

PRINCIPAL INSTITUTIONAL BOND FUND 2
ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

CONTENTS	PAGE(S)
INVESTORS' LETTER	i
MANAGER'S REPORT	ii – vii
Fund Objective and Policy	
Performance Data	
Market Review	
Fund Performance	
Portfolio Structure	
Market Outlook	
Investment Strategy	
Soft Commissions and Rebates	
Securities Financing Transactions	
State of Affair of the Fund	
Circumstances That Materially Affect Any Interest of Unit Holders	
Cross Trade	
Unit Split	
STATEMENT BY MANAGER	1
TRUSTEE'S REPORT	2 - 3
INDEPENDENT AUDITORS' REPORT	4 - 7
STATEMENT OF COMPREHENSIVE INCOME	8
STATEMENT OF FINANCIAL POSITION	9
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	10
STATEMENT OF CASH FLOWS	11
NOTES TO THE FINANCIAL STATEMENTS	12 – 34
DIRECTORY	35

INVESTORS' LETTER

Dear Valued Investor,

Greetings from Principal Asset Management Berhad ("Principal Malaysia") and thank you for investing with us!

We are pleased to bring you a copy of the Annual Fund Report of the Principal Institutional Bond Fund 2 for the financial year ended 31 March 2024. You may also download this report from our website at www.principal.com.my.

We are happy to share that Principal Malaysia won two honours at the Asia Asset Management 2024 Best of the Best Awards. The awards were for Best of the Best Performance Awards: China A-Share Equity (3 years) for the Principal China Direct Opportunities Fund (Class MYR) and Best of the Best Country Awards: Best Institutional House – Malaysia. We also won another two awards at the 2024 Global Banking & Finance Awards® for Asset Management CEO of the Year Malaysia 2024 - Munirah Khairuddin and Asset Management Company of the Year Malaysia 2024. The World Business Outlook magazine also awarded us with the Best Investment Management and Solutions Provider Malaysia 2024, Best Institutional House Malaysia 2024, and Asset Management CEO (Munirah Khairuddin) of the Year Malaysia 2024 awards at its 2024 Annual Awards. We also won three awards at iFast Awards 2024 and another 7 awards at the LSEG Lipper Fund Awards 2024.

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

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

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

Munirah Khairuddin
Country Head and Chief Executive Officer, Malaysia
Non-Independent Executive Director

MANAGER'S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to provide income to investors.

Has the Fund achieved its objective?

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

What are the Fund investment policy and principal investment strategy?

The Fund will invest in Deposits and debt instruments primarily in bonds. Debt instruments includes but not limited to bonds, fixed rate and floating rate debt instruments and/or commercial papers issued by the government, statutory authorities and/or companies. The debt instruments that are issued in Malaysia are required to have a short-term credit rating of "P2" or a long-term credit rating of "A" issued by RAM Ratings ("RAM") or Malaysian Rating Corporation Berhad ("MARC") equivalent, or if issued outside of Malaysia, requires a short-term credit rating of "A-2" or a long-term credit rating of "BBB" issued by Standard & Poor's ("S&P") or equivalent rating by other international rating agencies.

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

- At least 60% of the Fund's NAV will be invested in debt instruments primarily in bonds; and
- Up to 40% of the Fund's NAV will be invested in liquid assets such as Deposits and/or money market instruments.

Fund category/ type

Bond/ Income

When was the Fund launched?

15 February 2006

What was the size of the Fund as at 31 March 2024?

RM1,815.61 million (1,724.92 million units)

What is the Fund's benchmark?

3-month Kuala Lumpur Interbank Offered Rate ("KLIBOR") for performance comparison purpose only.

What is the Fund distribution policy?

Distributions, if any, will be made four (4) times per annum at the end of each quarter of the year, i.e. March, June, September and December. Such distributions will depend on the availability of realised income and/or realised gains and at our discretion. The Manager has the right to make provisions for reserves in respect of distribution of the Fund.

What was the net income distribution for the financial year ended 31 March 2024?

The Fund distributed a total net income of RM53.17 million to unit holders for the financial year ended 31 March 2024.

FUND OBJECTIVE AND POLICY (CONTINUED)

The Fund's NAV before and after distribution per unit are as follows:

Date	NAV per unit	NAV per unit
	(before distribution)	(after distribution)
	RM	RM
Distribution on 30 June 2023	1.0540	1.0366
Distribution on 29 September 2023	1.0453	1.0426
Distribution on 29 December 2023	1.0523	1.0472
Distribution on 29 March 2024	1.0570	1.0523

Breakdown of distribution were as follows:

Source of distribution	31.03.2024		31.03.2023	
	RM	%	RM	%
Distribution out of current year's income	53,174,341	100.00	50,987,046	100.00
Distribution out of prior year's income/capital	-	-	-	-
Total	<u>53,174,341</u>	<u>100.00</u>	<u>50,987,046</u>	<u>100.00</u>

PERFORMANCE DATA

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

	31.03.2024	31.03.2023	31.03.2022
	%	%	%
Unquoted fixed income securities	73.08	77.17	71.33
Deposits with licensed financial institutions	26.62	23.01	28.73
Cash and other assets	0.34	0.00	0.00
Liabilities	(0.04)	(0.18)	(0.06)
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	31.03.2024	31.03.2023	31.03.2022
NAV (RM Million)*	1,815.61	1,998.37	1,820.88
Units in circulation (Million)	1,724.92	1,909.12	1,742.76
NAV per unit (RM)*	1.0526	1.0467	1.0448
Highest NAV per unit (RM)	1.0568	1.0528	1.0474
Lowest NAV per unit (RM)*	1.0367	1.0377	1.0390
-Total return (%)	3.46	2.89	1.94
- Capital growth (%)	0.55	0.18	0.31
- Income distribution (%)	2.89	2.71	1.63

*Ex-distribution

Total Expense Ratio ("TER") (%)	0.08	0.08	0.08
Portfolio Turnover Ratio ("PTR") (times) #	0.46	0.48	0.34

The Fund's PTR decreased marginally from 0.48 to 0.46 times for the year under review due to slightly lesser trading activities compared to prior year.

PERFORMANCE DATA (CONTINUED)

Gross/ Net distribution per unit (sen)	31.03.2024	31.03.2023	31.03.2022
Distribution on 30 June 2023	1.74	-	-
Distribution on 29 September 2023	0.27	-	-
Distribution on 29 December 2023	0.51	-	-
Distribution on 29 March 2024	0.47	-	-
Distribution on 30 June 2022	-	0.99	-
Distribution on 30 September 2022	-	0.64	-
Distribution on 30 December 2022	-	0.54	-
Distribution on 31 March 2023	-	0.62	-
Distribution on 30 June 2021	-	-	0.85
Distribution on 30 September 2021	-	-	0.36
Distribution on 31 December 2021	-	-	0.31
Distribution on 31 March 2022	-	-	0.17

	31.03.2024	31.03.2023	31.03.2022	31.03.2021	31.03.2020
	%	%	%	%	%
Annual total return	3.46	2.90	1.94	2.28	3.70

(Launch date: 15 February 2006)

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

MARKET REVIEW (1 APRIL 2023 TO 31 MARCH 2024)

During the year under review, in the month of May 2023, the central bank’s Monetary Policy Committee (“MPC”) increased the Overnight Policy Rate (“OPR”) by 25 basis points (“bp”) as they judged that it was timely to further normalise the degree of monetary accommodation and to ensure the stance of the monetary policy would prevent future risks of financial imbalances. There were no further changes made at the remaining MPC meetings in 2023. The MPC then maintained the OPR at 3.00% at its first two meetings of the year in January 2024 and March 2024 as widely expected.

The Consumer Price Index (“CPI”) continued its deceleration pace in the month of April 2023 at 3.3%. It continued its easing pace, as inflation in the month of May 2023 was at 2.8% whilst June 2023 recorded a slower pace of 2.4%. In July 2023, it slowed down further to 2% year-of-year (“Y-o-Y”), amid a slower increase in the costs of restaurants, hotels and food & non-alcoholic beverages. It continued to remain at 2% in August 2023 and inched lower to 1.9% in September 2023. In October 2023, it continued to moderate lower to 1.8% and then to 1.5% in November 2023. It continued to remain at 1.5% in the month of December 2023 and January 2024. Meanwhile, the month of February 2024 saw inflation inching higher slightly at 1.8% and this continued for the month of March 2024. The Department of Statistics (“DOSM”) stated that housing, water, electricity, restaurant and transport sectors saw an increase in the month of March 2024.

In 2023, the full year fixed income foreign flows totaled RM23.6 billion which was a marked improvement from the outflow of RM9.8 billion we saw in 2022. Total foreign holdings stood at RM270.4 billion at the end of December 2023. In general, the year 2023 saw a choppy trend for fixed income foreign flows. Foreign funds continued to cut their position in Malaysian Ringgit (MYR/RM) bonds in January 2024 by – RM5.1 billion which was a larger decline than the month prior whereby outflows were -RM2.1 billion. Outflows continued in the month of February 2024 by -RM1.2 billion but a reversal was seen in March 2024 with an inflow of RM1.7 billion.

For year to date (“YTD”) December 2023, the Bond Pricing Agency Malaysia (“BPAM”) Corporates All Bond (7-year over) Index was the best performer recording a return of +10.54%. Meanwhile, the Quantshop Malaysia Government Securities (“MGS”) Short Index was the worst performer for the year with returns of +3.76%.

MARKET REVIEW (1 APRIL 2023 TO 31 MARCH 2024) (CONTINUED)

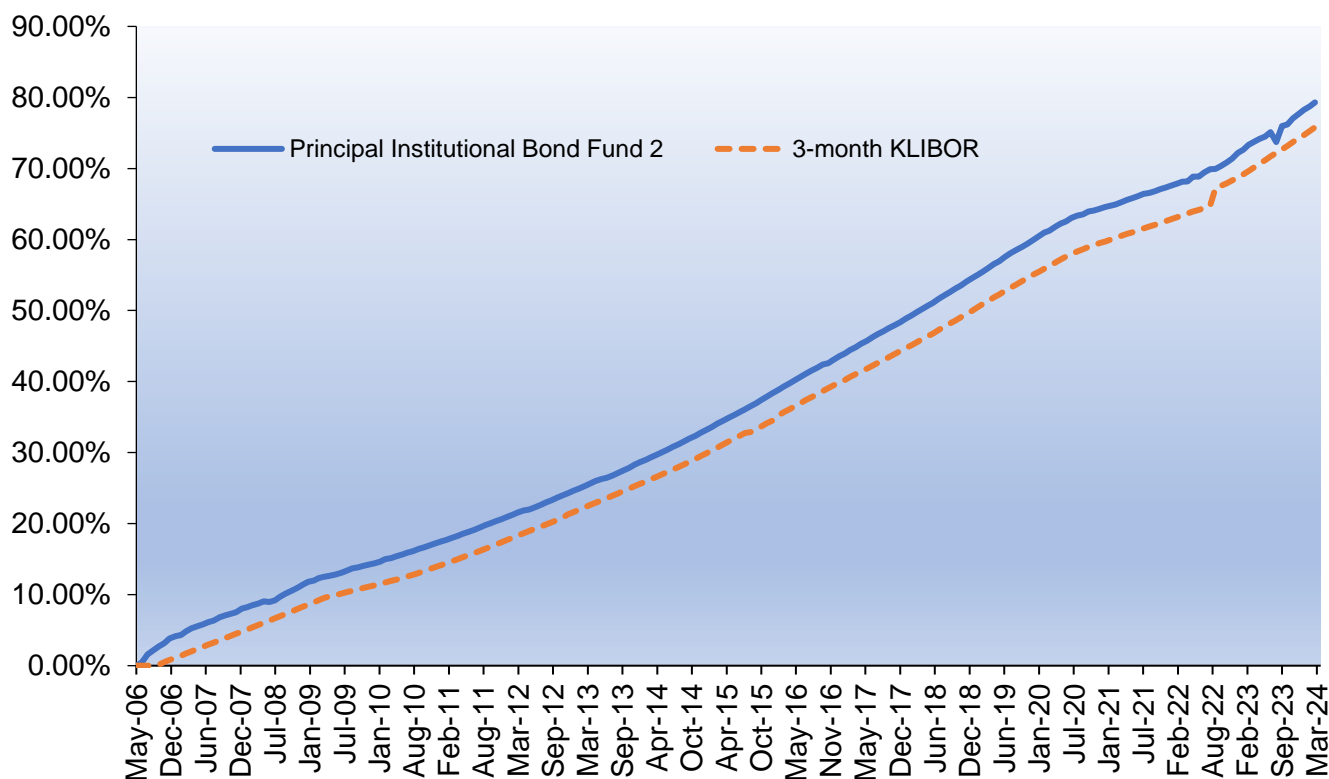
For quarter to date (“QTD”) and YTD through end-March 2024, the best performer was the BPAM Corporates All Bond (7-year over) Index, yielding a return of +2.08%. Quantshop MGS Medium Index remained the worst performer for the first three months of the year with a return of +0.77%.

FUND PERFORMANCE

	1 year to 31.03.2024	3 years to 31.03.2024	5 years to 31.03.2024	Since inception to 31.03.2024
	%	%	%	%
Income Distribution	2.89	7.40	13.30	70.36
Capital Growth	0.55	1.05	1.59	5.25
Total Return	3.46	8.53	15.10	79.30
Benchmark	3.62	8.85	14.92	77.91
Average Total Return	3.46	2.76	2.85	3.27

For the financial year under review, the fund delivered total return of 3.46% and underperformed the benchmark by 0.16%. Meanwhile, the 3-year and 5-year total return for the fund was 8.53% and 15.10%, which underperformed the benchmark 0.32% and outperformed by 0.18%, respectively.

Since Inception



Changes in NAV

	31.03.2024	31.03.2023	Changes %
NAV (RM Million)*	1,815.61	1,998.37	(9.15)
NAV/Unit (RM)*	1.0526	1.0467	0.56

*Ex-distribution

The Fund’s NAV decreased by 9.15% over a 12-month period from RM1,998.37 million on 31 March 2023 to RM1,815.61 million on 31 March 2024, mainly due to redemption.

FUND PERFORMANCE (CONTINUED)

Changes in NAV (continued)

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)	31.03.2024	31.03.2023
Unquoted fixed income securities	73.08	77.17
Deposits with licensed financial institutions	26.62	23.01
Cash and other assets	0.34	0.00
Liabilities	(0.04)	(0.18)
TOTAL	100.00	100.00

For the financial year under review, the fund’s investment in unquoted fixed income securities decreased slightly to to 73.08% as at 31 March 2024 from 77.17%. Consequently, deposits with licensed financial institutions increased to 26.62% for the year.

MARKET OUTLOOK*

In October 2023, the Prime Minister announced its largest ever budget of RM394 billion for 2024 which was 2% higher than the previous year's RM386 billion. Budget 2024 demonstrates policy continuity and much needed fiscal reforms. The government maintains its gradual fiscal consolidation path, with the fiscal deficit improving from a projected 5% in 2023 to 4.3% in 2024. It sets out a series of targets to be met within 3 to 5 years which include achieving a fiscal deficit of 3% of Gross Domestic Product (“GDP”) by 2026 and capping federal debt and government guarantees at 60% and 25% of GDP respectively.

Focus in 2024 would be on fiscal reformation implementation which includes the recent announcement on sales tax on low value goods starting 1 January 2024, 2% hike in service tax from March 2024 and higher electricity tariffs for targeted users among others. This is expected to keep inflation levels elevated. There is also focus on targeted petrol subsidy which is expected to take place in 2024. To implement the targeted petrol subsidy plan, the government has developed a central database hub called Pangkalan Data Utama (“PADU”), which will be used to determine the eligibility of a person for a targeted fuel subsidy that is premised upon one’s net disposable income.

Overall, we remain positive for the domestic bond market as we believe Bank Negara Malaysia (“BNM”) will keep its OPR unchanged for now unless growth and inflationary outlook continue to surprise the market. We believe the local bond market will remain well supported for now with volatility mainly coming from global yield movements.

*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

Our overall strategy for the fund is to invest both in sovereign markets as well as in the credit market, whilst ensuring sufficient liquidity for the fund. For corporates, we continue to be mindful in our credit selection with a preference on names which are more resilient with stronger fundamentals, as well as better liquidity.

SOFT COMMISSIONS AND REBATES

Principal Malaysia (the “Manager”) and the Trustee will not retain any form of rebate from, or otherwise share in any commission with, any broker or dealer in consideration for directing dealings in the investments of the Principal Malaysia Funds (“Funds”). Accordingly, any rebate or shared commission will be directed to the account of the Fund. We may retain goods and services (soft commission) provided by any broker or dealer if the following conditions are met:

- (a) the soft commission brings direct benefit or advantage to the management of the Fund and may include research and advisory related services;
- (b) any dealings with the broker or dealer is executed on terms which are the most favourable for the Fund; and
- (c) the availability of soft commission is not the sole or primary purpose to perform or arrange transactions with such broker or dealer, and we and the fund the manager will not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commission.

During the financial year review, the Manager and Trustee did not receive any rebates from the brokers or dealers but the Manager has retained soft commission in the form of goods and services for the benefit of the fund such as financial wire services and stock quotations system incidental to investment management of the Funds and there was no churning of trades.

SECURITIES FINANCING TRANSACTIONS

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

STATE OF AFFAIR OF THE FUND

Effective 3 October 2023, the Fund has changed Trustee to HSBC (Malaysia) Trustee Berhad following the issuance of the First Supplemental Prospectus dated 5 September 2023.

In relation to this Fund, the Fund had issued the Replacement Prospectus Document dated 14 April 2023. We are of view that the changes above do not affect the existing unit holder to stay invested in the Fund and it is not a significant change.

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

CIRCUMSTANCES THAT MATERIALLY AFFECT ANY INTEREST OF UNIT HOLDERS

There were no circumstances that had materially affected the interest of the unit holders during the financial year under review.

CROSS TRADE

No cross-trade transactions have been carried out during the financial year.

UNIT SPLIT

No unit split exercise has been carried out during the financial year.

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
PRINCIPAL INSTITUTIONAL BOND 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 8 to 34 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 March 2024 and of its financial performance, changes in net assets attributable to unit holders and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

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

MUNIRAH KHAIRUDDIN

Country Head and Chief Executive Officer, Malaysia
Non-Independent Executive Director

UDAY JAYARAM

Executive Managing Director,
Head of Southeast Asia
Non-Independent Executive Director

Kuala Lumpur
20 May 2024

TRUSTEE'S REPORT

To the unit holders of PRINCIPAL INSTITUTIONAL BOND FUND 2 ("Fund")

We have acted as Trustee of the Fund for the financial period from 1 April 2023 to 2 October 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Principal Asset Management Berhad has operated and managed the Fund during the period covered by these financial statements in accordance with the following:

1. Limitations imposed on the investment powers of the management company under the Deeds, securities laws and the Guidelines on Unit Trust Funds;
2. Valuation and pricing is carried out in accordance with the Deeds; and
3. Any creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirement.

We are of the opinion that the distribution of income by the Fund is appropriate and reflects the investment objective of the Fund.

For **Maybank Trustees Berhad**

[Company No.: 196301000109 (5004-P)]

NORHAZLIANA BINTI MOHAMMED HASHIM
Head, Unit Trust & Corporate Operations

Kuala Lumpur, Malaysia
17 May 2024

TRUSTEE'S REPORT

**TO THE UNIT HOLDERS OF
PRINCIPAL INSTITUTIONAL BOND FUND 2 ("Fund")**

We have acted as Trustee of the Fund for the financial period from 3 October 2023 to 31 March 2024 and we hereby confirm to the best of our knowledge, after having made all reasonable enquires, Principal Asset Management Berhad has operated and managed the Fund during the period covered by these financial statements in accordance with the following:-

1. Limitations imposed on the investment powers of the Management Company under the Deeds, securities laws and the Guidelines on Unit Trust Funds;
2. Valuation and pricing is carried out in accordance with the Deeds; and
3. Any creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirement.

We are of the opinion that the distributions of income by the Fund are appropriate and reflects the investment objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

Yap Lay Guat
Manager, Investment Compliance Monitoring

Kuala Lumpur
17 May 2024

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL INSTITUTIONAL BOND FUND 2**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Principal Institutional Bond Fund 2 (the "Fund"), which comprise the statement of financial position of the Fund as at 31 March 2024, and statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows of the Fund for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 8 to 34.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 March 2024, and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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 audit 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 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 INSTITUTIONAL BOND FUND 2 (cont'd.)**

Report on the audit of the financial statements (cont'd.)

Information other than the financial statements and auditors' report thereon

The Manager of the Fund (the "Manager") is responsible for the other information. The other information comprises the information included in the annual report of the Fund, 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 and the Trustee for the financial statements

The Manager is responsible for the preparation of 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 have no realistic alternative but to do so.

The Trustee is responsible for overseeing the Fund's financial reporting process. The Trustee is also responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL INSTITUTIONAL BOND FUND 2 (cont'd.)**

Report on the audit of the financial statements (cont'd.)

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:

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- 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.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

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.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL INSTITUTIONAL BOND FUND 2 (cont'd.)**

Report on the audit of the financial statements (cont'd.)

Other matters

This report is made solely to the unit holders of the Fund, as a body, in accordance with the Guidelines on Unit Trust Funds issued by the Securities Commission Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Yeo Beng Yean
No. 03013/10/2024 J
Chartered Accountant

Kuala Lumpur, Malaysia
20 May 2024

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

	Note	2024 RM	2023 RM
INCOME			
Interest income from unquoted fixed income securities at fair value through profit and loss		9,912,426	13,952,690
Interest income from deposits with licensed financial institutions at fair value through profit and loss		53,130,058	41,108,214
Net gain on financial assets at fair value through profit or loss	8	<u>1,086,727</u>	<u>3,364,069</u>
		<u>64,129,211</u>	<u>58,424,973</u>
EXPENSES			
Management fee	4	1,316,482	1,418,205
Trustee fee	5	165,000	165,000
Other expenses		<u>4,543</u>	<u>8,075</u>
		<u>1,486,025</u>	<u>1,591,280</u>
PROFIT BEFORE TAXATION		62,643,186	56,833,693
Taxation	6	<u>-</u>	<u>-</u>
PROFIT AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>62,643,186</u>	<u>56,833,693</u>
Profit after taxation is made up as follows:			
Realised amount		59,213,800	61,454,869
Unrealised amount		<u>3,429,386</u>	<u>(4,621,176)</u>
		<u>62,643,186</u>	<u>56,833,693</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024**

	Note	2024 RM	2023 RM
ASSETS			
Cash and cash equivalents	9	6,220,350	34,401
Financial assets at fair value through profit or loss	8	<u>1,810,157,684</u>	<u>2,001,958,735</u>
TOTAL ASSETS		<u>1,816,378,034</u>	<u>2,001,993,136</u>
LIABILITIES			
Accrued management fee		108,978	122,728
Amount due to Trustee		13,814	785
Distribution payables		<u>648,858</u>	<u>3,503,680</u>
TOTAL LIABILITIES		<u>771,650</u>	<u>3,627,193</u>
NET ASSET VALUE OF THE FUND		<u>1,815,606,384</u>	<u>1,998,365,943</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	10	<u>1,815,606,384</u>	<u>1,998,365,943</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	11	<u>1,724,923,866</u>	<u>1,909,116,371</u>
NET ASSET VALUE PER UNIT (RM) (EX-DISTRIBUTION)		<u>1.0526</u>	<u>1.0467</u>

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

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

	Note	2024 RM	2023 RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR		<u>1,998,365,943</u>	<u>1,820,881,723</u>
Movement due to units created and cancelled during the financial year:			
- Creation of units from applications		754,701,798	872,974,000
- Creation of units from distributions		48,178,970	40,660,637
- Cancellation of units		<u>(995,109,172)</u>	<u>(741,997,064)</u>
		(192,228,404)	171,637,573
Total comprehensive income for the financial year		62,643,186	56,833,693
Distributions	7	(53,174,341)	(50,987,046)
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR		<u><u>1,815,606,384</u></u>	<u><u>1,998,365,943</u></u>

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

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

	Note	2024 RM	2023 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of unquoted fixed income securities		410,740,294	166,920,056
Proceeds from redemption of unquoted fixed income securities		1,098,880,000	1,500,403,305
Purchase of unquoted fixed income securities		(1,303,032,198)	(1,746,513,866)
Proceeds from maturity of deposits with licensed financial institutions		38,954,468,178	30,378,586,989
Placement of deposits with licensed financial institutions		(38,977,929,000)	(30,476,190,000)
Interest income received from deposits with licensed financial institutions		9,912,426	13,952,690
Interest income received from unquoted fixed income securities		62,890,562	41,239,506
Management fee paid		(1,330,232)	(1,416,925)
Trustee fee paid		(151,971)	(178,113)
Payments for other fees and expenses		(4,543)	(8,075)
Net cash generated from/(used in) operating activities		<u>254,443,516</u>	<u>(123,204,433)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		754,701,798	872,974,000
Payments for cancellation of units		(995,109,172)	(741,997,064)
Distribution paid		(7,850,193)	(7,759,931)
Net cash (used in)/generated financing activities		<u>(248,257,567)</u>	<u>123,217,005</u>
Net increase in cash and cash equivalents		6,185,949	12,572
Cash and cash equivalents at the beginning of the financial year		<u>34,401</u>	<u>21,829</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>6,220,350</u></u>	<u><u>34,401</u></u>
<u>Cash and cash equivalents comprised:</u>			
Bank balances		<u>6,220,350</u>	<u>34,401</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>6,220,350</u></u>	<u><u>34,401</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal Institutional Bond Fund 2 (the “Fund”) was constituted pursuant to the execution of a Deed dated 16 January 2006, a First Supplemental Deed dated 3 December 2007, a Second Supplemental Deed dated 17 September 2013, a Third Supplemental Deed dated 20 January 2015, a Fourth Supplemental Deed dated 25 November 2019, a Fifth supplemental deed dated 25 November 2022 (collectively referred to as the “Deeds”) between Principal Asset Management Berhad (the “Manager”), Maybank Trustees Berhad (the “Previous Trustee”) and a Sixth supplemental deed dated 22 May 2023, (collectively referred to as the “Deeds”) between the Manager, HSBC Trustees Berhad (the “Trustee”) and the registered unit holders of the Fund.

The Fund will invest in Deposits and debt instruments primarily in bonds. Debt instruments includes but not limited to bonds, fixed rate and floating rate debt instruments and/or commercial papers issued by the government, statutory authorities and/or companies. The debt instruments that are issued in Malaysia are required to have a short-term credit rating of “P2” or a long-term credit rating of “A” issued by RAM or MARC equivalent, or if issued outside of Malaysia, requires a short-term credit rating of “A-2” or a long-term credit rating of “BBB” issued by S&P or equivalent rating by other international rating agencies.

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

- At least 60% of the Fund’s NAV will be invested in debt instruments primarily in bonds; and
- Up to 40% of the Fund’s NAV will be invested in liquid assets such as Deposits and/or money market instruments.

The Fund had issued the First Supplemental Master Prospectus dated 5 September 2023.

All investments are subjected to the Securities Commission Malaysia (“SC”) Guidelines on Unit Trust Funds, SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and the Fund’s objective.

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

2. MATERIAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the MFRS as issued by the Malaysian Accounting Standards Board (“MASB”) and IFRS as issued by the International Accounting Standards Board (“IASB”).

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (continued)**

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 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 estimates and assumptions are significant to the financial statements are disclosed in Note 2(j).

There are no other standards, amendments to standards or interpretations that are effective for financial year beginning on 1 April 2023 that have a material effect on the financial statements of the Fund.

None of the standards, amendments to standards or interpretations that are effective for the financial year beginning on/after 1 April 2024 are applicable to the Fund.

(b) Financial assets and financial liabilities**Classification**

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

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

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed, and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the Fund's debt securities are solely principal and interest ("SPPI"). However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

All of the Fund's financial liabilities are measured at amortised cost.

2. MATERIAL 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. Transaction costs are expensed in the statement of comprehensive income.

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

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

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.

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

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

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

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

Impairment for assets carried at amortised costs

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

Significant increase in credit risk

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets and financial liabilities (continued)

Definition of default and credit-impaired financial assets

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

Write-off

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

(c) Income recognition

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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

(d) Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Malaysian Ringgit ("MYR" or "RM"), which is the Fund's functional and presentation currency.

(e) Unit holder's 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.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)**(e) Unit holder's contributions (contribution)**

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

(f) Cash and cash equivalents

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

(g) Taxation

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

(h) Distribution

A distribution to the Fund's unit holders is accounted for as a deduction from realised reserve except where dividend is sourced out of distribution equalisation which is accounted for as a deduction from unitholders' contributions. A proposed distribution is recognised as a liability in the financial year in which it is approved by the Manager.

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

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

(j) Critical accounting estimates and judgements in applying accounting policies

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgements are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimate of fair value of unquoted fixed income securities

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC Guidelines on Unit Trust Funds.

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2024			
Cash and cash equivalents (Note 9)	-	6,220,350	6,220,350
Unquoted fixed income securities (Note 8)	1,326,785,450	-	1,326,785,450
Deposits with licensed financial institutions (Note 8)	<u>483,372,234</u>	-	<u>483,372,234</u>
	<u><u>1,810,157,684</u></u>	<u><u>6,220,350</u></u>	<u><u>1,816,378,034</u></u>
2023			
Cash and cash equivalents (Note 9)	-	34,401	34,401
Unquoted fixed income securities (Note 8)	1,542,047,322	-	1,542,047,322
Deposits with licensed financial institutions (Note 8)	<u>459,911,413</u>	-	<u>459,911,413</u>
	<u><u>2,001,958,735</u></u>	<u><u>34,401</u></u>	<u><u>2,001,993,136</u></u>

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

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

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and interest rate risk), credit risk and liquidity risk.

Financial risk management is carried out through internal control process adopted by the Manager and adherence to the investment restrictions as stipulated in the Deeds and SC Guidelines on Unit Trust Funds.

(a) Market risk

(i) Price risk

Price risk is the risk that the fair value of the investments of the Fund will fluctuate because of changes in market prices.

The Fund is exposed to price risk arising from interest rate fluctuation in relation to its investments of RM1,326,785,450 (2023: RM1,542,047,322) in unquoted fixed income securities. The Fund's exposure to price risk arising from interest rate fluctuation and the related sensitivity analysis are disclosed in "interest rate risk" below.

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

(a) Market risk (continued)

(ii) Interest rate risk

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

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

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

Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to meet the obligation under the instrument, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The table below summarises the sensitivity of the Fund's profit or loss and NAV to movements in prices of unquoted fixed income securities held by the Fund as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate changed by 1% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

% Change in interest rate	Impact on profit or loss/NAV	
	2024 RM	2023 RM
+1%	(847,117)	(700,654)
-1%	848,237	701,848

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

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

(b) Credit risk

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

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

Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the Manager imposes a minimum rating requirement of the investment in accordance with the objective of the Fund. For this Fund the unquoted fixed income securities must satisfy a minimum credit rating of "A" by RAM or MARC equivalent if issued in Malaysia, or if issued outside Malaysia, requires a minimum credit rating of "BBB" by S&P or Fitch, or "Baa" by Moody's or other international rating agencies in the Asia Pacific region (excluding Malaysia).

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

The following table sets out the credit risk concentration of the Fund:

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Total RM
2024			
- AAA	6,220,350	306,750,036	312,970,386
- AA1	-	255,194,395	255,194,395
- AA2	-	30,451,333	30,451,333
- AA3	-	208,779,197	208,779,197
- AA	-	25,186,507	25,186,507
- A1	-	7,196,774	7,196,774
- GB	-	664,931,742	664,931,742
- GG	-	311,667,700	311,667,700
	<u>6,220,350</u>	<u>1,810,157,684</u>	<u>1,816,378,034</u>
2023			
- AAA	34,401	247,984,202	248,018,603
- AA1	-	111,314,595	111,314,595
- AA2	-	30,133,243	30,133,243
- AA3	-	314,062,328	314,062,328
- AA	-	40,875,499	40,875,499
- A1	-	40,148,603	40,148,603
- GB	-	1,217,440,265	1,217,440,265
	<u>34,401</u>	<u>2,001,958,735</u>	<u>2,001,993,136</u>

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

(c) Liquidity risk

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

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

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

	Less than 1 month RM	Between one month and one year RM	Total RM
2024			
Accrued management fee	108,978	-	108,978
Amount due to Trustee	13,814	-	13,814
Distribution payables	648,858	-	648,858
Contractual undiscounted cash flows	771,650	-	771,650
2023			
Accrued management fee	122,728	-	122,728
Amount due to Trustee	785	-	785
Distribution payables	3,503,680	-	3,503,680
Contractual undiscounted cash flows	3,627,193	-	3,627,193

(d) Capital risk management

The capital of the Fund is net assets attributable to unit holders of RM1,815,606,384 (2023: RM1,998,365,943) The amount of capital can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

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

(e) Fair value estimation

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

The fair values of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial year end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques.

(i) Fair value hierarchy

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

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

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

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

Assessing the significance of a particular input to the fair value measurement in its entirety requires 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 RM	Level 2 RM	Level 3 RM	Total RM
2024				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	1,326,785,450	-	1,326,785,450
- Deposits with licensed financial institutions	-	483,372,234	-	483,372,234
	<u>-</u>	<u>1,810,157,684</u>	<u>-</u>	<u>1,810,157,684</u>
2023				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	1,542,047,322	-	1,542,047,322
- Deposits with licensed financial institutions	-	459,911,413	-	459,911,413
	<u>-</u>	<u>2,001,958,735</u>	<u>-</u>	<u>2,001,958,735</u>

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted fixed income securities and deposits with licensed financial institutions.

As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

- (ii) The carrying values of cash and cash equivalents and all current liabilities are a reasonable approximation of their fair values due to their short-term nature.

4. MANAGEMENT FEE, AUDIT FEE AND TAX AGENT'S FEE

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

For the financial year ended 31 March 2024, the management fee is recognised at a rate of 0.08% per annum (2023: 0.08% per annum) in accordance with the fee structure of the Fund as follows:

Fund size (NAV of the Fund)	% per annum of the Fund's NAV
Up to and including RM500 million	0.20% per annum
Above RM500 million and up to and including RM1.0 billion	0.15% per annum
Above RM1.0 billion and up to and including RM1.5 billion	0.10% per annum
Above RM1.5 billion	0.08% per annum subject to maximum of RM1.50 million per annum

Audit fee of RM8,400 (2023: RM8,400) and tax agent's fee of RM3,500 (2023: RM3,500) are borne by the Manager.

There was no further liability to the Manager in respect of management fee, audit fee and tax agent's fee other than the amount recognised above.

5. TRUSTEE FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.10% per annum, calculated daily based on the NAV of the Fund.

For the financial period from 1 April 2023 to 2 October 2023, the Trustee fee is recognised at the rate of 0.009%. Effective 3 October 2023, the Trustee fee is recognised at the rate of 0.009% per annum (2023: 0.009% per annum) in accordance with the fee structure of the Fund as follows, which have been included in the management fee:

Before 3 October 2023

Fund size (NAV of the Fund)	% per annum of the Fund's NAV
Up to and including RM500 million	0.022% per annum
Above RM500 million and up to and including RM1.0 billion	0.016% per annum
Above RM1.0 billion and up to and including RM1.5 billion	0.011% per annum
Above RM1.50 billion	0.009% per annum

After 3 October 2023

Up to 0.009% per annum of the Fund's NAV.

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

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

6. TAXATION

	2024 RM	2023 RM
Tax charged for the financial year:		
- Current taxation	-	-

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

	2024 RM	2023 RM
Profit before taxation	62,643,186	56,833,693
Taxation at Malaysian statutory rate of 24% (2023: 24%)	15,034,365	13,640,086
Tax effects of:		
-Investment income not subject to tax	(15,391,011)	(14,021,994)
-Expenses not deductible for tax purposes	40,690	41,517
-Restriction on tax deductible expenses for Unit Trust Funds	315,956	340,391
Taxation	-	-

7. DISTRIBUTIONS

Breakdown of distribution were as follows:

Source of distribution	2024		2023	
	RM	%	RM	%
Distribution out of current year's income	53,174,341	100.00	50,987,046	100.00
Distribution out of prior year's income/capital	-	-	-	-
Total	53,174,341	100.00	50,987,046	100.00

	2024 RM	2023 RM
Gross/Net distribution per unit (sen)		
Distribution on 30 June 2023	1.74	-
Distribution on 29 September 2023	0.27	-
Distribution on 29 December 2023	0.51	-
Distribution on 29 March 2024	0.47	-
Distribution on 30 June 2022	-	0.99
Distribution on 30 September 2022	-	0.64
Distribution on 30 December 2022	-	0.54
Distribution on 31 March 2023	-	0.62
	2.99	2.79

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

7. DISTRIBUTIONS (CONTINUED)

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

During the financial year ended 31 March 2024, there were no unrealised loss. (2023: RM4,621,176).

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024	2023
	RM	RM
Financial assets at fair value through profit or loss:		
- Unquoted fixed income securities	1,326,785,450	1,542,047,322
- Deposits with licensed financial institutions*	483,372,234	459,911,413
	<u>1,810,157,684</u>	<u>2,001,958,735</u>

*Includes interest receivable of RM177,234 (2023: RM1,250,412)

Unquoted fixed income securities

Net gain on financial assets at fair value through profit or loss:

- Realised loss on disposals	(422,617)	(734,533)
- Unrealised fair value gain	1,509,344	4,098,602
	<u>1,086,727</u>	<u>3,364,069</u>

Deposits with licensed financial institutions

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

	2024	2023
	%	%
Deposits with licensed financial institutions	<u>3.15</u>	<u>3.65</u>

Deposits with licensed financial institutions of the Fund have an average remaining maturity of 1 day (2023: 26 days) for the financial year ended 31 March 2024.

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2024				
UNQUOTED FIXED INCOME SECURITIES				
BGSM Management Sdn Bhd 3.03% 27/08/2024 (AA3)	10,000,000	10,008,656	10,001,325	0.55
BGSM Management Sdn Bhd 4.47% 13/08/2027 (AA3)	145,000,000	145,816,847	147,906,297	8.15
BGSM Management Sdn Bhd 4.56% 15/08/2028 (AA3)	20,000,000	20,114,937	20,490,337	1.13

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2024 (CONTINUED)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
BGSM Management Sdn Bhd 4.92% 29/08/2025 (AA3)	10,000,000	10,172,308	10,189,734	0.55
BGSM Management Sdn Bhd 5.35% 09/03/2026 (AA3)	5,000,000	5,128,648	5,150,490	0.28
Cagamas Bhd 2.78% 30/09/2024 (AAA)	20,000,000	20,004,570	19,920,170	1.10
Cagamas Bhd 4.27% 22/12/2025 (AAA)	10,000,000	10,119,326	10,211,026	0.56
Celcom Networks Sdn Bhd 5.27% 18/10/2026 (AAA)	5,000,000	5,235,538	5,309,725	0.29
CIMB Group Holdings Bhd 4.88% 13/09/2029 (AA)	25,000,000	25,140,694	25,186,507	1.38
DanaInfra Nasional Bhd 4.32% 26/11/2025 (GG)	80,000,000	82,301,647	82,333,030	4.53
DanaInfra Nasional Bhd 4.33% 04/04/2025 (GG)	10,000,000	10,298,673	10,305,862	0.57
DanaInfra Nasional Bhd 4.37% 21/02/2025 (GG)	40,000,000	40,483,321	40,543,162	2.23
DanaInfra Nasional Bhd 4.56% 19/03/2027 (GG)	35,000,000	36,104,883	36,076,749	1.99
Gamuda Bhd 3.90% 27/03/2029 (AA3)	15,000,000	15,008,014	15,041,014	0.83
Genting RMTN Bhd 5.19% 25/03/2027 (AA1)	10,000,000	10,006,405	10,201,453	0.56
GII Murabahah 4.05% 15/08/2024 (GB)	70,000,000	70,554,179	70,542,627	3.89
GII Murabahah 4.07% 30/09/2026 (GB)	170,000,000	172,219,938	172,606,100	9.51
Govt Investment Issues 3.99% 15/10/2025 (GB)	30,000,000	30,825,913	30,847,361	1.70
Lembaga Pembiayaan Perumahan Sektor Awam 3.69% 25/08/2025 (GG)	65,000,000	65,345,282	65,503,643	3.61
Lembaga Pembiayaan Perumahan Sektor Awam 4.20% 31/10/2025 (GG)	55,000,000	56,592,328	56,645,351	3.12
Malayan Banking Bhd 3.41% 05/08/2031 (AA1)	30,000,000	29,690,964	29,911,553	1.65
Malaysia Government Securities 3.48% 14/06/2024 (GB)	90,000,000	90,956,854	90,950,218	5.01
Malaysia Government Securities 3.50% 31/05/2027 (GB)	10,000,000	9,915,738	10,119,190	0.56

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2024 (CONTINUED)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
Malaysia Government Securities 4.06% 30/09/2024 (GB)	100,000,000	100,349,857	100,388,362	5.53
Malaysia Government Securities 4.50% 30/04/2029 (GB)	29,670,000	30,216,044	31,388,535	1.73
Malaysian Government 3.89% 15/03/2027 (GB)	20,000,000	20,125,502	20,251,454	1.12
Malaysian Government 3.96% 15/09/2025 (GB)	10,000,000	10,101,291	10,100,074	0.56
Malaysian Islamic Treasury Bil. 364D 02/09/2024 (GB)	28,970,000	28,569,705	28,578,615	1.57
Malaysian Islamic Treasury Bil. 364D 15/08/2024 (GB)	60,000,000	59,259,611	59,284,200	3.27
Malaysian Islamic Treasury Bil. 364D 24/03/2025 (GB)	41,180,000	39,874,997	39,875,006	2.20
Prasarana Malaysia Bhd 4.34% 12/09/2025 (GG)	10,000,000	10,125,153	10,153,803	0.55
RHB Bank Bhd 3.65% 28/04/2031 (AA2)	10,000,000	10,058,263	10,117,700	0.56
RHB Bank Bhd 4.40% 28/09/2032 (AA2)	20,000,000	20,007,233	20,333,633	1.12
Sarawak Energy Bhd 4.05% 04/07/2028 (AAA)	10,000,000	10,097,644	10,215,044	0.56
Syarikat Prasarana Negara Bhd 4.38% 24/03/2025 (GG)	10,000,000	10,086,951	10,106,100	0.56
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>1,309,820,000</u>	<u>1,320,917,914</u>	<u>1,326,785,450</u>	<u>73.08</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>5,867,536</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>1,326,785,450</u>		

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2023				
UNQUOTED FIXED INCOME SECURITIES				
BGSM Management Sdn Bhd 3.03% 27/08/2024 (AA3)	10,000,000	9,961,082	9,903,095	0.50
BGSM Management Sdn Bhd 4.47% 13/08/2027 (AA3)	145,000,000	145,799,089	147,679,739	7.39
BGSM Management Sdn Bhd 4.56% 15/08/2028 (AA3)	20,000,000	20,112,438	20,441,038	1.02
BGSM Management Sdn Bhd 4.92% 29/08/2025 (AA3)	10,000,000	10,260,071	10,246,634	0.51
BGSM Management Sdn Bhd 5.35% 09/03/2026 (AA3)	5,000,000	5,185,349	5,196,356	0.26
Cagamas Bhd 2.78% 30/09/2024 (AAA)	20,000,000	20,006,093	19,727,693	0.99
Cagamas Bhd 4.27% 22/12/2025 (AAA)	10,000,000	10,118,156	10,200,956	0.51
Celcom Networks Sdn Bhd 5.27% 28/10/2026 (AA)	5,000,000	5,281,215	5,310,897	0.27
CIMB Group Holdings Bhd 4.88% 13/09/2029 (AA)	25,000,000	25,308,194	25,324,007	1.27
Danga Capital Bhd 2.32% 25/01/2024 (AAA)	10,000,000	10,041,951	9,934,651	0.50
Genting RMTN Bhd 5.19% 25/03/2027 (AA1)	10,000,000	10,002,579	10,135,410	0.51
GII Murabahah 3.15% 15/05/2023 (GB)	110,000,000	111,342,611	111,388,756	5.57
GII Murabahah 3.65% 15/10/2024 (GB)	58,100,000	60,200,176	59,490,240	2.98
GII Murabahah 4.09% 30/11/2023 (GB)	300,000,000	306,037,860	306,512,238	15.34
Govt Investment Issues 3.49% 31/10/2023 (GB)	50,000,000	50,856,464	50,897,322	2.55
Govt Investment Issues 4.39% 07/07/2023 (GB)	90,000,000	91,235,441	91,311,907	4.57
HSBC Amanah Malaysia Bhd IMTN 4.30% 02/10/2023 (AAA)	5,000,000	5,106,027	5,123,227	0.26
Malakoff Power Bhd 5.45% 15/12/2023 (AA)	10,000,000	10,348,419	10,240,595	0.51
Malaysia Government Securities 3.50% 31/05/2027 (GB)	10,000,000	9,856,973	10,124,875	0.51

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

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2023 (CONTINUED)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
Malaysia Government Securities 3.80% 17/08/2023 (GB)	130,000,000	130,980,306	131,327,796	6.57
Malaysia Government Securities 4.05% 30/09/2024 (GB)	50,000,000	50,401,055	50,776,621	2.54
Malaysia Government Securities 4.50% 30/04/2029 (GB)	29,670,000	30,219,266	31,350,898	1.57
Malaysian Government 3.75% 20/04/2023 (GB)	250,000,000	254,365,653	254,368,482	12.73
Malaysian Government 3.89% 15/03/2027 (GB)	10,000,000	9,981,134	10,156,827	0.51
Malaysian Islamic Treasury Bil. 272D 24/10/2023 (GB)	50,000,000	49,147,074	49,204,500	2.46
Malaysian Islamic Treasury Bil. 364D 15/03/2024 (GB)	62,310,000	60,459,358	60,529,803	3.03
Pengerang LNG (Two) Sdn Bhd 2.22% 20/10/2023 (AAA)	5,000,000	5,049,266	5,009,516	0.25
RHB Bank Bhd 3.65% 28/04/2031 (AA2)	10,000,000	10,016,185	10,018,600	0.49
RHB Bank Bhd 4.40% 28/09/2032 (AA2)	20,000,000	20,009,645	20,114,643	1.00
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>1,520,080,000</u>	<u>1,537,689,130</u>	<u>1,542,047,322</u>	<u>77.17</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>4,358,192</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>1,542,047,322</u>		

9. CASH AND CASH EQUIVALENTS

	2024 RM	2023 RM
Bank balances	<u>6,220,350</u>	<u>34,401</u>

10. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

Net assets attributable to unit holders as at the reporting date comprise:

	2024 RM	2023 RM
Unit holders' contributions	1,776,570,255	1,968,798,659
Retained earnings	<u>39,036,129</u>	<u>29,567,284</u>
	<u>1,815,606,384</u>	<u>1,998,365,943</u>

The movement in the components of net assets attributable to unit holders for the year were as follows:

	Unit holders' contributions RM	Retained earnings RM	Total RM
Balance as at 1 April 2023	1,968,798,659	29,567,284	1,998,365,943
Movement in unit holders' contributions:			
- creation of units from applications	754,701,798	-	754,701,798
- creation of units from distributions	48,178,970	-	48,178,970
- cancellation of units	(995,109,172)	-	(995,109,172)
Total comprehensive income for the financial year	-	62,643,186	62,643,186
Distributions	-	(53,174,341)	(53,174,341)
Balance as at 31 March 2024	<u>1,776,570,255</u>	<u>39,036,129</u>	<u>1,815,606,384</u>
Balance as at 1 April 2022	1,797,161,086	23,720,637	1,820,881,723
Movement in unit holders' contributions:			
- creation of units from applications	872,974,000	-	872,974,000
- creation of units from distributions	40,660,637	-	40,660,637
- cancellation of units	(741,997,064)	-	(741,997,064)
Total comprehensive income for the financial year	-	56,833,693	56,833,693
Distributions	-	(50,987,046)	(50,987,046)
Balance as at 31 March 2023	<u>1,968,798,659</u>	<u>29,567,284</u>	<u>1,998,365,943</u>

11. NUMBER OF UNITS IN CIRCULATION (UNITS)

	<u>2024</u>	<u>2023</u>
	No. of units	No. of units
At the beginning of the financial year	1,909,116,371	1,742,760,643
Add : Creation of units from applications	717,091,659	836,284,348
Add : Creations of units from distributions	46,268,936	39,084,277
Less: Cancellation of units	<u>(947,553,100)</u>	<u>(709,012,897)</u>
At the end of the financial year	<u>1,724,923,866</u>	<u>1,909,116,371</u>

12. TOTAL EXPENSE RATIO (“TER”)

	<u>2024</u>	<u>2023</u>
	%	%
TER	<u>0.08</u>	<u>0.08</u>

TER is derived from the following calculation:

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

- A = Management fee
- B = Trustee fee
- C = Other expenses
- D = 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 RM 1,849,775,345 (2023: RM1,997,637,090).

13. PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>2024</u>	<u>2023</u>
PTR (times)	<u>0.46</u>	<u>0.48</u>

PTR is derived based on 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 = RM1,295,507,681 (2023: RM1,738,639,478)
- total disposal for the financial year = RM409,340,259 (2023: RM165,018,600)

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

<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

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

<u>Related parties</u>	<u>Relationship</u>
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
CIMB Bank Bhd	Fellow related party to the Manager
CIMB Islamic Bank Bhd	Fellow related party to 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

Units held by the Manager and parties related to the Manager

	2024		2023	
	No. of units	RM	No. of units	RM
Manager				
Principal Asset Management Berhad	7	7	298	312

In the opinion of the Manager, the above units were transacted at the prevailing market price.

The units are held beneficially by the Manager for booking purposes. Other than the above, there were no units held by the Directors or parties related to the Manager.

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

	2024	2023
	RM	RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institutions:		
- CIMB Bank Bhd	1,157,086	1,534,050
- CIMB Islamic Bank Bhd	1,077,890	1,440,795
	<u>2,234,976</u>	<u>2,974,845</u>

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

	2024 RM	2023 RM
<u>Significant related party balances</u>		
Deposits with licensed financial institutions:		
- CIMB Bank Bhd	71,018,382	40,169,589
- CIMB Islamic Bank Bhd	71,017,507	61,009,596
	<u>142,035,889</u>	<u>101,179,185</u>
Bank balances:		
- CIMB Bank Bhd	-	34,401
	<u>-</u>	<u>34,401</u>

15. TRANSACTIONS WITH DEALERS

Details of transactions with dealers for the financial year ended 31 March 2024 were as follows:

Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
CIMB Islamic Bank Bhd #	340,150,965	19.95	-	-
AmBank (M) Bhd	295,186,876	17.31	-	-
CIMB Bank Bhd #	258,762,370	15.18	-	-
AmIslamic Bank Bhd	248,257,612	14.56	-	-
Malayan Banking Bhd	111,723,500	6.55	-	-
HSBC Bank Malaysia Bhd	98,334,367	5.77	-	-
Citi Bank Bhd	91,242,000	5.35	-	-
Affin Hwang Investment Bank Bhd	55,518,000	3.26	-	-
United Overseas Bank (M) Bhd	55,151,250	3.23	-	-
Bank of America Malaysia Bhd	50,077,500	2.94	-	-
Others	100,443,500	5.90	-	-
	<u>1,704,847,940</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

15. TRANSACTIONS WITH DEALERS (CONTINUED)

Details of transactions with dealers for the financial year ended 31 March 2023 were as follows:

Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
CIMB Bank Bhd #	325,342,600	17.09	-	-
AmBank (M) Bhd	279,932,031	14.70	-	-
Citi Bank Berhad	242,236,400	12.72	-	-
Hong Leong Bank Bhd	226,798,717	11.91	-	-
JP Morgan Chase Bank Bhd	173,264,900	9.10	-	-
Malayan Banking Bhd	165,874,500	8.71	-	-
HSBC Bank Malaysia Berhad	141,140,000	7.41	-	-
CIMB Islamic Bank Berhad #	140,534,000	7.38	-	-
Standard Chartered Bank	65,753,500	3.45	-	-
RHB Investment Bank Bhd	60,650,400	3.19	-	-
Others	82,131,030	4.34	-	-
	<u>1,903,658,078</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Included in the transactions are trades conducted with CIMB Bank Bhd and CIMB Islamic Bank Bhd fellow related parties to the Manager amounting to RM258,762,370 (2023: RM325,342,600) and RM340,150,965 (2023: RM140,534,000) respectively. The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 20 May 2024.

DIRECTORY

Head Office of the Manager

Principal Asset Management Berhad (Company No.: 199401018399 (304078-K))
Level 32, Exchange 106,
Lingkaran TRX,
55188 Tun Razak Exchange, Kuala Lumpur
MALAYSIA.
Tel: (03) 8680 8000

Website

www.principal.com

E-mail address

myservice@principal.com

Customer Care Centre

(03) 7723 7260

Chat with us via WhatsApp:

(6016) 299 9792

Previous Trustee for the Principal Institutional Bond Fund 2

Maybank Trustees Berhad (Company No.: 196301000109 (5004-P))
8th Floor, Menara Maybank,
100, Jalan Tun Perak,
50050 Kuala Lumpur, MALAYSIA.
Tel: (03) 2078 8363, 2070 8833
Fax: (03) 2070 9387

Trustee for the Principal Institutional Bond Fund 2

HSBC (Malaysia) Trustee Berhad (Company No.: 193701000084 (1281-T))
19th Floor, Menara IQ, Lingkaran TRX,
55188 Tun Razak Exchange, Kuala Lumpur, MALAYSIA.
Tel: (03) 2075 7800
Fax: (03) 8894 2611

Auditors of the Fund and of the Manager

Ernst & Young PLT 202006000003 (LLP0022760-LCA) & AF 0039
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel: +603 7495 8000
Fax: +603 2095 5332