

PRINCIPAL INSTITUTIONAL BOND FUND 2
ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025

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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 2025. You may also download this report from our website at www.principal.com.my.

We are thankful to share that investors like you have helped make our recent recognition at the LSEG Lipper Fund Awards 2025 possible, where Principal Malaysia received nine awards. These acknowledgements reflect the collaborative effort of our entire team to deliver investment solutions that meet your needs.

Building on our recent success, Principal Malaysia also garnered numerous accolades throughout 2024. At the Asia Asset Management 2024 Best of the Best Awards, we were honored with the Best of the Best Performance Award for China A-Share Equity (3 years) and recognized as the Best Institutional House – Malaysia. At the 2024 Global Banking & Finance Awards, our CEO, Munirah Khairuddin, was named Asset Management CEO of the Year Malaysia, and our company was recognized as Asset Management Company of the Year Malaysia. Additionally, we received the Best International Equity Fund Manager for MSCI EM Latin America 2023 at the EPF External Fund Managers Awards 2023.

At the Alpha Southeast Asia Fund Management Awards 2024, we won three awards: Best Absolute Return Strategy, Best Online & Mobile Platform (Asset Manager), and Best Asset Manager (Income-Oriented, Money Market & Alternative Investment Funds). The International Finance Awards honored us with 'Best Asset Management Company – Malaysia 2024' and 'Best Asset Management CEO – Munirah Khairuddin – Malaysia 2024'. At the Triple A Sustainable Investing Awards 2024, we secured the Asset Management Company of the Year (Malaysia) award. The World Business Outlook magazine recognized us with the titles of Best Investment Management and Solutions Provider Malaysia, Best Institutional House Malaysia, and Asset Management CEO (Munirah Khairuddin) of the Year Malaysia. Additionally, we received three awards at the iFast Awards 2024, seven at the LSEG Lipper Fund Awards 2024, ten at the FSMOne Recommended Funds 2023/2024, and two at the Edge ESG 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 (@PrincipalMalaysia), follow us on our Instagram account (@principalmalaysia), and LinkedIn page (Principal Malaysia) for the latest updates, market insights and investment articles.

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

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

Munirah Khairuddin

Chief Executive Officer Principal Asset Management Berhad (Group of Companies),
and Managing Director Strategic Distribution & Institutional Client Relations
(Southeast Asia & Global Shariah)
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 is in line with its stated 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 securities 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 2025?

RM1,953.29 million (1,831.29 million units)

What is the Fund's benchmark?

The 3-month Kuala Lumpur Interbank Offered Rate ("KLIBOR").

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 the Manager's 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 2025?

The Fund distributed a total net income of RM42.21 million to unit holders for the financial year ended 31 March 2025.

FUND OBJECTIVE AND POLICY (CONTINUED)

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

Date	NAV per unit (before distribution)	NAV per unit (after distribution)
	RM	RM
Distribution on 28 June 2024	1.0609	1.0563
Distribution on 30 September 2024	1.0669	1.0623
Distribution on 31 December 2024	1.0703	1.0632
Distribution on 28 March 2025	1.0727	1.0663

Breakdown of distribution were as follows:

	31.03.2025		31.03.2024	
	RM	%	RM	%
Source of distribution				
Distribution out of current year's income	42,212,573	100.00	53,174,341	100.00
Distribution out of prior year's income/capital	-	-	-	-
Total	42,212,573	100.00	53,174,341	100.00

PERFORMANCE DATA

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

	31.03.2025	31.03.2024	31.03.2023
	%	%	%
Unquoted fixed income securities	73.80	73.08	77.17
Deposits with licensed financial institutions	26.82	26.62	23.01
Cash and other assets	0.25	0.34	0.00
Liabilities	(0.87)	(0.04)	(0.18)
	100.00	100.00	100.00

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

	31.03.2025	31.03.2024	31.03.2023
NAV (RM Million)*	1,953.29	1,815.61	1,998.37
Units in circulation (Million)	1,831.29	1,724.92	1,909.12
NAV per unit (RM)*	1.0666	1.0526	1.0467
Highest NAV per unit (RM)	1.0726	1.0568	1.0528
Lowest NAV per unit (RM)*	1.0526	1.0367	1.0377
- Total return (%)	3.49	3.46	2.89
- Capital growth (%)	1.31	0.55	0.18
- Income distribution (%)	2.15	2.89	2.71

*Ex-distribution

Total Expense Ratio ("TER") (%)	0.08	0.08	0.08
Portfolio Turnover Ratio ("PTR") (times) #	0.22	0.46	0.48

The Fund's PTR during the financial year under review was lower than the previous financial year at 0.22 times due to marginally lesser trading activities.

PERFORMANCE DATA (CONTINUED)

Gross/ Net distribution per unit (sen)	31.03.2025	31.03.2024	31.03.2023
Distribution on 28 June 2024	0.47	-	-
Distribution on 30 September 2024	0.46	-	-
Distribution on 31 December 2024	0.71	-	-
Distribution on 28 March 2025	0.64	-	-
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

	31.03.2025	31.03.2024	31.03.2023	31.03.2022	31.03.2021
	%	%	%	%	%
Annual total return	3.49	3.46	2.90	1.94	2.28

(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 2024 TO 31 MARCH 2025)

For the financial year under review, the central bank maintained the Overnight Policy Rate (“OPR”) at 3.00% throughout all the Monetary Policy Committee (“MPC”) meetings held. At its last meeting in the month of March 2025, they continued to maintain OPR at 3.00% whilst remaining constructive on global and domestic growth outlook. The MPC statement also highlighted external and global policy uncertainties, particularly the US trade and tariff policies under the Trump 2.0 administration.

In April 2024, inflation registered at 1.8% but then registered higher for the next three consecutive months of May 2024, June 2024 and July 2024 at 2% and then gradually moved lower registering at 1.9% in August 2024, 1.8% in September 2024 and at 1.9% in October 2024. In November 2024 and December 2024, the inflation rate was at 1.8% and 1.7%, respectively. The annual inflation rate for 2024 stood at 1.8% for the year, marking a two-year consecutive decline in inflation since 2022. Meanwhile, in January 2025, inflation rate registered at 1.7% and then increased slower for the next two consecutive months registering at 1.5% in February 2025 and then 1.4% in March 2025. The increase in March 2025 was driven by a slower increase in the group of personal care, social protection and miscellaneous goods and services at 3.6% versus 3.7% in February 2025.

For full year 2024, the Bond Pricing Agency Malaysia (“BPAM”) Corporates All Bond (7y over) Index kept its position as the best performer with returns of 5.50%, while the BPAM All Bond Index – the Malaysian Government Securities (“MGS”) – 1Y – 3Y was the worst performer for the year with returns of 3.55%. In the month of March 2025, the best performer during the month was BPAM Government Investment Issue (“GII”) All Bond Index (7y over) Index with a return of +0.90%, while the worst performing index was the BPAM MGS All Bond Index (1-3y) with returns of +0.34%. For the first quarter of 2025, the best performer was BPAM Corporates All Bond Index (7-years over) with a return of +1.91%, while the worst performer was the BPAM GII All Bond Index (1year to 3 years) with a return of +0.86%.

Foreign holdings saw an outflow for the last two months of 2024 as it declined by RM1.4 billion in December 2024 and RM1.1 billion in November 2024. Despite the paring down seen in the last two months of the year, full-year foreign inflow remained positive but was reduced to RM4.8 billion (2023: RM23.6 billion inflow). At the end of December 2024, total foreign holdings stood at RM275.2 billion with foreign holdings of MGS at 32.3%. Meanwhile in 2025, foreign investors holdings in Malaysian debt securities decreased by RM1.12 billion in February, reversing the first increase in January 2025.

MARKET REVIEW (1 APRIL 2024 TO 31 MARCH 2025) (CONTINUED)

Then in March 2025, the foreign holdings of Ringgit Malaysia (“RM”/“MYR”) bonds showed resilience, steering through rising global uncertainties with a net inflow of RM3.2 billion in March 2025. By debt instrument, all categories received inflows except for discount instruments. MGS and GII were the main drivers with monthly inflows of +RM1.7 billion and +MYR1.4 billion respectively, while Private Debt Securities (“PDS”) continued to report small net gain of +RM0.4 billion in March 2025.

After a muted December 2024, primary issuances in January 2025 picked up as it increased by 13.3% mpnth-on-month (“MoM”) to RM3.3 billion (Dec’24: RM2.9 billion). A surge was seen in the month of March 2025 with primary issuances of RM14.60 billion of corporate bond issuances tapping the market, an increase of 116.0% from RM6.76 billion in February 2025. Total corporate bond issuance for the first three months of the year stood at RM24.66 billion, which was 22.7% higher than the previous corresponding period of RM20.09 billion.

In 2024, the Malaysian Government Securities (“MGS”) yield curve saw flattening in the long-end of the curve as the 20-year 30-year moved lower by 4 basis points (“bps”) to 6 bps. Meanwhile, the 5 years to 10 years moved higher by 1 to 11bps, with the 10-year MGS moving the most as it ended at 3.84% at the end of December. (2023: 3.72%). In the month of January 2025, the MGS yield curve flattened marginally with the 7-years and 10-years moving the most as it edged lower by 2 bps for both tenures. However, in contrast, the 30-years shifted slightly higher as it closed at 4.21% at the end of the month. Meanwhile, the 5-years and 15- years MGS remained unchanged for the month.

In line with the Government’s effort to narrow its fiscal deficit, total Government auctions for 2025 is estimated to be RM163.5 billion relatively lower than total issuance in 2024 of RM175 billion. Domestic liquidity remains healthy given the strong BTC throughout 1Q2025 in government bond auctions. The 3-, 5-years, 7-years, 10-years, 15-years, 20-years and 30-years benchmarks closed at 3.45% (-5 bps), 3.60% (-3 bps), 3.71% (-3 bps), 3.80% (-2 bps), 3.93% (-5 bps), 4.01% (-6 bps) and 4.18% (-2 bps), respectively in March 2025. In the first quarter of 2025, yields fell between 2 to 8 bps across the MGS curve with the highest movement seen for the 3 years as it moved 8 bps lower.

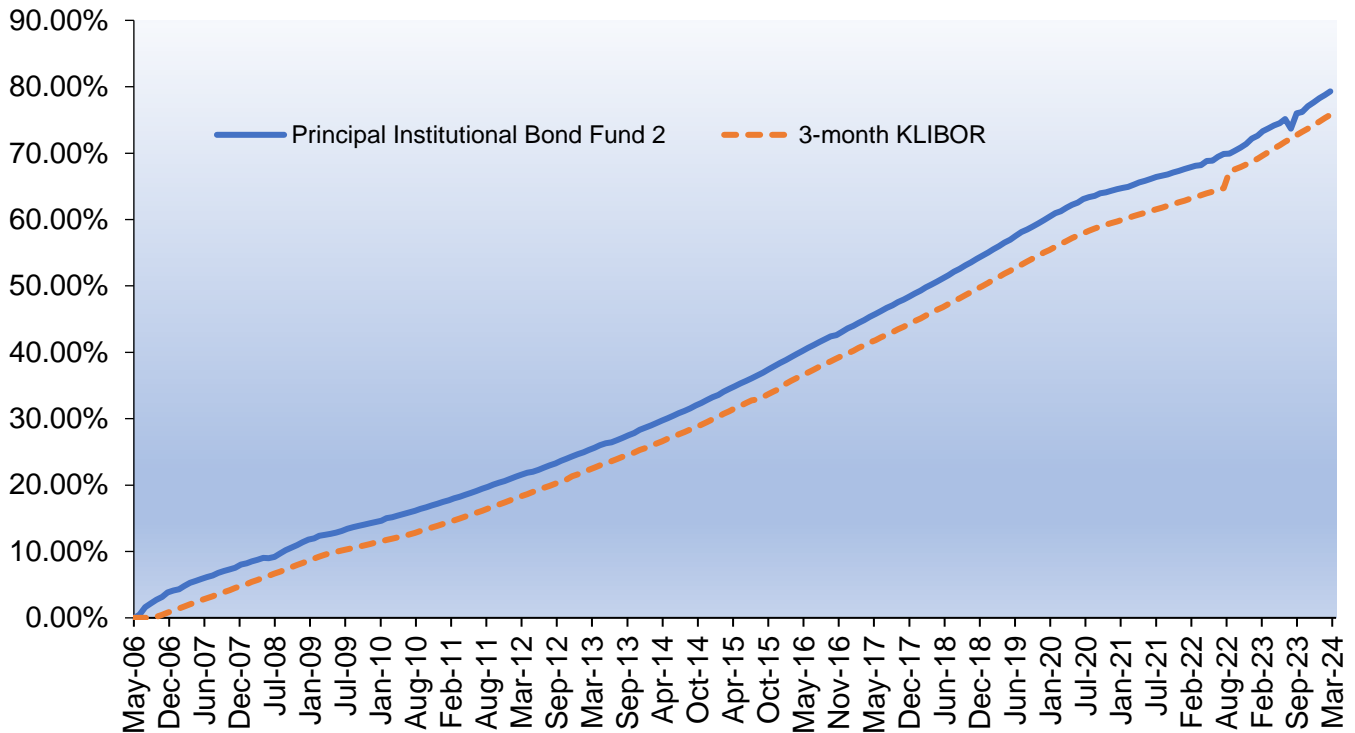
FUND PERFORMANCE

	1 year to 31.03.2025	3 years to 31.03.2025	5 years to 31.03.2025	Since inception to 31.03.2025
	%	%	%	%
Income Distribution	2.15	7.95	12.19	74.02
Capital Growth	1.31	2.06	2.39	6.63
Total Return	3.49	10.18	14.88	85.56
Benchmark	3.66	10.65	15.22	84.42
Average Total Return	3.49	3.28	2.81	3.28

For the financial year under review, the Fund delivered total return of 3.49%, underperforming the benchmark by 17 bps. Meanwhile, the 3-year and 5-year total return for the fund was 10.18% and 14.88%, underperforming the benchmark by -0.47% and -0.34%, respectively. Since inception, the fund returned 85.56%.

FUND PERFORMANCE (CONTINUED)

Since Inception



Changes in NAV

	31.03.2025	31.03.2024	Changes %
NAV (RM Million)*	1,953.29	1,815.61	7.58
NAV/Unit (RM)*	1.0666	1.0526	1.33

*Ex-distribution

The Fund's NAV was higher by 7.58% for the financial year under review from RM1,815.61 million on 31 March 2024 to RM1,953.29 million on 31 March 2025, mainly due to subscription.

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)	31.03.2025	31.03.2024
Unquoted fixed income securities	73.80	73.08
Deposits with licensed financial institutions	26.82	26.62
Cash and other assets	0.25	0.34
Liabilities	(0.87)	(0.04)
TOTAL	100.00	100.00

For the financial year under review, the Fund's investment in unquoted fixed income securities was higher at 73.80% from 73.08% as at 31 March 2024. Consequently, deposits with licensed financial institutions were higher at 26.82% at the end of the period compared to 26.62% as at 31 March 2024.

MARKET OUTLOOK*

Budget 2025 targets 4.5% to 5.5% growth while focusing on fiscal consolidation, subsidy rationalization, and efficient resource management to reduce the fiscal deficit from 4.3% in 2024 to 3.8% in 2025. The Government will continue to enhance fiscal management through broadening of revenue measures, optimal use of resources and continue to pursue subsidy rationalization, particularly RON95. It is expected that the Government will implement the petrol subsidy rationalization programme beginning in mid-2025 and will be similar to the diesel subsidy rationalization mechanism. The implementation of the 15% Global Minimum Tax ("GMT") starting January 2025 is expected to strengthen Malaysia's financial position, targeting multinational companies with global revenues exceeding EURO750 million. This move aims to attract investments while signaling Malaysia's commitment to global tax compliance.

The Central Bank believes the outlook for inflation will depend on the implementation of further domestic policy measures on subsidies and price controls, as well as global commodity prices and financial market developments. Ministry of Finance ("MOF") also projects inflation to range between 2.0% to 3.5% for 2025, and unemployment rate to improve further to 3.1%. Generally, we expect some inflationary pressures arising from the execution of subsidy rationalization, particularly on RON95 by mid-2025, which could have an impact on bond yields. In addition, a change in spending patterns due to the hike in civil servants' minimum salary in February 2025 might give a boost to economic growth via a rise in domestic demand.

*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 in both sovereign markets as well as in the credit market, whilst ensuring there is sufficient liquidity for the Fund. For corporate issuances, we continue to prefer issuers which display stronger and more resilient credit metrics and better fundamentals.

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 under review, the Manager and Trustee did not receive any rebates from the brokers or dealers but the Manager has retained soft commission in the form of goods and services 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

In relation to this Fund, the Fund had issued Second Supplemental Prospectus dated 27 February 2025. 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 year 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**

I, being the Director 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 7 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 2025 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 MFRS Accounting Standards and IFRS Accounting Standards.

For and on behalf of the Manager

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

MUNIRAH KHAIRUDDIN

Chief Executive Officer Principal Asset Management Berhad (Group of Companies),
and Managing Director Strategic Distribution & Institutional Client Relations
(Southeast Asia & Global Shariah)
Non-Independent Executive Director

Kuala Lumpur
16 May 2025

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 year ended 31 March 2025 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 year 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

Lee Cincee
Senior Manager, Trustee and Fiduciary Services

Kuala Lumpur
16 May 2025

**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 2025, 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 7 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 2025, and of its financial performance and cash flows for the financial year then ended in accordance with MFRS Accounting Standards and IFRS Accounting 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 MFRS Accounting Standards and IFRS Accounting 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 skepticism 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. 03013/10/2025 J
Chartered Accountant

Kuala Lumpur, Malaysia
16 May 2025

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025**

	Note	2025 RM	2024 RM
INCOME			
Interest income from unquoted fixed income securities at fair value through profit and loss		18,502,778	9,912,426
Interest income from deposits with licensed financial institutions at fair value through profit and loss		51,989,840	53,130,058
Net gain on financial assets at fair value through profit or loss	8	709,674	1,086,727
		<u>71,202,292</u>	<u>64,129,211</u>
EXPENSES			
Management fee	4	1,426,929	1,316,482
Trustee fee	5	179,000	165,000
Other expenses		1,712	4,543
		<u>1,607,641</u>	<u>1,486,025</u>
PROFIT BEFORE TAXATION		69,594,651	62,643,186
Taxation	6	-	-
PROFIT AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>69,594,651</u>	<u>62,643,186</u>
Profit after taxation is made up as follows:			
Realised amount		67,823,986	59,213,800
Unrealised amount		1,770,665	3,429,386
		<u>69,594,651</u>	<u>62,643,186</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 2025**

	Note	2025 RM	2024 RM
ASSETS			
Cash and cash equivalents	9	4,903,143	6,220,350
Financial assets at fair value through profit or loss	8	<u>1,965,446,580</u>	<u>1,810,157,684</u>
TOTAL ASSETS		<u>1,970,349,723</u>	<u>1,816,378,034</u>
LIABILITIES			
Amount due to dealers		15,000,000	-
Accrued management fee		121,681	108,978
Amount due to Trustee		15,424	13,814
Distribution payables		<u>1,923,395</u>	<u>648,858</u>
TOTAL LIABILITIES		<u>17,060,500</u>	<u>771,650</u>
NET ASSET VALUE OF THE FUND		<u>1,953,289,223</u>	<u>1,815,606,384</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	10	<u>1,953,289,223</u>	<u>1,815,606,384</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	11	<u>1,831,293,229</u>	<u>1,724,923,866</u>
NET ASSET VALUE PER UNIT (RM) (EX-DISTRIBUTION)		<u>1.0666</u>	<u>1.0526</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 2025**

	Note	2025 RM	2024 RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR		<u>1,815,606,384</u>	<u>1,998,365,943</u>
Movement due to units created and cancelled during the financial year:			
- Creation of units from applications		366,600,000	754,701,798
- Creation of units from distributions		34,260,228	48,178,970
- Cancellation of units		<u>(290,559,467)</u>	<u>(995,109,172)</u>
		110,300,761	(192,228,404)
Total comprehensive income for the financial year		69,594,651	62,643,186
Distributions	7	(42,212,573)	(53,174,341)
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR		<u><u>1,953,289,223</u></u>	<u><u>1,815,606,384</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 2025**

	Note	2025 RM	2024 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of unquoted fixed income securities		118,190,582	410,740,294
Proceeds from redemption of unquoted fixed income securities		550,150,000	1,098,880,000
Purchase of unquoted fixed income securities		(760,631,508)	(1,303,032,198)
Proceeds from maturity of deposits with licensed financial institutions		74,259,090,823	38,954,468,178
Placement of deposits with licensed financial institutions		(74,299,686,000)	(38,977,929,000)
Interest income received from deposits with licensed financial institutions		18,502,778	9,912,426
Interest income received from unquoted fixed income securities		45,296,721	62,890,562
Management fee paid		(1,414,226)	(1,330,232)
Trustee fee paid		(177,390)	(151,971)
Payments for other fees and expenses		(1,712)	(4,543)
Net cash (used in)/generated from operating activities		(70,679,932)	254,443,516
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		366,600,000	754,701,798
Payments for cancellation of units		(290,559,467)	(995,109,172)
Distribution paid		(6,677,808)	(7,850,193)
Net cash generated from/(used in) financing activities		69,362,725	(248,257,567)
Net (decrease)/increase in cash and cash equivalents		(1,317,207)	6,185,949
Cash and cash equivalents at the beginning of the financial year		6,220,350	34,401
Cash and cash equivalents at the end of the financial year	9	4,903,143	6,220,350
<u>Cash and cash equivalents comprised:</u>			
Bank balances		4,903,143	6,220,350
Cash and cash equivalents at the end of the financial year	9	4,903,143	6,220,350

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 2025

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”) and 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 (Malaysia) Trustee Berhad (the “Trustee”) and the registered unit holders of the Fund.

The Fund will invest in deposits and debt securities primarily in bonds. Debt securities 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 securities 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) in the Eligible Market, 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 securities 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.

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

The Fund had issued Second Supplemental Prospectus dated 27 February 2025.

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 POLICY INFORMATION

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 Accounting Standards as issued by the Malaysian Accounting Standards Board (“MASB”) and IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”).

2. MATERIAL ACCOUNTING POLICY INFORMATION (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 Accounting Standards and IFRS Accounting Standards 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 2024 that have a material effect on the financial statements of the Fund.

Other than MFRS 18: Presentation and Disclosure in Financial Statements (which will first become applicable for annual periods beginning on or after 1 January 2027), none of the standards, amendments to standards or interpretations that are effective for the financial year beginning on or after 1 April 2025 are applicable to the financial statements of the Fund. The Fund is still currently in the process of assessing the impact, if any, of MFRS 18: Presentation and Disclosure in Financial Statements.

(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 POLICY INFORMATION (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 Malaysian Ringgit ("MYR" or "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 fair value.

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

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

Impairment for assets carried at amortised costs

The Fund measures credit risk and expected credit 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.

Definition of default and credit-impaired financial assets

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**(b) Financial assets and financial liabilities (continued)**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 MYR/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.

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**(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. A proposed distribution is recognised as a liability in the financial year in which it is approved by the Trustee.

(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
2025			
Cash and cash equivalents (Note 9)	-	4,903,143	4,903,143
Unquoted fixed income securities (Note 8)	1,441,479,169	-	1,441,479,169
Deposits with licensed financial institutions (Note 8)	523,967,411	-	523,967,411
	<u>1,965,446,580</u>	<u>4,903,143</u>	<u>1,970,349,723</u>
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)	483,372,234	-	483,372,234
	<u>1,810,157,684</u>	<u>6,220,350</u>	<u>1,816,378,034</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 RM1,441,479,169 (2024: RM1,326,785,450) 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	
	2025 RM	2024 RM
+1%	(899,439)	(847,117)
-1%	<u>901,086</u>	<u>848,237</u>

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
2025			
- AAA	4,903,143	478,603,412	483,506,555
- AA1	-	86,223,767	86,223,767
- AA2	-	95,532,093	95,532,093
- AA3	-	209,252,163	209,252,163
- A1	-	50,037,260	50,037,260
- GB	-	786,601,570	786,601,570
- GG	-	259,196,315	259,196,315
	<u>4,903,143</u>	<u>1,965,446,580</u>	<u>1,970,349,723</u>
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>

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
2025			
Amount due to dealers	15,000,000	-	15,000,000
Accrued management fee	121,681	-	121,681
Amount due to Trustee	15,424	-	15,424
Distribution payables	1,923,395	-	1,923,395
Contractual undiscounted cash flows	17,060,500	-	17,060,500
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

(d) Capital risk management

The capital of the Fund is net assets attributable to unit holders of RM1,953,289,223 (2024: RM1,815,606,384). 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
2025				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	1,441,479,169	-	1,441,479,169
- Deposits with licensed financial institutions	-	523,967,411	-	523,967,411
	<u>-</u>	<u>1,965,446,580</u>	<u>-</u>	<u>1,965,446,580</u>
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>

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 2025, the management fee is recognised at a rate of 0.08% per annum (2024: 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 and tax agent's fee 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 year ended 31 March 2025, the Trustee fee is recognised at the rate of 0.009% per annum (2024: 0.009% per annum) in accordance with the fee structure of the Fund as follows, which have been included in the management fee:

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

6. TAXATION

	2025 RM	2024 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:

	2025 RM	2024 RM
Profit before taxation	69,594,651	62,643,186
Taxation at Malaysian statutory rate of 24% (2024: 24%)	16,702,716	15,034,365
Tax effects of:		
-Investment income not subject to tax	(17,088,550)	(15,391,011)
-Expenses not deductible for tax purposes	42,984	40,690
-Restriction on tax deductible expenses for Unit Trust Funds	342,850	315,956
Taxation	-	-

7. DISTRIBUTIONS

Distributions to unit holders were derived from the following sources (assessed up to distributions declaration date):

Source of distribution	2025		2024	
	RM	%	RM	%
Distribution out of current year's income	42,212,573	100.00	53,174,341	100.00
Distribution out of prior year's income/capital	-	-	-	-
Total	42,212,573	100.00	53,174,341	100.00

	2025 RM	2024 RM
Gross/Net distribution per unit (sen)		
Distribution on 28 June 2024	0.47	-
Distribution on 30 September 2024	0.46	-
Distribution on 31 December 2024	0.71	-
Distribution on 28 March 2025	0.64	-
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
	2.28	2.99

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

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

During the financial year ended 31 March 2025, there were no unrealised loss. (2024: Nil).

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 RM	2024 RM
Financial assets at fair value through profit or loss:		
- Unquoted fixed income securities*	1,441,479,169	1,326,785,450
- Deposits with licensed financial institutions	523,967,411	483,372,234
	1,965,446,580	1,810,157,684

*Includes interest receivable of RM7,437,438 (2024: RM7,288,546)

Unquoted fixed income securities

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

- Realised gain/(loss) on disposals	1,382,874	(422,617)
- Unrealised fair value (loss)/gain	(673,200)	1,509,344
	709,674	1,086,727

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)Deposits with licensed financial institutions

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

	2025 %	2024 %
Deposits with licensed financial institutions	<u>3.70</u>	<u>3.15</u>

Deposits with licensed financial institutions of the Fund have an average remaining maturity of 43 days (2024: 1 day) for the financial year ended 31 March 2025.

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
2025				
UNQUOTED FIXED INCOME SECURITIES				
BGSM Management Sdn Bhd 4.47% 13/08/2027 (AA3)	45,000,000	45,236,971	45,974,071	2.35
BGSM Management Sdn Bhd 4.56% 15/08/2028 (AA3)	30,000,000	30,384,325	30,875,462	1.58
BGSM Management Sdn Bhd 4.92% 29/08/2025 (AA3)	10,000,000	10,081,259	10,096,034	0.52
BGSM Management Sdn Bhd 5.350% 09/03/2026 (AA3)	5,000,000	5,071,952	5,093,323	0.26
BGSM Management Sdn Bhd 4.08% 20/06/2031 (AA3)	50,000,000	50,570,082	51,063,082	2.61
BGSM Management Sdn Bhd 4.10% 20/06/2034 (AA3)	50,000,000	50,572,877	51,110,377	2.62
Cagamas Bhd 4.27% 22/12/2025 (AAA)	10,000,000	10,115,816	10,162,516	0.52
Cagamas Bhd 3.79% 11/10/2029 (AAA)	10,000,000	10,178,597	10,192,997	0.52
Cagamas Bhd 3.89% 02/11/2029 (AAA)	10,000,000	10,166,268	10,209,632	0.52
Celcom Networks Sdn Bhd 5.27% 28.10.2026 (AAA)	5,000,000	5,189,491	5,234,397	0.27
CIMB Group Holdings Bhd 3.87% 03/04/2030 (AA1)	15,000,000	15,000,000	15,000,000	0.77
CIMB Islamic Bank Bhd 3.85% 30/07/2029 (AAA)	20,000,000	20,126,575	20,171,775	1.03
DanaInfra Nasional Bhd 4.32% 26/11/2025 (GG)	80,000,000	81,637,330	81,658,630	4.18

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 %
2025 (CONTINUED) UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
DanaInfra Nasional Bhd 4.33% 04/04/2025 (GG)	10,000,000	10,209,486	10,209,489	0.52
DanaInfra Nasional Bhd 4.56% 19/03/2027 (GG)	35,000,000	35,760,296	35,734,449	1.83
Gamuda Bhd 3.90% 27/03/2029 (AA3)	15,000,000	15,008,014	15,039,814	0.77
Genting RMTN Bhd 5.19% 25/3/2027 (AA1)	10,000,000	10,007,494	10,148,253	0.52
GII Murabahah 3.42% 30/09/2027 (GB)	58,000,000	58,028,045	58,008,582	2.97
GII Murabahah 4.07% 30/09/2026 (GB)	170,000,000	171,389,760	171,859,398	8.80
GII Murabahah 4.128% 15/08/2025 (GB)	100,000,000	100,863,012	100,838,149	5.16
Govt Investment Issues 3.99% 15/10/2025 (GB)	30,000,000	30,649,546	30,667,062	1.57
Lembaga Pembiayaan Perumahan Selangor 3.69% 25/08/2025 (GG)	65,000,000	65,262,416	65,307,993	3.34
Lembaga Pembiayaan Perumahan Selangor 4.20% 31/10/2025 (GG)	55,000,000	56,201,337	56,221,851	2.88
Malayan Banking Bhd 3.41% 05/08/2031 (AA1)	30,000,000	29,881,020	30,045,851	1.54
Malaysia Government Securities 3.50% 31/05/2027 (GB)	10,000,000	9,976,235	10,142,375	0.52
Malaysia Government Securities 4.50% 30/04/2029 (GB)	29,670,000	30,218,673	31,281,723	1.60
Malaysian Government Securities 3.89% 15/03/2027 (GB)	20,000,000	20,091,955	20,200,189	1.03
Malaysian Government Securities 3.95% 15/09/2025 (GB)	10,000,000	10,042,802	10,051,798	0.51
Malaysian Islamic Treasury Bil 04/04/2025 (GB)	30,000,000	29,992,152	29,994,900	1.54
Malaysian Islamic Treasury Bil 23/04/2025 (GB)	81,670,000	81,505,060	81,525,444	4.17

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 %
2025 (CONTINUED) UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
Malaysian Islamic Treasury Bil 26/05/2025 (GB)	30,000,000	29,857,084	29,862,600	1.53
Malaysian Islamic Treasury Bil 26/09/2025 (GB)	100,000,000	98,483,041	98,482,000	5.04
Malaysian Islamic Treasury Bil 29/07/2025 (GB)	50,000,000	49,485,590	49,489,500	2.53
Malaysian Islamic Treasury Bil 30/01/2026 (GB)	25,000,000	24,339,930	24,348,250	1.25
Malaysian Treasury Bills 16/05/2025 (GB)	40,000,000	39,835,161	39,849,600	2.05
Prasarana Malaysia Bhd 4.34% 12/09/2025 (GG)	10,000,000	10,054,030	10,063,903	0.52
RHB Bank Bhd 3.65% 28/04/2031 (AA2)	10,000,000	10,104,229	10,145,800	0.52
RHB Bank Bhd 4.40% 28/09/2032 (AA2)	20,000,000	20,009,644	20,240,444	1.04
Sarawak Energy Bhd 4.05% 04/07/2028 (AAA)	10,000,000	10,094,315	10,199,815	0.52
Suria KLCC Sdn Bhd 4.00% 29/06/2035 (AAA)	3,570,000	3,605,603	3,647,978	0.20
YTL Power International Bhd 4.30% 24/08/2029 (AA1)	10,000,000	10,207,617	10,224,611	0.52
YTL Power International Bhd 4.77% 23/03/2029 (AA1)	5,000,000	5,170,233	5,175,927	0.26
YTL Power International Bhd 4.99% 24.08.2028 (AA1)	15,000,000	15,619,510	15,629,125	0.80
TOTAL UNQUOTED FIXED INCOME SECURITIES	1,427,910,000	1,436,284,833	1,441,479,169	73.80

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 %
2025 (CONTINUED)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		5,194,336		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		1,441,479,169		
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
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

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)				
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
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 Securities 3.89% 15/03/2027 (GB)	20,000,000	20,125,502	20,251,454	1.12
Malaysian Government Securities 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

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)				
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>		

9. CASH AND CASH EQUIVALENTS

	2025 RM	2024 RM
Bank balances	<u>4,903,143</u>	<u>6,220,350</u>

10. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

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

	2025 RM	2024 RM
Unit holders' contributions	1,886,871,016	1,776,570,255
Retained earnings	<u>66,418,207</u>	<u>39,036,129</u>
	<u><u>1,953,289,223</u></u>	<u><u>1,815,606,384</u></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 2024	1,776,570,255	39,036,129	1,815,606,384
Movement in unit holders' contributions:			
- creation of units from applications	366,600,000	-	366,600,000
- creation of units from distributions	34,260,228	-	34,260,228
- cancellation of units	(290,559,467)	-	(290,559,467)
Total comprehensive income for the financial year	-	69,594,651	69,594,651
Distributions	-	(42,212,573)	(42,212,573)
Balance as at 31 March 2025	<u><u>1,886,871,016</u></u>	<u><u>66,418,207</u></u>	<u><u>1,953,289,223</u></u>
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><u>1,776,570,255</u></u>	<u><u>39,036,129</u></u>	<u><u>1,815,606,384</u></u>

11. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2025	2024
	No. of units	No. of units
At the beginning of the financial year	1,724,923,866	1,909,116,371
Add : Creation of units from applications	346,798,814	717,091,659
Add : Creations of units from distributions	32,245,789	46,268,936
Less: Cancellation of units	(272,675,240)	(947,553,100)
At the end of the financial year	<u>1,831,293,229</u>	<u>1,724,923,866</u>

12. TOTAL EXPENSE RATIO (“TER”)

	2025	2024
	%	%
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 RM2,013,903,808 (2024: RM1,849,775,345).

13. PORTFOLIO TURNOVER RATIO (“PTR”)

	2025	2024
PTR (times)	<u>0.22</u>	<u>0.46</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	=	RM116,395,250 (2024: RM1,295,507,681)
total disposal for the financial year	=	RM774,296,562 (2024: RM409,340,259)

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

	<u>2025</u>		<u>2024</u>	
	<u>No. of units</u>	<u>RM</u>	<u>No. of units</u>	<u>RM</u>
Manager				
Principal Asset Management Berhad	7	7	7	7

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.

	<u>2025</u>	<u>2024</u>
	<u>RM</u>	<u>RM</u>
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institutions:		
- CIMB Bank Bhd	2,310,281	1,157,086
- CIMB Islamic Bank Bhd	1,514,001	1,077,890
	<u>3,824,282</u>	<u>2,234,976</u>

Significant related party balances

Deposits with licensed financial institutions:		
- CIMB Bank Bhd	86,297,819	71,018,382
- CIMB Islamic Bank Bhd	-	71,017,507
	<u>86,297,819</u>	<u>142,035,889</u>

15. TRANSACTIONS WITH DEALERS

Details of transactions with dealers for the financial year ended 31 March 2025 were as follows:

Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
CIMB Bank Bhd #	270,471,056	30.37	-	-
AmlIslamic Bank Bhd	176,257,768	19.79	-	-
Citibank Bhd	150,419,000	16.89	-	-
AmBank (M) Bhd	142,164,493	15.96	-	-
RHB Investment Bank Bhd	48,812,750	5.48	-	-
Malayan Banking Bhd	39,323,705	4.41	-	-
HSBC Bank Malaysia Bhd	38,711,540	4.35	-	-
United Overseas Bank (M) Bhd	19,350,000	2.17	-	-
Hong Leong Investment Bank Bhd	5,181,500	0.58	-	-
	<u>890,691,812</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

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	-	-
AmlIslamic 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>

Included in the transactions are trades conducted with CIMB Bank Bhd and CIMB Islamic Bank Bhd fellow related parties to the Manager amounting to RM270,471,056 (2024: RM258,762,370) and nil (2024: RM340,150,965) 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 16 May 2025.

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

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

List of Amendment
Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Fund”)

Prospectus for Principal Institutional Bond Fund 2 dated 14 April 2023 and First Supplemental Prospectus dated 5 September 2023 (“Prospectus 1”)		Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Prospectus 2”)	Reason
Section / Page	Description	Description	
	All references to “service@principal.com.my” in the Prospectus shall be amended to “myservice@principal.com”.		<p>Updating our new email address, the change does not affect the feature of the fund.</p> <p>We are of view that the change does not affect the existing unit holder to stay invested in the Fund. It is not a significant change under 9.71(a). Hence, it is not applicable to comply with 9.71(a) and 9.72 of the GUTF.</p> <p>We will notify the unit holder via annual/interim report (whichever is earlier) of the change made to the fund in order to comply with paragraph 9.71 (b)(i) and 9.71 (b)(ii) of the GUTF. The effective date of the change is the date of Prospectus 2 and will be mentioned in the annual/interim report.</p>
Definitions/ii	Nil	<p>Definitions</p> <p>Bloomberg - Bloomberg L</p> <p>IHS Markit - IHS Markit L</p>	<p>Updating the definitions pursuant to the change of valuation methodology.</p> <p>The change is to update information. We are of view that the changes above do not affect the existing Unit holders to stay invested in the Fund and it is not a significant change under 9.71(a). Hence, it is not applicable to comply with 9.71(a) and 9.72 of the GUTF.</p> <p>We will notify the unit holder via annual/interim report (whichever is earlier) of the change made to the fund in order to comply with paragraph 9.71 (b)(i) and 9.71 (b)(ii) of the GUTF. The effective date of the change which the date of Prospectus 2 will be mentioned in the annual/interim report.</p>
Corporate Directory / page iv	<p>The Manager Principal Asset Management Berhad</p> <p>Business address 10th Floor Bangunan CIMB Jalan Semantan Damansara Heights</p>	<p>The Manager Principal Asset Management Berhad</p> <p>Business/Registered address Level 32, Exchange 106, Lingkaran TRX 55188 Tun Razak Exchange</p>	<p>Updating our new business/registered address, customer care centre address, and email address, the changes does not affect the feature of the fund.</p> <p>We are of view that the changes do not affect the existing unit holder to stay invested in the Fund. It is</p>

List of Amendment
Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Fund”)

Prospectus for Principal Institutional Bond Fund 2 dated 14 April 2023 and First Supplemental Prospectus dated 5 September 2023 (“Prospectus 1”)		Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Prospectus 2”)	Reason
Section / Page	Description	Description	
	<p>50490 Kuala Lumpur MALAYSIA Tel : (603) 2084 8888</p> <p>Registered address 8th Floor Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur MALAYSIA Tel : (603) 2084 8888</p> <p>Customer Care Centre Ground Floor Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur MALAYSIA Tel : (03) 7723 7260 Fax : (03) 7718 3003 Whatsapp : (6016) 299 9792</p> <p>Website www.principal.com.my</p> <p>E-mail service@principal.com.my</p>	<p>Kuala Lumpur MALAYSIA Tel : (603) 8680 8000</p> <p>Customer Care Centre Level 31, Exchange 106, Lingkaran TRX 55188 Tun Razak Exchange Kuala Lumpur MALAYSIA Tel : (603) 7723 7260 WhatsApp : (6016) 299 9792</p> <p>Website www.principal.com.my</p> <p>E-mail myservice@principal.com</p>	<p>not a significant change under 9.71(a). Hence, it is not applicable to comply with 9.71(a) and 9.72 of the GUTF.</p> <p>We will notify the unit holder via annual/interim report (whichever is earlier) of the change made to the fund in order to comply with paragraph 9.71 (b)(i) and 9.71 (b)(ii) of the GUTF. The effective date of the change is the date of Prospectus 2 and will be mentioned in the annual/interim report.</p>
Section 3.1/ 9	<p>Second bullet point</p> <ul style="list-style-type: none"> Unlisted instruments The value of any unlisted MYR-denominated instruments shall be calculated on a daily basis using prices quoted by a Bond Pricing Agency (“BPA”) registered with the SC. Where such prices are not available or where we are of the view that the price quoted by the BPA for a specific instruments differs from the market price by more than twenty (20) basis points, we may use the market price by reference to the last available quote provided such quote was obtained within the previous thirty (30) days and we will record the basis for using a non-BPA price, obtained necessary internal approvals to use the non-BPA price and keeps an audit trail of all decisions and basis for adopting the market yield. 	<p>Second bullet point</p> <ul style="list-style-type: none"> Unlisted debt securities The value of any unlisted MYR-denominated debt securities shall be calculated on a daily basis using prices quoted by a bond pricing agency (BPA) registered with the SC. Where we are of the view that the price quoted by the BPA for a specific unquoted debt securities differs from the market price by more than 20 basis points, we may propose a fair value price, 	<p>Renamed from “Unlisted instruments” to “unlisted debt securities” to provide better clarity and be more specific.</p> <p>This is to update the valuation method used, no change on how the fund is being managed as the fund is being managed in accordance with the objective and limits and restriction of the fund.</p> <p>We are of view that the changes do not affect the existing unit holder to stay invested in the Fund. It is not a significant change under 9.71(a). Hence, it is not applicable to comply with 9.71(a) and 9.72 of the GUTF.</p>

List of Amendment
Second **Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Fund”)**

Prospectus for Principal Institutional Bond Fund 2 dated 14 April 2023 and First Supplemental Prospectus dated 5 September 2023 (“Prospectus 1”)		Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Prospectus 2”)	Reason
Section / Page	Description	Description	
	<p>The value of any unlisted non MYR-denominated bonds shall be calculated at least weekly by reference to the average of bid and offer prices quoted by three (3) independent and reputable financial institutions.</p>	<p>provided that we obtain necessary internal approvals to use the non-BPA price and keep an audit trail of the basis for determining the fair value of the investment. The basis for determining the fair value of the investment should be approved by the Trustee (after appropriate technical consultation), and is documented.</p> <p>The value of any unlisted non MYR-denominated debt securities shall be calculated daily using prices quoted by ICE, Refinitiv, IHS Markit or Bloomberg, dependent on asset class and market using their proprietary methodology. The debt securities prices are calculated using prices contributed by financial institutions and other market inputs, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data (e.g. corporate action announcements and ratings). Where the prices are not available on any Business Day, these debt securities will be valued by reference to the average indicative yield quoted by three (3) independent and reputable financial institutions.</p>	<p>We will notify the unit holder via annual/interim report (whichever is earlier) of the change made to the fund in order to comply with paragraph 9.71 (b)(i) and 9.71 (b)(ii) of the GUTF. The effective date of the change is the date of Prospectus 2 and will be mentioned in the annual/interim report.</p>

List of Amendment
Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Fund”)

Prospectus for Principal Institutional Bond Fund 2 dated 14 April 2023 and First Supplemental Prospectus dated 5 September 2023 (“Prospectus 1”)		Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Prospectus 2”)	Reason
Section / Page	Description	Description	
		However, where quotations are still not available, such unlisted non-MYR-denominated debt securities will be valued daily at a fair price determined in good faith by us, based on the methods or bases which have been verified by the auditor of the Fund and approved by the Trustee.	
3.14/ 14	<p>Unclaimed Moneys</p> <p>First paragraph Any moneys payable to you which remain unclaimed after twelve (12) months as prescribed by the Unclaimed Moneys Act 1965 (“UMA”), will be surrendered to the Registrar of Unclaimed Moneys by us in accordance with the requirements of the UMA. Thereafter, all claims need to be made by you with the Registrar of Unclaimed Moneys.</p>	<p>Unclaimed Moneys</p> <p>First paragraph Any moneys payable to you which remain unclaimed after two (2) years as prescribed by the Unclaimed Moneys Act 1965 (“UMA”), will be surrendered to the Registrar of Unclaimed Moneys by us in accordance with the requirements of the UMA. Thereafter, all claims need to be made by you with the Registrar of Unclaimed Moneys.</p>	<p>Unclaimed Moneys (Amendment) Act that has come into operation on 1st August 2024 has introduced the new section 2A in relation of the definition of “unclaimed moneys” from 1 year to 2 years.</p> <p>We are of view that the changes do not affect the existing unit holder to stay invested in the Fund. It is not a significant change under 9.71(a). Hence, it is not applicable to comply with 9.71(a) and 9.72 of the GUTF.</p> <p>We will notify the unit holder via annual/interim report (whichever is earlier) of the change made to the fund in order to comply with paragraph 9.71 (b)(i) and 9.71 (b)(ii) of the GUTF. The effective date of the change is the date of Prospectus 2 and will be mentioned in the annual/interim report.</p>
4.2/ 15	<p>4.2. Information on your investment</p> <p><u>Last paragraph</u></p> <p>If you wish to write-in, please address your letter to:</p> <p>Principal Asset Management Berhad Customer Care Centre Ground Floor Bangunan CIMB</p>	<p>4.2. Information on your investment</p> <p><u>Last paragraph</u></p> <p>If you wish to write-in, please address your letter to:</p> <p>Principal Asset Management Berhad Customer Care Centre</p>	<p>Updating our new business/registered address, customer care centre address, and email address, the changes does not affect the feature of the fund.</p> <p>We are of view that the changes do not affect the existing unit holder to stay invested in the Fund. It is not a significant change under 9.71(a). Hence, it is not</p>

List of Amendment
Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Fund”)

Prospectus for Principal Institutional Bond Fund 2 dated 14 April 2023 and First Supplemental Prospectus dated 5 September 2023 (“Prospectus 1”)		Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Prospectus 2”)	Reason																
Section / Page	Description	Description																	
	Jalan Semantan Damansara Heights 50490 Kuala Lumpur, MALAYSIA	Level 31, Exchange 106, Lingkaran TRX 55188 Tun Razak Exchange Kuala Lumpur MALAYSIA	applicable to comply with 9.71(a) and 9.72 of the GUTF. We will notify the unit holder via annual/interim report (whichever is earlier) of the change made to the fund in order to comply with paragraph 9.71 (b)(i) and 9.71 (b)(ii) of the GUTF. The effective date of the change is the date of Prospectus 2 and will be mentioned in the annual/interim report.																
5.1.2 / 17	<div>Designated Person Responsible for Fund Management Function</div> <table><tr><td>Name:</td><td>Patrick Chang Chian Ping</td></tr><tr><td>Designation:</td><td>Chief Investment Officer (CIO), Malaysia & Chief Investment Officer, Equities, ASEAN Region</td></tr><tr><td>Experience:</td><td>He was appointed as the Chief Investment Officer on 22 February 2016. He comes with an extensive 20 years of experience in asset management and is backed by numerous ASEAN awards from Malaysian pension funds in 2013 and 2015. He was previously the Head of ASEAN equities at BNP Paribas Investment Partners, Malaysia where he was overseeing ASEAN equities for both Malaysian and offshore clients from 2012. Prior to that, he served as Senior Vice President for CIMB-Principal Asset Management Berhad where he specialised in Malaysia, ASEAN and Asia specialist funds. He also worked as a portfolio manager at Riggs and Co International Private Banking in London specialising in managing global ETF portfolios</td></tr><tr><td>Qualifications:</td><td>MSc Finance from City University Business School and BSc Accounting and Financial Analysis from University of Warwick, UK.</td></tr></table>	Name:	Patrick Chang Chian Ping	Designation:	Chief Investment Officer (CIO), Malaysia & Chief Investment Officer, Equities, ASEAN Region	Experience:	He was appointed as the Chief Investment Officer on 22 February 2016. He comes with an extensive 20 years of experience in asset management and is backed by numerous ASEAN awards from Malaysian pension funds in 2013 and 2015. He was previously the Head of ASEAN equities at BNP Paribas Investment Partners, Malaysia where he was overseeing ASEAN equities for both Malaysian and offshore clients from 2012. Prior to that, he served as Senior Vice President for CIMB-Principal Asset Management Berhad where he specialised in Malaysia, ASEAN and Asia specialist funds. He also worked as a portfolio manager at Riggs and Co International Private Banking in London specialising in managing global ETF portfolios	Qualifications:	MSc Finance from City University Business School and BSc Accounting and Financial Analysis from University of Warwick, UK.	<div>Designated Person Responsible for Fund Management Function</div> <table><tr><td>Name:</td><td>Wong Loke Chin</td></tr><tr><td>Designation:</td><td>Chief Investment Officer, Malaysia</td></tr><tr><td>Experience:</td><td>Wong Loke Chin is a seasoned professional with more than 29 years of experience in managing domestic fixed income, retail, institutional, corporate and sovereign clients. He has also gained extensive experience in managing investment for institutional clients. He joined Principal Malaysia in 2018 as the Head of CIMB's Debt Markets Department where he manages a wide range of portfolios of institutional and retail clients. In 2001, he had 10 years' experience in fixed income within the insurance industry as a member of the Financial Markets Board of Malaysia. He obtained a representative license in Malaysia.</td></tr><tr><td>Qualifications:</td><td><ul style="list-style-type: none">Bachelor of Commerce from University of New South Wales, Australia</td></tr></table> <div>Note: For more information and/or updated information, please refer to</div>	Name:	Wong Loke Chin	Designation:	Chief Investment Officer, Malaysia	Experience:	Wong Loke Chin is a seasoned professional with more than 29 years of experience in managing domestic fixed income, retail, institutional, corporate and sovereign clients. He has also gained extensive experience in managing investment for institutional clients. He joined Principal Malaysia in 2018 as the Head of CIMB's Debt Markets Department where he manages a wide range of portfolios of institutional and retail clients. In 2001, he had 10 years' experience in fixed income within the insurance industry as a member of the Financial Markets Board of Malaysia. He obtained a representative license in Malaysia.	Qualifications:	<ul style="list-style-type: none">Bachelor of Commerce from University of New South Wales, Australia	<div>Updating information, it does not change how the fund being managed as the fund is being managed in accordance with the objective and limits and restriction of the Fund.</div> <div>We are of view that the changes above do not affect the existing Unit holders to stay invested in the Fund and it is not a significant change under 9.71(a). Hence, it is not applicable to comply with 9.71(a) and 9.72 of the GUTF.</div> <div>We will notify the unit holder via annual/interim report (whichever is earlier) of the change made to the fund in order to comply with paragraph 9.71 (b)(i) and 9.71 (b)(ii) of the GUTF. The effective date of the change which the date of Prospectus 2 will be mentioned in the annual/interim report.</div>
Name:	Patrick Chang Chian Ping																		
Designation:	Chief Investment Officer (CIO), Malaysia & Chief Investment Officer, Equities, ASEAN Region																		
Experience:	He was appointed as the Chief Investment Officer on 22 February 2016. He comes with an extensive 20 years of experience in asset management and is backed by numerous ASEAN awards from Malaysian pension funds in 2013 and 2015. He was previously the Head of ASEAN equities at BNP Paribas Investment Partners, Malaysia where he was overseeing ASEAN equities for both Malaysian and offshore clients from 2012. Prior to that, he served as Senior Vice President for CIMB-Principal Asset Management Berhad where he specialised in Malaysia, ASEAN and Asia specialist funds. He also worked as a portfolio manager at Riggs and Co International Private Banking in London specialising in managing global ETF portfolios																		
Qualifications:	MSc Finance from City University Business School and BSc Accounting and Financial Analysis from University of Warwick, UK.																		
Name:	Wong Loke Chin																		
Designation:	Chief Investment Officer, Malaysia																		
Experience:	Wong Loke Chin is a seasoned professional with more than 29 years of experience in managing domestic fixed income, retail, institutional, corporate and sovereign clients. He has also gained extensive experience in managing investment for institutional clients. He joined Principal Malaysia in 2018 as the Head of CIMB's Debt Markets Department where he manages a wide range of portfolios of institutional and retail clients. In 2001, he had 10 years' experience in fixed income within the insurance industry as a member of the Financial Markets Board of Malaysia. He obtained a representative license in Malaysia.																		
Qualifications:	<ul style="list-style-type: none">Bachelor of Commerce from University of New South Wales, Australia																		

List of Amendment
Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Fund”)

Prospectus for Principal Institutional Bond Fund 2 dated 14 April 2023 and First Supplemental Prospectus dated 5 September 2023 (“Prospectus 1”)		Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Prospectus 2”)	Reason
Section / Page	Description	Description	
		our website at www.principal.com.my .	
8.0 / 23-27	<p>Taxation report</p> <p>Ernst & Young Tax Consultants Sdn Bhd</p> <p>Level 23A Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur</p> <p>The Board of Directors Principal Asset Management Berhad 10th Floor, Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur</p> <p>31 December 2022</p> <p>Dear Sirs</p> <p>Taxation of the unit trust fund and unit holders</p> <p>This letter has been prepared for inclusion in this Replacement Prospectus Issue No. 11 in connection with the offer of units in the unit trust known as Principal Institutional Bond Fund 2 (hereinafter referred to as “the Fund”).</p> <p>The purpose of this letter is to provide prospective unit holders with an overview of the impact of taxation on the Fund and the unit holders.</p> <p>Taxation of the Fund</p>	<p>Taxation report</p> <p>Ernst & Young Tax Consultants Sdn Bhd</p> <p>Level 23A Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur</p> <p>The Board of Directors Principal Asset Management Berhad Level 32, Exchange 106, Lingkaran TRX, 55188 Tun Razak Exchange Kuala Lumpur, Malaysia</p> <p>9 December 2024</p> <p>Dear Sirs</p> <p>Taxation of the unit trust fund and unit holders</p> <p>This letter has been prepared for inclusion in this Second Supplemental Prospectus in connection with the offer of units in the unit trust known as Principal Institutional Bond Fund 2 (hereinafter referred to as “the Fund”).</p>	<p>The replacement of taxation report is to include updates in relation to the exemption for qualifying unit trusts from the payment of income tax in respect of foreign sourced income (from 1 Jan 2024 to 31 Dec 2026) and information on Capital Gains Tax on the realization of investments. It does not change how the fund being managed as the fund is being managed in accordance with the objective and limits and restriction of the Fund.</p> <p>We are of view that the changes above do not affect the existing Unit holders to stay invested in the Fund and it is not a significant change under 9.71(a). Hence, it is not applicable to comply with 9.71(a) and 9.72 of the GUTF.</p> <p>We will notify the unit holder via annual/interim report (whichever is earlier) of the change made to the fund in order to comply with paragraph 9.71 (b)(i) and 9.71 (b)(ii) of the GUTF. The effective date of the change which the date of Prospectus 2 will be mentioned in the annual/interim report.</p>

List of Amendment
Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Fund”)

Prospectus for Principal Institutional Bond Fund 2 dated 14 April 2023 and First Supplemental Prospectus dated 5 September 2023 (“Prospectus 1”)		Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Prospectus 2”)	Reason
Section / Page	Description	Description	
	<p>The taxation of the Fund is subject to the provisions of the Malaysian Income Tax Act 1967 (MITA), particularly Sections 61 and 63B.</p> <p>Subject to certain exemptions, the income of the Fund comprising profits and other investment income derived from or accruing in Malaysia after deducting tax allowable expenses, is subject to Malaysian income tax at the rate of 24% with effect from the year of assessment 2016.</p> <p>Tax allowable expenses would comprise expenses falling under Section 33(1) and Section 63B of the MITA. Section 33(1) permits a deduction for expenses that are wholly and exclusively incurred in the production of gross income. In addition, Section 63B allows unit trusts a deduction for a portion of other expenses (referred to as ‘permitted expenses’) not directly related to the production of income, as explained below.</p> <p>“Permitted expenses” refer to the following expenses incurred by the Fund which are not deductible under Section 33(1) of the MITA:</p> <ul style="list-style-type: none"> • the manager’s remuneration, • maintenance of the register of unit holders, • share registration expenses, • secretarial, audit and accounting fees, telephone charges, printing and stationery costs and postage. <p>These expenses are given a partial deduction under Section 63B of the MITA, based on the following formula:</p> $A \times \frac{B}{4C}$ <p>where A is the total of the permitted expenses incurred for that basis period;</p>	<p>The purpose of this letter is to provide prospective unit holders with an overview of the impact of taxation on the Fund and the unit holders.</p> <p>Taxation of the Fund</p> <p>The taxation of the Fund is subject to the provisions of the Malaysian Income Tax Act 1967 (MITA), particularly Sections 61 and 63B.</p> <p>Subject to certain exemptions, the income of the Fund comprising profits and other investment income derived from or accruing in Malaysia after deducting tax allowable expenses, is subject to Malaysian income tax at the rate of 24% with effect from the year of assessment 2016.</p> <p>Tax allowable expenses would comprise expenses falling under Section 33(1) and Section 63B of the MITA. Section 33(1) permits a deduction for expenses that are wholly and exclusively incurred in the production of gross income. In addition, Section 63B allows unit trusts a deduction for a portion of other expenses (referred to as “permitted expenses”) not directly related to the production of income, as explained below.</p>	

List of Amendment
Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Fund”)

Prospectus for Principal Institutional Bond Fund 2 dated 14 April 2023 and First Supplemental Prospectus dated 5 September 2023 (“Prospectus 1”)		Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Prospectus 2”)	Reason
Section / Page	Description	Description	
	<p>B is gross income consisting of dividend¹, interest and rent chargeable to tax for that basis period; and</p> <p>C is the aggregate of the gross income consisting of dividend¹ and interest (whether such dividend or interest is exempt or not) and rent, and gains made from the realisation of investments (whether chargeable to tax or not) for that basis period,</p> <p>provided that the amount of deduction to be made shall not be less than 10% of the total permitted expenses incurred for that basis period.</p> <p>Exempt income</p> <p>The following income of the Fund is exempt from income tax:</p> <ul style="list-style-type: none"> Malaysian sourced dividends <p>All Malaysian-sourced dividends should be exempt from income tax.</p> <ul style="list-style-type: none"> Malaysian sourced interest <ul style="list-style-type: none"> (i) interest from securities or bonds issued or guaranteed by the Government of Malaysia; (ii) interest from debentures or <i>sukuk</i>, other than convertible loan stock, approved or authorized by, or lodged with, the Securities Commission; (iii) interest from Bon Simpanan Malaysia issued by Bank Negara Malaysia; 	<p>“Permitted expenses” refer to the following expenses incurred by the Fund which are not deductible under Section 33(1) of the MITA:</p> <ul style="list-style-type: none"> the manager's remuneration, maintenance of the register of unit holders, share registration expenses, secretarial, audit and accounting fees, telephone charges, printing and stationery costs and postage. <p>These expenses are given a partial deduction under Section 63B of the MITA, based on the following formula:</p> $A \times \frac{B}{4C}$ <p>where</p> <p>A is the total of the permitted expenses incurred for that basis period;</p> <p>B is gross income consisting of dividend¹⁰, interest and rent chargeable to tax for that basis period; and</p> <p>C is the aggregate of the gross income</p>	

¹ Pursuant to Section 15 of the Finance Act 2011, with effect from the year of assessment 2011, dividend income is deemed to include income distributed by a unit trust which includes distributions from Real Estate Investment Trusts.

¹⁰ Pursuant to Section 15 of the Finance Act 2011, with effect from the year of assessment 2011, dividend income is deemed to include income distributed by a unit trust which includes distributions from Real Estate Investment Trusts.

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	<p>(iv) interest derived from Malaysia and paid or credited by banks licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013²;</p> <p>(v) interest derived from Malaysia and paid or credited by any development financial institution prescribed under the Development Financial Institutions Act 2002¹;</p> <p>(vi) interest from <i>sukuk</i> originating from Malaysia, other than convertible loan stock, issued in any currency other than Ringgit and approved or authorized by, or lodged with, the Securities Commission or approved by the Labuan Financial Services Authority (LFSA)³; and</p> <p>(vii) interest which is specifically exempted by way of statutory orders or any other specific exemption provided by the Minister.</p> <ul style="list-style-type: none"> Discount <p>Tax exemption is given on discount paid or credited to any unit trust in respect of investments as specified in items (i), (ii) and (iii) above.</p> <p>Foreign-sourced income</p> <p>Pursuant to the Finance Act 2021, income derived by a resident person from sources outside Malaysia and received in Malaysia from 1 January 2022 will no longer be exempt from tax.</p> <p>The Guidelines issued by the Malaysian Inland Revenue Board on 29 September 2022 define the term “received in Malaysia”</p>	<p>consisting of dividend¹ and interest (whether such dividend or interest is exempt or not) and rent, and gains made from the realisation of investments (whether chargeable to tax or not) for that basis period,</p> <p>provided that the amount of deduction to be made shall not be less than 10% of the total permitted expenses incurred for that basis period.</p> <p>Exempt income</p> <p>The following income of the Fund is exempt from income tax:</p> <ul style="list-style-type: none"> Malaysian sourced dividends 	

² Effective from 1 January 2019, the income tax exemption for a unit trust fund, pursuant to Paragraph 35A, Schedule 6 of the MITA shall not apply to a wholesale fund which is a money market fund.

³ Effective from the year of assessment 2017, the exemption shall not apply to interest paid or credited to a company in the same group or interest paid or credited to a bank licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013; or a development financial institution prescribed under the Development Financial Institutions Act 2002.

List of Amendment
Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Fund”)

Prospectus for Principal Institutional Bond Fund 2 dated 14 April 2023 and First Supplemental Prospectus dated 5 September 2023 (“Prospectus 1”)		Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Prospectus 2”)	Reason
Section / Page	Description	Description	
	<p>to mean transferred or brought into Malaysia, either by way of cash⁴ or electronic funds transfer⁵.</p> <p>Foreign-sourced income (FSI) received in Malaysia during the transitional period from 1 January 2022 to 30 June 2022 will be taxed at 3% of gross. From 1 July 2022 onwards, FSI received in Malaysia will be taxed at the prevailing tax rate(s) of the taxpayer and based on applicable tax rules. Bilateral or unilateral tax credits may be allowed if the same income has suffered foreign tax, and where relevant conditions are met.</p> <p>Income Tax (Exemption) (No. 6) Order 2022 has been issued to exempt a “qualifying person”⁶ from the payment of income tax in respect of dividend income which is received in Malaysia from outside Malaysia, effective from 1 January 2022 to 31 December 2026. The exemption will however not apply to a person carrying on the business of banking, insurance or sea or air transport. As the definition of “qualifying person” does not include unit trust funds, it would mean that resident unit trust funds would technically not qualify for the exemption, unless there are further updates thereto.</p> <p>Gains from the realisation of investments</p> <p>Pursuant to Section 61(1) (b) of the MITA, gains from the realisation of investments will not be treated as income of the Fund and hence, are not subject to income tax. Such gains may be subject to real property gains tax (RPGT) under the Real Property Gains Tax Act 1976 (RPGT Act), if the gains are derived from the disposal of chargeable assets, as defined in the RPGT Act.</p>	<p>All Malaysian-sourced dividends should be exempt from income tax.</p> <ul style="list-style-type: none"> • Malaysian sourced interest <ul style="list-style-type: none"> (viii) interest from securities or bonds issued or guaranteed by the Government of Malaysia; (ix) interest from debentures or <i>sukuk</i>, other than convertible loan stock, approved or authorized by, or lodged with, the Securities Commission; (x) interest from Bon Simpanan Malaysia issued by Bank Negara Malaysia; (xi) interest derived from Malaysia and paid or credited by banks licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013¹¹; 	

⁴ “Cash” in this context is defined as banknotes, coins and cheques.

⁵ “Electronic funds transfer” means bank transfers (e.g., credit or debit transfers), payment cards (debit card, credit card and charge card), electronic money, privately-issued digital assets (e.g., crypto-assets, stablecoins) and central bank digital currency.

⁶ “Qualifying person” in this context means a person resident in Malaysia who is:

- (a) An individual who has dividend income received in Malaysia from outside Malaysia in relation to a partnership business in Malaysia;
- (b) A limited liability partnership which is registered under the Limited Liability Partnerships Act 2012; or
- (c) A company which is incorporated or registered under the Companies Act 2016.

¹¹ Effective from 1 January 2019, the income tax exemption for a unit trust fund, pursuant to Paragraph 35A, Schedule 6 of the Income Tax Act, 1967 shall not apply to a wholesale fund which is a money market fund.

List of Amendment
Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Fund”)

Prospectus for Principal Institutional Bond Fund 2 dated 14 April 2023 and First Supplemental Prospectus dated 5 September 2023 (“Prospectus 1”)		Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Prospectus 2”)	Reason
Section / Page	Description	Description	
	<p>Implementation of Sales and Service Tax (“SST”)</p> <p>Sales and Service Tax (“SST”) was re-introduced effective 1 September 2018. Sales Tax of 10% (most common rate) or 5% is charged by Malaysian manufacturers of taxable goods or upon importation into Malaysia of such taxable goods, unless specifically exempted under the Sales Tax (Goods Exempted From Tax) Order 2018. Service Tax at the rate of 6% is charged on certain prescribed taxable services performed by taxable persons as stipulated under Service Tax Regulations 2018. The input tax recovery mechanism under the previous GST regime does not apply to SST. Therefore, any SST incurred is not recoverable and will form a cost element for businesses.</p> <p>Based on the Service Tax Regulations 2018, a unit trust fund is neither regarded as a taxable person nor as providing taxable services and is therefore not liable for SST registration. Where the Fund incurs expenses such as management fees, the management services provided by asset and fund managers who are licensed or registered with Securities Commission Malaysia for carrying out the regulated activity of fund management under the Capital Markets and Services Act 2007, are specifically excluded from the scope of Service Tax. As for other fees, such as trustee fees and other administrative charges, these may be subject to 6% service tax provided they fall within the scope of service tax (i.e. are provided by a “taxable person”, who exceeds the required annual threshold (in most cases RM 500,000 per annum) and the services qualify as “taxable services”).</p> <p>Taxation of unit holders</p>	<p>(xii) interest derived from Malaysia and paid or credited by any development financial institution prescribed under the Development Financial Institutions Act 2002¹¹;</p> <p>(xiii) interest from <i>sukuk</i> originating from Malaysia, other than convertible loan stock, issued in any currency other than Ringgit and approved or authorized by, or lodged with, the Securities Commission or approved by the Labuan Financial Services Authority (LFSA)¹²; and</p> <p>(xiv) interest which is specifically exempted by way of statutory orders or any other specific exemption provided by the Minister.</p> <ul style="list-style-type: none"> • Discount 	

¹² Effective from the year of assessment 2017, the exemption shall not apply to interest paid or credited to a company in the same group or interest paid or credited to a bank licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013; or a development financial institution prescribed under the Development Financial Institutions Act 2002.

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Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Fund”)

Prospectus for Principal Institutional Bond Fund 2 dated 14 April 2023 and First Supplemental Prospectus dated 5 September 2023 (“Prospectus 1”)		Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Prospectus 2”)	Reason
Section / Page	Description	Description	
	<p>For Malaysian income tax purposes, unit holders will be taxed on their share of the distributions received from the Fund.</p> <p>The income of unit holders from their investment in the Fund broadly falls under the following categories:</p> <ol style="list-style-type: none"> taxable distributions; and non-taxable and exempt distributions. <p>In addition, unit holders may also realise a gain from the sale of units.</p> <p>The tax implications of each of the above categories are explained below:</p> <ol style="list-style-type: none"> <p>Taxable distributions</p> <p>Distributions received from the Fund will have to be grossed up to take into account the underlying tax paid by the Fund and the unit holder will be taxed on the grossed up amount.</p> <p>Such distributions carry a tax credit, which will be available for set-off against any Malaysian income tax payable by the unit holder. Should the tax deducted at source exceed the tax liability of the unit holder, the excess is refundable to the unit holder.</p> <p>Please refer to the paragraph below for the income tax rates applicable to the grossed up distributions.</p> <p>Non-taxable and exempt distributions</p> 	<p>Tax exemption is given on discount paid or credited to any unit trust in respect of investments as specified in items (i), (ii) and (iii) above.</p> <p>Foreign-sourced income (FSI)</p> <p>Pursuant to the Finance Act 2021, income derived by a resident person from sources outside Malaysia and received in Malaysia from 1 January 2022 will no longer be exempt from tax.</p> <p>Based on the Malaysian Inland Revenue Board’s “Guidelines on Tax Treatment in Relation to Income Received from Abroad (Amendment)” updated on 20 June 2024, the term “received in Malaysia” means transferred or brought into Malaysia, either by way of cash¹³ or electronic funds transfer¹⁴.</p> <p>FSI received in Malaysia during the transitional period from 1 January 2022 to 30 June 2022 will be taxed at 3% of gross. From 1 July 2022 onwards, FSI received in Malaysia will be taxed at the prevailing tax rate(s) of the taxpayer and based on applicable tax rules. Bilateral or unilateral tax credits may be allowed if the same income has suffered</p>	

¹³ “Cash” in this context is defined as banknotes, coins and cheques.

¹⁴ “Electronic funds transfer” means bank transfers (e.g., credit or debit transfers), payment cards (debit card, credit card and charge card), electronic money, privately-issued digital assets (e.g., crypto-assets, stablecoins) and central bank digital currency.

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Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Fund”)

Prospectus for Principal Institutional Bond Fund 2 dated 14 April 2023 and First Supplemental Prospectus dated 5 September 2023 (“Prospectus 1”)		Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Prospectus 2”)	Reason
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	<p>Tax exempt distributions made out of gains from the realisation of investments and exempt income earned by the Fund will not be subject to Malaysian income tax in the hands of the unit holders.</p> <p>A retail money market fund is exempted from tax on its interest income derived from Malaysia, pursuant to Paragraph 35A of Schedule 6 of the ITA. Pursuant to the Finance Act 2021, with effect from 1 January 2022, distributions by a retail money market fund from such tax exempt interest income, to a unit holder other than an individual, will no longer be exempt from tax. The distribution to unit holders other than individuals will be subject to withholding tax at 24%. This would be a final tax for non-residents. Malaysian residents are required to include the distributions in their tax returns and claim a credit in respect of the withholding tax suffered. Individuals will continue to be exempt from tax on such distributions.</p> <p>Rates of tax</p> <p>The Malaysian income tax chargeable on the unit holders would depend on their tax residence status and whether they are individuals, corporations or trust bodies. The relevant income tax rates are as follows:</p>	<p>foreign tax¹⁵, and where relevant conditions are met.</p> <p>The Income Tax (Unit Trust in relation to Income Received In Malaysia from Outside Malaysia) (Exemption) Order 2024 [P.U.(A) 250] has been issued to exempt a “qualifying unit trust”¹⁶ from the payment of income tax in respect of gross income from all sources of income under Section 4 of the MITA (including capital gains classified under Section 4(aa)), which is received in Malaysia from outside Malaysia.</p> <p>This exemption applies to FSI received in Malaysia from 1 January 2024 to 31 December 2026, subject to the following conditions being complied with by the qualifying unit trust or the management company¹⁷ of the qualifying unit trust:</p> <ul style="list-style-type: none"> The income received in Malaysia has been subject to tax of a similar character to income tax under the laws of territory from which the income arose; and 	

¹⁵ “Foreign tax” includes withholding tax

¹⁶ “Qualifying unit trust” in this context means a unit trust resident in Malaysia that is:

- (a) managed by a management company;
- (b) has income received in Malaysia from outside of Malaysia; and
- (c) does not include a unit trust which is approved by the Securities Commission as Real Estate Investment Trust or Property Trust Fund listed on Bursa Malaysia.

¹⁷ “Management company” means a company licensed by the Securities Commission by which or on whose behalf a unit of a qualifying unit trust –

- a) has been or is proposed to be issued, or offered for subscription or purchase; or
 - b) in respect of which an invitation to subscribed or purchase has been made.
- and includes any person for the time being exercising the functions of the management company.

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Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Fund”)

	Unit holders	Malaysian income tax rates	
	Malaysian tax resident:		
	<ul style="list-style-type: none"> Individual and non-corporate unit holders (such as associations and societies) Co-operatives⁷ Trust bodies 	<ul style="list-style-type: none"> Progressive tax rates ranging from 0% to 30% Progressive tax rates ranging from 0% to 24% 24% 	<ul style="list-style-type: none"> The highest rate of tax of a similar character to income tax under the law of that territory at that time is not less than 15%. <p>OR</p> <p>The management company of the qualifying unit trust shall employ an adequate number of employees in Malaysia and incur an adequate amount of operating expenditure in Malaysia.</p> <p>The exemption will not apply to a unit trust carrying on the business of banking, insurance or sea or air transport.</p> <p>Gains from the realisation of investments</p> <p>Pursuant to the Finance (No. 2) Act 2023 (“Finance Act”), gains from the realisation of investments by a unit trust would no longer be exempt from tax. Pursuant to Section 61(1)(b) of the MITA, gains arising from the realisation of investments shall be treated as income of a unit trust under Section 4(aa) of MITA, provided that such gains are not related to real property as defined in the Real Property Gains Tax Act 1976. Section 4(aa) provides that gains or profits from the disposal of a capital asset are to be treated as a class of income. The tax imposed on such income under the MITA is commonly referred to as “capital gains tax” (CGT).</p> <p>Based on the MITA, the following will be subject to Malaysian CGT:</p> <p><u>Capital assets situated in Malaysia</u></p> <p>a) Gains or profits from the disposal of shares of a company</p>
	<ul style="list-style-type: none"> Corporate unit holders (i) A company with paid up capital in respect of ordinary shares of not more than RM2.5 million (at the beginning of the basis period for the year of assessment) and gross income from a source or sources consisting of a business not exceeding RM50 million for the basis period for the year of assessment^{8 9} (ii) Companies other than (i) above 	<ul style="list-style-type: none"> First RM600,000 of chargeable income @ 17% Chargeable income in excess of RM600,000 @ 24% 24% 	
	Non-Malaysian tax resident (Note 1):		
	<ul style="list-style-type: none"> Individual and non-corporate unit holders 	<ul style="list-style-type: none"> 30% 24% 	

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Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Fund”)

Prospectus for Principal Institutional Bond Fund 2 dated 14 April 2023 and First Supplemental Prospectus dated 5 September 2023 (“Prospectus 1”)		Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Prospectus 2”)	Reason
Section / Page	Description	Description	
	<ul style="list-style-type: none"> Corporate unit holders and trust bodies <p><u>Note 1:</u> Non-resident unit holders may be subject to tax in their respective countries depending on the provisions of the tax legislation in the respective countries and any existing double taxation arrangements with Malaysia.</p> <p>Gains from sale of units</p> <p>Gains arising from the realisation of investments will generally not be subject to income tax in the hands of unit holders unless they are insurance companies, financial institutions or traders / dealers in securities.</p> <p>Unit splits and reinvestment of distributions</p> <p>Unit holders may also receive new units as a result of unit splits or may choose to reinvest their distributions. The income tax implications of these are as follows:</p> <ul style="list-style-type: none"> Unit splits – new units issued by the Fund pursuant to a unit split will not be subject to income tax in the hands of the unit holders. 	<p>incorporated in Malaysia not listed on the stock exchange (including any rights or interests thereof) owned by a company, limited liability partnership, trust body or co-operative society</p> <p>b) Gains or profits, accruing to a company, limited liability partnership, trust body or co-operative society, on the disposal of shares in foreign incorporated controlled companies deriving value from real property in Malaysia, as determined based on the relevant provisions of the MITA.</p> <p><u>Capital assets situated outside Malaysia</u></p> <p>c) Gains or profits from the disposal of movable or immovable property situated outside Malaysia including any rights or interests thereof. Such gains will only be subject to tax when the gains are received in Malaysia.</p> <p><u>Note:</u></p>	

⁷ Pursuant to Paragraph 12(1), Schedule 6 of the MITA, the income of any co-operative society—

(a) in respect of a period of five years commencing from the date of registration of such co-operative society; and

(b) thereafter where the members' funds [as defined in Paragraph 12(2)] of such co-operative society as at the first day of the basis period for the year of assessment is less than seven hundred and fifty thousand ringgit, is exempt from tax.

⁸ A company would not be eligible for the 17% tax rate on the first RM600,000 of chargeable income if:-

(a) more than 50% of the paid up capital in respect of the ordinary shares of the company is directly or indirectly owned by a related company which has paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment;

(b) the company owns directly or indirectly more than 50% of the paid up capital in respect of the ordinary shares of a related company which has paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment;

(c) more than 50% of the paid up capital in respect of the ordinary shares of the company and a related company which has a paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment is directly or indirectly owned by another company.

⁹ The above excludes a business trust and a company which is established for the issuance of asset-backed securities in a securitization transaction approved by the Securities Commission.

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	<ul style="list-style-type: none"> Reinvestment of distributions – unit holders may choose to reinvest their income distribution in new units by informing the Manager. In this event, the unit holder will be deemed to have received the distribution and reinvested it with the Fund. <p>*****</p> <p style="text-align: center;">**</p> <p>We hereby confirm that, as at the date of this letter, the statements made in this letter correctly reflect our understanding of the tax position under current Malaysian tax legislation and the related interpretation and practice thereof, all of which are subject to change, possibly on a retrospective basis. We have not been retained (unless specifically instructed hereafter), nor are we obligated to monitor or update the statements for future conditions that may affect these statements.</p> <p>The statements made in this letter are not intended to be a complete analysis of the tax consequences relating to an investor in the Fund. As the particular circumstances of each investor may differ, we recommend that investors obtain independent advice on the tax issues associated with an investment in the Fund.</p> <p>Yours faithfully Ernst & Young Tax Consultants Sdn Bhd</p> <p>Bernard Yap Partner</p>	<p>Pursuant to the Income Tax (Exemption) (No.3) Order 2024 [P.U.(A) 75], a trust body is exempted from payment of income tax in respect of gains or profits from the disposal of capital asset arising from outside Malaysia which is received in Malaysia. This exemption applies for such disposals from 1 January 2024 to 31 December 2026 subject to the following conditions being complied with by the trust body:</p> <ul style="list-style-type: none"> employ an adequate number of employees in Malaysia with necessary qualifications to carry out the specified economic activities in Malaysia; and incur an adequate amount of operating expenditure for carrying out the specified economic activities in Malaysia. <p>Note that this exemption order applies to companies, limited liability partnerships, co-operative societies and trust bodies, whilst the (Income Tax (Unit Trust in relation to Income Received in Malaysia from Outside Malaysia) (Exemption) Order 2024 [P.U.(A) 250] (as referred above) applies specifically to qualifying unit trusts.</p>	

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Prospectus for Principal Institutional Bond Fund 2 dated 14 April 2023 and First Supplemental Prospectus dated 5 September 2023 (“Prospectus 1”)		Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Prospectus 2”)	Reason
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	Ernst & Young Tax Consultants Sdn Bhd has given its consent to the inclusion of the Taxation Adviser's Letter in the form and context in which it appears in this Replacement Prospectus Issue No. 11 and has not withdrawn such consent before the date of issue of this Replacement Prospectus Issue No. 11.	<p>The Finance Act provides an effective date of 1 January 2024 for the above changes to the MITA. However, pursuant to the Income Tax (Exemption) (No. 7) Order 2023 [P.U.(A) 410] and the Income Tax (Exemption) (No. 2) Order 2024 [P.U.(A) 57], taxpayers, including a trust body, are exempted from the payment of income tax in respect of any gains or profits received from the disposal of capital assets situated in Malaysia (see Item (a) and (b) above) where such disposals occur between 1 January and 29 February 2024.</p> <p>In addition to the above, the Income Tax (Unit Trust) (Exemption) Order 2024 [P.U.(A) 249] exempts a qualifying unit trust¹⁸ resident in Malaysia from the payment of income tax in respect of any gains or profit received from the disposal of shares of a company incorporated in Malaysia which is not listed on the stock exchange and from the disposal of shares under section 15C of the MITA where such disposals occur between 1 January 2024 to 31 December 2028.</p> <p>The exemption will not apply to gains or profits from the disposals of capital asset that fall under Section 4(a) of the MITA, as business income.</p>	

¹⁸ “Qualifying unit trust” in this context does not include a unit trust which is approved by the Securities Commission as a Real Estate Investment Trust or Property Trust Fund listed on Bursa Malaysia.

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Second **Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Fund”)**

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Section / Page	Description	Description															
		<p><u>CGT rates</u></p> <p>As noted above, various tax exemptions are available to a qualifying unit trust. For completeness, if exemptions did not apply, the relevant tax rates of the gains of the disposal of capital assets are as below:</p> <table><tr><td colspan="2"></td></tr><tr><td>A.</td><td>Disposal of capital assets situated before 1 January 2024</td></tr><tr><td></td><td><ul style="list-style-type: none">On chargeable income of theOn gross disposal price</td></tr><tr><td>B.</td><td>Disposal of capital assets situated after 1 January 2024</td></tr><tr><td></td><td><ul style="list-style-type: none">On chargeable income of the</td></tr><tr><td>C.</td><td>Disposal of capital assets situated</td></tr><tr><td></td><td><ul style="list-style-type: none">On chargeable income of the</td></tr></table> <p>Implementation of Sales and Service Tax (“SST”)</p> <p>Sales and Service Tax (“SST”) was re-introduced effective 1 September 2018. Sales Tax of 10% (most common rate) or 5% is charged by Malaysian manufacturers of taxable goods or upon importation into Malaysia of such taxable goods, unless specifically exempted under the Sales Tax (Goods Exempted From Tax) Order 2018. Service Tax is charged on certain prescribed taxable services performed by taxable</p>			A.	Disposal of capital assets situated before 1 January 2024		<ul style="list-style-type: none">On chargeable income of theOn gross disposal price	B.	Disposal of capital assets situated after 1 January 2024		<ul style="list-style-type: none">On chargeable income of the	C.	Disposal of capital assets situated		<ul style="list-style-type: none">On chargeable income of the	
A.	Disposal of capital assets situated before 1 January 2024																
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		<p>persons as stipulated under Service Tax Regulations 2018. The input tax recovery mechanism under the previous GST regime does not apply to SST. Therefore, any SST incurred is not recoverable and will form a cost element for businesses.</p> <p>Based on the Service Tax Regulations 2018, a unit trust fund is neither regarded as a taxable person nor as providing taxable services and is therefore not liable for SST registration. Where the Fund incurs expenses such as management fees, the management services provided by asset and fund managers who are licensed or registered with Securities Commission Malaysia for carrying out the regulated activity of fund management under the Capital Markets and Services Act 2007, are specifically excluded from the scope of Service Tax. As for other fees, such as trustee fees and other administrative charges, these may be subject to service tax¹⁹ provided they fall within the scope of service tax (i.e. are provided by a “taxable person”, who exceeds the required annual threshold (in most cases RM 500,000</p>	

¹⁹ Pursuant to Service Tax (Rate of Tax) (Amendment) Order 2024 [P.U. (A) 64], the service tax rate is increased from 6% to 8% with effect from 1 March 2024 on generally all of the taxable services except for provision of food and beverage services, telecommunication services, parking space and logistics services.

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		<p>per annum) and the services qualify as “taxable services”).</p> <p>Taxation of unit holders</p> <p>For Malaysian income tax purposes, unit holders will be taxed on their share of the distributions received from the Fund.</p> <p>The income of unit holders from their investment in the Fund broadly falls under the following categories:</p> <ol style="list-style-type: none"> 1. taxable distributions; and 2. non-taxable and exempt distributions. <p>In addition, unit holders may also realise a gain from the sale of units.</p> <p>The tax implications of each of the above categories are explained below:</p> <ol style="list-style-type: none"> 1. Taxable distributions <p>Distributions received from the Fund will have to be grossed up to take into account the underlying tax paid by the Fund and the unit holder will be taxed on the grossed up amount. See however item 2 below on certain distributions which are not taxable to unit holders.</p> <p>uch taxable distributions carry a tax credit, which will be available for set-off against any Malaysian income tax payable by the unit holder. Should the tax deducted at</p>	
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		<p>source exceed the tax liability of the unit holder, the excess is refundable to the unit holders.</p> <p>Please refer to the paragraph below for the income tax rates applicable to the grossed up distributions.</p> <p>2. Non-taxable and exempt distributions</p> <p>Tax exempt distributions made out of gains from the realisation of investments and exempt income earned by the Fund will not be subject to Malaysian income tax in the hands of the unit holders.</p> <p>A retail money market fund is exempted from tax on its interest income derived from Malaysia, pursuant to Paragraph 35A of Schedule 6 of the MITA. Pursuant to the Finance Act 2021, with effect from 1 January 2022, distributions by a retail money market fund from such tax exempt interest income, to a unit holder other than an individual, will no longer be exempt from tax. The distribution to unit holders other than individuals will be subject to withholding tax at 24%. This would be a final tax for non-residents. Malaysian residents are required to include the distributions in</p>	

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		<p>their tax returns and claim a credit in respect of the withholding tax suffered. Individuals will continue to be exempt from tax on such distributions.</p> <p>As stated above, with effect from 1 January 2024 (1 March 2024 for disposals of shares of a company incorporated in Malaysia not listed on the stock exchange), gains arising from the realisation of investments shall be treated as income of the Fund under Section 4(aa), pursuant to the proviso of Section 61(1)(b) of MITA.¹² However, pursuant to Section 61(1A) of MITA, unit holders will still not be charged to tax on the gains referred to in the proviso to Section 61(1)(b).</p> <p>Rates of tax</p> <p>The Malaysian income tax chargeable on the unit holders would depend on their tax residence status and whether they are individuals, corporations or trust bodies. The relevant income tax rates are as follows:</p>	

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		Unit holders	Malaysian income tax rates		
		<p>Malaysian tax resident:</p> <ul style="list-style-type: none"> Individual and non-corporate unit holders (such as associations and societies) Co-operatives²⁰ Trust bodies 	<ul style="list-style-type: none"> Progressive tax rates ranging from 0% to 30% Progressive tax rates ranging from 0% to 24% 24% 		
		<ul style="list-style-type: none"> Corporate unit holders (i) A company with paid up capital in respect of ordinary shares of not more than RM2.5 million (at the beginning of the basis period for the year of assessment) and gross income from a source or sources consisting of a business not exceeding 	<ul style="list-style-type: none"> First RM150,000 of chargeable income @ 15%²³ Next RM450,000 of chargeable income @17% Chargeable income in excess of RM600,000 @ 24% 24% 		

²⁰ Pursuant to Paragraph 12(1), Schedule 6 of the MITA, the income of any co-operative society—

(c) in respect of a period of five years commencing from the date of registration of such co-operative society; and

(d) thereafter where the members' funds [as defined in Paragraph 12(2)] of such co-operative society as at the first day of the basis period for the year of assessment is less than seven hundred and fifty thousand ringgit, is exempt from tax.

²³ Pursuant to the Finance Act 2023, effective from the year of assessment 2023, the concessionary tax rate is reduced from 17% to 15% for the first RM150,000 of chargeable income.

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		<div> <div>RM50 million for the basis period for the year of assessment²¹ ²²</div> <div>(ii) Companies other than (i) above</div> </div>			
		<div>Non-Malaysian tax resident (Note 1):</div> <ul style="list-style-type: none"> Individual and non-corporate unit holders Corporate unit holders and trust bodies 	<ul style="list-style-type: none"> 30% 24% 		
		<p><u>Note 1:</u> Non-resident unit holders may be subject to tax in their respective countries depending on the provisions of the tax legislation in the respective countries and any existing double taxation arrangements with Malaysia.</p> <p>Gains from sale of units</p>			

²¹ A company would not be eligible for the concessionary tax rate on the first RM600,000 of chargeable income if:-

- (d) more than 50% of the paid-up capital in respect of the ordinary shares of the company is directly or indirectly owned by a related company which has paid-up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment;
- (e) the company owns directly or indirectly more than 50% of the paid-up capital in respect of the ordinary shares of a related company which has paid-up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment;
- (f) more than 50% of the paid-up capital in respect of the ordinary shares of the company and a related company which has a paid-up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment is directly or indirectly owned by another company.
- (g) Pursuant to the Finance Act 2023, effective from the year of assessment 2024, in order for a company to qualify for the concessionary tax rates not more than 20% of the paid-up capital in respect of the ordinary shares of the company at the beginning of a basis period for a year of assessment can be directly or indirectly owned by one or more companies incorporated outside Malaysia or by individuals who are not citizens of Malaysia.

²² The above excludes a business trust and a company which is established for the issuance of asset-backed securities in a securitization transaction approved by the Securities Commission.

List of Amendment
Second **Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Fund”)**

Prospectus for Principal Institutional Bond Fund 2 dated 14 April 2023 and First Supplemental Prospectus dated 5 September 2023 (“Prospectus 1”)		Second Supplemental Prospectus for Principal Institutional Bond Fund 2 (“Prospectus 2”)	Reason
Section / Page	Description	Description	
		<p>Gains arising from the sale of units will generally not be subject to income tax in the hands of unit holders unless they are insurance companies, financial institutions or traders / dealers in securities.</p> <p>Unit splits and reinvestment of distributions</p> <p>Unit holders may also receive new units as a result of unit splits or may choose to reinvest their distributions. The income tax implications of these are as follows:</p> <ul style="list-style-type: none"> • Unit splits – new units issued by the Fund pursuant to a unit split will not be subject to income tax in the hands of the unit holders. • Reinvestment of distributions – unit holders may choose to reinvest their income distribution in new units by informing the Manager. In this event, the unit holder will be deemed to have received the distribution and reinvested it with the Fund. <p>***** *****</p> <p>We hereby confirm that, as at the date of this letter, the statements made in this letter correctly reflect our understanding of the tax position under current Malaysian tax legislation and the related</p>	

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		<p>interpretation and practice thereof, all of which are subject to change, possibly on a retrospective basis. We have not been retained (unless specifically instructed hereafter), nor are we obligated to monitor or update the statements for future conditions that may affect these statements.</p> <p>The statements made in this letter are not intended to be a complete analysis of the tax consequences relating to an investor in the Fund. As the particular circumstances of each investor may differ, we recommend that investors obtain independent advice on the tax issues associated with an investment in the Fund.</p> <p>Yours faithfully Ernst & Young Tax Consultants Sdn Bhd</p> <p>Bernard Yap Partner</p> <p>Ernst & Young Tax Consultants Sdn Bhd has given its consent to the inclusion of the Taxation Adviser's Letter in the form and context in which it appears in this Second Supplemental Prospectus and has</p>	

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Section / Page	Description	Description	
		not withdrawn such consent before the date of issue of this Second Supplemental Prospectus.	