

Principal Deposit Fund

Annual Report

For The Financial Year Ended 31 Aug 2024

PRINCIPAL DEPOSIT FUND
ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2024

CONTENTS	PAGE(S)
INVESTOR LETTER	i
MANAGER'S REPORT	ii - xi
Fund Objective and Policy	
Performance Data	
Market Review	
Fund Performance	
Portfolio Structure	
Market Outlook	
Investment Strategy	
Soft Commissions and Rebates	
Securities Financing Transactions	
State Of Affair of The Fund	
Circumstances That Materially Affect Any Interest of Unit Holders	
Cross Trade	
Unit Split	
STATEMENT BY MANAGER	1
TRUSTEE'S REPORT	2
INDEPENDENT AUDITORS' REPORT	3 - 6
STATEMENT OF COMPREHENSIVE INCOME	7
STATEMENT OF FINANCIAL POSITION	8
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	9
STATEMENT OF CASH FLOWS	10
NOTES TO THE FINANCIAL STATEMENTS	11 - 26
DIRECTORY	27

INVESTOR 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 for the financial year ended 31 August 2024. You may also download this report from our website at www.principal.com.my.

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

At the Alpha Southeast Asia Fund Management Awards 2024, we won three awards: Best Absolute Return Strategy, Best Online & Mobile Platform (Asset Manager), and Best Asset Manager (Income-Oriented, Money Market & Alternative Investment Funds). The International Finance Awards honored us with ‘Best Asset Management Company – Malaysia 2024’ and ‘Best Asset Management CEO – Munirah Khairuddin – Malaysia 2024’. At the Triple A Sustainable Investing Awards 2024, we secured the Asset Management Company of the Year (Malaysia) award. The World Business Outlook magazine recognized us with the titles of Best Investment Management and Solutions Provider Malaysia, Best Institutional House Malaysia, and Asset Management CEO (Munirah Khairuddin) of the Year Malaysia. Additionally, we received three awards at the iFast Awards 2024, seven at the LSEG Lipper Fund Awards 2024, and ten at the FSMOne Recommended Funds 2023/2024.

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

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

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

MUNIRAH KHAIRUDDIN

Chief Executive Officer,
Malaysia & Global Shariah & Managing Director,
Strategic Distribution & Institutional Client Relations
(Southeast Asia & Global Shariah)
Non-Independent Executive Director

MANAGER’S REPORT

FUND OBJECTIVE AND POLICY

What is the investment objective of the Fund?

The Fund aims to generate regular income for investors through investments primarily in the money market.

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 place at least 95% of its Net Asset Value (“NAV”) in deposits. Up to 5% of the Fund’s NAV may be invested in money market instruments, short-term bonds and/or notes with a minimum credit rating of “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 of issuance or “BBB-” by Standard & Poor’s (“S&P”) or equivalent rating by any other international rating agencies, all of which have a remaining maturity period of less than 397 days. The Fund will be actively managed with frequency that will depend on the market conditions and the market outlook. The investment policy and strategy is to invest in liquid and low risk short-term investments for capital preservation*.

Note: *The Fund is neither a capital guaranteed fund nor a capital protected fund.

The asset allocation strategy for this Fund is as follows:

- at least 95% of the Fund’s NAV in Deposits; and
- up to 5% of the Fund’s NAV in money market instruments and short-term bonds and/or notes.

Fund category/type

Money Market/Income

When was the Fund launched?

Name of Class #	Launch Date
Class AI	8 July 2004
Class AR	Effective date*

With effect from 13 August 2021, the Fund will be split into Class AI and AR where individual unitholders will be designated to Class AR and non-individual unit holders will be designated to Class AI.

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

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

RM2,110.62 billion (1,946.44 billion units)

What is the Fund’s benchmark?

CIMB Bank Overnight Rate

Note: Given that the Fund is an income fund, the Fund shall benchmark itself against the overnight rate for performance comparison purpose only. Therefore, investors are cautioned that the risk profile of the Fund is higher than the benchmark.

What is the Fund distribution policy?

Monthly, depending on the level of income (if any) the Fund generates.

FUND OBJECTIVE AND POLICY (CONTINUED)

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

The Fund distributed a total net income of RM0.42 million to unit holders for the financial year ended 31 August 2024.

The Fund's NAV per unit before and after distributions were as follows:

Date	NAV per unit (Before distribution)	NAV per unit (After distribution)
Distribution on 26 September 2023		
- Class AI	1.0493	1.0493
- Class AR	1.0493	1.0493
Distribution on 27 October 2023		
- Class AI	1.0524	1.0524
- Class AR	1.0524	1.0524
Distribution on 28 November 2023		
- Class AI	1.0556	1.0556
- Class AR	1.0556	1.0556
Distribution on 27 December 2023		
- Class AI	1.0587	1.0587
- Class AR	1.0587	1.0587
Distribution on 29 January 2024		
- Class AI	1.0623	1.0623
- Class AR	1.0622	1.0622
Distribution on 27 February 2024		
- Class AI	1.0653	1.0653
- Class AR	1.0653	1.0653
Distribution on 27 March 2024		
- Class AI	1.0684	1.0684
- Class AR	1.0683	1.0683
Distribution on 26 April 2024		
- Class AI	1.0715	1.0715
- Class AR	1.0715	1.0714
Distribution on 29 May 2024		
- Class AI	1.0749	1.0748
- Class AR	1.0748	1.0748
Distribution on 26 June 2024		
- Class AI	1.0777	1.0776
- Class AR	1.0776	1.0776
Distribution on 29 July 2024		
- Class AI	1.0810	1.0809
- Class AR	1.0810	1.0809
Distribution on 28 August 2024		
- Class AI	1.0840	1.0840
- Class AR	1.0840	1.0839

Breakdown of distribution were as follows:

Source of distribution	2024		2023	
	RM	%	RM	%
Distribution out of current year's income	418,202	100	16,358	100
Distribution out of prior year's income/capital	-	-	-	-
Total	418,202	100	16,358	100

PERFORMANCE DATA

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

	31.08.2024	31.08.2023	31.08.2022
	%	%	%
Deposits with licensed financial institutions	98.57	96.61	95.76
Cash and other assets	1.53	3.41	4.27
Liabilities	(0.10)	(0.02)	(0.03)
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

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

	31.08.2024	31.08.2023	31.08.2022
NAV (RM Million) *			
- Class AI	1,908.79	1,737.14	1,356.98
- Class AR	201.83	28.30	42.19
Units in circulation (Million)			
- Class AI	1,760.31	1,659.54	1,339.80
- Class AR	186.13	27.03	41.65
NAV per unit (RM)*			
- Class AI	1.0843	1.0467	1.0128
- Class AR	1.0843	1.0467	1.0128
Highest NAV per unit (RM)			
- Class AI	1.0843	1.0467	1.0128
- Class AR	1.0843	1.0467	1.0128
Lowest NAV per unit (RM)*			
- Class AI	1.0469	1.0128	1.0000
- Class AR	1.0469	1.0128	1.0000
Total return (%)			
- Class AI	3.62	3.35	1.87
- Class AR	3.62	3.35	1.88
Capital growth (%)			
- Class AI	3.59	3.35	1.28
- Class AR	3.59	3.35	1.28
Income distribution (%)			
- Class AI	0.03	-	0.58
- Class AR	0.03	-	0.59

* Ex-distribution

Total Expense Ratio ("TER") (%)	0.30	0.32	0.32
Portfolio Turnover Ratio ("PTR") (times) #	12.12	23.11	17.59

^ The Fund's TER decreased from 0.32% to 0.30% due to increase in average NAV during the financial year under review.

The Fund's PTR decreased from 23.11 to 12.12 times due to lower number of transactions and increase in average NAV during the financial year under review.

PERFORMANCE DATA (CONTINUED)

	01.09.2023 to 31.08.2024	01.09.2022 to 31.08.2023	01.09.2021 to 31.08.2022
Gross/Net distribution per unit (sen)			
Distribution on 26 September 2023			
- Class AI	0.00*	-	-
- Class AR	0.00*	-	-
Distribution on 27 October 2023			
- Class AI	0.00*	-	-
- Class AR	0.00*	-	-
Distribution on 28 November 2023			
- Class AI	0.00*	-	-
- Class AR	0.00*	-	-
Distribution on 27 December 2023			
- Class AI	0.00*	-	-
- Class AR	0.00*	-	-
Distribution on 29 January 2024			
- Class AI	0.00*	-	-
- Class AR	0.00*	-	-
Distribution on 27 February 2024			
- Class AI	0.00*	-	-
- Class AR	0.00*	-	-
Distribution on 27 March 2024			
- Class AI	0.00*	-	-
- Class AR	0.00*	-	-
Distribution on 26 April 2024			
- Class AI	0.00*	-	-
- Class AR	0.00*	-	-
Distribution on 29 May 2024			
- Class AI	0.00*	-	-
- Class AR	0.00*	-	-
Distribution on 26 June 2024			
- Class AI	0.00*	-	-
- Class AR	0.00*	-	-
Distribution on 29 July 2024			
- Class AI	0.00*	-	-
- Class AR	0.00*	-	-
Distribution on 28 August 2024			
- Class AI	0.00*	-	-
- Class AR	0.00*	-	-
Distribution on 30 September 2022			
- Class AI	-	0.00*	-
- Class AR	-	0.00*	-
Distribution on 31 October 2022			
- Class AI	-	0.00*	-
- Class AR	-	0.00*	-

* Amount less than 0.01

PERFORMANCE DATA (CONTINUED)

	01.09.2023 to 31.08.2024	01.09.2022 to 31.08.2023	01.09.2021 to 31.08.2022
Gross/Net distribution per unit (sen)			
Distribution on 30 November 2022			
- Class AI	-	0.00*	-
- Class AR	-	0.00*	-
Distribution on 30 December 2022			
- Class AI	-	0.00*	-
- Class AR	-	0.00*	-
Distribution on 27 January 2023			
- Class AI	-	0.00*	-
- Class AR	-	0.00*	-
Distribution on 24 February 2023			
- Class AI	-	0.00*	-
- Class AR	-	0.00*	-
Distribution on 29 March 2023			
- Class AI	-	0.00*	-
- Class AR	-	0.00*	-
Distribution on 26 April 2023			
- Class AI	-	0.00*	-
- Class AR	-	0.00*	-
Distribution on 29 May 2023			
- Class AI	-	0.00*	-
- Class AR	-	0.00*	-
Distribution on 27 June 2023			
- Class AI	-	0.00*	-
- Class AR	-	0.00*	-
Distribution on 27 July 2023			
- Class AI	-	0.00*	-
- Class AR	-	0.00*	-
Distribution on 28 August 2023			
- Class AI	-	0.00*	-
- Class AR	-	0.00*	-
Distribution on 30 September 2021			
- Class AI	-	-	0.15
- Class AR	-	-	0.15
Distribution on 29 October 2021			
- Class AI	-	-	0.15
- Class AR	-	-	0.15
Distribution on 30 November 2021			
- Class AI	-	-	0.14
- Class AR	-	-	0.14
Distribution on 31 December 2021			
- Class AI	-	-	0.15
- Class AR	-	-	0.15

* Amount less than 0.01

PERFORMANCE DATA (CONTINUED)

	01.09.2023 to 31.08.2024	01.09.2022 to 31.08.2023	01.09.2021 to 31.08.2022
Gross/Net distribution per unit (sen)			
Distribution on 31 January 2022			
- Class AI	-	-	0.00*
- Class AR	-	-	0.00*
Distribution on 28 February 2022			
- Class AI	-	-	0.00*
- Class AR	-	-	0.00*
Distribution on 31 March 2022			
- Class AI	-	-	0.00*
- Class AR	-	-	0.00*
Distribution on 29 April 2022			
- Class AI	-	-	0.00*
- Class AR	-	-	0.00*
Distribution on 31 May 2022			
- Class AI	-	-	0.00*
- Class AR	-	-	0.00*
Distribution on 30 June 2022			
- Class AI	-	-	0.00*
- Class AR	-	-	0.00*
Distribution on 29 July 2022			
- Class AI	-	-	0.00*
- Class AR	-	-	0.00*
Distribution on 30 August 2022			
- Class AI	-	-	0.00*
- Class AR	-	-	0.00*

* Amount less than 0.01

	31.08.2024 %	31.08.2023 %	31.08.2022 %	31.08.2021 %	31.08.2020 %
Annual total return					
- Class AI	3.62	3.35	1.87	1.70	2.77

(Launch date: 8 July 2004)

	31.08.2024	31.08.2023	31.08.2022	31.08.2021
- Class AR	3.62	3.35	1.88	1.70

(Launch date: 13 August 2021)

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 SEPTEMBER 2023 TO 31 AUGUST 2024)

Bank Negara Malaysia (“BNM”) kept the Overnight Policy Rate (“OPR”) at 3.00% for the seventh consecutive Monetary Policy Committee (“MPC”) meeting on 10-11 July 2024 amid “hold-for-longer” US Federal Reserve (the “Fed”), as well as firmer economic growth, upside risk to domestic inflation and stable Malaysia Ringgit (“MYR/RM”).

MARKET REVIEW (1 SEPTEMBER 2023 TO 31 AUGUST 2024) (CONTINUED)

Inflation held steady at 2% in July 2024 for the third consecutive month. Prices continued to rise led by services related industries. This includes cost of healthcare, communication, recreation/culture, insurance & financial as well as restaurants & hotels. Meanwhile, core inflation was also unchanged at 1.9% year-of-year (“Y-o-Y”).

The unemployment rate remained unchanged at 3.3% in June 2024 for the eight consecutive month. The number of unemployed declined by 2.8% Y-o-Y to a four year low of 565.3 thousand people. According to the Department of Statistics, two-thirds of jobs growth were in the services sector which continued to show positive trends. Malaysia’ labor market is expected to remain stable backed by favorable economic growth.

Malaysia second quarter of 2024 (“2Q2024”) GDP grew 5.9% Y-o-Y (first quarter of 2024 (“1Q2024”): +4.2% Y-o-Y) higher than the advance estimates of 5.8%. The growth was mainly due to stronger domestic demand and further expansion in exports. On the demand side, private consumption rose 6% while private investment grew 12%. Net external demand turned positive at 3.4% (1Q2024: -24.5%). On the supply side, growth was broad based with most sectors registering better growth momentum. The services sector, which account for more than half of Malaysia’s economic output registered 5.9% from 4.8% Y-oY and manufacturing activity advanced by 4.7% from 1.9% Y-o-Y. The construction sector improved by 17.3% from 11.9% Y-o-Y.

FUND PERFORMANCE

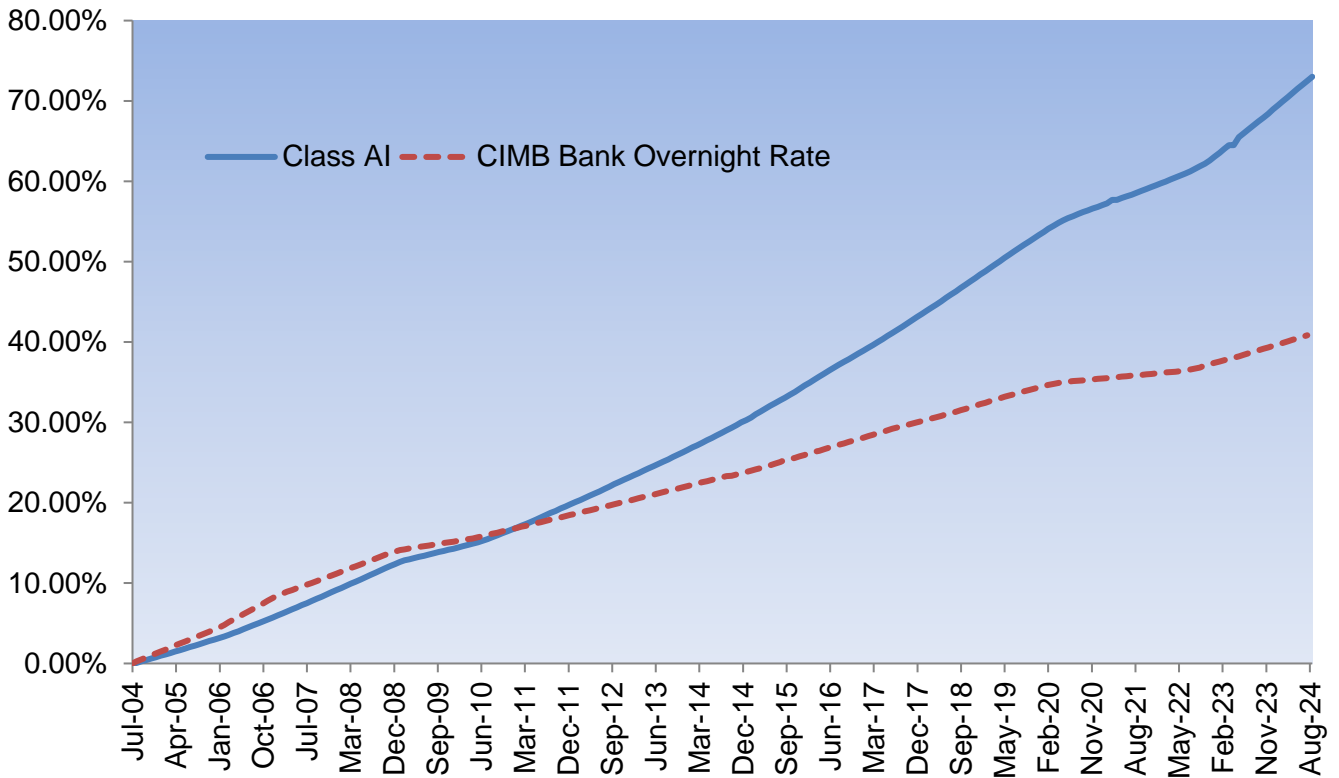
	1 year to 31.08.2024 %	3 years to 31.08.2024 %	5 years to 31.08.2024 %	Since inception to 31.08.2024 %
Income Distribution				
- Class AI	0.03	0.62	5.16	59.56
- Class AR	0.03	0.62	5.17	59.57
Capital Growth				
- Class AI	3.59	8.43	8.43	8.43
- Class AR	3.59	8.43	8.43	8.43
Total Return				
- Class AI	3.62	9.10	14.03	73.01
- Class AR	3.62	9.11	14.03	73.02
Benchmark				
- Class AI	1.62	3.66	5.35	40.84
- Class AR	1.62	3.66	5.35	40.84
Average Total Return				
- Class AI	3.62	2.94	2.66	2.76
- Class AR	3.62	2.94	2.66	2.76

As at 31 August 2024, both the Fund’s Class AI and Class AR gave 1-year return of 3.62%, outperforming the benchmark by 200bps. Since inception, the Fund’s Class AI and Class AR delivered a return of 73.01% and 73.02% to unit holders which outperforming the benchmark by 32.17% and 32.18% respectively.

FUND PERFORMANCE (CONTINUED)

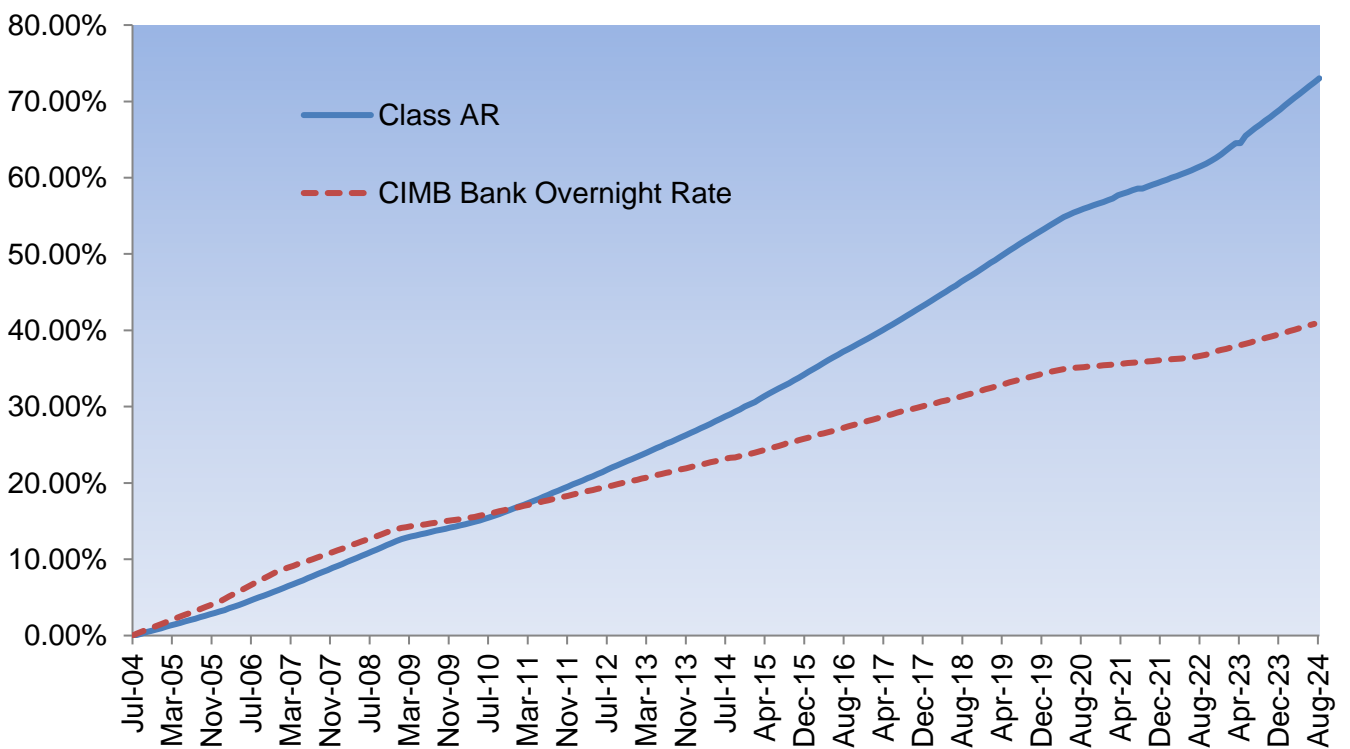
Since Inception

Class AI



Since Inception

Class AR



FUND PERFORMANCE (CONTINUED)

Changes in NAV

	31.08.2024	31.08.2023	Changes %
Class AI			
NAV (RM Million) *	1,908.79	1,737.14	9.88
NAV/Unit (RM)*	1.0843	1.0467	3.59
Class AR			
NAV (RM Million) *	201.83	28.30	>100.00
NAV/Unit (RM)*	1.0843	1.0467	3.59

* Ex- distribution

The Fund's NAV in Class AI increased by 9.88% from RM1,737.14 million on 31 August 2023 to RM1,908.76 million on 31 August 2024 and the Fund's NAV in Class AR increased by more than 100% from RM28.30 million on 31 August 2023 to RM201.82 million on 31 August 2024. Meanwhile, both classes' NAV per unit increased by 3.59% from 31 August 2023 to 31 August 2024.

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

	31.08.2024	31.08.2023
Deposits with licensed financial institutions	98.57	96.61
Cash and other assets	1.53	3.41
Liabilities	(0.10)	(0.02)
TOTAL	100.00	100.00

The Fund was fully invested in deposit placements.

MARKET OUTLOOK*

BNM forecasts headline inflation between 2.0% to 3.5% (2023: 2.5%) – incorporating fuel price adjustments from the fuel subsidy rationalisation measures – and core inflation between 2.0-3.0% (2023: 3.0%) for 2024. The full year inflation will only be marginally impacted from the new sales & services tax and utility tariffs. The MPC will continue to ensure that the monetary policy stance remains consistent with the current assessment of the inflation and growth prospects.

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

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

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

SECURITIES FINANCING TRANSACTIONS

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

STATE OF AFFAIR OF THE FUND

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

CIRCUMSTANCES THAT MATERIALLY AFFECT ANY INTEREST OF UNIT HOLDERS

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

CROSS TRADE

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

UNIT SPLIT

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

**STATEMENT BY MANAGER TO THE UNITHOLDERS OF
PRINCIPAL DEPOSIT FUND**

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 26 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 August 2024 and of its financial performance, changes in net assets attributable to unit holders and cash flows for the financial year then ended in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager

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

MUNIRAH KHAIRUDDIN

Chief Executive Officer,
Malaysia & Global Shariah & Managing Director,
Strategic Distribution & Institutional Client Relations
(Southeast Asia & Global Shariah)
Non-Independent Executive Director

UDAY JAYARAM

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

Kuala Lumpur
16 October 2024

TRUSTEE'S REPORT

**TO THE UNIT HOLDERS OF
PRINCIPAL DEPOSIT FUND (“Fund”)**

We have acted as Trustee of the Fund for the financial year ended 31 August 2024 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Principal Asset Management Berhad has operated and managed the Fund during the year covered by these financial statements in accordance with the following:

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

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

For HSBC (Malaysia) Trustee Berhad

Yap Lay Guat
Manager, Investment Compliance Monitoring

Kuala Lumpur
16 October 2024

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Principal Deposit Fund (the "Fund"), which comprise the statement of financial position as at 31 August 2024 of the Fund, statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows of the Fund for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 7 to 26.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 August 2024, 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 (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 (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 (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. 03013/10/2026 J
Chartered Accountant

Kuala Lumpur, Malaysia
16 October 2024

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

	Note	2024 RM	2023 RM
INCOME			
Interest income from deposits with licensed financial institutions at amortised cost		63,775,328	48,592,257
Interest earned from current account		645,082	-
		<u>64,420,410</u>	<u>48,592,257</u>
EXPENSES			
Management fee	4	5,002,653	4,037,820
Trustee fee	5	250,133	262,770
Audit fee		7,200	7,200
Tax agent's fee		5,900	6,500
Other expenses		107,563	8,865
		<u>5,373,449</u>	<u>4,323,155</u>
PROFIT BEFORE DISTRIBUTION AND TAXATION		<u>59,046,961</u>	<u>44,269,102</u>
Distribution:			
- Class AI		363,362	15,460
- Class AR		54,840	898
	6	<u>418,202</u>	<u>16,358</u>
PROFIT BEFORE TAXATION		<u>58,628,759</u>	<u>44,252,744</u>
Taxation	7	<u>-</u>	<u>-</u>
PROFIT AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>58,628,759</u>	<u>44,252,744</u>
Profit after taxation is made up as follows:			
Realised amount		<u>58,628,759</u>	<u>44,252,744</u>

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

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

	Note	2024 RM	2023 RM
ASSETS			
Cash and cash equivalents	9	30,653,010	12,188
Financial assets at fair value through profit or loss	8	2,080,434,924	1,705,662,621
Amount due from Manager		<u>1,703,730</u>	<u>60,184,911</u>
TOTAL ASSETS		<u>2,112,791,664</u>	<u>1,765,859,720</u>
LIABILITIES			
Amount due to Manager		1,633,300	-
Accrued management fee		492,541	385,100
Amount due to Trustee		24,627	19,255
Distribution payable		39	-
Other payables and accruals		<u>24,300</u>	<u>18,400</u>
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)		<u>2,174,807</u>	<u>422,755</u>
NET ASSET VALUE OF THE FUND		<u>2,110,616,857</u>	<u>1,765,436,965</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>2,110,616,857</u>	<u>1,765,436,965</u>
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDING UNITS			
- Class AI		1,908,789,756	1,737,140,429
- Class AR		<u>201,827,101</u>	<u>28,296,536</u>
		<u>2,110,616,857</u>	<u>1,765,436,965</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)			
- Class AI		1,760,304,820	1,659,536,583
- Class AR		<u>186,131,982</u>	<u>27,031,805</u>
	10	<u>1,946,436,802</u>	<u>1,686,568,388</u>
NET ASSET VALUE PER UNIT (RM) (EX-DISTRIBUTION)			
- Class AI		1.0843	1.0467
- Class AR		<u>1.0843</u>	<u>1.0467</u>

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

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

	2024	2023
	RM	RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR	<u>1,765,436,965</u>	<u>1,399,167,031</u>
Movement due to units created and cancelled during the financial year:		
Creation of units from applications		
- Class AI	3,384,183,839	3,437,114,140
- Class AR	<u>409,194,973</u>	<u>105,602,912</u>
	<u>3,793,378,812</u>	<u>3,542,717,052</u>
Creation of units from distributions		
- Class AI	363,367	-
- Class AR	<u>54,829</u>	<u>-</u>
	<u>418,196</u>	<u>-</u>
Cancellation of units		
- Class AI	(3,266,987,749)	(3,099,404,502)
- Class AR	<u>(240,258,126)</u>	<u>(121,295,360)</u>
	<u>(3,507,245,875)</u>	<u>(3,220,699,862)</u>
Total comprehensive income for the financial year	<u>58,628,759</u>	<u>44,252,744</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR	<u>2,110,616,857</u>	<u>1,765,436,965</u>

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

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

	Note	2024 RM	2023 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from maturity of deposits with licensed financial institutions		21,135,716,000	30,798,704,000
Placement of deposits with licensed financial institutions		(21,560,538,000)	(31,280,587,000)
Redemption of deposits with licensed financial institutions		60,000,000	120,000,000
Interest income received from deposits with licensed financial institutions and interest earned		54,470,107	44,672,948
Management fee paid		(4,895,212)	(4,001,299)
Trustee fee paid		(244,761)	(266,754)
Payments for other fees and expenses		(114,764)	(16,065)
Net cash used in operating activities		<u>(315,606,630)</u>	<u>(321,494,170)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		3,851,859,993	3,542,204,376
Payments for cancellation of units		(3,505,612,575)	(3,220,699,862)
Distributions paid		34	(16,358)
Net cash generated from financing activities		<u>346,247,452</u>	<u>321,488,156</u>
Net increase/(decrease) in cash and cash equivalents		30,640,822	(6,014)
Cash and cash equivalents at the beginning of the financial year		<u>12,188</u>	<u>18,202</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>30,653,010</u></u>	<u><u>12,188</u></u>
<u>Cash and cash equivalents comprised:</u>			
Bank balance		<u>30,653,010</u>	<u>12,188</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>30,653,010</u></u>	<u><u>12,188</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2024****1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES**

Principal Deposit Fund (the “Fund”) is governed by a Principal Master Deed dated 15 May 2008, a First Supplemental Master Deed dated 25 June 2008, a Third Supplemental Master Deed dated 14 July 2008, a Fifth Supplemental Master Deed dated 16 July 2009, a Thirteenth Supplemental Master Deed dated 26 June 2012, a Fourteenth Supplemental Master Deed dated 21 September 2012, an Eighteenth Supplemental Master deed dated 25 March 2015, a Twentieth Supplemental Master Deed dated 21 October 2019, a Twenty Second Supplemental Master Deed dated 7 May 2021 and a Twenty Third Supplemental Master Deed dated 27 June 2022 (collectively referred to as the “Deeds”), made between Principal Asset Management Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

The Fund will place at least 95% of its NAV in deposits. Up to 5% of the Fund’s NAV may be invested in money market instruments, short-term bonds and/or notes with a minimum credit rating of “BBB3” or “P2” by RAM or equivalent rating by MARC or by local rating agency(ies) of the country of issuance or “BBB-” by S&P or equivalent rating by any other international rating agencies, all of which have a remaining maturity period of less than 397 days. The Fund will be actively managed with frequency that will depend on the market conditions and the market outlook. The investment policy and strategy is to invest in liquid and low risk short-term investments for capital preservation.

The asset allocation strategy for this Fund is as follows:

- at least 95% of the Fund’s NAV in Deposits; and
- up to 5% of the Fund’s NAV in money market instruments and short-term bonds and/or notes.

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

The Fund had issued the First Supplemental Prospectus for Principal Deposit Fund dated 16 May 2023.

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

2. MATERIAL ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

2. MATERIAL 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 assumptions are based on the Manager's best knowledge of current events and actions, actual results may differ.

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

There are no standards, amendments to standards or interpretations effective for financial year beginning on 1 September 2023 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 September 2024 that are applicable to the financial statements of the Fund.

(b) Financial assets and financial liabilitiesClassification

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

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

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

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

The Fund classifies cash and cash equivalents 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. MATERIAL ACCOUNTING POLICIES (CONTINUED)**(b) Financial assets and financial liabilities (continued)**Recognition and measurement

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

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.

Deposits with licensed financial institutions are stated at fair value. Due to the short-term nature of the deposits, the cost plus accrued profit 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 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. MATERIAL ACCOUNTING POLICIES (CONTINUED)**(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.

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 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 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 year.

(g) Distribution

Distributions to unit holders are recognised in the statement of comprehensive income as the unit holders’ contribution are classified as financial liability. Distribution is reinvested into the Fund on the ex-date. Reinvestment of units is based on the NAV per unit on the ex-date, which is also the time of creation. Proposed distributions are 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 two classes of units, known respectively as Class AI and Class AR 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 units 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.

2. MATERIAL 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, except the measurement of deposits with financial institutions at fair value in Note 2(b).

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
2024			
Cash and cash equivalents (Note 9)	-	30,653,010	30,653,010
Deposits with licensed financial institutions (Note 8)	2,080,434,924	-	2,080,434,924
Amount due from Manager	-	1,703,730	1,703,730
	<u>2,080,434,924</u>	<u>32,356,740</u>	<u>2,112,791,664</u>
2023			
Cash and cash equivalents (Note 9)	-	12,188	12,188
Deposits with licensed financial institutions (Note 8)	1,705,662,621	-	1,705,662,621
Amount due from Manager	-	60,184,911	60,184,911
	<u>1,705,662,621</u>	<u>60,197,099</u>	<u>1,765,859,720</u>

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

The Fund aims to generate regular income for investors through investments primarily in the money market.

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

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

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

	2024	2023
	%	%
Deposits with licensed financial institutions	3.85	3.81

(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 bank balance and 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.

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

(b) Credit risk (continued)

The following table sets out the credit risk concentration of the Fund at the end of each reporting year:

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Amount due from Manager RM	Total RM
2024				
- AAA	30,653,010	943,039,828	-	973,692,838
- AA3	-	959,974,021	-	959,974,021
- AA1	-	45,016,767	-	45,016,767
- A2	-	36,098,027	-	36,098,027
- A	-	96,306,281	-	96,306,281
- Not Rated	-	-	1,703,730	1,703,730
	<u>30,653,010</u>	<u>2,080,434,924</u>	<u>1,703,730</u>	<u>2,112,791,664</u>
2023				
- AAA	12,188	1,121,606,285	-	1,121,618,473
- AA3	-	391,906,801	-	391,906,801
- AA1	-	101,757,699	-	101,757,699
- A1	-	80,292,274	-	80,292,274
- A-	-	10,099,562	-	10,099,562
- Not Rated	-	-	60,184,911	60,184,911
	<u>12,188</u>	<u>1,705,662,621</u>	<u>60,184,911</u>	<u>1,765,859,720</u>

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

(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 balance 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.

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

(c) Liquidity risk (continued)

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
2024			
Amount due to Manager	1,663,300	-	1,663,300
Accrued management fee	492,541	-	492,541
Amount due to Trustee	24,627	-	24,627
Distribution payable	39	-	39
Other payables and accruals	-	24,300	24,300
Net assets attributable to unitholders*	<u>2,110,616,857</u>	<u>-</u>	<u>2,110,616,857</u>
Contractual undiscounted cash flows	<u><u>2,112,797,364</u></u>	<u><u>24,300</u></u>	<u><u>2,112,821,664</u></u>
2023			
Accrued management fee	385,100	-	385,100
Amount due to Trustee	19,255	-	19,255
Other payables and accruals	-	18,400	18,400
Net assets attributable to unitholders*	<u>1,765,436,965</u>	<u>-</u>	<u>1,765,436,965</u>
Contractual undiscounted cash flows	<u><u>1,765,841,320</u></u>	<u><u>18,400</u></u>	<u><u>1,765,859,720</u></u>

* Outstanding units are redeemed on demand at the unit holder's option. However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

(d) Capital risk management

The capital of the Fund is represented net assets attributable to unit holders of RM2,110,616,857 (2023: RM1,765,436,965). The amount of capital can change significantly on a daily basis as the Fund is subjected 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).

The fair value 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 market price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

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

(e) Fair value estimation (continued)

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 different levels have been defined as follows:

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

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

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

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

The determination of what constitutes 'observable' requires significant judgment 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
2024				
Financial assets at fair value through profit or loss:				
- Deposits with licensed financial institutions	-	2,080,434,924	-	2,080,434,924

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
2023				
Financial assets at fair value through profit or loss:				
- Deposits with licensed financial institutions	-	1,705,662,621	-	1,705,662,621

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 31 August 2024, the management fee for the respective classes is recognised at the following rates (2023: 0.45% per annum):

The new rate is effective on 25 June 2021 upon the issuance of new prospectus.

Class AI	Class AR
0.30%	0.30%

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 0.02% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 31 August 2024, the Trustee fee is recognised at a rate of 0.015% per annum (2023: 0.015% per annum).

There is 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 (assessed up to distribution declaration date):

Breakdown of distribution were as follows:

Source of distribution	2024		2023	
	RM	%	RM	%
Distribution out of current year's income	418,202	100.00	16,358	100.00
Distribution out of prior year's income/capital**	-	-	-	-
Total	418,202	100.00	16,358	100.00

Gross/Net distribution per unit (sen)	2024 RM	2023 RM
Distribution on 26 September 2023		
- Class AI	0.00*	-
- Class AR	0.00*	-
Distribution on 27 October 2023		
- Class AI	0.00*	-
- Class AR	0.00*	-
Distribution on 28 November 2023		
- Class AI	0.00*	-
- Class AR	0.00*	-
Distribution on 27 December 2023		
- Class AI	0.00*	-
- Class AR	0.00*	-
Distribution on 29 January 2024		
- Class AI	0.00*	-
- Class AR	0.00*	-
Distribution on 27 February 2024		
- Class AI	0.00*	-
- Class AR	0.00*	-
Distribution on 27 March 2024		
- Class AI	0.00*	-
- Class AR	0.00*	-
Distribution on 26 April 2024		
- Class AI	0.00*	-
- Class AR	0.00*	-
Distribution on 29 May 2024		
- Class AI	0.00*	-
- Class AR	0.00*	-
Distribution on 26 June 2024		
- Class AI	0.00*	-
- Class AR	0.00*	-
Distribution on 29 July 2024		
- Class AI	0.00*	-
- Class AR	0.00*	-
Distribution on 28 August 2024		
- Class AI	0.00*	-
- Class AR	0.00*	-
Distribution on 30 September 2022		
- Class AI	-	0.00*
- Class AR	-	0.00*

6. DISTRIBUTION (CONTINUED)

	2024 RM	2023 RM
Gross/Net distribution per unit (sen)		
Distribution on 31 October 2022		
- Class AI	-	0.00*
- Class AR	-	0.00*
Distribution on 30 November 2022		
- Class AI	-	0.00*
- Class AR	-	0.00*
Distribution on 30 December 2022		
- Class AI	-	0.00*
- Class AR	-	0.00*
Distribution on 27 January 2023		
- Class AI	-	0.00*
- Class AR	-	0.00*
Distribution on 24 February 2023		
- Class AI	-	0.00*
- Class AR	-	0.00*
Distribution on 29 March 2023		
- Class AI	-	0.00*
- Class AR	-	0.00*
Distribution on 26 April 2023		
- Class AI	-	0.00*
- Class AR	-	0.00*

* Amount less than 0.01

** Distribution income has been accrued as at the end of the prior financial year but is not declared and paid as distribution.

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

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

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

	2024 RM	2023 RM
Profit before taxation	58,628,759	44,252,744

7. TAXATION (CONTINUED)

	2024	2023
	RM	RM
Taxation at Malaysian statutory rate of 24% (2023: 24%)	14,070,902	10,620,659
Tax effects of:		
- Investment income not subject to tax	(15,460,898)	(11,662,142)
- Expenses not deductible for tax purposes	186,783	69,766
- Restriction on tax deductible expenses for Unit Trust Funds	<u>1,203,213</u>	<u>971,717</u>
Taxation	<u><u>-</u></u>	<u><u>-</u></u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024	2023
	RM	RM
Financial assets at fair value through profit or loss:		
- Deposits with licensed financial institutions*	<u>2,080,434,924</u>	<u>1,705,662,621</u>

* Includes interest receivables of RM19,513,924 (2023: RM9,563,621).

9. CASH AND CASH EQUIVALENTS

	2024	2023
	RM	RM
Bank balance	<u>30,653,010</u>	<u>12,188</u>

10. NUMBER OF UNITS IN CIRCULATION (UNITS)

	2024	2023
	No. of units	No. of units
Class AI (i)	1,760,304,820	1,659,536,583
Class AR (ii)	<u>186,131,982</u>	<u>27,031,805</u>
	<u>1,946,436,802</u>	<u>1,686,568,388</u>
(i) Class AI		
At the beginning of the financial year	1,659,536,583	1,339,795,514
Add: Creation of units from applications	3,177,773,587	3,334,900,526
Add: Creation of units from distributions	337,274	-
Less: Cancellation of units	<u>(3,077,342,624)</u>	<u>(3,015,159,457)</u>
At the end of the financial year	<u>1,760,304,820</u>	<u>1,659,536,583</u>
(ii) Class AR		
At the beginning of the financial year	27,031,805	41,651,916
Add: Creation of units from applications	383,553,186	102,984,462
Add: Creation of units from distributions	50,886	-
Less: Cancellation of units	<u>(224,503,895)</u>	<u>(117,604,573)</u>
At the end of the financial year	<u>186,131,982</u>	<u>27,031,805</u>

11. TOTAL EXPENSE RATIO (“TER”)

	2024	2023
	%	%
TER	0.30	0.32

TER was derived from the following calculation:

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

- 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 was RM1,765,436,395 (2023: RM1,346,668,345).

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	2024	2023
PTR (times)	12.12	23.11

PTR was derived from the following calculation:

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

where:

- total placement for the financial year = RM21,560,538,000 (2023: RM31,280,587,000)
- total maturity for the financial year = RM21,249,541,025 (2023: RM30,963,376,948)

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

The related parties and their relationships with the Fund are 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

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

The related parties and their relationships with the Fund are as follows (continued):

<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
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

Units held by the Manager and parties related to the Manager:

Manager	No. of units	2024 RM	No. of units	2023 RM
Principal Asset Management Berhad				
- Class AI	9,318	10,104	9,765	10,221
- Class AR	184	200	23	25

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

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

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

	2024 RM	2023 RM
<u>Significant related party transactions</u>		
Interest income from deposits with licensed financial institution:		
- CIMB Bank Bhd	6,940,414	2,262,767
- CIMB Islamic Bank Bhd	4,591,989	735,493
<u>Significant related party balances</u>		
Deposits with licensed financial institution:		
- CIMB Bank Bhd	272,185,137	115,645,534
- CIMB Islamic Bank Bhd	30,505,479	240,735,493

14. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with the top 10 financial institutions for the financial year ended 31 August 2024 were as follows:

Financial Institutions	Value of placements RM	Percentage of total placements %
Malayan Banking Bhd	6,033,271,000	27.98
Hong Leong Investment Bank Bhd	5,202,452,000	24.13
Hong Leong Bank Bhd	3,524,531,000	16.35
Public Bank Bhd	1,964,466,000	9.11
CIMB Bank Bhd #	1,108,762,000	5.14
AmBank (M) Bhd	730,000,000	3.39
Public Islamic Bank Bhd	575,000,000	2.67
Affin Hwang Investment Bank Bhd	450,000,000	2.09
Bank Islam Malaysia Bhd	355,000,000	1.65
CIMB Islamic Bank Bhd #	353,000,000	1.64
Others	1,264,056,000	5.85
	<u>21,560,538,000</u>	<u>100.00</u>

Details of transactions with the top 10 financial institutions for the financial year ended 31 August 2023 were as follows:

Financial Institutions	Value of placements RM	Percentage of total placements %
Hong Leong Investment Bank Bhd	19,992,443,000	63.91
Public Bank Berhad	1,722,418,000	5.51
Hong Leong Bank Berhad	1,710,881,000	5.47
Alliance Bank Malaysia Bhd	1,046,376,000	3.35
RHB Bank Berhad	928,018,000	2.97
Malayan Banking Bhd	885,695,000	2.83
RHB Islamic Bank Bhd	725,000,000	2.32
CIMB Bank Bhd #	695,000,000	2.22
AmBank (M) Bhd	615,000,000	1.97
Public Islamic Bank Berhad	591,123,000	1.89
Others #	2,368,633,000	7.56
	<u>31,280,587,000</u>	<u>100.00</u>

Included in the transactions are trades conducted with CIMB Bank Bhd and CIMB Islamic Bank Bhd, related parties to the Manager amounting to RM1,108,762,000 (2023: RM695,000,000) and RM353,000,000 (2023: RM545,000,000) respectively. The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

15. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 16 October 2024.

DIRECTORY

Head Office of the Manager

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

Website

www.principal.com

E-mail address

myservice@principal.com

Customer Care Centre

(03) 7723 7260

Chat with us via WhatsApp:

(6016) 299 9792

Trustee for the Principal Deposit Fund

HSBC (Malaysia) Trustee Berhad (Company No.: 193701000084 (001281-T))
19th Floor, Menara IQ,
Lingkaran TRX,
55188 Tun Razak Exchange, Kuala Lumpur
MALAYSIA.
Tel: (03) 2075 7800
Fax: (03) 8894 2611

Auditors of the Fund and of the Manager

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

Principal Asset Management Berhad
199401018399 (304078-K)

Enquiries:

Customer Care Centre
(603)7723 7260

Chat with us via WhatsApp
(6016)299 9792

Email
myservice@principal.com

Website
www.principal.com.my