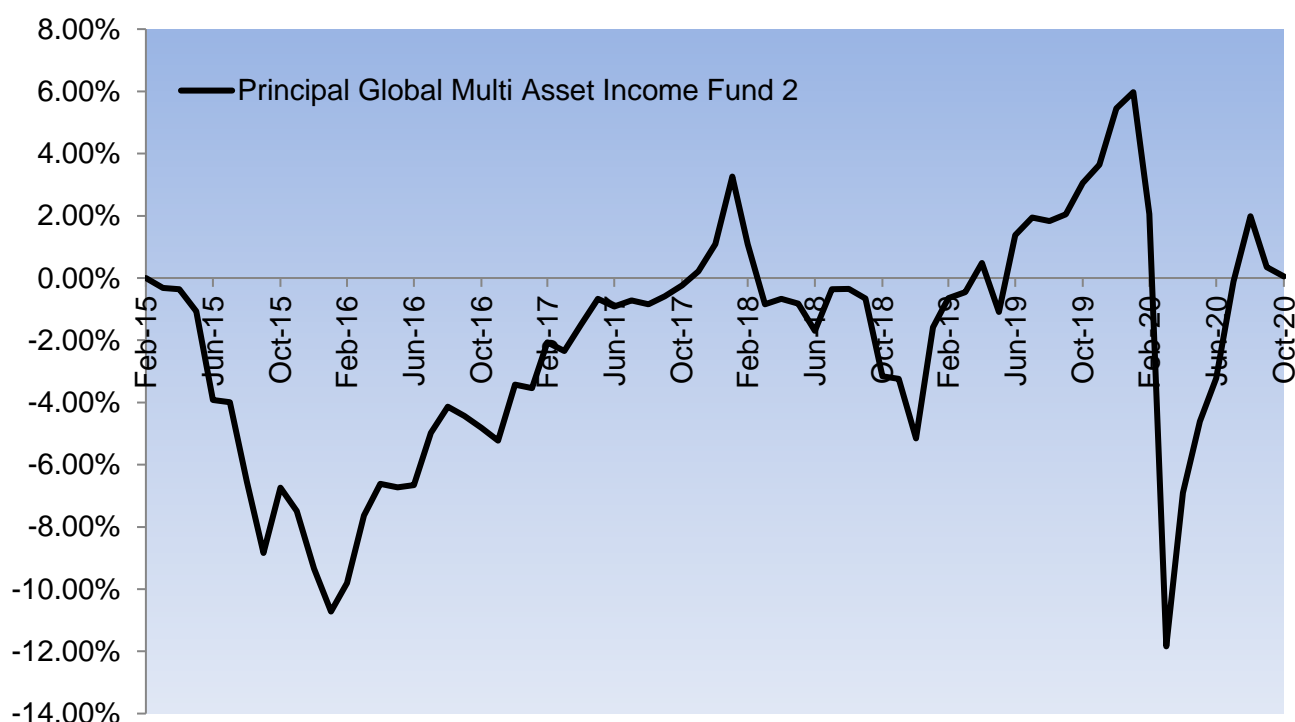
Global equities were weaker in September 2020. The Standard & Poor’s (“S&P”) 500 Index hit all-time highs early in the month, before reversing course. Stretched valuations within the technology sector, rising COVID-19 cases in Europe, a narrowing window to pass fiscal stimulus, and pre-election jitters weighed on sentiment. European markets fared better although still ended in negative territory, as second wave and “Brexit” concerns dominated the headlines. A less certain backdrop drove demand for quality, within equities, and credit, where global investment grade corporates outperformed their higher-yielding peers. EM bonds saw negative total returns. Hard currency-denominated Government bonds fell, as did EM corporate bonds. Government bonds were mostly flat, proving an increasingly less-effective hedge against market uncertainty.

Developed markets went through a volatile month. MSCI US and Europe declined by 3.7% and 1.4%, respectively in October 2020. MSCI Japan increased by 0.45%. The USD Index remained weak amid expectation that US interest rate will remain low for an extended period. Euro (“EUR”) depreciated by 1.8%. Japanese Yen (“JPY”) appreciated slightly with Yoshihide Suga as the Prime Minister and cabinet was left unchanged. As northern hemisphere enters the autumn season, virus cases started to rise again in France, Spain and UK as well as many states in US.

FUND PERFORMANCE

	3 months to 31.10.2020	6 months to 31.10.2020	1 year to 31.10.2020	3 years to 31.10.2020	5 years to 31.10.2020	Since inception to 31.10.2020
	%	%	%	%	%	%
Income						
Distribution	0.93	1.91	3.19	8.21	12.18	13.06
Capital Growth	(1.07)	5.44	(5.92)	(7.32)	(4.38)	(11.51)
Total Return	0.17	7.47	(2.91)	0.30	7.29	0.05
Benchmark	-	-	-	-	-	-
Average Total Return	N/A	N/A	(2.91)	0.10	1.42	0.01

For the financial period under review, the Fund posted positive returns of 0.17%. The Fund has no benchmark for performance comparison.



Changes in NAV

	31.10.2020	31.07.2020 Audited	Changes %
NAV (USD Million)	2.11	2.68	(21.27)
NAV/Unit (USD)	0.8875	0.8964	(0.99)

The Fund recorded outflows of 21.27% from redemptions over the period under review. Meanwhile, the Fund's NAV per unit for came down by 0.99% during the period under review due to the 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 period have been extracted from Lipper.

## PORTFOLIO STRUCTURE

### Asset allocation

(% of NAV)	31.10.2020	31.07.2020 Audited
Collective investment scheme	97.56	96.21
Cash and other net assets	2.44	3.79
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

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

### MARKET OUTLOOK\*

Global growth could face some headwinds in the near term from a resurgence in the pandemic and uncertainty of a stimulus deal in the US. Markets could be in a holding pattern in the short term given the uncertainties relating to the US Presidential election. But the picture is positive for Asian equities over a 12-month view as earnings are expected to recover strongly in 2021. Notable that Asian equities have a significant exposure to sectors with high growth such as consumer discretionary, information technology and communication services.

Risks come from 3 areas: Firstly, a widespread second lockdown from a resurgence of COVID-19 could derail the upward momentum of economic recovery. Thankfully, the survival rate for the infected has improved significantly since April 2020 along with better scientific understanding of the COVID-19. Secondly, the ongoing US spat with China heightens the risk of political missteps. Finally, policy errors such as insufficient stimulus or a premature tightening could hurt the economic recovery.

\* 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 with minimal cash kept for liquidity purposes.

### UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 31 October 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	0.34	14.29
500,001 and above	1	2.04	85.71
<b>Total</b>	<b>7</b>	<b>2.38</b>	<b>100.00</b>



## **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 financial wire services and stock quotations system incidental to investment management of the Funds. All dealings with brokers are executed on best available terms.

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

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2020 TO 31 OCTOBER 2020**

	<b>01.08.2020 to 31.10.2020</b>	<b>01.08.2019 to 31.10.2019</b>
	<b>USD</b>	<b>USD</b>
<b>INCOME</b>		
Dividend income	27,965	48,200
Net (loss)/gain on financial assets at fair value through profit or loss	(11,046)	12,566
Net foreign exchange loss	(43)	(63)
	<u>16,876</u>	<u>60,703</u>
<b>EXPENSES</b>		
Management fee	10,629	17,730
Trustee fee	177	296
Audit fee	451	497
Tax agent's fee	277	239
Other expenses	857	358
	<u>12,391</u>	<u>19,120</u>
<b>PROFIT BEFORE TAXATION</b>	4,485	41,583
Taxation	<u>-</u>	<u>-</u>
<b>PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>	<u>4,485</u>	<u>41,583</u>
Profit after taxation is made up as follows:		
Realised amount	(35,847)	7,176
Unrealised amount	40,332	34,407
	<u>4,485</u>	<u>41,583</u>

**UNAUDITED STATEMENT OF FINANCIAL POSITION  
AS AT 31 OCTOBER 2020**

	<b>31.10.2020</b>	<b>31.07.2020</b>
	<b>USD</b>	<b>Audited USD</b>
<b>ASSETS</b>		
Cash and cash equivalents	47,363	95,223
Financial assets at fair value through profit or loss	2,063,035	2,581,358
Amount due from Manager of collective investment scheme:		
- Management fee rebate	1,357	1,584
Dividends receivable	8,677	10,773
<b>TOTAL ASSETS</b>	<u>2,120,432</u>	<u>2,688,938</u>
<b>LIABILITIES</b>		
Amount due to Manager	-	65
Accrued management fee	2,165	2,710
Amount due to Trustee	55	68
Other payables and accruals	3,642	3,029
<b>TOTAL LIABILITIES</b>	<u>5,862</u>	<u>5,872</u>
<b>NET ASSET VALUE OF THE FUND</b>	<u>2,114,570</u>	<u>2,683,066</u>
<b>EQUITY</b>		
Unit holders' capital	2,492,840	3,045,495
Accumulated losses	(378,270)	(362,429)
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>	<u>2,114,570</u>	<u>2,683,066</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	<u>2,382,507</u>	<u>2,993,141</u>
<b>NET ASSET VALUE PER UNIT (USD)</b>	<u>0.8875</u>	<u>0.8964</u>

**UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2020 TO 31 OCTOBER 2020**

	Unit holders' capital	Accumulated losses	Total
Note	USD	USD	USD
<b>Balance as at 1 August 2020</b>	3,045,495	(362,429)	2,683,066
Movement in unit holders' contributions:			
- Creation of units from distribution	19,892	-	19,892
- Cancellation of units	(572,547)	-	(572,547)
Total comprehensive income for the financial period	-	4,485	4,485
Distribution	-	(20,326)	(20,326)
<b>Balance as at 31 October 2020</b>	<u>2,492,840</u>	<u>(378,270)</u>	<u>2,114,570</u>
<b>Balance as at 1 August 2019</b>	4,307,363	(90,904)	4,216,459
Movement in unit holders' contributions:			
- Creation of units from applications	198,020	-	198,020
- Creation of units from distribution	138,453	-	138,453
- Cancellation of units	(443,235)	-	(443,235)
Total comprehensive income for the financial period	-	41,583	41,583
Distribution	-	(140,240)	(140,240)
<b>Balance as at 31 October 2019</b>	<u>4,200,601</u>	<u>(189,561)</u>	<u>4,011,040</u>

**UNAUDITED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2020 TO 31 OCTOBER 2020**

	<b>01.08.2020 to 31.10.2020</b>	<b>01.08.2019 to 31.10.2019</b>
	<b>USD</b>	<b>USD</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from disposal of collective investment scheme	500,000	415,000
Purchase of collective investment scheme	-	(200,000)
Dividend income received	30,061	49,150
Management fee paid	(11,420)	(18,430)
Management fee rebate received	7,750	12,807
Trustee's fee paid	(190)	(307)
Payments for other fees and expenses	(1,030)	(515)
Net realised foreign exchange loss	(11)	-
<b>Net cash generated from operating activities</b>	<u>525,160</u>	<u>257,705</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash proceeds from units created	-	198,020
Payments for cancellation of units	(572,612)	(463,239)
Distribution paid	(434)	(1,787)
<b>Net cash used in financing activities</b>	<u>(573,046)</u>	<u>(267,006)</u>
Net decrease in cash and cash equivalents	(47,886)	(9,301)
Effects of foreign exchange differences	26	(63)
Cash and cash equivalents at the beginning of the financial period	<u>95,223</u>	<u>77,019</u>
Cash and cash equivalents at the end of the financial period	<u>47,363</u>	<u>67,655</u>
<u>Cash and cash equivalents comprised of:</u>		
Bank balances	<u>47,363</u>	<u>67,655</u>
Cash and cash equivalents at the end of the financial period	<u>47,363</u>	<u>67,655</u>

## DIRECTORY

### Head Office of the Manager

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### Customer Care Centre

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### Trustee for the Principal Global Multi Asset Income Fund 2

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