

PRINCIPAL DEPOSIT FUND 2

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2022

CONTENTS	PAGE(S)
INVESTORS' LETTER	i
MANAGER'S REPORT	ii - xvi
Fund Objective and Policy	
Performance Data	
Market Review	
Fund Performance	
Portfolio Structure	
Market Outlook	
Investment Strategy	
Unit Holdings Statistics	
Soft Commissions and Rebates	
Unit Split	
STATEMENT BY MANAGER	1
TRUSTEE'S REPORT	2
INDEPENDENT AUDITORS' REPORT	3 - 6
STATEMENT OF COMPREHENSIVE INCOME	7
STATEMENT OF FINANCIAL POSITION	8 - 9
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	10
STATEMENT OF CASH FLOWS	11
NOTES TO THE FINANCIAL STATEMENTS	12 - 31
DIRECTORY	32

INVESTORS' LETTER

Dear Valued Investor,

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

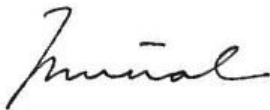
We are pleased to bring you a copy of the Annual Fund Report of the Principal Deposit Fund 2 for the financial year ended 30 September 2022. You may also download this report from our website at www.principal.com.my.

We are pleased to share that Principal Malaysia was accorded with the ESG Asset Management Company of the Year-Highly Commended (Malaysia) award at The Asset Triple A Sustainable Investing Awards 2022 for Institutional Investor, ETF, and Asset Servicing Providers 2022. Principal Malaysia was also awarded the Top Investment House, Asset Manager-Highly Commended (Malaysia) award at the Asset Benchmark Research Asian Local Currency Bond Benchmark Review 2022.

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

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

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



Munirah Khairuddin
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 objectives.

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 any local rating agencies of the country or "BBB" by Standard & Poor's ("S&P") or equivalent rating by any other international rating agencies. 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.

Asset Allocation

- At least 70% of the Fund's NAV in Deposits;
- Up to 30% of the Fund's NAV in money market instruments, all of which have a remaining maturity period of not more than 365 days; and
- 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.

Fund category/type

Money Market/Income

When was the Fund launched?

Name of Class	Formerly known as	Launch date
Class AI	Class A	19 June 2017
Class BI*	Class B	19 June 2017
Class BR*	N/A	Effective date*
Class CI	Class C	19 June 2017
Class DI	Class D	01 April 2020
Class EI	Class E	01 April 2020
Class FI	Class F	01 April 2020

*With effect from 10 June 2021, Class B have been split into Class BI and BR where individual unitholders in Class B will be redesignated to Class BR.

What was the size of the Fund as at 30 September 2022?

RM0.03 million (0.03 million units)

What is the Fund's benchmark?

CIMB Bank Overnight Rate

FUND OBJECTIVE AND POLICY (CONTINUED)

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.

What was the net income distribution for the financial year ended 30 September 2022?

The Fund distributed a total net income of RM2.92 million to unit holders for the financial year ended 30 September 2022.

The Fund's NAV per unit were as follows:

Date	NAV per unit (Before distribution) RM	NAV per unit (After distribution) RM
Distribution on 29 October 2021		
- Class AI	1.0012	1.0000
- Class BI	1.0014	1.0000
- Class BR	1.0014	1.0000
- Class CI	1.0014	1.0000
- Class DI	1.0013	1.0000
- Class EI	1.0015	1.0000
- Class FI	1.0014	1.0000
Distribution on 30 November 2021		
- Class AI	1.0010	1.0000
- Class BI	1.0013	1.0000
- Class BR	1.0013	1.0000
- Class CI	1.0014	1.0000
- Class DI	1.0012	1.0000
- Class EI	1.0014	1.0000
- Class FI	1.0013	1.0000
Distribution on 31 December 2021		
- Class AI	1.0011	1.0000
- Class BI	1.0014	1.0000
- Class BR	1.0013	1.0000
- Class CI	1.0014	1.0000
- Class DI	1.0012	1.0000
- Class EI	1.0014	1.0000
- Class FI	1.0014	1.0000
Distribution on 31 January 2022		
- Class BI	1.0011	1.0011
- Class BR	1.0011	1.0011
- Class CI	1.0013	1.0011
Distribution on 28 February 2022		
- Class BI	1.0024	1.0024
- Class BR	1.0024	1.0024
- Class CI	1.0002	1.0002
Distribution on 31 March 2022		
- Class BI	1.0038	1.0038
- Class BR	1.0038	1.0038
- Class CI	1.0017	1.0017

FUND OBJECTIVE AND POLICY (CONTINUED)

The Fund's NAV per unit were as follows (continued):

Date	NAV per unit (Before distribution) RM	NAV per unit (After distribution) RM
Distribution on 29 April 2022		
- Class BI	1.0052	1.0052
- Class BR	1.0052	1.0052
- Class CI	1.0031	1.0031
Distribution on 31 May 2022		
- Class BI	1.0067	1.0067
- Class CI	1.0047	1.0047
Distribution on 30 June 2022		
- Class BI	1.0081	1.0081
- Class CI	1.0063	1.0063
Distribution on 29 July 2022		
- Class CI	1.0080	1.0080

PERFORMANCE DATA

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

	30.09.2022	30.09.2021	30.09.2020
	%	%	%
Deposits with licensed financial institutions	-	100.04	100.03
Cash and other assets	149.88	0.01	0.01
Liabilities	(49.88)	(0.05)	(0.04)
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	30.09.2022	30.09.2021	30.09.2020
NAV (RM Million)			
- Class AI	0.00*	0.00*	0.00*
- Class BI	0.00*	25.57	28.74
- Class BR	0.00*	0.55	-
- Class CI	0.02	746.63	865.65
- Class DI	0.00*	0.00*	0.00*
- Class EI	0.00*	0.00*	0.00*
- Class FI	0.00*	0.00*	0.00*
Units in circulation (Million)			
- Class AI	0.00*	0.00*	0.00*
- Class BI	0.00*	25.57	28.74
- Class BR	0.00*	0.55	-
- Class CI	0.02	746.62	865.65
- Class DI	0.00*	0.00*	0.00*
- Class EI	0.00*	0.00*	0.00*
- Class FI	0.00*	0.00*	0.00*

* 0.00 denotes value/unit less than 0.01 million.

PERFORMANCE DATA (CONTINUED)

Performance details of the Fund for the last three audited financial years were as follows (continued):

	30.09.2022	30.09.2021	30.09.2020
NAV per unit (RM)			
- Class AI	1.0088	0.9984	1.0000
- Class BI	1.0000	1.0000	1.0000
- Class BR	1.0000	1.0000	-
- Class CI	1.0070	1.0000	0.9999
- Class DI	1.0085	1.0000	1.0000
- Class EI	1.0107	1.0000	1.0000
- Class FI	1.0093	1.0000	1.0000
Highest NAV per unit (RM) **			
- Class AI	1.0093	1.0015	1.0031
- Class BI	1.0096	1.0015	1.0026
- Class BR	1.0066	1.0013	-
- Class CI	1.0080	1.0016	1.0027
- Class DI	1.0096	1.0015	1.0020
- Class EI	1.0112	1.0017	1.0023
- Class FI	1.0104	1.0017	1.0022
Lowest NAV per unit (RM)**			
- Class AI	1.0000	1.0000	1.0000
- Class BI	1.0000	1.0000	1.0000
- Class BR	1.0000	1.0000	-
- Class CI	1.0000	1.0000	0.9999
- Class DI	1.0000	1.0000	1.0000
- Class EI	1.0000	1.0000	1.0000
- Class FI	1.0000	1.0000	1.0000
Total return (%)			
- Class AI	1.17	1.57	2.26
- Class BI	0.41	1.86	2.76
- Class BR	0.41	1.86	-
- Class CI	1.16	1.96	2.86
- Class DI	1.26	1.82	1.15
- Class EI	1.47	2.05	1.28
- Class FI	1.37	1.96	1.21
Capital growth (%)			
- Class AI	0.82	-	-
- Class BI	0.00	-	-
- Class BR	0.00	-	-
- Class CI	0.70	-	-
- Class DI	0.86	-	-
- Class EI	1.02	-	-
- Class FI	0.94	-	-
Income distribution (%)			
- Class AI	0.34	1.57	2.26
- Class BI	0.41	1.86	2.76
- Class BR	0.41	1.86	-
- Class CI	0.46	1.96	2.86
- Class DI	0.40	1.82	1.15
- Class EI	0.45	2.05	1.28
- Class FI	0.42	1.96	1.21

** Ex-distribution

PERFORMANCE DATA (CONTINUED)

Performance details of the Fund for the last three audited financial years were as follows (continued):

	30.09.2022	30.09.2021	30.09.2020
Total Expense Ratio ("TER") (%)	0.18	0.17	0.17
Portfolio Turnover Ratio ("PTR") (times) #	30.86	11.58	10.46

^ For the financial period under review, the Fund's TER increased from 0.17% to 0.18% mainly due to decrease in average NAV.

The PTR for the financial year under review was higher at 30.86 times from 11.58 times a year ago, mainly due to the higher deposit maturity.

Date of distribution	01.10.2021 to 30.09.2022	01.10.2020 to 30.09.2021	01.10.2019 to 30.09.2020
Gross/ Net distribution per unit (sen)			
Distribution on 29 October 2021			
- Class AI	0.12	-	-
- Class BI	0.14	-	-
- Class BR	0.14	-	-
- Class CI	0.15	-	-
- Class DI	0.14	-	-
- Class EI	0.15	-	-
- Class FI	0.14	-	-
Distribution on 30 November 2021			
- Class AI	0.11	-	-
- Class BI	0.13	-	-
- Class BR	0.13	-	-
- Class CI	0.14	-	-
- Class DI	0.13	-	-
- Class EI	0.15	-	-
- Class FI	0.14	-	-
Distribution on 31 December 2021			
- Class AI	0.11	-	-
- Class BI	0.14	-	-
- Class BR	0.13	-	-
- Class CI	0.14	-	-
- Class DI	0.13	-	-
- Class EI	0.15	-	-
- Class FI	0.14	-	-
Distribution on 31 January 2022			
- Class BI	0.00*	-	-
- Class BR	0.00*	-	-
- Class CI	0.02	-	-
Distribution on 28 February 2022			
- Class BI	0.00*	-	-
- Class BR	0.00*	-	-
- Class CI	0.00*	-	-
Distribution on 31 March 2022			
- Class BI	0.00*	-	-

* 0.00 denotes value less than 0.01 million.

PERFORMANCE DATA (CONTINUED)

Date of distribution	01.10.2021 to 30.09.2022	01.10.2020 to 30.09.2021	01.10.2019 to 30.09.2020
Gross/ Net distribution per unit (sen)			
Distribution on 31 March 2022			
- Class BR	0.00*	-	-
- Class CI	0.00*	-	-
Distribution on 29 April 2022			
- Class BI	0.00*	-	-
- Class BR	0.00*	-	-
- Class CI	0.00*	-	-
Distribution on 31 May 2022			
- Class BI	0.00*	-	-
- Class CI	0.00*	-	-
Distribution on 30 June 2022			
- Class BI	0.00*	-	-
- Class CI	0.00*	-	-
Distribution on 29 July 2022			
- Class CI	0.00*	-	-
Distribution on 30 October 2020			
- Class A	-	0.06	-
- Class B	-	0.17	-
- Class C	-	0.18	-
- Class D	-	0.17	-
- Class E	-	0.19	-
- Class F	-	0.19	-
Distribution on 30 November 2020			
- Class A	-	0.15	-
- Class B	-	0.17	-
- Class C	-	0.18	-
- Class D	-	0.16	-
- Class E	-	0.18	-
- Class F	-	0.19	-
Distribution on 31 December 2020			
- Class A	-	0.15	-
- Class B	-	0.16	-
- Class C	-	0.17	-
- Class D	-	0.16	-
- Class E	-	0.18	-
- Class F	-	0.17	-
Distribution on 29 January 2021			
- Class A	-	0.16	-
- Class B	-	0.17	-
- Class C	-	0.17	-
- Class D	-	0.16	-
- Class E	-	0.18	-
- Class F	-	0.18	-

* 0.00 denotes value less than 0.01 million.

PERFORMANCE DATA (CONTINUED)

Date of distribution	01.10.2021 to 30.09.2022	01.10.2020 to 30.09.2021	01.10.2019 to 30.09.2020
Gross/ Net distribution per unit (sen)			
Distribution on 26 February 2021			
- Class A	-	0.14	-
- Class B	-	0.15	-
- Class C	-	0.16	-
- Class D	-	0.16	-
- Class E	-	0.17	-
- Class F	-	0.15	-
Distribution on 31 March 2021			
- Class A	-	0.16	-
- Class B	-	0.16	-
- Class C	-	0.17	-
- Class D	-	0.16	-
- Class E	-	0.18	-
- Class F	-	0.15	-
Distribution on 30 April 2021			
- Class A	-	0.15	-
- Class B	-	0.15	-
- Class C	-	0.16	-
- Class D	-	0.15	-
- Class E	-	0.17	-
- Class F	-	0.16	-
Distribution on 31 May 2021			
- Class A	-	0.14	-
- Class B	-	0.15	-
- Class C	-	0.16	-
- Class D	-	0.15	-
- Class E	-	0.17	-
- Class F	-	0.15	-
Distribution on 30 June 2021			
- Class AI	-	0.13	-
- Class BI	-	0.14	-
- Class BR	-	0.14	-
- Class CI	-	0.15	-
- Class DI	-	0.14	-
- Class EI	-	0.16	-
- Class FI	-	0.15	-
Distribution on 30 July 2021			
- Class AI	-	0.06	-
- Class BI	-	0.14	-
- Class BR	-	0.14	-
- Class CI	-	0.15	-
- Class DI	-	0.13	-
- Class EI	-	0.15	-
- Class FI	-	0.15	-

PERFORMANCE DATA (CONTINUED)

Date of distribution	01.10.2021 to 30.09.2022	01.10.2020 to 30.09.2021	01.10.2019 to 30.09.2020
Gross/ Net distribution per unit (sen)			
Distribution on 30 August 2021			
- Class AI	-	0.14	-
- Class BI	-	0.14	-
- Class BR	-	0.14	-
- Class CI	-	0.15	-
- Class DI	-	0.14	-
- Class EI	-	0.15	-
- Class FI	-	0.15	-
Distribution on 30 September 2021			
- Class AI	-	0.12	-
- Class BI	-	0.14	-
- Class BR	-	0.13	-
- Class CI	-	0.14	-
- Class DI	-	0.13	-
- Class EI	-	0.15	-
- Class FI	-	0.16	-
Distribution on 31 October 2019			
- Class A	-	-	0.26
- Class B	-	-	0.27
- Class C	-	-	0.28
Distribution on 29 November 2019			
- Class A	-	-	0.26
- Class B	-	-	0.26
- Class C	-	-	0.27
Distribution on 31 December 2019			
- Class A	-	-	0.26
- Class B	-	-	0.27
- Class C	-	-	0.28
Distribution on 31 January 2020			
- Class A	-	-	0.26
- Class B	-	-	0.27
- Class C	-	-	0.28
Distribution on 28 February 2020			
- Class A	-	-	0.25
- Class B	-	-	0.25
- Class C	-	-	0.26
Distribution on 31 March 2020			
- Class A	-	-	0.31
- Class B	-	-	0.25
- Class C	-	-	0.25
Distribution on 30 April 2020			
- Class A	-	-	0.21
- Class B	-	-	0.22
- Class C	-	-	0.23

PERFORMANCE DATA (CONTINUED)

Date of distribution	01.10.2021 to 30.09.2022	01.10.2020 to 30.09.2021	01.10.2019 to 30.09.2020
Gross/ Net distribution per unit (sen)			
Distribution on 30 April 2020			
- Class D	-	-	0.21
- Class E	-	-	0.24
- Class F	-	-	0.23
Distribution on 29 May 2020			
- Class A	-	-	0.21
- Class B	-	-	0.23
- Class C	-	-	0.24
- Class D	-	-	0.23
- Class E	-	-	0.24
- Class F	-	-	0.25
Distribution on 30 June 2020			
- Class A	-	-	0.07
- Class B	-	-	0.20
- Class C	-	-	0.20
- Class D	-	-	0.18
- Class E	-	-	0.21
- Class F	-	-	0.21
Distribution on 30 July 2020			
- Class A	-	-	0.08
- Class B	-	-	0.17
- Class C	-	-	0.18
- Class D	-	-	0.17
- Class E	-	-	0.19
- Class F	-	-	0.19
Distribution on 28 August 2020			
- Class A	-	-	0.04
- Class B	-	-	0.17
- Class C	-	-	0.18
- Class D	-	-	0.18
- Class E	-	-	0.20
- Class F	-	-	0.18
Distribution on 30 September 2020			
- Class A	-	-	0.03
- Class B	-	-	0.16
- Class C	-	-	0.17
Distribution on 30 September 2020			
- Class D	-	-	0.17
- Class E	-	-	0.19
- Class F	-	-	0.16

PERFORMANCE DATA (CONTINUED)

	30.09.2022	30.09.2021	30.09.2020	30.09.2019	Since inception to 30.09.2018
		%	%	%	%
Annual total return					
- Class AI	1.17	1.57	2.26	3.40	3.62
- Class BI	0.41	1.86	2.76	3.48	3.68
- Class BR*	0.41	1.86	-	-	-
- Class CI	1.16	1.96	2.86	3.58	3.76

(Launch date: 19 June 2017)

*The effective launch date of Class BR will be the date of the Fund is split into Class BI and BR.

	30.09.2022	30.09.2021	Since inception to 30.09.2020
			%
Annual total return			
- Class DI	1.26	1.82	1.15
- Class EI	1.47	2.05	1.28
- Class FI	1.37	1.96	1.21

(Launch date: 01 April 2020)

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 2021 TO 30 SEPTEMBER 2022)

Bank Negara Malaysia (“BNM”) increased the Overnight Policy Rate (“OPR”) by total 75 basis points (“bps”) from 1.75% to 2.50% since May 2022. The Marginal Propensity to Consume (“MPC”) decided to begin reducing the degree of monetary accommodation which will be done in a measured and gradual manner, ensuring that monetary policy remains accommodative to support a sustainable economic growth in an environment of price stability. BNM decided to further adjust the degree of monetary accommodation, consistent in its view that the unprecedented conditions that necessitated a historically low OPR have continued to recede.

The Malaysian economy registered a stronger growth of 8.9% in the second quarter of 2022 (first quarter of 2022: 5.0%). While the Gross Domestic Product (“GDP”) was lifted to some extent by the low base from the Full Movement Control Order (“FMCO”) in June 2021, growth in April 2022 and May 2022 was particularly robust. Domestic demand continued to strengthen, underpinned by the steady recovery in labour market conditions and ongoing policy support. The higher growth was also reflective of normalising economic activity as the country moved towards endemicity and reopened international borders. Exports remain supported by strong demand for Electrical and Electronics (“E&E”) products.

By sector, the services and manufacturing sectors continued to drive growth. On a quarter-on-quarter seasonally adjusted basis, the economy increased by 3.5% (first quarter of 2022: 3.8%).

FUND PERFORMANCE

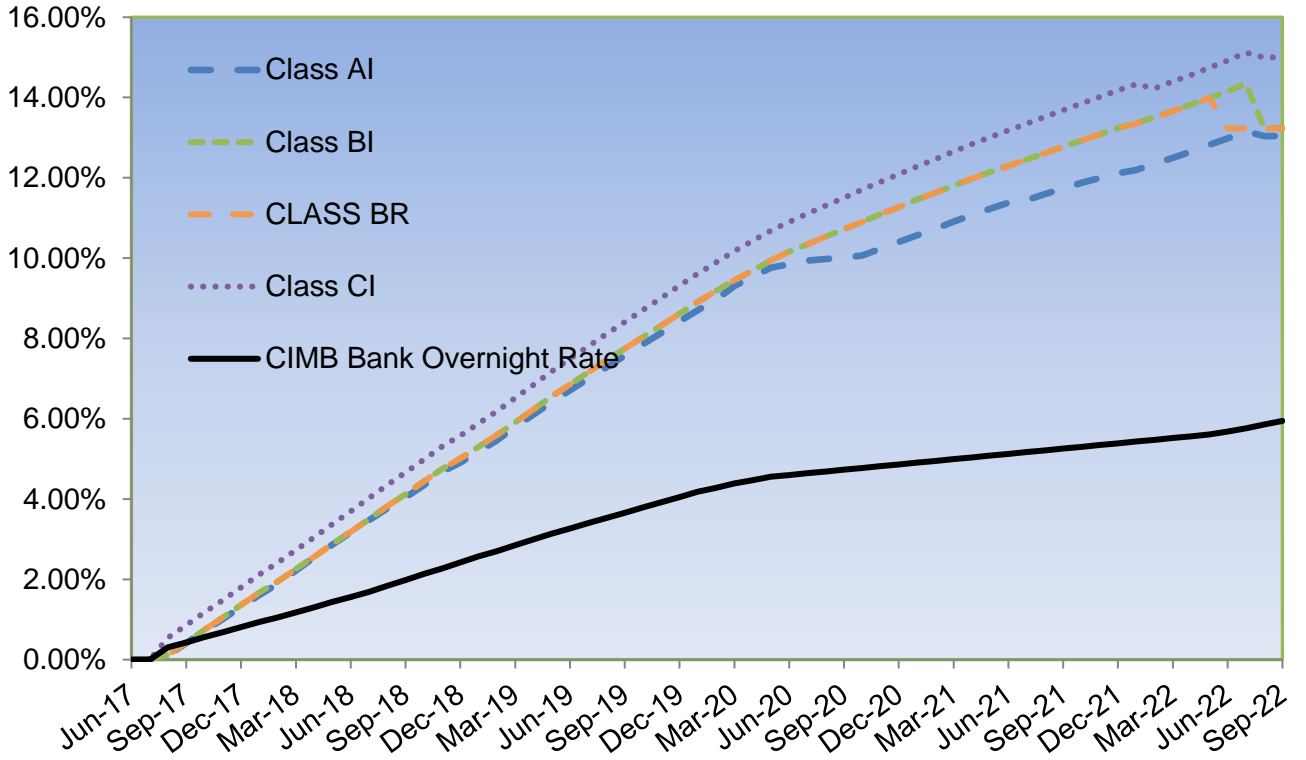
	1 year to 30.09.2022						
	Class AI	Class BI	Class BR	Class CI	Class DI	Class EI	Class FI
	%	%	%	%	%	%	%
Income							
Distribution	0.34	0.41	0.41	0.46	0.40	0.45	0.42
Capital Growth	0.82	0.00	0.00	0.70	0.86	1.02	0.94
Total Return	1.17	0.41	0.41	1.16	1.26	1.47	1.37
Benchmark	0.66	0.66	0.66	0.66	0.66	0.66	0.66
Average Total Return	1.17	0.41	0.41	1.16	1.26	1.47	1.37
	3 years to 30.09.2022						
	Class AI	Class BI	Class BR	Class CI	Class DI	Class EI	Class FI
	%	%	%	%	%	%	%
Income							
Distribution	4.22	5.10	5.09	5.35	N/A	N/A	N/A
Capital Growth	0.82	-	-	0.70	-	-	-
Total Return	5.08	5.10	5.09	6.09	N/A	N/A	N/A
Benchmark	2.21	2.21	2.21	2.21	N/A	N/A	N/A
Average Total Return	1.66	1.67	1.67	1.99	N/A	N/A	N/A
	5 years to 30.09.2022						
	Class AI	Class BI	Class BR	Class CI	Class DI	Class EI	Class FI
	%	%	%	%	%	%	%
Income					N/A	N/A	N/A
Distribution	12.12	13.24	13.23	13.92			
Capital Growth	0.41	(0.43)	(0.43)	0.09	-	-	-
Total Return	12.58	12.76	12.75	14.02	N/A	N/A	N/A
Benchmark	5.49	5.49	5.49	5.49	N/A	N/A	N/A
Average Total Return	2.40	2.43	2.43	2.66	N/A	N/A	N/A
	Since inception to 30.09.2022						
	Class AI	Class BI	Class BR	Class CI	Class DI	Class EI	Class FI
	%	%	%	%	%	%	%
Income							
Distribution	12.80	12.97	12.96	14.98	4.05	4.59	4.32
Capital Growth	0.21	0.24	0.24	0.02	0.23	0.27	0.27
Total Return	13.04	13.24	13.23	15.00	4.29	4.88	4.60
Benchmark	5.95	5.95	5.95	5.95	1.49	1.49	1.49
Average Total Return	2.34	2.38	2.38	2.68	1.69	1.92	1.81

For the 1-year period under review, the Fund's Class AI, BI, BR, CI, DI, EI, FI gave return of 1.17%, 0.41%, 0.41%, 1.16%, 1.26%, 1.47% and 1.37% respectively. Since inception until 30 September 2022, the Fund's Class AI, BI, BR, CI, DI, EI, FI has delivered return of 13.04%, 13.24%, 13.23%, 15.00%, 4.29%, 4.88% and 4.60% respectively.

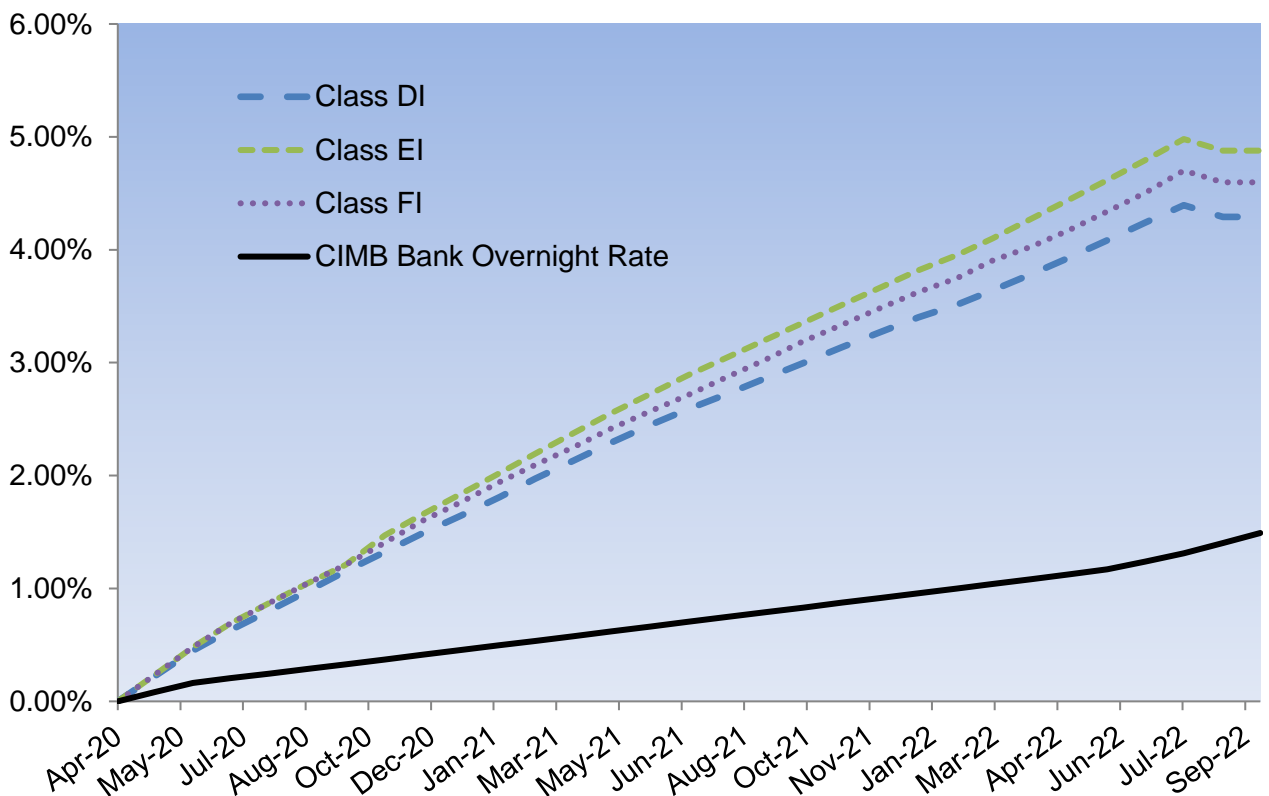
FUND PERFORMANCE (CONTINUED)

Class AI, BI, BR & CI

Since Inception



Class DI, EI & FI



FUND PERFORMANCE (CONTINUED)

Changes in NAV

	30.09.2022	30.09.2021	Changes %
Class AI			
NAV (RM Million)	0.00*	0.00*	-
NAV/Unit (RM)	1.0088	0.9984	1.04
Class BI			
NAV (RM Million)	0.00*	25.57	1.06
NAV/Unit (RM)	1.0000	1.0000	-
Class BR			
NAV (RM Million)	0.00*	0.55	>(100.00)
NAV/Unit (RM)	1.0000	1.0000	-
Class CI			
NAV (RM Million)	0.02	746.63	>(100.00)
NAV/Unit (RM)	1.0070	1.0000	0.70
Class DI			
NAV (RM Million)	0.00*	0.00*	-
NAV/Unit (RM)	1.0085	1.0000	0.85
Class EI			
NAV (RM Million)	0.00*	0.00*	-
NAV/Unit (RM)	1.0107	1.0000	1.07
Class FI			
NAV (RM Million)	0.00*	0.00*	-
NAV/Unit (RM)	1.0093	1.0000	0.93

* 0.00 denotes value less than 0.01 million.

The Fund's NAV become zero due to full redemption (only Manager's stock left).

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	30.09.2022	30.09.2021
Deposits with licensed financial institutions	-	100.04
Cash and other assets	149.88	0.01
Liabilities	(49.88)	(0.05)
Total	100.00	100.00

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

MARKET OUTLOOK*

The Malaysian economy is projected to expand further for the remainder of the year amid firm domestic demand, improving labour market conditions and higher tourist arrivals, as well as continued implementation of multi-year investment projects". However, Malaysia's growth remains susceptible to a weaker-than-expected global growth, further escalation of geopolitical conflicts and worsening supply chain disruptions.

Headline inflation is projected to trend higher in some months during the remainder of the year, due partly to the base effect from the discount on electricity prices implemented in third quarter of 2021. Core inflation is expected to average higher in 2022, as demand continues to improve amid the high-cost environment. The extent of upside pressures on inflation is expected to remain partly contained by the existing price control measures, fuel subsidies and the continued spare capacity in the economy. Nevertheless, the inflation outlook continues to be contingent on upside risks stemming from the strength of domestic demand, global price developments, and domestic policy measures.

We are expecting at least one hike in remaining 2022, due to robust GDP and continuous shooting up in core inflation.

* This market outlook does not constitute an offer, invitation, commitment, advice or recommendation to make a purchase of any investment. The information given in this article represents the views of Principal Asset Management Berhad ("Principal Malaysia") or based on data obtained from sources believed to be reliable by Principal Malaysia. Whilst every care has been taken in preparing this, Principal Malaysia makes no guarantee, representation or warranty and is under no circumstances liable for any loss or damage caused by reliance on, any opinion, advice or statement made in this market outlook.

INVESTMENT STRATEGY

The Fund'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.

SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (the "Manager") and the Trustee will not retain any form of rebate or soft commission from, or otherwise share in any commission with, any broker in consideration for directing dealings in the investments of the Principal Malaysia Funds ("Funds") unless the soft commission received is retained in the form of goods and services such as research and advisory services that assist in the decision making process relating to the Fund's investments. All dealings with brokers are executed on most favourable terms available for the Fund. Any rebates will be directed to the account of the Fund.

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

SECURITIES FINANCING TRANSACTIONS

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

STATE OF AFFAIR OF THE FUND

Latest changes to the Statement by Manager's signatory as follows:

Mr. Juan Ignacio Eyzaguirre Baraona (retired on 30 June 2022)
Mr. Uday Jayaram (appointed on 30 June 2022)

There were no other significant changes in the state of affairs of the Fund during the financial year and up to the date of Manager's report, not otherwise disclosed in the financial statements.

CIRCUMSTANCES THAT MATERIALLY AFFECT ANY INTEREST OF MEMBERS

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

CROSS TRADE

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

UNIT SPLIT

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

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

We, being the Directors of Principal Asset Management Berhad (the “Manager”), do hereby state that, in the opinion of the Manager, the accompanying audited financial statements set out on pages 7 to 31 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 2022 and of its financial performance, changes in net assets attributable to unit holders and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

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

MUNIRAH KHAIRUDDIN
Chief Executive Officer/Executive Director

UDAY JAYARAM
Director

Kuala Lumpur
17 November 2022

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

We have acted as the Trustee of Principal Deposit Fund 2 (the "Fund") for the financial year ended 30 September 2022. To the best of our knowledge, 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 Deed, the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation or pricing is carried out in accordance with the Deed of the Fund and applicable regulatory requirements; and
- (c) creation and cancellation of units have been carried out in accordance with the Deed of the Fund and applicable regulatory requirements.

During the financial period, a total distribution of 2.88 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
17 November 2022

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Principal Deposit Fund 2 (the "Fund"), which comprise the statement of financial position of the fund as at 30 September 2022, statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows of the Fund for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 31.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 September 2022, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL 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 (the "Manager") is responsible for the other information. The other information comprises the information included in the annual report of the Fund but does not include the financial statements of the Fund and our auditors' report thereon.

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

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

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

Responsibilities of the Manager for the financial statements

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF
PRINCIPAL 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 skepticism throughout the audit. We also:

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other matters

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

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

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

Kuala Lumpur, Malaysia
17 November 2022

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2022**

	Note	2022 RM	2021 RM
INCOME			
Interest income from deposits with licensed financial institutions at fair value through profit or loss		3,571,978	15,908,088
		<u>3,571,978</u>	<u>15,908,088</u>
EXPENSES			
Management fee	4	299,144	1,165,685
Trustee fee	5	19,170	75,684
Audit fee		7,200	7,200
Tax agent's fee		9,866	3,300
Other expenses		5,122	4,166
		<u>340,502</u>	<u>1,256,035</u>
PROFIT BEFORE DISTRIBUTION AND TAXATION		<u>3,231,476</u>	<u>14,652,053</u>
Distribution:			
- Class AI		19	781
- Class BI		93,709	578,249
- Class BR		2,250	3,391
- Class CI		2,824,261	14,080,461
- Class DI		4	18
- Class EI		5	21
- Class FI		4	20
	6	<u>2,920,251</u>	<u>14,662,941</u>
PROFIT/(LOSS) BEFORE TAXATION		311,225	(10,888)
Taxation	7	-	-
PROFIT/(LOSS) AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR		<u>311,225</u>	<u>(10,888)</u>
Profit/(loss) after taxation is made up as follows:			
Realised amount		<u>311,225</u>	<u>(10,888)</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 2022

	Note	2022 RM	2021 RM
ASSETS			
Cash and cash equivalents	9	40,202	20,698
Financial assets at fair value through profit or loss	8	-	773,049,497
Amount due from Manager		-	31,340
TOTAL ASSETS		<u>40,202</u>	<u>773,101,535</u>
LIABILITIES			
Accrued management fee		-	97,649
Amount due to Trustee		-	6,357
Distribution payable		-	236,405
Other payables and accruals		13,379	10,999
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)		<u>13,379</u>	<u>351,410</u>
NET ASSET VALUE OF THE FUND		<u>26,823</u>	<u>772,750,125</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>26,823</u>	<u>772,750,125</u>
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDING UNITS			
- Class AI		635	627
- Class BI		-	25,566,585
- Class BR		-	553,795
- Class CI		23,050	746,626,023
- Class DI		1,043	1,030
- Class EI		1,049	1,033
- Class FI		1,046	1,032
		<u>26,823</u>	<u>772,750,125</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)			
- Class AI		629	627
- Class BI		-	25,566,399
- Class BR		-	553,791
- Class CI		22,889	746,620,604
- Class DI		1,034	1,030
- Class EI		1,038	1,033
- Class FI		1,036	1,032
	10	<u>26,626</u>	<u>772,744,516</u>

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

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 SEPTEMBER 2022

	Note	2022 RM	2021 RM
REPRESENTED BY:			
NET ASSET VALUE PER UNIT (RM)			
(EX-DISTRIBUTION)			
- Class AI		1.0088	0.9984
- Class BI		1.0000	1.0000
- Class BR		1.0000	1.0000
- Class CI		1.0070	1.0000
- Class DI		1.0085	1.0000
- Class EI		1.0107	1.0000
- Class FI		1.0193	1.0000

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 2022**

	2022 RM	2021 RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR	<u>772,750,125</u>	<u>894,392,733</u>
Movement due to units created and cancelled during the financial year:		
Creation of units from applications		
- Class AI	14,500	150,000
- Class BI	9,456,960	36,201,000
- Class CI	<u>20,091,400</u>	<u>179,767,090</u>
	<u>29,562,860</u>	<u>216,118,090</u>
Creation of units from distributions		
- Class AI	18	781
- Class BI	93,709	578,249
- Class BR	2,249	3,391
- Class CI	2,332,135	11,196,733
- Class DI	4	18
- Class EI	6	21
- Class FI	<u>4</u>	<u>20</u>
	<u>2,428,125</u>	<u>11,779,213</u>
Cancellation of units		
- Class AI	(14,508)	(150,785)
- Class BI	(35,209,029)	(39,267,734)
- Class BR	(559,765)	(110,504)
- Class CI	<u>(769,242,210)</u>	<u>(310,000,000)</u>
	<u>(805,025,512)</u>	<u>(349,529,023)</u>
Total comprehensive income/(loss) for the financial year	<u>311,225</u>	<u>(10,888)</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR	<u>26,823</u>	<u>772,750,125</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 2022**

		2022	2021
		RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Proceeds from maturity of deposits with licensed financial institutions		6,185,368,000	8,767,207,000
Placement of deposits with licensed financial institutions		(5,462,595,000)	(8,695,317,000)
Redemption of deposits with licensed financial institutions		47,906,000	45,978,000
Interest income received from deposits with licensed financial institutions		5,942,475	19,646,002
Management fee paid		(396,793)	(1,180,347)
Trustee fee paid		(25,527)	(76,654)
Payments for other fees and expenses		(19,808)	(15,968)
Net cash generated from operating activities		<u>776,179,347</u>	<u>136,241,033</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		29,594,200	216,140,483
Payments for cancellation of units		(805,025,512)	(349,529,023)
Distributions paid		(728,531)	(2,852,351)
Net cash used in from financing activities		<u>(776,159,843)</u>	<u>(136,240,891)</u>
Net increase in cash and cash equivalents		19,504	142
Cash and cash equivalents at the beginning of the financial year		<u>20,698</u>	<u>20,556</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>40,202</u></u>	<u><u>20,698</u></u>
<u>Cash and cash equivalents comprised of:</u>			
Bank balance		<u>40,202</u>	<u>20,698</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>40,202</u></u>	<u><u>20,698</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2022

1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES

Principal Deposit Fund 2 (the “Fund”) is governed by a Principal Deed dated 8 March 2017 and First Supplemental Master Deed dated 12 December 2019 and Second Supplemental Master Deed dated 9 April 2021 (collectively referred to as the “Deeds”) made between 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 any local rating agencies of the country or “BBB” by S&P or equivalent rating by any other international rating agencies. 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.

* The Fund is neither a capital guaranteed fund nor a capital protected fund within the definition in the GUTF.

Asset Allocation

- At least 70% of the Fund’s NAV in Deposits
- Up to 30% of the Fund’s NAV in money market instruments, all of which have a remaining maturity period of not more than 365 days; and
- 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.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (continued)**

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(i).

There are no standards, amendments to standards or interpretations that are effective for financial year beginning on 1 October 2021 that have a material effect on the financial statements of the Fund.

There are no standards, amendments to standards or interpretations that are effective for financial year beginning on/after 1 October 2022 that are applicable to the financial statements of the Fund.

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

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

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

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

The contractual cash flows of the Fund's debt securities are solely payment of principal and interest ("SPPI"). However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents 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.

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

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

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

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

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

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

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

Impairment for assets carried at amortised costs

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(c) Income recognition**

Interest income from deposits with licensed financial institutions is recognised on a time proportionate basis using effective interest rate method on an accrual basis.

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

(d) Functional and presentation currencies

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). The financial statements are presented in Malaysian Ringgit (“MYR”), 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 is 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 year.

(g) Distribution

A distribution to the Fund’s unit holders is accounted for as finance cost in the statement of comprehensive income. A proposed distribution is recognised as a liability in the financial year in which it is approved by the Trustee.

(h) Unit holders’ contributions

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 seven classes of units, known respectively as the Class AI, Class BI, Class BR, Class CI, Class DI, Class EI and Class FI 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 member 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 unit holders of respective classes with the total number of outstanding units of respective classes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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 GUTF.

However, the Manager is of the opinion that in applying these accounting policies, no significant judgement was required.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund were as follows:

	Financial assets at fair value through profit or loss RM	Financial assets at amortised cost RM	Total RM
2022			
Cash and cash equivalents (Note 9)	-	40,202	40,202
	<u>-</u>	<u>40,202</u>	<u>40,202</u>
2021			
Cash and cash equivalents (Note 9)	-	20,698	20,698
Deposits with licensed financial institutions (Note 8)	773,049,497	-	773,049,497
Amount due from Manager	-	31,340	31,340
	<u>773,049,497</u>	<u>52,038</u>	<u>773,101,535</u>

All financial liabilities (excluding net assets attributable to unit holders) are 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 GUTF.

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

(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.

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 GUTF.

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Amount due from Manager RM	Total RM
2022				
- AAA	40,202	-	-	40,202
	<u>40,202</u>	<u>-</u>	<u>-</u>	<u>40,202</u>
2021				
- AAA	20,698	489,872,945	-	489,893,643
- AA2	-	127,840,644	-	127,840,644
- AA3	-	155,335,908	-	155,335,908
- Not Rated	-	-	31,340	31,340
	<u>20,698</u>	<u>773,049,497</u>	<u>31,340</u>	<u>773,101,535</u>

All financial assets of the Fund as at the end of the financial year 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
2022			
Other payables and accruals	-	13,379	13,379
Net assets attributable to unit holders	26,823	-	26,823
Contractual undiscounted cash flows	26,823	13,379	40,202
2021			
Accrued management fee	97,649	-	97,649
Amount due to Trustee	6,357	-	6,357
Distribution payable	236,405	-	236,405
Other payables and accruals	-	10,999	10,999
Net assets attributable to unit holders	772,750,125	-	772,750,125
Contractual undiscounted cash flows	773,090,536	10,999	773,101,535

(d) Capital risk management

The capital of the Fund is represented by net assets attributable to unit holders of RM26,823 (2021: RM772,750,125). 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.

(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).

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

(e) Fair value estimation (continued)

The fair values of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial year end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded 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.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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

(e) Fair value estimation (continued)

(i) Fair value hierarchy (continued)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2021				
Financial assets at fair value through profit or loss:				
- Deposits with licensed financial institutions	-	<u>773,049,497</u>	-	<u>773,049,497</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 Deeds, the Manager is entitled to a maximum management fee of 3.00% per annum for each class, calculated daily based on the NAV of the Fund.

For the financial year ended 30 September 2022 and 30 September 2021, the management fee for the respective classes is recognised at the following rates:

Class AI	Class BI	Class BR	Class CI	Class DI	Class EI	Class FI
0.35%	0.25%	0.25%	0.15%	0.20%	0.10%	0.05%

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

5. TRUSTEE FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.01% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 30 September 2022, the Trustee fee is recognised at a rate of 0.01% per annum (2021: 0.01% per annum).

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

6. DISTRIBUTION

Distributions to unit holders were derived from the following sources:

	2022	2021
	RM	RM
Interest income	3,274,052	15,908,449
Taxable income	139	-
Distribution equalisation	(62,336)	16,190
	<u>3,211,855</u>	<u>15,924,639</u>
Less:		
Expenses	291,571	1,261,698
Taxation	33	-
Net distribution amount	<u>2,920,251</u>	<u>14,662,941</u>

	2022	2021
	RM	RM
Gross/ Net distribution per unit (sen)		
Distribution on 29 October 2021		
- Class AI	0.12	-
- Class BI	0.14	-
- Class BR	0.14	-
- Class CI	0.15	-
- Class DI	0.14	-
- Class EI	0.15	-
- Class FI	0.14	-
Distribution on 30 November 2021		
- Class AI	0.11	-
- Class BI	0.13	-
- Class BR	0.13	-
- Class CI	0.14	-
- Class DI	0.13	-
- Class EI	0.15	-
- Class FI	0.14	-
Distribution on 31 December 2021		
- Class AI	0.11	-
- Class BI	0.14	-
- Class BR	0.13	-
- Class CI	0.14	-
- Class DI	0.13	-
- Class EI	0.15	-
- Class FI	0.14	-
Distribution on 31 January 2022		
- Class BI	0.00*	-
- Class BR	0.00*	-
- Class CI	0.02	-
Distribution on 28 February 2022		
- Class BI	0.00*	-
- Class BR	0.00*	-
- Class CI	0.00*	-

* 0.00 denotes value less than 0.01 sen.

6. DISTRIBUTION (CONTINUED)

Distributions to unit holders were derived from the following sources (continued):

	2022 RM	2021 RM
Gross/ Net distribution per unit (sen)		
Distribution on 31 March 2022		
- Class BI	0.00*	-
- Class BR	0.00*	-
- Class CI	0.00*	-
Distribution on 29 April 2022		
- Class BI	0.00*	-
- Class BR	0.00*	-
- Class CI	0.00*	-
Distribution on 31 May 2022		
- Class BI	0.00*	-
- Class CI	0.00*	-
Distribution on 30 June 2022		
- Class BI	0.00*	-
- Class CI	0.00*	-
Distribution on 29 July 2022		
- Class CI	0.00*	-
Distribution on 30 October 2020		
- Class A	-	0.06
- Class B	-	0.17
- Class C	-	0.18
- Class D	-	0.17
- Class E	-	0.19
- Class F	-	0.19
Distribution on 30 November 2020		
- Class A	-	0.15
- Class B	-	0.17
- Class C	-	0.18
Distribution on 30 November 2020		
- Class D	-	0.16
- Class E	-	0.18
- Class F	-	0.19
Distribution on 31 December 2020		
- Class A	-	0.15
- Class B	-	0.16
- Class C	-	0.17
- Class C	-	0.16
- Class E	-	0.18
- Class F	-	0.17
Distribution on 29 January 2021		
- Class A	-	0.16
- Class B	-	0.17
- Class C	-	0.17

* 0.00 denotes value less than 0.01 sen.

6. DISTRIBUTION (CONTINUED)

Distributions to unit holders were derived from the following sources (continued):

	2022 RM	2021 RM
Gross/ Net distribution per unit (sen)		
Distribution on 29 January 2021		
- Class D	-	0.16
- Class E	-	0.18
- Class F	-	0.18
Distribution on 26 February 2021		
- Class A	-	0.14
- Class B	-	0.15
- Class C	-	0.16
- Class D	-	0.16
- Class E	-	0.17
- Class F	-	0.15
Distribution on 31 March 2021		
- Class A	-	0.16
- Class B	-	0.16
- Class C	-	0.17
- Class D	-	0.16
- Class E	-	0.18
- Class F	-	0.15
Distribution on 30 April 2021		
- Class A	-	0.15
- Class B	-	0.15
- Class C	-	0.16
- Class D	-	0.15
- Class E	-	0.17
- Class F	-	0.16
Distribution on 31 May 2021		
- Class A	-	0.14
- Class B	-	0.15
- Class C	-	0.16
- Class D	-	0.15
- Class E	-	0.17
- Class F	-	0.15
Distribution on 30 June 2021		
- Class AI	-	0.13
- Class BI	-	0.14
- Class BR	-	0.14
Distribution on 30 June 2021		
- Class CI	-	0.15
- Class DI	-	0.14
- Class EI	-	0.16
- Class FI	-	0.15

0.00 denotes value less than 0.01 sen.

6. DISTRIBUTION (CONTINUED)

Distributions to unit holders were derived from the following sources (continued):

	2022 RM	2021 RM
Gross/ Net distribution per unit (sen)		
Distribution on 30 June 2021		
- Class AI	-	0.13
- Class BI	-	0.14
- Class BR	-	0.14
Distribution on 30 June 2021		
- Class CI	-	0.15
- Class DI	-	0.14
- Class EI	-	0.16
- Class FI	-	0.15
Distribution on 30 July 2021		
- Class AI	-	0.06
- Class BI	-	0.14
- Class BR	-	0.14
- Class CI	-	0.15
- Class DI	-	0.13
- Class EI	-	0.15
- Class FI	-	0.15
Distribution on 30 August 2021		
- Class AI	-	0.14
- Class BI	-	0.14
- Class BR	-	0.14
- Class CI	-	0.15
- Class DI	-	0.14
- Class EI	-	0.15
- Class FI	-	0.15
Distribution on 30 September 2021		
- Class AI	-	0.12
- Class BI	-	0.14
- Class BR	-	0.13
- Class CI	-	0.14
- Class DI	-	0.13
- Class EI	-	0.15
- Class FI	-	0.16
- Class AI	0.34	1.56
- Class BI	0.41	1.84
- Class BR	0.41	0.56
- Class CI	0.45	1.94
- Class DI	0.39	1.81
- Class EI	0.45	2.03
- Class FI	0.42	1.94
	<u>2.87</u>	<u>11.68</u>

6. DISTRIBUTION (CONTINUED)

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

	2022 RM	2021 RM
Tax charged for the financial year		
- Current taxation	<u>-</u>	<u>-</u>

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

	2022 RM	2021 RM
Profit/(loss) before taxation	<u>311,225</u>	<u>(10,888)</u>
Taxation at Malaysian statutory rate of 24% (2021: 24%)	74,694	(2,613)
Tax effects of:		
- Income not subject to tax	(857,275)	(3,817,941)
- Expenses not deductible for tax purposes	708,875	3,538,828
- Restriction on tax deductible expenses for Unit Trust Funds	<u>73,706</u>	<u>281,726</u>
Taxation	<u>-</u>	<u>-</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RM	2021 RM
At fair value through profit or loss:		
- Deposits with licensed financial institutions*	<u>-</u>	<u>773,049,497</u>

* Includes interest receivable of Nil (2021: RM2,370,497).

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

	2022 %	2021 %
Deposits with licensed financial institutions	<u>-</u>	<u>1.90</u>

Deposits with licensed financial institutions of the Fund have an average maturity of Nil days (2021: 56 days).

9. CASH AND CASH EQUIVALENTS

	2022	2021
	RM	RM
Bank balance	<u>40,202</u>	<u>20,698</u>

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2022	2021
	No. of units	No. of units
Class AI (i)	629	627
Class BI (ii)	-	25,566,399
Class BR (iii)	-	553,791
Class CI (iv)	22,889	746,620,604
Class DI (v)	1,034	1,030
Class EI (vi)	1,038	1,033
Class FI (vii)	<u>1,036</u>	<u>1,032</u>
	<u>26,626</u>	<u>772,744,516</u>

(i) Class AI

At the beginning of the financial year	627	618
Add: Creation of units from applications	14,490	149,867
Add: Creation of units from distributions	18	781
Less: Cancellation of units	<u>(14,506)</u>	<u>(150,639)</u>
At the end of the financial year	<u>629</u>	<u>627</u>

(ii) Class BI

At the beginning of the financial year	25,566,399	28,739,731
Add: Creation of units from applications	9,456,085	36,165,169
Add: Creation of units from distributions	93,709	578,249
Less: Cancellation of units	<u>(35,116,193)</u>	<u>(39,255,869)</u>
Class Split	-	<u>(660,881)</u>
At the end of the financial year	<u>-</u>	<u>25,566,399</u>

(iii) Class BR

At the beginning of the financial year	553,791	-
Add: Creation of units from applications	-	-
Add: Creation of units from distributions	2,249	3,391
Less: Cancellation of units	<u>(556,040)</u>	<u>(110,481)</u>
Class Split	-	<u>660,881</u>
At the end of the financial year	<u>-</u>	<u>553,791</u>

(iv) Class CI

At the beginning of the financial year	746,620,604	865,649,358
Add: Creation of units from applications	20,091,272	179,764,513
Add: Creation of units from distributions	2,332,134	11,196,733
Less: Cancellation of units	<u>(769,021,121)</u>	<u>(309,990,000)</u>
At the end of the financial year	<u>22,889</u>	<u>746,620,604</u>

10. NUMBER OF UNITS IN CIRCULATION (UNITS) (CONTINUED)

	<u>2022</u>	<u>2021</u>
	<u>No. of units</u>	<u>No. of units</u>
(v) Class DI		
At the beginning of the financial year	1,030	1,012
Add: Creation of units from distributions	4	18
At the end of the financial year	<u>1,034</u>	<u>1,030</u>
(vi) Class EI		
At the beginning of the financial year	1,033	1,013
Add: Creation of units from distributions	5	20
At the end of the financial year	<u>1,038</u>	<u>1,033</u>
(vii) Class FI		
At the beginning of the financial year	1,032	1,012
Add: Creation of units from distributions	4	20
At the end of the financial year	<u>1,036</u>	<u>1,032</u>

11. TOTAL EXPENSE RATIO ("TER")

	<u>2022</u>	<u>2021</u>
	<u>%</u>	<u>%</u>
TER	<u>0.18</u>	<u>0.17</u>

TER is derived from the following calculation:

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

- A = Management fee
- B = Trustee 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 year calculated on a daily basis is RM189,565,114 (2021: RM756,947,638).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2022	2021
PTR (times)	<u>30.86</u>	<u>11.58</u>

PTR is derived from the following calculation:

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

where:

total placements for the financial year = RM5,462,595,000 (2021: RM8,695,317,000)

total maturity for the financial year = RM6,239,216,133 (2021: RM8,832,831,002)

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 were as follows:

<u>Related parties</u>	<u>Relationship</u>
Principal Asset Management Berhad	The Manager
Principal Financial Group, Inc.	Ultimate holding company of shareholder of the Manager
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
<u>Related parties</u>	<u>Relationship</u>
CIMB Bank Bhd	Fellow related party to the Manager
CIMB Islamic Bank Bhd	Fellow related party to the Manager

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

Units held by the Manager and parties related to the Manager

	2022		2021	
	No. of units	RM	No. of units	RM
Manager				
Principal Asset Management Berhad				
- Class AI	629	635	627	626
- Class BI	-	-	2,144	2,144
- Class BR	-	-	-	-
- Class CI	22,889	23,049	22,713	22,713
- Class DI	1,034	1,043	1,030	1,030
- Class EI	1,038	1,049	1,034	1,034
- Class FI	1,036	1,046	1,032	1,032

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.

	2022 RM	2021 RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institutions:		
- CIMB Bank Bhd	60,407	972,236
- CIMB Islamic Bank Bhd	347,170	1,859,507
	<u>587,964</u>	<u>2,831,743</u>
<u>Significant related party balances</u>		
Bank balances:		
- CIMB Bank Bhd	<u>40,202</u>	<u>20,698</u>
Deposits with licensed financial institutions:		
- CIMB Bank Bhd	-	10,060,411
- CIMB Islamic Bank Bhd	-	70,001,294
	<u>-</u>	<u>80,601,705</u>

14. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with the top 10 financial institutions for the financial year ended 30 September 2022 were as follows:

Financial Institutions	Value of placements RM	Percentage of total placements %
Affin Bank Bhd	1,518,161,000	27.79
Malayan Banking Bhd	1,012,772,000	18.54
United Overseas Bank Bhd	788,749,000	14.44
Public Islamic Bank Bhd	672,148,000	12.30
Hong Leong Islamic Bank Bhd	475,968,000	8.71
Amlslamic Bank Bhd	274,168,000	5.02
CIMB Islamic Bank Bhd #	244,655,000	4.48
Public Bank Bhd	128,885,000	2.36
Maybank Islamic Bhd	92,127,000	1.69
Hong Leong Bank Berhad	91,658,000	1.68
Others #	163,304,000	2.99
	<u>5,462,595,000</u>	<u>100.00</u>

Details of transactions with the top 10 financial institutions for the financial year ended 30 September 2021 were as follows:

Financial Institutions	Value of placements RM	Percentage of total placements %
Affin Bank Bhd	2,995,685,000	34.45
Malayan Banking Bhd	2,316,917,000	26.65
Hong Leong Bank Bhd	762,552,000	8.77
Hong Leong Islamic Bank Bhd	491,552,000	5.65
Public Bank Bhd	367,065,000	4.22
Maybank Islamic Bhd	257,052,000	2.96
CIMB Islamic Bank Bhd #	246,858,000	2.84
Bank Islam Malaysia Bhd	240,000,000	2.76
United Overseas Bank (M) Bhd	217,757,000	2.50
Public Islamic Bank Bhd	204,335,000	2.35
Others	595,544,000	6.85
	<u>8,695,317,000</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 RM27,381,000 (2021: Nil) and RM244,655,000 (2021: RM246,858,000) respectively. The Manager is of the opinion that all transactions with the related companies have been entered into in the normal

15. SIGNIFICANT EVENT DURING THE YEAR

The COVID-19 pandemic, with its related lockdowns and movement restrictions, together with geopolitical tensions and heightened inflationary environment globally have had, and will continue to have, a significant impact on global economic conditions and the environment which the Fund operates.

15. SIGNIFICANT EVENT DURING THE YEAR (CONTINUED)

The Manager continues to closely monitor the macroeconomic outlook affected by these factors and their impact to the Fund's performance and will be managing the risks to achieve the Fund's objective.

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 17 November 2022.

DIRECTORY

Head Office of the Manager

Principal Asset Management Berhad (Company No.: 199401018399 (304078-K))
10th Floor, Bangunan CIMB,
Jalan Semantan,
Damansara Heights,
50490 Kuala Lumpur, MALAYSIA.
Tel: (03) 2084 8888

Website

www.principal.com.my

E-mail address

service@principal.com.my

Customer Care Centre

(03) 7723 7260

Chat with us via WhatsApp:

+60 16-299 9792

Trustee for the Principal Deposit Fund 2

PB Trustee Services Berhad (Company No.: 196801000374 (7968-T))
17th Floor, Menara Public Bank,
146, Jalan Ampang,
50450 Kuala Lumpur, MALAYSIA.
Tel: (03) 2162 6760
Fax: (03) 2164 3285

Auditors of the Fund

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