

Date of issuance: 15 July 2024

Product Highlights Sheet

Principal Institutional Bond Fund 2

Responsibility Statement

This PHS has been reviewed by the authorised committee approved by the directors of Principal Malaysia. Having made all reasonable inquiries, they confirm to the best of their knowledge and belief, that there are no false or misleading statements or omissions of other facts which would make any statement in this PHS false or misleading.

Statement of Disclaimer

The Securities Commission Malaysia has authorised the issuance of the Fund and a copy of this PHS has been lodged with the Securities Commission Malaysia.

The authorisation of the Fund and lodgement of this PHS, should not be taken to indicate that the Securities Commission Malaysia recommends the Fund or assumes responsibility for the correctness of any statement made or opinion or report expressed in this PHS.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of Principal Malaysia who is responsible for the Fund and takes no responsibility for the contents of this PHS. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this PHS, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

The Manager

Principal Malaysia was incorporated on 13 June 1994 and is a joint venture between Principal Financial Group, Inc. and CIMB Group Sdn. Bhd. Principal Malaysia has experience operating unit trust funds since 1994.

This PHS supersedes the PHS dated 5 September 2023.

This PHS only highlights the key features and risks of this unlisted capital market product. We recommend that you read this PHS together with the Fund's Replacement Prospectus dated 14 April 2023 and its supplementary (if any). You are advised to request, read and understand the Replacement Prospectus before deciding to invest.

Brief Information on Principal Institutional Bond Fund 2

The Fund is a bond fund issued by Principal Malaysia. The Fund aims to provide income to investors.

This is neither a capital protected fund nor a capital guaranteed fund.

Product Suitability

This Fund best suits you if you:

- investment timeframe for this Fund is three (3) years; and
- are seeking a steady stream of income from local and foreign assets.

Key Product Features

Fund Category/Type	Bond / Income
Benchmark	3-month Kuala Lumpur Interbank Offered Rate (KLIBOR) for performance comparison purpose only. <i>Note: Information on the benchmark can be obtained from local national newspapers.</i>
Investment policy and strategy	<p>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 securities 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.</p> <p>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.</p> <ul style="list-style-type: none"> ▪ 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.
Launch date	15 February 2006
Financial year-end	31 March
Distribution policy	Distributions, if any, will be made four (4) times per annum at the end of each quarter of the year, i.e. March, June, September and December. Such distributions will depend on the availability of realised income and/or realised gains and at our discretion. We have the right to make provisions for reserves in respect of distribution of the Fund.
Manager	Principal Asset Management Berhad.
Trustee	HSBC (Malaysia) Trustee Berhad
Solicitor	Soon Gan Dion & Partners

Key Risks

General risks of investing in a unit trust fund	
Returns and capital not guaranteed	The investment of the fund is subject to market fluctuations and its inherent risk. There is NO GUARANTEE on the investment which includes your investment capital and returns, nor any assurance that the fund's objective will be achieved. You should also note that the fund is neither a capital guaranteed fund nor a capital protected fund. However, we reduce this risk by ensuring diligent management of the assets of the fund based on a structured investment process.
Market risk	This risk refers to the possibility that an investment will lose value because of a general decline in financial markets, due to economic, political and/or other factors, which will result in a decline in the fund's NAV.
Inflation risk	This is the risk that your investment in the fund may not grow or generate income at a rate that keeps pace with inflation. This would reduce your purchasing power even though the value of the investment in monetary terms has increased.
Manager risk	This risk refers to the day-to-day management of the fund by the manager which will impact the performance of the fund. For example, investment decisions undertaken by the manager, as a result of an incorrect view of the market or any non-compliance with internal policies, investment mandate, the

	deed, relevant law or guidelines due to factors such as human error or weaknesses in operational process and systems, may adversely affect the performance of the fund.
Financing risk	This risk occurs when you obtain financing to finance your investment. The inherent risk of investing with money obtained from financing includes you being unable to service the financing payments. In the event units are used as collateral and if the prices of units fall below a certain level due to market conditions, you may be required to pay an additional amount on top of your existing instalment. If you fail to do so within the time prescribed, your units may be sold at an unfavourable price and the proceeds thereof will be used towards the settlement of your financing.
Liquidity risk	Liquidity risk refers to the ease of liquidating an asset without causing market dislocation. This depends on the supply and demand as well as the asset's volume or amount traded in the market. If the fund holds assets that are illiquid, the value of the fund and consequently the value of unit holders' investment in the fund may be negatively affected.

Specific risks associated with the investment portfolio of the Fund

Interest rate risk	Interest rate risk refers to the impact of interest rate changes on the valuation of debt securities and money market instruments. When interest rates rise, debt securities and money market instruments prices generally decline and this may lower the market value of the Fund's investment in debt securities and money market instruments. In managing the debt securities, we take into account the coupon rate and time to maturity of the debt securities with an aim to mitigate the interest rate risk. As for money market instruments, the typical tenor of these instruments are less than 12-month maturity and unlike debt securities, any change to interest rate will only have a minor impact to the prices of these instruments.
Credit and default risk	The Fund will be exposed to a certain degree of credit and default risk of issuers or counterparties when the Fund invests in debt securities, money market instruments and/or places in deposits. Credit risk relates to the creditworthiness of an issuer or counterparty and their expected ability to make timely payment of interest and/or principal. Any adverse situations faced by the issuer or counterparties may impact the value as well as liquidity of the investments. In the case of rated debt securities and money market instruments, this may lead to a credit downgrade. Default risk relates to the risk that an issuer or counterparty either defaulting on payments or failing to make payments in a timely manner which will in turn adversely affect the value of the investments. This could adversely affect the value of the Fund. We aim to mitigate this risk by performing bottom-up and top-down credit research and analysis to determine the creditworthiness of the issuers or counterparties, and impose investment limits on exposures to issuers or counterparties with different credit profiles as a precautionary step to limit any loss that may arise directly or indirectly as a result of a defaulted exposure.
Country risk	Investments of the Fund in any country may be affected by changes in the economic and political climate, restriction on currency repatriation or other developments in the law or regulations of the countries in which the Fund invests in. For example, the deteriorating economic condition of such countries may adversely affect the value of the investments undertaken by the Fund in those affected countries. This in turn may cause the NAV of the Fund to fall.
Currency risk	As the investments of the Fund may be denominated in currencies other than the base currency of the Fund, any fluctuation in the exchange rate between the base currency of the Fund and the currencies in which the investments are denominated may have an impact on the value of these investments. You should be aware that if the currencies in which the investments are denominated in depreciate against the base currency of the Fund, this will have an adverse effect on the NAV of the Fund and vice versa. You should note that any gains or losses arising from the fluctuation in the exchange rate may further increase or decrease the returns of the investment.

The above summary of risks does not purport to be an exhaustive list of all the risk factors relating to investments in the Fund and are not set out in any particular order of priority. You should be aware that an investment in a unit trust fund may be exposed to other risks from time to time. If in doubt, you should consult professional advisers for a better understanding of the risks.

Note: Please take note that if your investments are made through an IUTA via a nominee system of ownership, you would not be deemed as a Unit holder under the Deed and as a result, you may not exercise all the rights ordinarily conferred to a Unit holder (e.g. the right to call for Unit holders' meetings and the right to vote at a Unit holders' meeting).

Fees & Charges

Application Fee*	Nil.	
Withdrawal Fee	Nil.	
Switching Fee	Not applicable as no switching facility is available for this Fund.	
Transfer Fee	Not applicable as no transfer facility is available for this Fund.	
Management Fee	Fund Size (NAV of the Fund)	Management Fee
	Up to and including MYR500 million	0.20% per annum of the NAV of the Fund

	Above MYR500 million and up to and including MYR1.0 billion	0.15% per annum of the NAV of the Fund
	Above MYR1.0 billion and up to and including MYR1.5 billion	0.10% per annum of the NAV of the Fund
	Above MYR1.5 billion	0.08% per annum of the NAV of the Fund (subject to maximum of MYR1.5 million per annum)
	The Fund will be charged at a rate based on tier structure according to its current fund size. For example, when the current fund size is MYR800 million, the Fund will be charged a Management Fee at 0.15% per annum of the NAV of the Fund. However, when the current fund size is MYR1.3 billion, the Management Fee will be changed from 0.15% to 0.10% per annum of the NAV of the Fund.	
Trustee Fee (including local custodian fee but excluding foreign sub-custodian fees and charges)	Up to 0.009% per annum of the Fund's NAV.	
Other charges payable directly by you when purchasing or withdrawing the units	Any applicable bank charges and other bank fees incurred as a result of an investment or withdrawal will be borne by you.	
Expenses directly related to the Fund	Only expenses that are directly related to the Fund can be charged to the Fund. Examples of relevant expenses are audit fee and tax agent's fee.	

**If the Fund is an EPF-MIS approved fund and you have invested via EPF-MIS, you may be charged an Application Fee of up to 3.00% of the NAV per unit, or such other rate as the EPF may determine.*

Note: Subject always to the provisions of the Deed and GUTF, we reserve our sole and absolute discretion without providing any reason whatsoever and at any time to amend, vary, waive and/or reduce the fees and charges (except for Trustee Fee), whether payable by the Fund or Class, payable by you to the Fund or payable by any other investors to the Fund.

Transaction Information

Minimum initial investment	MYR 100,000 or such other amount as we may decide from time to time.
Minimum additional investment	MYR 10,000 or such other amount as we may decide from time to time.
Minimum withdrawal	MYR 10,000 or such other amount as we may decide from time to time.
Minimum balance	10,000 units or such other number of units as we may decide from time to time.
Switching	No switching facility is available for this Fund.
Transfer	No transfer facility is available for this Fund.
Cooling-off period	For first time individual investor investing with us, you have six (6) Business Days after your initial investment (i.e. the date the complete application is received and accepted by us or any of our Distributors) to reconsider its appropriateness and suitability for your investment needs. Within this period, you may withdraw your investment at the NAV per unit on the day when the units were purchased or prevailing NAV per unit at the point of cooling-off (whichever is lower) ("Refund Amount"). We will pay the Refund Amount in MYR within seven (7) Business Day from the date we receive the complete documentation. Please note that the cooling-off right is only given to first time investor investing with us or any of our Distributor. However, Principal Malaysia's staff and person(s) registered with a body approved by the SC to deal in unit trust funds are not entitled to the cooling-off right. If the Fund is an EPF-MIS approved fund and you have invested via EPF-MIS, your cooling-off right is subject to EPF's terms and conditions.

#The minimum initial investment for EPF-MIS shall be MYR1,000 or such other amount as determined by EPF or as per the amount stated above, whichever is higher. Please note that there may be changes to the status of the eligibility of the Fund under the EPF-MIS from time to time. Please refer to our website at www.principal.com.my or www.kwsp.gov.my for updated information.

Note: We reserve our sole and absolute discretion without providing any reason whatsoever and at any time to accept, reject, amend, vary, waive and/or reduce (as the case maybe): (i) your request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units; and/or (ii) the minimum balance. For increase in the number of units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes.

We may for any reason and at any time, waive or reduce: (a) any fees (except the Trustee Fee); (b) other charges payable by you in respect of the Fund; and/or (c) transactional values including but not limited to the units or amount, for any Unit holder and/or investments made via any distribution channels or platform.

YOU SHOULD NOT MAKE ANY PAYMENT DIRECTLY OR INDIRECTLY TO ANY INDIVIDUAL AGENT/EMPLOYEE OF THE MANAGER OR ISSUE A CHEQUE IN THE NAME OF AN INDIVIDUAL AGENT/EMPLOYEE OF THE MANAGER WHEN PURCHASING THIS FUND.

Valuations

We will carry out the valuation for the Fund for a Business Day at the end of that Business Day (T). The NAV per unit for a Business Day is available on our website at www.principal.com.my after 10:00 a.m. on the following Business Day (T+1). Please refer to the “Unit Pricing” section of the Prospectus for more information.

Avenues to Exit This Investment

To exit from this investment, you may withdraw from the Fund. Please note that there is no switching and transfer facility for this Fund. You may withdraw your investment at the NAV per unit of the Business Day.

Withdrawals can be made from the Fund by completing a withdrawal application and submit it to the relevant Distributors or Principal Malaysia office. There is no restriction on the frequency of withdrawals and no Withdrawal Fee will be charged. The amount will be paid in MYR within seven (7) Business Days upon our receipt of the complete withdrawal request. You will have to bear the applicable bank fees and charges, if any.

For more information on withdrawals and cooling-off period please refer to the “Transaction Information” chapter of the Prospectus. For more information on the fees and charges incur when you exit from this investment, please refer to “Fees, Charges and Expenses” chapter of the Prospectus.

Fund Performance

Average total return of the Fund

FYE: 31 March 2024, in %	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund	3.46	2.76	2.85	3.30	3.27
Benchmark	3.62	2.86	2.82	3.24	3.23

Note: All performance figures have been extracted from Lipper.

Annual total return of the Fund

FYE: 31 March, in %	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fund	3.46	2.90	1.94	2.28	3.70	3.83	3.69	3.68	3.91	3.64	3.25
Benchmark	3.62	3.02	1.97	2.11	3.40	3.74	3.52	3.53	3.79	3.71	3.27

Note: All performance figures have been extracted from Lipper.

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

Basis of calculation in calculating the returns

Percentage growth	=	$\frac{\text{NAV on that day} - \text{NAV of previous day}}{\text{NAV of previous day}} \times 100$	Average total return	=	$\frac{\text{Total returns of the years under review}}{\text{Number of years under review}}$
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Portfolio Turnover Ratio (“PTR”)

FYE: 31 March	2024	2023	2022
Fund	0.46	0.48	0.34

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

Distribution

FYE: 31 March		2024	2023	2022
Fund	Net distribution per unit (sen)	2.99	2.79	1.69
	Gross distribution per unit (sen)	2.99	2.79	1.69

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

Distribution was in the form of cash or reinvested into additional units in the Fund at the NAV per unit on the distribution date.

PAST PERFORMANCE OF THE FUND IS NOT AN INDICATION OF ITS FUTURE PERFORMANCE.

Contact for Further Information / Complaint

- (i) You may contact our Customer Care Centre at (03) 7723 7260 or whatsapp at (6016) 299 9792 for further information or for any dispute resolution. Our Customer Care Centre is available during business hour between 8:45 a.m. and 5:45 p.m. (Malaysian time) from Mondays to Fridays or you can e-mail us at myservice@principal.com.
- (ii) Alternatively, you may also contact:
- (a) If you are dissatisfied with the outcome of the dispute resolution process with us, please refer your dispute to Securities Industry Dispute Resolution Center (SIDREC):
- via phone to : 03-2282 2280
 - via fax to : 03-2282 3855
 - via e-mail to : info@sidrec.com.my
 - via letter to : Securities Industry Dispute Resolution Center (SIDREC)
Unit A-9-1, Level 9, Tower A, Menara UOA Bangsar
No.5, Jalan Bangsar Utama 1, 59000 Kuala Lumpur
- (b) You can also direct your complaint to the SC even if you have initiated a dispute resolution process with SIDREC. To make a complaint, please contact the SC's Consumer & Investor Office:
- via phone to Aduan Hotline at : 03-6204 8999
 - via fax to : 03-6204 8991
 - via e-mail to : aduan@seccom.com.my
 - via online complaint form available at www.sc.com.my
 - via letter to : Consumer & Investor Office
Securities Commission Malaysia
No 3 Persiaran Bukit Kiara, Bukit Kiara, 50490 Kuala Lumpur
- (c) Federation of Investment Managers Malaysia's Complaints Bureau:
- via phone to : 03-7890 4242
 - via e-mail to : complaints@fimm.com.my
 - via online complaint form available at www.fimm.com.my
 - via letter to : Legal, Secretarial & Regulatory Affairs
Federation of Investment Managers Malaysia
19-06-1, 6th Floor Wisma Tune,
No. 19, Lorong Dungun Damansara Heights, 50490 Kuala Lumpur

Appendix: Glossary

Application Fee	- Preliminary charge on each investment.
Business Day	- Mondays to Fridays when Bursa Malaysia Securities Berhad is open for trading, and/or banks in Kuala Lumpur and/or Selangor are open for business.
Deed	- The principal deed and any supplemental deed in respect of the Fund made between us and the Trustee, in which the Unit holders of the Fund, agrees to be bound by the provisions of the Deed.
Deposit	- As per the definition of "deposit" in the Financial Services Act 2013 and "Islamic deposit" in the Islamic Financial Services Act 2013. Note: To exclude structured deposits.
Distributor	- Any relevant persons and bodies appointed by Principal Malaysia from time to time, who are responsible for selling units of the Fund including Principal Distributors and IUTA.

Eligible Market	- An exchange, government securities market or an OTC market that is regulated by a regulatory authority of that jurisdiction, that is open to the public or to a substantial number of market participants, and on which financial instruments are regularly traded
Fund or IBF2	- Principal Institutional Bond Fund 2.
GUTF	- Guidelines on Unit Trust Funds issued by the SC.
IMS	- Investment Management Standards issued by the Federation of Investment Managers Malaysia.
IUTA	- Refers to "Institutional Unit Trust Schemes Adviser", a corporation registered with Federation of Investment Managers Malaysia and authorised to market and distribute unit trust schemes of another party.
Management Fee	- A percentage of the NAV of the Fund that is paid to the Manager for managing the portfolio of the Fund.
MARC	- Malaysian Rating Corporation Berhad.
MYR	- Malaysian Ringgit
NAV	- Net Asset Value.
NAV of the Fund	- The value of all the Fund's assets less the value of all the Fund's liabilities, at the point of valuation. For the purpose of computing the annual Management Fee (if any) and annual Trustee Fee (if any), the NAV of the Fund should be inclusive of the Management Fee and Trustee Fee for the relevant day.
NAV per unit	- The NAV of the Fund divided by the number of units in circulation, at the valuation point.
OTC	- Over-the-counter.
PHS	- Refers to Product Highlights Sheet, this document issued by the Manager that contains clear and concise information of the salient features of the Fund.
Principal Distributors	- Refers to the unit trust scheme consultants registered with Principal Malaysia.
Principal Malaysia or the Manager	- Principal Asset Management Berhad.
Prospectus	- Refers to the document issued by us describing the details of the Fund.
RAM	- RAM Rating Services Berhad.
SC	- Securities Commission Malaysia.
S&P	- Standard and Poor's
Transfer Fee	- A nominal fee levied for each transfer of units from one (1) Unit holder to another.
Trustee Fee	- A percentage of the NAV of the Fund that is paid to the Trustee for its services rendered as trustee for the Fund.
Unit holder	- The registered holder for the time being of a unit of the Fund including persons jointly so registered.
Withdrawal Fee	- A charge levied upon withdrawal under certain terms and conditions (if applicable).

Notes: *Unless the context otherwise requires:*

- *words importing the singular number should include the plural number and vice versa;*
- *reference to any legislation, statutes or statutory provision in this PHS shall be reference to that legislation, statute or statutory provision for the time being in force, as may be amended or re-enacted, and to any repealed legislation, statutes or statutory provision which is re-enacted (with or without modification);*
- *time, day or date disclosed in this PHS shall be a reference to that time, day or date in Malaysia, unless otherwise stated; and*
- *reference to "days" in this PHS will be taken to mean calendar days unless otherwise stated.*

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