

CIMB-Principal Deposit Fund 2

Annual Report

For The Financial Year Ended 30 September 2019

CIMB-PRINCIPAL DEPOSIT FUND 2

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

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INVESTORS' LETTER

Dear Valued Investors,

We have recently launched two new funds – Principal Global Real Estate Fund and Principal Greater Bay Fund in our effort to help you diversify your investments portfolios. These funds will enable you to have the opportunity to increase your investment potential in generating income and capital appreciation with diversified global portfolios.

The Principal Greater Bay Fund seeks investment opportunities in equities of companies which benefit from the development of the Greater Bay Area which includes Hong Kong, Macau, Shenzhen, and Guangdong to achieve capital appreciation over the medium to long term. It provides a variety of asset classes, namely the China A and H shares, focusing on large and/or mid-capitalisation companies in equities from sectors under the Benchmark Index, which includes but not limited to technology, financials and consumer sector.

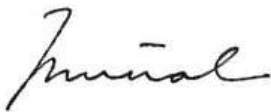
Principal Global Real Estate Fund, the dynamic real estate strategy is different from anything currently available in the market. The unique combination of real estate equity and fixed income securities helps cushion the impact of any unforeseen eventualities.

The Principal Global Real Estate Fund intends to increase investor investment potential, while limiting their downside exposure. This unique combination allows investors to benefit from the growing popularity of Real Estate Investment Trusts ("REITs") have experienced in recent years for their strong performance in low interest rate and volatile global market conditions; and from Commercial Mortgage-backed Securities ("CMBS"), historically known for strong yields without additional risk exposure. Talk to your consultant today to know more how you can further diversify your portfolios with these funds.

As of September 2019, our Assets under Management ("AUM") stood at RM57.06 billion. Thank you for your continuous support and allowing us to help you achieve your financial goals and live your best life.

Thank you.

Yours faithfully,
for **Principal Asset Management Berhad**
(formerly known as CIMB-Principal Asset Management Berhad)



Munirah Khairuddin
Chief Executive Officer

MANAGER'S REPORT**FUND OBJECTIVE AND POLICY****What is the investment objective of the Fund?**

The Fund aims to provide investors with liquidity and regular income, whilst maintaining a low risk investment portfolio by investing primarily in deposits.

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 at least 70% of the Fund's Net Asset Value ("NAV") in Deposits with Financial Institutions. Up to 30% of the Fund's NAV may be invested in Money Market Instruments, all of which have a remaining maturity period of not more than 365 days. The Fund may also invest up to 10% of the Fund's NAV in Deposits and Money Market Instruments with a remaining maturity period of more than 365 days but less than 732 days. The minimum credit rating for the Money Market Instruments must be at least "BBB3" or "P2" by RAM Ratings ("RAM") or equivalent rating by Malaysian Rating Corporation Berhad ("MARC") or by local rating agency(ies) of the country or "BBB" by Standard & Poor's ("S&P") or equivalent rating by Moody's or Fitch. The Manager will manage the portfolio actively with trading frequency that will depend on the view of the interest rate outlook. The investment policy and strategy is to invest in liquid and low risk short-term investments for capital preservation* and to accommodate the short-term cash flow requirements of its unit holders.

Note: *The Fund is neither a capital guaranteed fund nor a capital protected fund within the definition in the Securities Commission Malaysia ("SC") Guidelines.

Fund category/type

Money Market/Income

How long should you invest for?

Recommended up to one (1) year

Indication of short-term risk (low, moderate, high)

Low

When was the Fund launched?

19 June 2017

What was the size of the Fund as at 30 September 2019?

RM547.25 million (547.25 million units)

What is the Fund's benchmark?

CIMB Bank Overnight Rate

What is the Fund distribution policy?

Monthly, depending 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. If the income available is too small or insignificant, any distribution may not be of benefit to the unit holders as the total cost to be incurred in any such distribution may be higher than the amount for distribution. The Manager has the discretion to decide on the amount to be distributed to the unit holders. The Manager also has the discretion to make income distribution on an ad-hoc basis, taking into consideration the level of its realised income and/or realised gains, as well as the performance of the Fund.

FUND OBJECTIVE AND POLICY (CONTINUED)

What was the net income distribution for the financial year ended 30 September 2019?

The Fund distributed a total net income of RM8.23 million to unit holders for the financial year ended 30 September 2019.

The Fund's NAV per unit are as follows:

Date	NAV per unit (Before distribution)	NAV per unit (After distribution)
31.10.2018		
- Class A	1.0028	1.0000
- Class B	1.0030	1.0000
- Class C	1.0031	1.0000
30.11.2018		
- Class A	1.0032	1.0000
- Class B	1.0030	1.0000
- Class C	1.0031	1.0000
31.12.2018		
- Class A	1.0022	1.0000
- Class B	1.0024	1.0000
- Class C	1.0025	1.0000
31.01.2019		
- Class A	1.0026	1.0000
- Class B	1.0027	1.0000
- Class C	1.0029	1.0000
28.02.2019		
- Class A	1.0025	1.0000
- Class B	1.0027	1.0000
- Class C	1.0028	1.0000
29.03.2019		
- Class A	1.0032	1.0000
- Class B	1.0030	1.0000
- Class C	1.0031	1.0000
30.04.2019		
- Class A	1.0028	1.0000
- Class B	1.0029	1.0000
- Class C	1.0030	1.0000
31.05.2019		
- Class A	1.0029	1.0000
- Class B	1.0030	1.0000
- Class C	1.0031	1.0000
28.06.2019		
- Class A	1.0027	1.0000
- Class B	1.0028	1.0000
- Class C	1.0029	1.0000
31.07.2019		
- Class A	1.0027	1.0000
- Class B	1.0028	1.0000
- Class C	1.0028	1.0000
30.08.2019		
- Class A	1.0026	1.0000
- Class B	1.0027	1.0000
- Class C	1.0028	1.0000
30.09.2019		
- Class A	1.0026	1.0000
- Class B	1.0026	1.0000
- Class C	1.0027	1.0000

PERFORMANCE DATA

Details of portfolio composition of the Fund for the last two audited financial year/period are as follows:

	30.09.2019	30.09.2018
	%	%
Deposits with licensed financial institutions	100.06	100.19
Cash and other net assets	(0.06)	(0.19)
	<u>100.00</u>	<u>100.00</u>

Performance details of the Fund for the last two audited financial year/period are as follows:

	30.09.2019	30.09.2018
NAV (RM Million)*		
- Class A	0.00	0.00
- Class B	35.29	10.77
- Class C	511.97	148.96
Units in circulation (Million)		
- Class A	0.00	0.00
- Class B	35.29	10.77
- Class C	511.97	148.96
NAV per unit (RM)*		
- Class A	1.0000	1.0000
- Class B	0.9999	0.9999
- Class C	0.9999	0.9999
	01.10.2018	19.06.2017
	to 30.9.2019	(date of launch)
		to 30.09.2018
Highest NAV per unit (RM)		
- Class A	1.0029	1.0127
- Class B	1.0030	1.0132
- Class C	1.0031	1.0151
Lowest NAV per unit (RM)*		
- Class A	1.0000	1.0000
- Class B	0.9999	0.9999
- Class C	0.9999	0.9999
Total return (%)		
- Class A	3.40	4.04
- Class B	3.48	4.12
- Class C	3.58	4.66
Capital growth (%)		
- Class A	-	-
- Class B	-	-
- Class C	-	-
Income distribution (%)		
- Class A	3.40	4.04
- Class B	3.48	4.12
- Class C	3.58	4.66

*Ex-distribution

PERFORMANCE DATA (CONTINUED)

	01.10.2018 to 30.9.2019	19.06.2017 (date of launch) to 30.09.2018
Management Expense Ratio ("MER") (%) ^	0.18	0.24
Portfolio Turnover Ratio ("PTR") (times) #	7.48	15.16

^ The Fund's MER decreased from 0.24% to 0.18% due to increase in average NAV during the financial period under review.

The Fund's PTR for the financial period under review was lower at 7.48 times from 15.16 times a year ago, mainly due to increase in the Fund's average NAV from RM77.44 million as at 30 September 2018 to RM242.12 million as at 30 September 2019.

	01.10.2018 to 30.9.2019 RM	19.06.2017 (date of launch) to 30.09.2018 RM
Date of distribution		
Distribution on 31 October 2018		
Gross/Net distribution per unit (sen)		
- Class A	0.29	-
- Class B	0.30	-
- Class C	0.31	-
Distribution on 30 November 2018		
Gross/Net distribution per unit (sen)		
- Class A	0.32	-
- Class B	0.30	-
- Class C	0.31	-
Distribution on 31 December 2018		
Gross/Net distribution per unit (sen)		
- Class A	0.22	-
- Class B	0.24	-
- Class C	0.25	-
Distribution on 31 January 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.26	-
- Class B	0.28	-
- Class C	0.29	-
Distribution on 28 February 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.26	-
- Class B	0.27	-
- Class C	0.28	-
Distribution on 29 March 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.33	-
- Class B	0.31	-
- Class C	0.32	-
Distribution on 30 April 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.28	-
- Class B	0.30	-
- Class C	0.31	-

PERFORMANCE DATA (CONTINUED)

	01.10.2018 to 30.9.2019 RM	19.06.2017 (date of launch) to 30.09.2018 RM
Date of distribution (Continued)		
Distribution on 31 May 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.30	-
- Class B	0.31	-
- Class C	0.32	-
Distribution on 28 June 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.27	-
- Class B	0.28	-
- Class C	0.29	-
Distribution on 31 July 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.27	-
- Class B	0.28	-
- Class C	0.29	-
Distribution on 30 August 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.27	-
- Class B	0.28	-
- Class C	0.28	-
Distribution on 30 September 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.27	-
- Class B	0.27	-
- Class C	0.27	-
Distribution on 31 July 2017		
Gross/Net distribution per unit (sen)		
- Class C	-	0.25
Distribution on 29 December 2017		
Gross/Net distribution per unit (sen)		
- Class A	-	1.31
- Class B	-	1.36
- Class C	-	1.55
Distribution on 30 January 2018		
Gross/Net distribution per unit (sen)		
- Class A	-	0.29
- Class B	-	0.30
- Class C	-	0.31
Distribution on 28 February 2018		
Gross/Net distribution per unit (sen)		
- Class A	-	0.28
- Class B	-	0.27
- Class C	-	0.28
Distribution on 30 March 2018		
Gross/Net distribution per unit (sen)		
- Class A	-	0.33
- Class B	-	0.31
- Class C	-	0.32

PERFORMANCE DATA (CONTINUED)

	01.10.2018 to 30.9.2019 RM	19.06.2017 (date of launch) to 30.09.2018 RM	
Date of distribution (Continued)			
Distribution on 30 April 2018			
Gross/Net distribution per unit (sen)			
- Class A	-	0.32	
- Class B	-	0.30	
- Class C	-	0.31	
Distribution on 31 May 2018			
Gross/Net distribution per unit (sen)			
- Class A	-	0.31	
- Class B	-	0.31	
- Class C	-	0.32	
Distribution on 29 June 2018			
Gross/Net distribution per unit (sen)			
- Class A	-	0.29	
- Class B	-	0.30	
- Class C	-	0.31	
Distribution on 31 July 2018			
Gross/Net distribution per unit (sen)			
- Class A	-	0.29	
- Class B	-	0.30	
- Class C	-	0.31	
Distribution on 30 August 2018			
Gross/Net distribution per unit (sen)			
- Class A	-	0.28	
- Class B	-	0.31	
- Class C	-	0.32	
Distribution on 28 September 2018			
Gross/Net distribution per unit (sen)			
- Class A	-	0.26	
- Class B	-	0.29	
- Class C	-	0.29	
	30.09.2019	30.09.2018	Since inception to 30.09.2017
	%	%	%
Annual total return			
- Class A	3.40	3.62	0.41
- Class B	3.48	3.68	0.43
- Class C	3.58	3.76	0.86

(Launch date: 19 June 2017)

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 OCTOBER 2018 TO 30 SEPTEMBER 2019)

There were no changes to the Overnight Policy Rate (“OPR”) during the financial year under review.

On 12 September 2018, Bank Negara Malaysia (“BNM”) maintained the OPR at 3.00% and the Monetary Policy Committee (“MPC”) considers the current monetary policy stance remains “accommodative and supportive of economic activity”. Nevertheless, the MPC continued to reiterate the downside risks from ongoing uncertainties in the global and domestic environment as well as highlighting that prolonged trade disputes and geopolitical developments could lead to excessive financial market volatility.

Malaysia’s exports grew positively in July 2019 at 1.7% year-on-year (“y-o-y”), a reversal from the previous month’s negative -3.4% y-o-y. Malaysia’s imports also improved albeit still negative at -5.9% y-o-y from -9.8% y-o-y. Inflation in August 2019 was +1.5% y-o-y, little changed from +1.4% y-o-y in July 2019 as most Consumer Price Index (“CPI”) components remained stable.

After recording a growth of 4.5% in the first quarter of 2019, the Malaysian economy grew faster by 4.9% in the second quarter of the year. Growth in the second quarter of 2019 was due to faster expansion in household spending and slightly higher private investment growth seen during the months of April 2019 to June 2019. Higher net exports were also recorded in the second quarter of 2019.

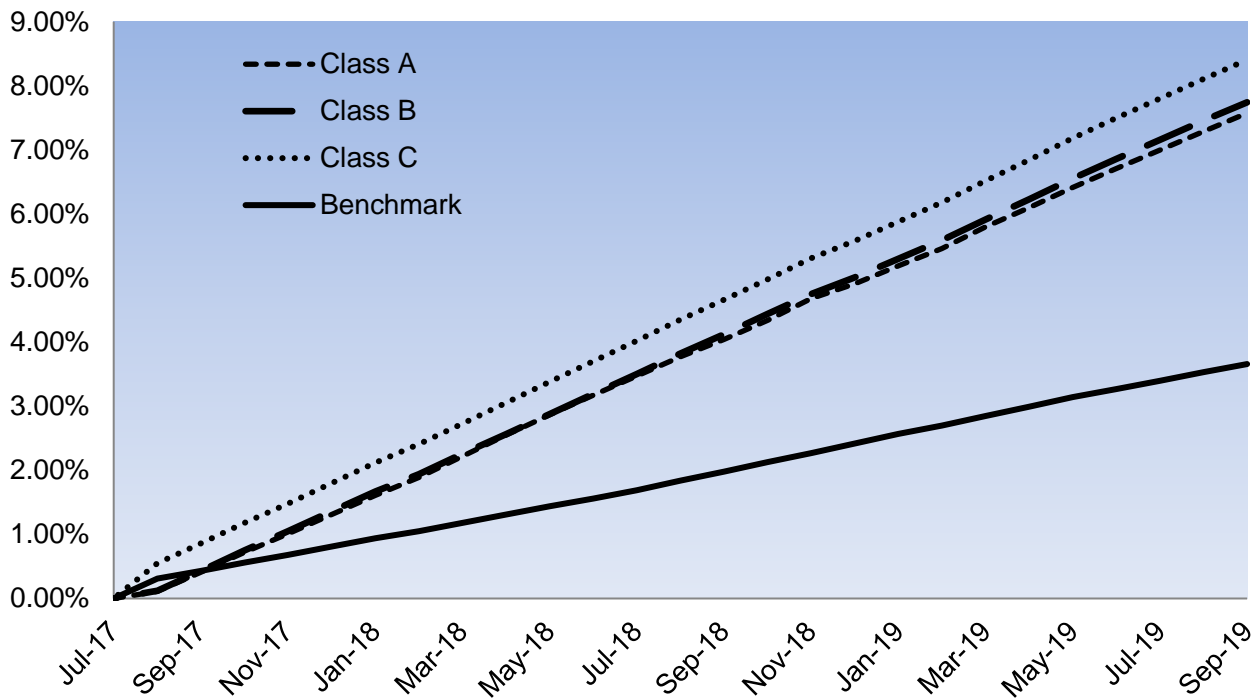
FUND PERFORMANCE

	1 year to 30.09.2019			Since inception to 30.09.2019		
	Class A	Class B	Class C	Class A	Class B	Class C
	%	%	%	%	%	%
Income	3.40	3.48	3.58	7.57	7.74	8.41
Capital	-	-	-	-	-	-
Total Return	3.40	3.48	3.58	7.57	7.74	8.41
Benchmark	1.64	1.64	1.64	3.66	3.66	3.66
Average Total Return	3.40	3.48	3.58	3.25	3.32	3.60

As at 30 September 2019, the Fund gave a 1-year return of 3.40% on Class A, 3.48% on Class B and 3.58% on Class C, beating the benchmark returns of 1.64%.

Since inception, the Fund achieved a total return of 7.57% on Class A, 7.74% on Class B and 8.41% on Class C, beating the benchmark returns of 3.66%.

FUND PERFORMANCE (CONTINUED)



Changes in NAV

	30.09.2019	30.09.2018	Changes %
Class A			
NAV (RM Million)*	0.00	0.00	0.00
NAV/Unit (RM)*	1.0000	1.0000	-
Class B			
NAV (RM Million)*	35.29	10.77	>100.00
NAV/Unit (RM)*	0.9999	0.9999	-
Class C			
NAV (RM Million)*	511.97	148.96	>100.00
NAV/Unit (RM)*	0.9999	0.9999	-

*Ex-distribution

The Fund's total NAV increased from RM159.72 million as at 30 September 2018 to RM547.25 million as at 30 September 2019.

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	30.09.2019	30.09.2018
Deposits with licensed financial institutions	100.06	100.19
Cash and other net assets	(0.06)	(0.19)
Total	100.00	100.00

The Fund was fully invested in deposit placements with licensed financial institutions.

MARKET OUTLOOK*

On 7 May 2019, the MPC cut the OPR by 0.25% to 3.00% as a pre-emptive measure to maintain the degree of monetary accommodativeness. We believe the current monetary policy remains accommodative and are of the view that BNM will maintain its OPR unchanged for the remainder of 2019 unless the trade wars worsen significantly, or domestic growth is significantly lower than expected.

We believe investors will be watching BNM's monetary policy meeting decision in the month of November 2019 closely. For now, the overhang on Financial Times Stock Exchange ("FTSE") Russell's decision to remove Malaysia from the World Government Bond Index ("WGBI") Index has been removed temporarily as FTSE Russell has decided to retain Malaysia on the Watch List for another 6 months, with the next review scheduled in March 2020.

* 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 Malaysia or based on data obtained from sources believed to be reliable by Principal Malaysia. Whilst every care has been taken in preparing this, Principal Malaysia makes no guarantee, representation or warranty and is under no circumstances liable for any loss or damage caused by reliance on, any opinion, advice or statement made in this market outlook.

INVESTMENT STRATEGY

The Fund's objective is to provide investors with liquidity and regular income hence it will continue to maintain its investment primarily in deposits with licensed financial institutions.

UNIT HOLDINGS STATISTICS

Breakdown of unit holdings by size as at 30 September 2019 are as follows:

CLASS A

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00	0.00
5,001-10,000	-	-	-
10,001-50,000	-	-	-
50,001-500,000	-	-	-
500,001 and above	-	-	-
Total	1	0.00	0.00

CLASS B

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00	0.00
5,001-10,000	-	-	-
10,001-50,000	-	-	-
50,001-500,000	1	0.15	0.43
500,001 and above	6	35.14	99.57
Total	8	35.29	100.00

CLASS C

Size of unit holdings (units)	No. of unit holders	No. of units held (million)	% of units held
5,000 and below	1	0.00	0.00
5,001-10,000	-	-	-
10,001-50,000	-	-	-
50,001-500,000	-	-	-
500,001 and above	2	511.97	100.00
Total	3	511.97	100.00

SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the "Manager") and the Trustee will not retain any form of rebate or soft commission from, or otherwise share in any commission with, any broker in consideration for directing dealings in the investments of the Funds unless the soft commission received is retained in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds. All dealings with brokers are executed on best available terms.

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

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL DEPOSIT FUND 2**

We, being the Directors of Principal Asset Management Berhad (*formerly known as CIMB-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 18 to 44 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 30 September 2019 and of its financial performance, changes in net assets attributable to unit holders and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the PRS Provider

Principal Asset Management Berhad (Company No.: 304078-K)
(*formerly known as CIMB-Principal Asset Management Berhad*)

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

JUAN IGNACIO EYZAGUIRRE BARAONA
Director

Kuala Lumpur
14 November 2019

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL DEPOSIT FUND 2**

We have acted as the Trustee of CIMB-Principal Deposit Fund 2 (the "Fund") for the financial year ended 30 September 2019. To the best of our knowledge, Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the "Manager"), has operated and managed the Fund in accordance with the following:

- a) limitations imposed on the investment powers of the Manager and the Trustee under the Deeds, the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- b) valuation/pricing is carried out in accordance with the Deeds of the Fund and applicable regulatory requirements; and
- c) creation and cancellation of units for the Fund have been carried out in accordance with the Deeds of the Fund and applicable regulatory requirements.

During the financial period, a distribution of 10.28 sen per unit (gross) has been distributed to the unit holders of the Fund. We are of the view that the distribution is consistent with the objectives of the Fund.

For and on behalf of the Trustee
PB Trustee Services Berhad

CHEAH KUAN YOON
Chief Executive Officer

Kuala Lumpur
14 November 2019

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL DEPOSIT FUND 2**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of CIMB-Principal Deposit Fund 2 (the "Fund") give a true and fair view of the financial position of the Fund as at 30 September 2019, and of its financial performance and its cash flows for the financial year ended 30 September 2019 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 September 2019, and the statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows for the financial year ended 30 September 2019, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 18 to 44.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("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
CIMB-PRINCIPAL DEPOSIT FUND 2 (CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's report but does not include the financial statements of the Fund and our auditor's report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL DEPOSIT FUND 2 (CONTINUED)****REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
CIMB-PRINCIPAL DEPOSIT FUND 2 (CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the unit holders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
14 November 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019**

		2019	19.06.2017 (date of launch) to 30.09.2018 RM
INCOME			
Interest income		8,765,556	3,834,387
EXPENSES			
Management fee	4	390,736	155,848
Trustee's fee	5	24,133	9,847
Audit fee		9,500	7,300
Tax agent's fee		4,600	7,000
Other expenses		6,796	8,840
		<u>435,765</u>	<u>188,835</u>
PROFIT BEFORE FINANCE COST AND TAXATION		8,329,791	3,645,552
Finance cost (excluding increase in net assets attributable to unit holders):			
- Class A		(18)	(83)
- Class B		(1,040,437)	(318,183)
- Class C		(7,191,169)	(3,698,051)
	6	<u>(8,231,624)</u>	<u>(4,016,317)</u>
PROFIT/(LOSS) BEFORE TAXATION		98,167	(370,765)
Taxation	7	<u>-</u>	<u>-</u>
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>98,167</u>	<u>(370,765)</u>
Increase/(Decrease) in net assets attributable to unit holders is made up as follows:			
Realised amount		<u>98,167</u>	<u>(370,765)</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019**

	Note	2019 RM	2018 RM
ASSETS			
Cash and cash equivalents	9	20,325	20,146
Financial assets at fair value through profit or loss	8	547,598,759	160,023,519
Amount due from Manager		24,700	1,400
TOTAL ASSETS		<u>547,643,784</u>	<u>160,045,065</u>
LIABILITIES			
Accrued management fee		72,694	21,608
Amount due to Trustee		4,646	1,316
Distribution payable		298,856	287,815
Other payables and accruals		16,300	11,300
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)		<u>392,496</u>	<u>322,039</u>
NET ASSET VALUE OF THE FUND		<u>547,251,288</u>	<u>159,723,026</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS			
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDING UNITS			
- Class A		604	584
- Class B		35,286,727	10,766,000
- Class C		511,963,957	148,956,442
		<u>547,251,288</u>	<u>159,723,026</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)			
- Class A		604	584
- Class B		35,286,960	10,766,051
- Class C		511,967,353	148,957,158
	10	<u>547,254,917</u>	<u>159,723,793</u>
NET ASSET VALUE PER UNIT (RM) (EX-DISTRIBUTION)			
- Class A		1.0000	1.0000
- Class B		0.9999	0.9999
- Class C		<u>0.9999</u>	<u>0.9999</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 ENDED 30 SEPTEMBER 2019**

	2019 RM	19.06.2017 (date of launch) to 30.09.2018 RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR/PERIOD	159,723,026	-
Movement due to units created and cancelled during the financial year/period:		
Creation of units from applications		
- Class A	-	12,000
- Class B	33,596,454	25,505,350
- Class C	460,066,450	149,251,365
	<u>493,662,904</u>	<u>174,768,715</u>
Creation of units from distributions		
- Class A	20	84
- Class B	1,040,437	318,183
- Class C	3,651,473	145,485
	<u>4,691,930</u>	<u>463,752</u>
Cancellation of units		
- Class A	-	(11,492)
- Class B	(10,062,141)	(15,001,501)
- Class C	(100,862,598)	(125,683)
	<u>(110,924,739)</u>	<u>(15,138,676)</u>
Increase/(Decrease) in net assets attributable to unit holders during the financial year/period	<u>98,167</u>	<u>(370,765)</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS DURING THE FINANCIAL YEAR/PERIOD	<u><u>547,251,288</u></u>	<u><u>159,723,026</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 30 SEPTEMBER 2019**

		2019	19.06.2017
		RM	(date of launch)
			to 30.09.2018
			RM
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Proceeds from maturity of deposits with licensed financial institutions		1,540,089,348	1,087,760,838
Placement of deposits with licensed financial institutions		(2,001,199,000)	(1,259,936,000)
Redemption of deposits with licensed financial institutions		77,368,652	13,003,162
Interest income received from deposits with licensed financial institutions		4,931,316	2,982,868
Management fee paid		(339,650)	(134,240)
Trustee's fee paid		(20,803)	(8,531)
Payments for other fees and expenses		(15,896)	(11,840)
Net cash used in operating activities		<u>(379,186,033)</u>	<u>(156,343,743)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		493,639,604	174,767,315
Payments for cancellation of units		(110,924,739)	(15,138,676)
Distributions paid		(3,528,653)	(3,264,750)
Net cash generated from financing activities		<u>379,186,212</u>	<u>156,363,889</u>
Net increase in cash and cash equivalents		179	20,146
Cash and cash equivalents at the beginning of the financial year/period		<u>20,146</u>	<u>-</u>
Cash and cash equivalents at the end of the financial year/period	9	<u>20,325</u>	<u>20,146</u>
<u>Cash and cash equivalents comprised of:</u>			
Bank balance		<u>20,325</u>	<u>20,146</u>
Cash and cash equivalents at the end of the financial year/period	9	<u>20,325</u>	<u>20,146</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019**

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

CIMB-Principal Deposit Fund 2 (the “Fund”) is governed by a Principal Deed dated 8 March 2017, between Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (the “Manager”) and PB Trustee Services Berhad (the “Trustee”).

The Fund will invest at least 70% of the Fund’s NAV in Deposits with Financial Institutions. Up to 30% of the Fund’s NAV may be invested in Money Market Instruments, all of which have a remaining maturity period of not more than 365 days. The Fund may also invest up to 10% of the Fund’s NAV in Deposits and Money Market Instruments with a remaining maturity period of more than 365 days but less than 732 days. The minimum credit rating for the Money Market Instruments must be at least “BBB3” or “P2” by RAM or equivalent rating by MARC or by local rating agency(ies) of the country or “BBB” by S&P or equivalent rating by Moody’s or Fitch. The Manager will manage the portfolio actively with trading frequency that will depend on the view of the interest rate outlook. The investment policy and strategy is to invest in liquid and low risk short-term investments for capital preservation and to accommodate the short-term cash flow requirements of its unit holders.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the MFRS and IFRS.

The financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported year.

It also requires the Manager to exercise their judgement in the process of applying the Fund’s accounting policies. Although these estimates and judgement are based on the Manager’s best knowledge of current events and actions, actual results may differ.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (continued)**Standard that is effective and relevant:

The Fund has applied the following amendments for the first time for the financial year beginning 1 October 2018:

- MFRS 9 'Financial Instruments' became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in MFRS 139.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument represents solely payments of principal and interest ("SPPI"). A debt instrument is measured at fair value through other comprehensive income ("OCI") if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through OCI. MFRS 9 also introduces a new expected credit loss ("ECL") impairment model.

MFRS 9 has been applied retrospectively by the Fund and did not result in any change to the classification or measurement of financial instruments as outlined in Note 2(b).

In accordance with the transitional provisions provided in MFRS 9, comparative information was not restated and continued to be reported under previous accounting policies governed under MFRS 139.

The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 October 2018 that have a material effect on the financial statements of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The amendments to published standard that are is applicable to the Fund but not yet effective and have not been early adopted is as follows:

(i) Financial year beginning on/after 1 October 2019

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

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

The Fund will apply these amendments to published standard when effective. These amendments to published standard are not expected to have a significant impact on the Fund's financial statements.

(b) Financial assets and financial liabilities

Classification

Up to 30 September 2018, the Fund designates its investments in deposits with licensed financial institutions as financial assets at fair value through profit or loss at inception.

Financial assets are designated at fair value through profit or loss when they are managed and their performance evaluated on a fair value basis.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund's loans and receivables comprise cash and cash equivalents, and amount due from Manager.

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

The Fund classifies accrued management fee, amount due to Trustee, distribution payable and other payables and accruals as other financial liabilities.

From 1 October 2018, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets and financial liabilities (continued)**Classification (continued)

The Fund classifies its investments in deposits 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. 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, and amount due from Manager as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies accrued management fee, amount due to Trustee, distribution payable, and other payables and accruals as financial liabilities measured at amortised cost.

Recognition and measurement

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

Financial liabilities, within the scope of MFRS 139 up to 30 September 2018 and MFRS 9 from 1 October 2018, 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.

Deposits with licensed financial institutions are stated at fair value. Due to the short term nature of the deposits, the cost plus accrued interest calculated based on the effective interest method over the period from the date of placement to the date of maturity of the respective deposits is a reasonable estimate of 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 (2018: loans and receivables) and other financial liabilities are subsequently carried at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets and financial liabilities (continued)**Impairment for assets carried at amortised costs

Up to 30 September 2018, for assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in statement of comprehensive income. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent financial year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

From 1 October 2018 onwards, the Fund measures credit risk and ECL using probability of default, exposure at default and loss given default. The Manager considers both historical analysis and forward looking information in determining any ECL. The Manager considers 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 is recognised on a time proportionate basis using the effective interest rate method on an accrual basis.

Up to 30 September 2018, when a loan and receivable is impaired, the Fund reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

From 1 October 2018, 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).

(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 Ringgit Malaysia ("RM"), which is the Fund's functional and presentation currency.

(e) Cash and cash equivalents

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

(f) Taxation

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

(g) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(h) Creation and cancellation of units**

The unit holders' contributions to the Fund meet the definition of puttable instruments classified as financial liability under MFRS 132 "Financial Instruments: Presentation".

The Fund issues cancellable units, in three classes of units, known respectively as the Class A, Class B and Class C which are cancelled at the unit holder's option. The units are classified as financial liabilities. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV of respective classes. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the unit holder exercises the right to put back the unit to the Fund.

Units are created and cancelled at the unit holders' option at prices based on the Fund's NAV per unit of respective classes at the close of business on the relevant dealing day. The Fund's NAV per unit of respective classes is calculated by dividing the net assets attributable to members of respective classes with the total number of outstanding units of respective classes.

(i) Increase/Decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders.

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

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

However, the Manager is of the opinion that there are no accounting policies which require significant judgement to be exercised.

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
2019			
Cash and cash equivalents (Note 9)	-	20,325	20,325
Deposits with licensed financial institutions (Note 8)	547,598,759	-	547,598,759
Amount due from Manager	-	24,700	24,700
	<u>547,598,759</u>	<u>45,025</u>	<u>547,643,784</u>

	Financial assets at fair value through profit or loss RM	Loans and receivables RM	Total RM
2018			
Cash and cash equivalents (Note 9)	-	20,146	20,146
Deposits with licensed financial institutions (Note 8)	160,023,519	-	160,023,519
Amount due from Manager	-	1,400	1,400
	<u>160,023,519</u>	<u>21,546</u>	<u>160,045,065</u>

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

The Fund aims to provide investors with liquidity and regular income, whilst maintaining a low risk investment portfolio by investing primarily in deposits.

The Fund is exposed to a variety of risks which include market risk (inclusive of 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) Interest rate risk

Interest rate is a general economic indicator that will have an impact on the management of the Fund.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund's exposure to fair value interest rate risk arises from investment in money market instruments. The interest rate risk is expected to be minimal as the Fund's investments comprise mainly short term deposits with approved licensed financial institutions.

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

(a) Market risk (continued)

(i) Interest rate risk (continued)

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is not exposed to cash flow interest rate risk as the Fund does not hold any financial instruments at variable interest rate.

As at the end of the financial year, the Fund is not exposed to a material level of interest rate risk.

(b) Credit risk

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

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

For amount due from Manager, the settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Guidelines on Unit Trust Funds.

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Amount due from Manager RM	Total RM
2019				
- AAA	20,325	186,114,343	-	186,134,668
- AA2	-	308,965,050	-	308,965,050
- AA3	-	52,519,366	-	52,519,366
- Not Rated	-	-	24,700	24,700
	<u>20,325</u>	<u>547,598,759</u>	<u>24,700</u>	<u>547,643,784</u>
2018				
- AAA	20,146	45,598,070	-	45,618,216
- AA1	-	24,106,112	-	24,106,112
- AA2	-	57,138,646	-	57,138,646
- AA3	-	33,180,691	-	33,180,691
- Not Rated	-	-	1,400	1,400
	<u>20,146</u>	<u>160,023,519</u>	<u>1,400</u>	<u>160,045,065</u>

All financial assets of the Fund as at the end of the financial period are neither past due nor impaired.

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. 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 1 month to 1 year RM	Total RM
2019			
Accrued management fee	72,694	-	72,694
Amount due to Trustee	4,646	-	4,646
Distribution payable	298,856	-	298,856
Other payables and accruals	-	16,300	16,300
Net assets attributable to unit Holders	<u>547,251,288</u>	<u>-</u>	<u>547,251,288</u>
Contractual undiscounted cash flows	<u><u>547,627,484</u></u>	<u><u>16,300</u></u>	<u><u>547,643,784</u></u>
2018			
Accrued management fee	21,608	-	21,608
Amount due to Trustee	1,316	-	1,316
Distribution payable	287,815	-	287,815
Other payables and accruals	-	11,300	11,300
Net assets attributable to unit holders	<u>159,723,026</u>	<u>-</u>	<u>159,723,026</u>
Contractual undiscounted cash flows	<u><u>160,033,765</u></u>	<u><u>11,300</u></u>	<u><u>160,045,065</u></u>

(d) Capital risk management

The capital of the Fund is represented by net assets attributable to unit holders of RM547,251,288 (2018: RM159,723,026). 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 period 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 market price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

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

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

(i) Fair value hierarchy

The table below analyses financial instruments carried at fair value. The difference 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.

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

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.

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2019				
Financial assets at fair value through profit or loss:				
- Deposits with licensed financial institutions	-	<u>547,598,759</u>	-	<u>547,598,759</u>
2018				
Financial assets at fair value through profit or loss:				
- Deposits with licensed financial institutions	-	<u>160,023,519</u>	-	<u>160,023,519</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. This includes 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, amount due from Manager, and all current liabilities are a reasonable approximation of their fair values due to their short term nature.

4. MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a maximum management fee of 3.00% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 30 September 2019 and the financial period from 19 June 2017 (date of launch) to 30 September 2018, the management fee for the respective classes is recognised at the following rates:

Class A	Class B	Class C
0.35%	0.25%	0.15%

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

5. TRUSTEE'S FEE

In accordance with the Deed, the Trustee is entitled to a maximum fee of 0.07% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 30 September 2019, the Trustee fee is recognised at a rate of 0.01% per annum (19 June 2017 (date of launch) to 30 September 2018: 0.01% per annum).

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

6. DISTRIBUTIONS

Distributions to unit holders are derived from the following sources:

	2019 RM	19.06.2017 (date of launch) to 30.09.2018 RM
Interest income	8,769,527	3,834,387
Distribution equalisation	(105,003)	369,999
	8,664,524	4,204,386
Expenses	(432,900)	(188,069)
Net distribution amount	8,231,624	4,016,317

Date of distribution

Distribution on 31 October 2018

Gross/Net distribution per unit (sen)

- Class A	0.29	-
- Class B	0.30	-
- Class C	0.31	-

Distribution on 30 November 2018

Gross/Net distribution per unit (sen)

- Class A	0.32	-
- Class B	0.30	-
- Class C	0.31	-

Distribution on 31 December 2018

Gross/Net distribution per unit (sen)

- Class A	0.22	-
- Class B	0.24	-
- Class C	0.25	-

6. DISTRIBUTIONS (CONTINUED)

	2019 RM	19.06.2017 (date of launch) to 30.09.2018 RM
Date of distribution (continued)		
Distribution on 31 January 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.26	-
- Class B	0.28	-
- Class C	0.29	-
Distribution on 28 February 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.26	-
- Class B	0.27	-
- Class C	0.28	-
Distribution on 29 March 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.33	-
- Class B	0.31	-
- Class C	0.32	-
Distribution on 30 April 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.28	-
- Class B	0.30	-
- Class C	0.31	-
Distribution on 31 May 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.30	-
- Class B	0.31	-
- Class C	0.32	-
Distribution on 28 June 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.27	-
- Class B	0.28	-
- Class C	0.29	-
Distribution on 31 July 2019		
Gross/Net distribution per unit (sen)	0.27	
- Class A	0.28	-
- Class B	0.29	-
- Class C		-
Distribution on 30 August 2019		
Gross/Net distribution per unit (sen)	0.27	
- Class A	0.28	-
- Class B		-
- Class C		-
Distribution on 30 September 2019		
Gross/Net distribution per unit (sen)		
- Class A	0.27	-
- Class B	0.27	-
- Class C	0.27	-

6. DISTRIBUTIONS (CONTINUED)

	2019 RM	19.06.2017 (date of launch) to 30.09.2018 RM
Date of distribution (continued)		
Distribution on 31 July 2017		
Gross/Net distribution per unit (sen)		
- Class C	-	0.25
Distribution on 29 December 2017		
Gross/Net distribution per unit (sen)		
- Class A	-	1.31
- Class B	-	1.36
- Class C	-	1.55
Distribution on 30 January 2018		
Gross/Net distribution per unit (sen)		
- Class A	-	0.29
- Class B	-	0.30
- Class C	-	0.31
Distribution on 28 February 2018		
Gross/Net distribution per unit (sen)		
- Class A	-	0.28
- Class B	-	0.27
- Class C	-	0.28
Distribution on 30 March 2018		
Gross/Net distribution per unit (sen)		
- Class A	-	0.33
- Class B	-	0.31
- Class C	-	0.32
Distribution on 30 April 2018		
Gross/Net distribution per unit (sen)		
- Class A	-	0.32
- Class B	-	0.30
- Class C	-	0.31
Distribution on 31 May 2018		
Gross/Net distribution per unit (sen)		
- Class A	-	0.31
- Class B	-	0.31
- Class C	-	0.32
Distribution on 29 June 2018		
Gross/Net distribution per unit (sen)		
- Class A	-	0.29
- Class B	-	0.30
- Class C	-	0.31
Distribution on 31 July 2018		
Gross/Net distribution per unit (sen)		
- Class A	-	0.29
- Class B	-	0.30
- Class C	-	0.31

6. DISTRIBUTIONS (CONTINUED)

	2019 RM	19.06.2017 (date of launch) to 30.09.2018 RM
Date of distribution (continued)		
Distribution on 30 August 2018		
Gross/Net distribution per unit (sen)		
- Class A	-	0.28
- Class B	-	0.31
- Class C	-	0.32
Distribution on 28 September 2018		
Gross/Net distribution per unit (sen)		
- Class A	-	0.26
- Class B	-	0.29
- Class C	-	0.29
Total Distribution		
Gross/Net distribution per unit (sen)		
- Class A	3.34	3.96
- Class B	3.42	4.05
- Class C	3.52	4.57

Gross distribution is derived using total income less total expenses. Net distribution above is mainly sourced from current financial period's 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.

Distribution equalisation represents the average amount of distributable income included in the creation and cancellation prices of units. It is computed as at each date of creation and cancellation of units. For the purpose of determining amount available for distribution, distribution equalisation is included in the computation of realised gain or income available for distribution.

7. TAXATION

	2019 RM	19.06.2017 (date of launch) to 30.09.2018 RM
Tax charged for the financial period		
- Current taxation	-	-

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

	2019 RM	19.06.2017 (date of launch) to 30.09.2018 RM
Profit/(Loss) before taxation	98,167	(370,765)
Taxation at Malaysian statutory rate of 24% (2018: 24%)	23,560	(88,984)
Tax effects of:		
Income not subject to tax	(2,103,733)	(920,253)
Expenses not deductible for tax purposes	1,983,627	968,442
Restriction on tax deductible expenses for Unit Trust Funds	96,546	40,795
Taxation	-	-

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RM	2018 RM
At fair value through profit or loss at inception:		
- Deposits with licensed financial institutions*	547,598,759	160,023,519

* Includes interest receivable of RM4,685,759 (2018: RM851,519).

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

	2019 %	2018 %
Deposits with licensed financial institutions	3.52	3.97

Deposits with licensed financial institutions of the Fund have an average maturity of 85 days (2018: 149 days).

9. CASH AND CASH EQUIVALENTS

	2019 RM	2018 RM
Bank balance	20,325	20,146

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2019	19.06.2017 (date of launch) to 30.09.2018
	No. of units	No. of units
Class A (i)	604	584
Class B (ii)	35,286,960	10,766,051
Class C (iii)	511,967,353	148,957,158
	<u>547,254,917</u>	<u>159,723,793</u>

(i) Class A

	2019	19.06.2017 (date of launch) to 30.09.2018
	No. of units	No. of units
At the beginning of the financial year/period	584	-
Add: Creation of units from applications	-	11,990
Add: Creation of units from distributions	20	84
Less: Cancellation of units	-	(11,490)
At the end of the financial year/period	<u>604</u>	<u>584</u>

(ii) Class B

	2019	19.06.2017 (date of launch) to 30.09.2018
	No. of units	No. of units
At the beginning of the financial year/period	10,766,051	-
Add: Creation of units from applications	33,533,876	25,416,441
Add: Creation of units from distributions	1,040,437	318,182
Less: Cancellation of units	(10,053,404)	(14,968,572)
At the end of the financial year/period	<u>35,286,960</u>	<u>10,766,051</u>

(iii) Class C

	2019	19.06.2017 (date of launch) to 30.09.2018
	No. of units	No. of units
At the beginning of the financial year/period	148,957,158	-
Add: Creation of units from applications	460,033,276	148,937,356
Add: Creation of units from distributions	3,651,473	145,485
Less: Cancellation of units	(100,674,554)	(125,683)
At the end of the financial year/period	<u>511,967,353</u>	<u>148,957,158</u>

11. MANAGEMENT EXPENSE RATIO (“MER”)

	2019	19.06.2017 (date of launch) to 30.09.2018
	%	%
MER	0.18	0.24

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial period calculated on a daily basis is RM242,118,170 (2018: RM77,435,283).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2019	19.06.2017 (date of launch) to 30.09.2018
PTR (times)	7.48	15.16

PTR is derived from the following calculation:

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

where:

- total placements for the financial year/period = RM2,001,199,000 (2018: RM1,259,936,000)
- total maturity for the financial year/period = RM1,540,089,348 (2018: RM1,087,760,838)

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

The related parties and their relationship with the Fund are as follows:

<u>Related parties</u>	<u>Relationship</u>
Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i>	The Manager
Principal Financial Group, Inc.	Ultimate holding company of shareholder of the Manager
Principal International (Asia) Ltd	Shareholder of the Manager
Subsidiaries and associates of Principal Financial Group Inc., other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager
CIMB Group Holdings Bhd	Ultimate holding company of shareholder of the Manager
CIMB Group Sdn Bhd	Shareholder of the Manager
Subsidiaries and associates of CIMB Group Holdings Bhd, 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 Bank Bhd	Fellow related party to the Manager
CIMB Islamic Bank Bhd	Fellow related party to the Manager

Units held by the Manager and parties related to the Manager

	<u>2019</u>		<u>2018</u>
	No. of units	RM	No. of units
Manager			RM
Principal Asset Management Berhad <i>(formerly known as CIMB-Principal Asset Management Berhad)</i>			
- Class A	604	604	584
- Class B	1,276	1,276	938
- Class C	1,106	1,106	-

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.

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

	2019 RM	19.06.2017 (date of launch) to 30.09.2018 RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institutions:		
- CIMB Bank Bhd	778,743	101,161
- CIMB Islamic Bank Bhd	562,630	1,207
	<u>1,341,373</u>	<u>102,368</u>
	2019 RM	2018 RM
<u>Significant related party balances</u>		
Bank balances:		
- CIMB Bank Bhd	<u>20,325</u>	<u>20,146</u>
Deposits with licensed financial institutions:		
- CIMB Bank Bhd	241,343,000	81,652,000
- CIMB Islamic Bank Bhd	40,000,000	4,980,000
	<u>281,343,000</u>	<u>86,632,000</u>

14. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with the top 10 financial institutions for the financial year ended 30 September 2019 are as follows:

Financial Institutions	Value of placements RM	Percentage of total placements %
Hong Leong Bank Bhd	467,089,000	23.34
Malayan Banking Bhd	463,223,000	23.15
Public Bank Bhd	244,694,000	12.23
CIMB Bank Bhd #	241,343,000	12.06
AmBank Berhad	142,572,000	7.12
Hong Leong Islamic Bank Bhd	86,500,000	4.32
AmIslamic Bank Bhd	67,841,000	3.39
RHB Islamic Bank Bhd	64,500,000	3.22
RHB Bank Bhd	61,010,000	3.05
Public Islamic Bank Bhd	52,129,000	2.60
Others #	110,298,000	5.52
	<u>2,001,199,000</u>	<u>100.00</u>

14. TRANSACTIONS WITH FINANCIAL INSTITUTIONS (CONTINUED)

Details of transactions with the top 10 financial institutions for the financial period from 19 June 2017 (date of launch) to 30 September 2018 are as follows:

Financial Institutions	Value of placements RM	Percentage of total placements %
Malayan Banking Bhd	742,140,000	58.90
Public Bank Bhd	99,554,000	7.90
Hong Leong Bank Bhd	83,562,000	6.63
CIMB Bank Bhd #	81,652,000	6.48
Affin Bank Bhd	73,830,000	5.86
AmBank Bhd	48,968,000	3.89
RHB Islamic Bank Bhd	42,358,000	3.36
Hong Leong Islamic Bank Bhd	29,937,000	2.38
Maybank Islamic Bhd	15,074,000	1.20
Public Islamic Bank Bhd	15,025,000	1.19
Others #	27,836,000	2.21
	<u>1,259,936,000</u>	<u>100.00</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 RM241,343,000 (2018: RM81,652,000) and RM40,000,000 (2018: RM4,980,000) respectively. The Manager is of the opinion that all transactions with the related companies have been entered into in the normal

15. SUBSEQUENT EVENTS

The Manager proposed for the payment of a gross distribution of 0.26 sen per unit in respect of the month of October 2019, which has been approved by the Trustee. The distribution will be accounted for in the net assets attributable to unit holders as an appropriation of the retained earnings for the financial year ending 30 September 2020.

16. MFRS 9 FINANCIAL INSTRUMENTS

As disclosed in Note 2(a), the Fund has adopted MFRS 9, which resulted in the following changes in accounting policies as disclosed in Note 2(b) and adjustments to the financial position as follows:

The measurement category and the carrying amount of financial assets and financial liabilities in accordance with MFRS 139 and MFRS 9 at 1 October 2018 are compared as follows:

	Measurement category		Carrying amount			
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139)	Reclassifi- -cations	Remeasu- -rements	New (MFRS 9)
			RM	RM	RM	RM
Financial assets						
Cash and cash equivalents	Loans and receivables	Amortised cost	20,146	-	-	20,146
Deposits with licensed financial institutions	FVTPL	FVTPL	160,023,519	-	-	160,023,519
Amount due from Manager	Loans and receivables	Amortised cost	1,400	-	-	1,400
Financial liabilities						
Accrued management fee	Amortised cost	Amortised cost	21,608	-	-	21,608
Amount due to Trustee	Amortised cost	Amortised cost	1,316	-	-	1,316
Distribution payable	Amortised cost	Amortised cost	287,815	-	-	287,815
Other payables and accruals	Amortised cost	Amortised cost	11,300	-	-	11,300

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 14 November 2019.

DIRECTORY

Head Office of the Manager

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