

PRINCIPAL INSTITUTIONAL BOND FUND 2

UNAUDITED SEMI-ANNUAL REPORT

FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2024

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INVESTORS' LETTER

Dear Valued Investor,

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

We are pleased to bring you a copy of the Unaudited Semi-Annual Fund Report of the Principal Institutional Bond Fund 2 for the six months financial period ended 30 September 2024. You may also download this report from our website at www.principal.com.my.

We are proud to announce that Principal Malaysia has received numerous accolades in 2024. At the Asia Asset Management 2024 Best of the Best Awards, we won the Best of the Best Performance Award: China A-Share Equity (3 years) and 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 we were recognized as Asset Management Company of the Year Malaysia. We also 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). At the Triple A Sustainable Investing Awards 2024, we secured the Asset Management Company of the Year (Malaysia) award. The World Business Outlook magazine awarded us 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 (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,
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 provide income to investors.

Has the Fund achieved its objective?

For the financial period under review, the Fund is in line with its stated objective.

What are the Fund investment policy and principal investment strategy?

The Fund will invest in deposits and debt securities primarily in bonds. Debt securities includes but not limited to bonds, fixed rate and floating rate debt securities and/or commercial papers issued by the government, statutory authorities and/or companies. The debt securities that are issued in Malaysia are required to have a short-term credit rating of “P2” or a long-term credit rating of “A” issued by RAM Ratings (“RAM”) or Malaysian Rating Corporation Berhad (“MARC”) equivalent, or if issued outside of Malaysia, requires a short-term credit rating of “A-2” or a long-term credit rating of “BBB” issued by Standard & Poor’s (“S&P”) or equivalent rating by other international rating agencies.

At least 70% of the Fund’s Net Asset Value (“NAV”) will be invested in Malaysia and up to 30% of the Fund’s NAV may be invested in the Asia Pacific region (excluding Malaysia) in the Eligible Market, which includes but not limited to Australia, New Zealand, South Korea, Hong Kong Special Administrative Region (“SAR”), Indonesia, the Philippines, Thailand, Singapore, Taiwan and India.

At least 60% of the Fund’s NAV will be invested in debt securities primarily in bonds and
Up to 40% of the Fund’s NAV will be invested in liquid assets such as deposits and/or money market instruments.

Fund category/type

Bond/Income

When was the Fund launched?

15 February 2006

What was the size of the Fund as at 30 September 2024?

RM2,060.30 million (1,939.37 million units)

What is the Fund’s benchmark?

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

What is the Fund distribution policy?

Distributions, if any, will be made four (4) times per annum at the end of each quarter of the year, i.e. March, June, September and December. Such distributions will depend on the availability of realised income and/or realised gains and at The Manager discretion. The Manager has the right to make provisions for reserves in respect of distribution of the Fund.

What was the net income distribution for the six months financial period ended 30 September 2024?

The Fund distributed a total net income of RM17.17 million to unit holders for the six months financial period ended 30 September 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)
	RM	RM
Distribution on 28 June 2024	1.0609	1.0563
Distribution on 30 September 2024	1.0669	1.0623

FUND OBJECTIVE AND POLICY (CONTINUED)

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

	30.09.2024		30.09.2023	
	RM	%	RM	%
Source of distribution				
Distribution out of current period's income	17,085,691	99.53	18,979,567	51.99
Distribution out of prior period's income/capital	80,362	0.47	17,523,639	48.01
Total	17,166,053	100.00	36,503,206	100.00

PERFORMANCE DATA

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

	30.09.2024	30.09.2023	30.09.2022
	%	%	%
Unquoted fixed income securities	68.82	92.85	83.39
Deposits with licensed financial institutions	35.68	7.07	18.24
Cash and other assets	0.30	0.11	0.00*
Liabilities	(4.80)	(0.03)	(1.63)
	100.00	100.00	100.00

Note: 0.00* denotes value less than 0.01%

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

	30.09.2024	30.09.2023	30.09.2022
NAV (RM Million)*	2,060.30	1,917.79	1,935.26
Units in circulation (Million)	1,939.37	1,839.24	1,864.94
NAV per unit (RM)*	1.0623	1.0427	1.0377
	01.04.2024 to 30.09.2024	01.04.2023 to 30.09.2023	01.04.2022 to 30.09.2022
Highest NAV per unit (RM)	1.0666	1.0540	1.0479
Lowest NAV per unit (RM)*	1.0526	1.0367	1.0377
Total return (%)	1.81	1.55	0.89
- Capital growth (%)	0.93	(0.38)	(0.68)
- Income distribution (%)	0.87	1.94	1.58
Total Expense Ratio ("TER") (%)	0.04	0.04	0.04
Portfolio Turnover Ratio ("PTR") (times) #	0.18	0.21	0.33

*Ex-distribution

The Fund's PTR during the financial period under review was lower than the previous period at 0.18 times due to marginally lesser trading activities.

	01.04.2024 to 30.09.2024	01.04.2023 to 30.09.2023	01.04.2022 to 30.09.2022
Gross/Net distribution per unit (sen)			
Distribution on 28 June 2024	0.47	-	-
Distribution on 30 September 2024	0.46	-	-
Distribution on 30 June 2023	-	1.74	-
Distribution on 29 September 2023	-	0.27	-
Distribution on 30 June 2022	-	-	0.99
Distribution on 30 September 2022	-	-	0.64

PERFORMANCE DATA (CONTINUED)

	30.09.2024	30.09.2023	30.09.2022	30.09.2021	30.09.2020
	%	%	%	%	%
Annual total return	3.73	3.57	1.82	1.85	3.17

(Launch date: 15 February 2006)

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up. All performance figures for the financial period have been extracted from Lipper.

MARKET REVIEW (1 APRIL 2024 TO 30 SEPTEMBER 2024)

For the financial period under review, the central bank maintained the Overnight Policy Rate (“OPR”) at 3.00% throughout all the Monetary Policy Committee (“MPC”) meetings held. At its September 2024 meeting, the MPC noted that the current rate is supportive of economic growth and aligns with their inflation and growth outlook. They emphasized a neutral monetary stance but remain watchful of domestic and inflationary trends heading into 2025. The MPC’s assessment on growth outlook continues to see upside from global tech upcycle, robust tourist spending and faster investment project implementation, while the downside risk to growth comes mainly from external demand.

The Consumer Price Index (“CPI”) was reported at 1.8% in the month of April 2024 and climbed up to 2.0% in May 2024 and remained at 2.0% in the month of June 2024 and July 2024. It then moderated unexpectedly to 1.9% in August 2024, compared with market estimates of 2.0%. Inflation then eased to 1.8% in the month of September 2024. The Department of Statistics Malaysia (“DoSM”) attributed this increase to rises in key categories, including personal care, social protection, and miscellaneous goods and services, which saw a rise of 3.1%. DoSM reported that the food and beverages group, which contributes 29.8% of the total CPI weight, increased by 1.6% in September 2024, matching the rate from August 2024. Quarter-on-quarter, Malaysia’s inflation increased by 0.4% (second quarter of 2024 (“2Q2024”): 0.6%).

In the month of September 2024, Malaysian Government Securities (“MGS”) saw an outflow of RM700 million in terms of foreign investor holdings. On the other hand, there were RM300 million inflows into Malaysia Government Investment Issue (“MGII”) and RM2.0 billion inflows into discount instruments. As of September 2024, total foreign holdings in MGS stood at RM214.9 billion, representing approximately 34.8% of outstanding MGS (August 2024: 34.6%). Foreign investors holdings in Malaysian debt securities slowed to RM1.0 billion in September 2024, after strong gains in the past consecutive months (August 2024: RM9.0 billion, July 2024: 7.8 billion). Overall, year-to-date (“YTD”) recorded net inflows of RM18.7 billion with total foreign holdings rising to RM289.1 billion in September 2024 (August 2024: RM288.1 billion).

YTD, the Bond Pricing Agency Malaysia (“BPAM”) Corporates All Bond (7 year over) Index maintained its position as the best performer with returns of 4.50%, whilst the Quantshop Gil Long Index was the worst performer with returns of 2.46%. The 3-year, 5- year, 7- year, 10- year, 15-, year 20- year and 30-year benchmarks closed at 3.36%, 3.51%, 3.70%, 3.72%, 3.90%, 4.04% and 4.20% respectively in September 2024.

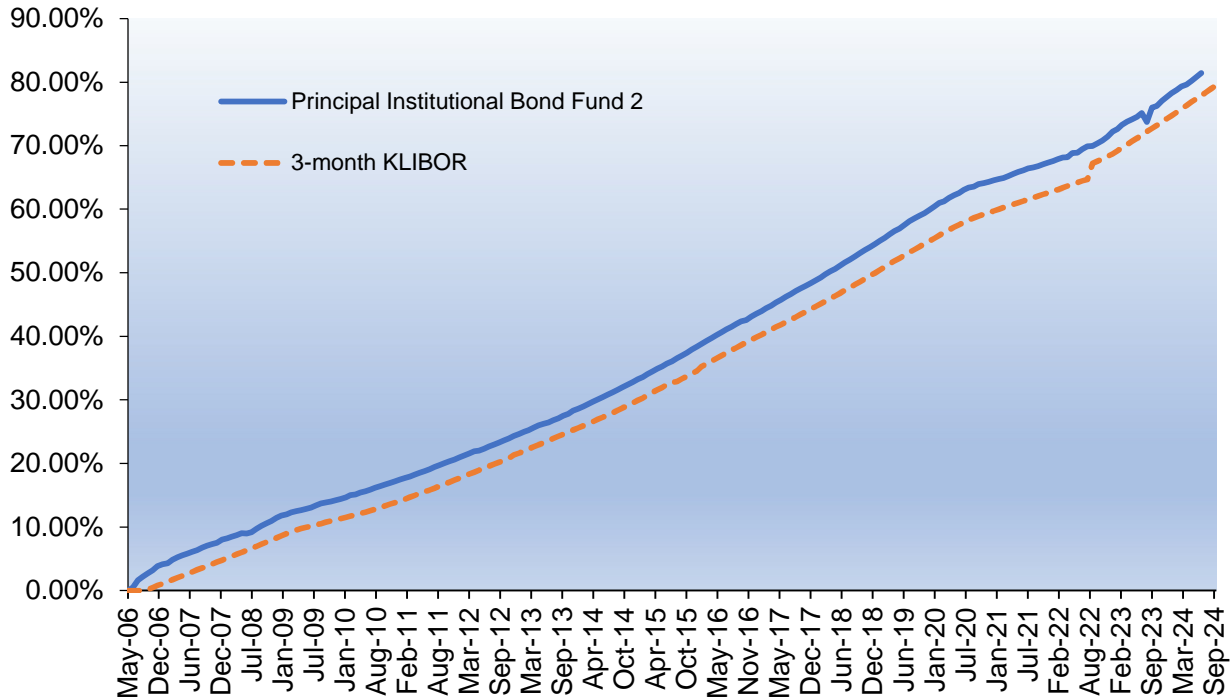
FUND PERFORMANCE

	6 months to 30.09.2024	1 year to 30.09.2024	3 years to 30.09.2024	5 years to 30.09.2024	Since inception to 30.09.2024
	%	%	%	%	%
Income Distribution	0.87	1.81	7.09	12.32	71.84
Capital Growth	0.93	1.88	2.14	2.34	6.23
Total Return	1.81	3.73	9.39	14.95	82.55
Benchmark	1.80	3.65	9.74	14.97	81.11
Average Total Return	3.65	3.73	3.03	2.82	3.28

FUND PERFORMANCE (CONTINUED)

For the financial period under review, the fund delivered total return of 1.81%, outperforming the benchmark by 1 basis points (“bps”). Meanwhile, the 3-year and 5-year total return for the fund was 9.39% and 14.95%, underperforming the benchmark by -0.35% and -0.02%, respectively. Since inception, the fund returned 82.55%, outperforming the benchmark which returned 74.73%.

Since Inception



Changes in NAV

	30.09.2024	31.03.2024 Audited	Changes %
NAV (RM Million)*	2,060.30	1,815.61	13.48
NAV/Unit (RM)*	1.0623	1.0526	0.92

*Ex-distribution

The Fund’s NAV was higher by 13.48% over a 6-month period from RM1,815.61 million on 31 March 2024 to RM2,060.30 million, while the NAV per unit increased by 0.92% on 30 September 2024, mainly due to subscription.

Performance data represents the combined income and capital return as a result of holding units in the Fund for the specified length of time, based on NAV to NAV price. The performance data assumes that all earnings from the Fund are reinvested and are net of management and trustee fees. Past performance is not reflective of future performance and income distributions are not guaranteed. Unit prices and income distributions, if any, may fall and rise. All performance figures for the financial period have been extracted from Lipper.

PORTFOLIO STRUCTURE

Asset allocation

(% of NAV)	30.09.2024	31.03.2024 Audited
Unquoted fixed income securities	68.82	73.08
Deposits with licensed financial institutions	35.68	26.62
Cash and other assets	0.30	0.34
Liabilities	(4.80)	(0.04)
TOTAL	100.00	100.00

For the financial period under review, the fund's investment in unquoted fixed income securities was lower at 68.82% from 73.08% as at 31 March 2024. This was mainly due to bond maturities at that time, prior to reinvestments. Consequently, deposits with licensed financial institutions were higher at 35.68% at the end of the period compared to 26.62% as at 31 March 2024.

MARKET OUTLOOK*

The inflation impact of broadening of services tax base and its rate from 6% to 6% to 8% range effective 1 March 2024 was mild, as can be seen in the services inflation number. There was also muted impact from diesel price adjustment in Peninsular Malaysia so far, which was set higher at RM3.35 per litre from RM2.15 per litre from 10 June 2024 as the government embarked on targeted diesel subsidy rationalization.

At the time of report writing, we saw the Budget 2025 being tabled in early October 2024. The budget remains expansionary, with a record allocation of RM421 billion versus RM394 billion last year, with RM355 billion for operating expenditure and RM86 billion for development spending. The higher allocations will be funded by higher tax receipts, partly through higher Sales and Services Tax ("SST") collections and other forms of new taxes, and stable dividends from Petronas which were maintained at RM32 billion. The government remains committed to its fiscal reform agendas - broadly, the expansion of the federal revenue base through the widening of taxes and transition to a more targeted subsidy regime - and expects the fiscal deficit to further improve from 4.3% in 2024 to 3.8% in 2025, with the federal debt-to-GDP ratio hovering at 64%.

Bank Negara Malaysia ("BNM") projects Malaysia's GDP growth to range between 4.5% to 5.5% for 2025 versus a revised 4.8% to 5.3% for 2024, driven by sustained domestic demand and recovery in exports. Ministry of Financial ("MOF") also projects inflation to range between 2.0% to 3.5% for 2025, and unemployment rate to improve further to 3.1%. There might be some inflationary pressure arising from the execution of subsidy rationalization, particularly on RON95 by mid-2025, which could have an impact on bond yields. In addition, a change in spending patterns due to the hike in civil servants' minimum salary in February 2025 might give a boost to economic growth via a rise in domestic demand.

Overall, we remain positive for the domestic bond market as we believe BNM will keep its OPR steady at 3.00% for most of 2025 with potential upside risk coming from inflationary pressures and robust growth domestically. Downside risk will stem from the downward cycle of the of the global economy and monetary cycle by major central banks. This backdrop allows for continued support to the domestic bond market.

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

INVESTMENT STRATEGY

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

SOFT COMMISSIONS AND REBATES

Principal Asset Management Berhad (the “Manager”) and the Trustee will not retain any form of rebate or otherwise share in any commission with, any broker or dealer in consideration for directing dealings in the investments of the Principal Malaysia Funds (“Funds”). Accordingly, any rebates 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 bring 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 Funds; and
- (c) the availability of soft commissions is not the sole or primary purpose to perform or arrange transactions with such broker or dealer, and the Manager will not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commissions.

During the financial period under review, the Manager and the Trustee did not receive any rebates from the brokers or dealers, but the Manager has retained soft commission in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Funds. The Manager confirms that the goods and services received were for the benefit of the Fund, the trades were made on a best execution basis and there was no churning of trades.

SECURITIES FINANCING TRANSACTIONS

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

STATE OF AFFAIR OF THE FUND

There were no significant changes in the state of affairs of the Fund during the period 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 period under review.

CROSS TRADE

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

UNIT SPLIT

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

**STATEMENT BY MANAGER TO THE UNIT HOLDERS OF
PRINCIPAL INSTITUTIONAL BOND 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 unaudited financial statements set out on pages 3 to 27 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 2024 and of its financial performance, changes in net assets attributable to unit holders and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 - Interim Financial Reporting and International Accounting Standards (“IAS”) 34 - Interim Financial Reporting.

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
15 November 2024

**TRUSTEE'S REPORT TO THE UNIT HOLDERS OF
PRINCIPAL INSTITUTIONAL BOND FUND 2 ("Fund")**

We have acted as Trustee of the Fund for the financial period ended 30 September 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 period 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, Malaysia
15 November 2024

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2024**

	Note	01.04.2024 to 30.09.2024 RM	01.04.2023 to 30.09.2023 RM
INCOME/(LOSS)			
Interest income from unquoted fixed income securities at fair value through profit or loss		25,559,139	26,596,665
Interest income from deposits with licensed financial institutions at amortised cost and current account		8,993,414	6,235,347
Net gain/(loss) on financial assets at fair value through profit or loss	8	<u>1,905,514</u>	<u>(1,930,496)</u>
		<u>36,458,067</u>	<u>30,901,516</u>
EXPENSES			
Management fee	4	702,368	699,063
Trustee fee	5	87,155	88,614
Other expenses		<u>1,133</u>	<u>2,552</u>
		<u>790,656</u>	<u>790,229</u>
PROFIT BEFORE TAXATION		35,667,411	30,111,287
Taxation	7	<u>-</u>	<u>-</u>
PROFIT AFTER TAXATION REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u>35,667,411</u>	<u>30,111,287</u>
Profit after taxation is made up as follows:			
Realised amount		35,251,763	22,137,646
Unrealised amount		<u>415,648</u>	<u>7,973,641</u>
		<u>35,667,411</u>	<u>30,111,287</u>

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

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2024

		30.09.2024	31.03.2024
	Note	RM	Audited RM
ASSETS			
Cash and cash equivalents	9	6,237,307	6,220,350
Deposits with licensed financial institutions at amortised cost		735,114,234	-
Financial assets at fair value through profit or loss	8	1,417,917,616	1,810,157,684
TOTAL ASSETS		<u>2,159,269,157</u>	<u>1,816,378,034</u>
LIABILITIES			
Amount due to Dealer		96,947,397	-
Accrued management fee		119,827	108,978
Amount due to Trustee		15,189	13,814
Distribution payables		1,890,204	648,858
TOTAL LIABILITIES		<u>98,972,617</u>	<u>771,650</u>
NET ASSET VALUE OF THE FUND		<u>2,060,296,540</u>	<u>1,815,606,384</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	10	<u>2,060,296,540</u>	<u>1,815,606,384</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	11	<u>1,939,368,994</u>	<u>1,724,923,866</u>
NET ASSET VALUE PER UNIT (RM) (EX-DISTRIBUTION)		<u>1.0623</u>	<u>1.0526</u>

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

**UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2024**

	01.04.2024 to 30.09.2024 RM	01.04.2023 to 30.09.2023 RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>1,815,606,384</u>	<u>1,998,365,943</u>
Movement due to units created and cancelled during the financial period:		
- Creation of units from applications	328,800,000	178,302,799
- Creation of units from distribution	13,934,263	32,863,881
- Cancellation of units	<u>(116,545,465)</u>	<u>(285,345,754)</u>
	<u>226,188,798</u>	<u>(74,179,074)</u>
Total comprehensive income for the financial period	35,667,411	30,111,287
Distributions	<u>(17,166,053)</u>	<u>(36,503,206)</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL PERIOD	<u><u>2,060,296,540</u></u>	<u><u>1,917,794,950</u></u>

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

**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2024**

	01.04.2024 to 30.09.2024	01.04.2023 to 30.09.2023
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from disposal of unquoted fixed income securities	118,190,582	-
Proceeds from redemption of unquoted fixed income Securities	388,970,000	580,000,000
Purchase of unquoted fixed income securities	(496,168,528)	(824,363,482)
Interest income received from unquoted fixed income securities	22,287,831	30,432,566
Interest income received from deposits with licensed financial institutions	8,993,414	6,235,347
Proceeds from maturity of deposits with licensed financial institutions	43,150,928,000	15,607,222,288
Placement of deposits with licensed financial institutions	(43,402,670,000)	(15,282,994,000)
Management fee paid	(691,519)	(709,242)
Trustee fee paid	(85,780)	(75,132)
Payment of other fees and expenses	(1,133)	(2,552)
Net cash (used in)/generated from operating activities	<u>(210,247,133)</u>	<u>115,745,793</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	328,800,000	178,302,799
Payments for cancellation of units	(116,545,466)	(285,345,754)
Distributions paid	(1,990,444)	(6,680,435)
Net cash generated from/(used in) financing activities	<u>210,264,090</u>	<u>(113,723,390)</u>
Net increase in cash and cash equivalents	16,957	2,022,403
Cash and cash equivalents at the beginning of financial period	<u>6,220,350</u>	<u>34,401</u>
Cash and cash equivalents at the end of financial period	<u>6,237,307</u>	<u>2,056,804</u>
<u>Cash and cash equivalents comprised:</u>		
Bank balance	<u>6,237,307</u>	<u>2,056,804</u>
Cash and cash equivalents at the end of the financial period	<u>6,237,307</u>	<u>2,056,804</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2024****1. THE FUND, THE MANAGER AND ITS PRINCIPAL ACTIVITIES**

Principal Institutional Bond Fund 2 (the “Fund”) was constituted pursuant to the execution of a Deed dated 16 January 2006, a First Supplemental Deed dated 3 December 2007, a Second Supplemental Deed dated 17 September 2013, a Third Supplemental Deed dated 20 January 2015, a Fourth Supplemental Deed dated 25 November 2019, a Fifth supplemental deed dated 25 November 2022 (collectively referred to as the “Deeds”) between Principal Asset Management Berhad (the “Manager”), Maybank Trustees Berhad (the “Previous Trustee”) and a Sixth supplemental deed dated 22 May 2023, (collectively referred to as the “Deeds”) between the Manager, HSBC Trustees Berhad (the “Trustee”) and the registered unit holders of the Fund.

The Fund will invest in deposits and debt securities primarily in bonds. Debt securities includes but not limited to bonds, fixed rate and floating rate debt instruments and/or commercial papers issued by the government, statutory authorities and/or companies. The debt securities that are issued in Malaysia are required to have a short-term credit rating of “P2” or a long-term credit rating of “A” issued by RAM or MARC equivalent, or if issued outside of Malaysia, requires a short-term credit rating of “A-2” or a long-term credit rating of “BBB” issued by S&P or equivalent rating by other international rating agencies.

At least 70% of the Fund’s NAV will be invested in Malaysia and up to 30% of the Fund’s NAV may be invested in the Asia Pacific region (excluding Malaysia) in the Eligible Market, which includes but not limited to Australia, New Zealand, South Korea, Hong Kong SAR, Indonesia, the Philippines, Thailand, Singapore, Taiwan and India.

At least 60% of the Fund’s NAV will be invested in debt securities primarily in bonds and
Up to 40% of the Fund’s NAV will be invested in liquid assets such as deposits and/or money market instruments.

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION

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

(a) Basis of preparation

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**(a) Basis of preparation (continued)**

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

The preparation of financial statements in conformity with MFRS 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 period.

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

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

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 April 2024 that have a material effect on the financial statements of the Fund.

None of the standards, amendments to standards or interpretations that are effective for the financial period beginning on/after 1 October 2024 are applicable to 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 principal and interest. However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents 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 POLICY INFORMATION (CONTINUED)**(b) Financial assets and financial liabilities (continued)**Recognition and measurement

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

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

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

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

Unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income within net gain or loss on financial assets at fair value through profit or loss in the financial period which they arise.

Unquoted fixed income securities denominated in Malaysian Ringgit ("MYR/RM") are revalued on a daily basis based on fair value prices quoted by a Bond Pricing Agency ("BPA") registered with the SC as per the GUTF. Refer to Note 2(k) for further explanation.

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest method over the period from the date of placement to the date of maturity of the respective deposits.

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**(b) Financial assets and financial liabilities (continued)**Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial period.

(c) Income recognition

Interest income from deposits with licensed financial institutions and unquoted fixed income securities are recognised on a time proportionate basis using the effective interest 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).

Realised gain or loss on disposal of unquoted fixed income securities is accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on cost adjusted for accretion of discount or amortisation of premium.

(d) Cash and cash equivalents

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

(e) Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in MYR/RM, which is the Fund's functional and presentation currency.

(f) Distribution

A distribution to the Fund's unit holders is accounted for as a deduction from realised reserve. A proposed distribution is recognised as a liability in the financial period in which it is approved by the Trustee.

(g) Taxation

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**(h) Realised and unrealised portions of profit or loss after tax**

The analysis of realised and unrealised profit or loss after tax as presented on the statement of comprehensive income is prepared in accordance with GUTF.

(i) Amount due from/to dealers

Amounts due from/to dealers represent receivables for quoted securities sold and payables for quoted securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

(j) Unit holders' contributions

The unit holders' contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's NAV
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial period if unit holder exercises the right to put the unit back to the Fund.

Units are created and cancelled at prices based on the Fund's NAV per unit at the time of creation or cancellation. The Fund's NAV per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units.

(k) Critical accounting estimates and judgements in applying accounting policies

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

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

Estimate of fair value of unquoted fixed income securities

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(k) Critical accounting estimates and judgements in applying accounting policies (continued)

Estimate of fair value of unquoted fixed income securities (continued)

MYR/RM denominated unquoted fixed income securities are valued using fair value prices quoted by a BPA. Where the Manager is of the view that the price quoted by BPA for a specific unquoted fixed income securities differs from the market price by more than 20 bps, the Manager may use market price, provided that the Manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund aims to provide income to investors.

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and interest rate risk), credit risk and liquidity risk.

Financial risk management is carried out through internal control process adopted by the Manager and adherence to the investment restrictions as stipulated in the Deeds and GUTF.

(a) Market risk

(i) Price risk

This is the risk that the fair value of an investment in unquoted fixed income securities will fluctuate because of changes in market prices (other than those arising from interest rate risk). The value of investment in unquoted fixed income securities may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's NAV and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

The price risk is managed through diversification and selection of unquoted fixed income securities within specified limits according to the Deeds.

The Fund is exposed to price risk arising from interest rate fluctuation in relation to its investments in unquoted fixed income securities. The Fund's exposure to price risk arising from interest rate fluctuation and the related sensitivity analysis are disclosed in "interest rate risk" below.

(ii) Interest rate risk

In general, when interest rates rise, unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund holds an unquoted fixed income securities till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(a) Market risk (continued)****(ii) Interest rate risk (continued)**

Investors should note that the movement in prices of unquoted fixed income securities and money market instruments are benchmarked against interest rates. As such, the investments are exposed to the movement of the interest rates.

This risk is crucial since unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of unquoted fixed income securities move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted fixed income securities decrease and vice versa. Furthermore, unquoted fixed income securities with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to meet the obligation under the instrument, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

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

(b) Credit risk

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

Investment in unquoted fixed income securities may involve a certain degree of credit/default risk with regards to the issuers. Generally, credit risk or default risk is the risk of loss due to the issuer's non-payment or untimely payment of the investment amount as well as the returns on investment. This will cause a decline in value of the defaulted unquoted fixed income securities and subsequently depress the NAV of the Fund. Usually credit risk is more apparent for an investment with a longer tenure, i.e. the longer the duration, the higher the credit risk. Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer.

In addition, the Manager imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the investment in accordance with the objective of the Fund. For this Fund, the unquoted fixed income securities are required to have a short-term credit rating of "P2" or a long-term credit rating of "A" issued by RAM or MARC equivalent, or if issued outside of Malaysia, requires a short-term credit rating of "A2" or a long-term credit rating of "BBB" issued by S&P or equivalent rating by other international rating agencies.

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

3. 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 and other instruments which are capable of being converted into cash within 7 business days. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

(d) Capital risk management

The capital of the Fund is represented by equity consisting of unit holders' capital and retained earnings. 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).

The fair values of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial period end date. The Fund utilises the last traded market price for financial assets where the last traded market 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.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value estimation (continued)

(i) Fair value hierarchy

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1)

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)

Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

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

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

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

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
30.09.2024				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	1,417,917,616	-	1,417,917,616
- Deposits with licensed financial institutions	-	735,114,234	-	735,114,234
	<u>-</u>	<u>2,153,031,850</u>	<u>-</u>	<u>2,153,031,850</u>

3. 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
31.03.2024				
Audited				
Financial assets at fair value through profit or loss:				
- Unquoted fixed income securities	-	1,326,785,450	-	1,326,785,450
- Deposits with licensed financial institutions	-	483,372,234	-	483,372,234
	<u>-</u>	<u>1,810,157,684</u>	<u>-</u>	<u>1,810,157,684</u>

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted fixed income securities and deposits with licensed financial institutions.

As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

- (i) The carrying values of cash and cash equivalents, and all current liabilities are a reasonable approximation of their fair values due to their short-term nature.

4. MANAGEMENT FEE, AUDIT FEE AND TAX AGENT'S FEE

In accordance with the Deeds, the Manager is entitled to a maximum management fee of 1.00% per annum, calculated daily based on the NAV of the Fund.

For the six months financial period ended 30 September 2024, the management fee is recognised at a rate of 0.08% per annum (30.09.2023: 0.08% per annum) in accordance with the fee structure of the Fund as follows:

Fund size (NAV of the Fund)	% per annum of the Fund's NAV
Up to and including RM500 million	0.20% per annum
Above RM500 million and up to and including RM1.0 billion	0.15% per annum
Above RM1.0 billion and up to and including RM1.5 billion	0.10% per annum
Above RM1.5 billion	0.08% per annum subject to maximum of RM1.5 million per annum

Audit fee and tax agent's fee are borne by the Manager.

There was no further liability to the Manager in respect of management fee, audit fee and tax agent's fee other than the amount recognised above.

5. TRUSTEE FEE

In accordance with the Deeds, the Trustee is entitled to a maximum fee of 0.009% per annum, calculated daily based on the NAV of the Fund.

For the six months financial period ended 30 September 2024, the Trustee fee is recognised at a rate of 0.009% per annum (30.09.2023: 0.009% per annum) in accordance with the fee structure of the Fund as follows, which have been included in the management fee:

Fund size (NAV of the Fund)	% per annum of the Fund's NAV
Up to and including RM500 million	0.022% per annum
Above RM500 million and up to and including RM1.0 billion	0.016% per annum
Above RM1.0 billion and up to and including RM1.5 billion	0.011% per annum
Above RM1.5 billion	0.009% per annum

The above fees structure is subject to a fee cap of RM165,000 per annum.

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

6. DISTRIBUTIONS

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

Breakdown of distribution were as follows:

Source of distribution	30.09.2024		30.09.2023	
	RM	%	RM	%
Distribution out of current period's income	17,085,691	99.53	18,979,567	51.99
Distribution out of prior period's income/capital*	80,362	0.47	17,523,639	48.01
Total	17,166,053	100.00	36,503,206	100.00

Gross/Net distribution per unit (sen)	RM	RM
Distribution on 28 June 2024	0.47	-
Distribution on 30 September 2024	0.46	-
Distribution on 30 June 2023	-	1.74
Distribution on 29 September 2023	-	0.27

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

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

6. DISTRIBUTIONS (CONTINUED)

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

During the six months financial period 30 September 2024, the Fund incurred no unrealised loss (30.09.2023: Nil).

7. TAXATION

	01.04.2024 to 30.09.2024 RM	01.04.2023 to 30.09.2023 RM
Tax charged for the financial period:		
- Current taxation	-	-

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

	01.04.2024 to 30.09.2024 RM	01.04.2023 to 30.09.2023 RM
Profit before taxation	35,667,411	30,111,287
Taxation at Malaysian statutory rate of 24% (2023: 24%)	8,560,179	7,226,709
Tax effects of:		
- Investment income not subject to tax	(8,749,936)	(7,416,364)
- Expenses not deductible for tax purposes	20,941	21,880
- Restriction on tax deductible expenses for Unit Trust Funds	168,816	167,775
-Taxation	-	-

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.09.2024 RM	31.03.2024 Audited RM
At fair value through profit or loss:		
- Unquoted fixed income securities	1,417,917,616	1,326,785,450
- Deposits with licensed financial institutions*	735,114,234	483,372,234
	<u>2,153,031,850</u>	<u>1,810,157,684</u>

*Includes interest receivable of RM1,567,234 (30.09.2023: RM52,125).

Deposits with licensed financial institutions

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

	30.09.2024 %	31.03.2024 Audited %
Deposits with licensed financial institutions	<u>3.45</u>	<u>3.15</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Deposits with licensed financial institutions of the Fund have an average maturity of 11 days (30.09.2023: 2 days).

	01.04.2024 to 30.09.2024 RM	01.04.2023 to 30.09.2023 RM
<u>Unquoted fixed income securities</u>		
Net gain/(loss) on financial assets at fair value through profit or loss:		
- Realised gain on disposals	1,382,873	-
- Unrealised fair value gain/(loss)	522,641	(1,930,496)
	1,905,514	(1,930,496)

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
30.09.2024				
UNQUOTED FIXED INCOME SECURITIES				
BGSM Management Sdn Bhd 4.47% 13/08/2027 (AA3)	45,000,000	45,259,015	46,070,815	2.24
BGSM Management Sdn Bhd 4.56% 15/08/2028 (AA3)	30,000,000	30,429,900	30,964,553	1.50
BGSM Management Sdn Bhd 4.92% 29/08/2025 (AA3)	10,000,000	10,128,438	10,148,682	0.49
BGSM Management Sdn Bhd 5.350% 09/03/2026 (AA3)	5,000,000	5,100,877	5,126,423	0.25
BGSM Management Sdn Bhd IMTN 4.08% 20/06/2031 (AA3)	50,000,000	50,575,671	51,044,671	2.48
BGSM Management Sdn Bhd IMTN 4.10% 20/06/2034 (AA3)	50,000,000	50,578,493	50,934,993	2.47
Cagamas Bhd 4.27% 22/12/2025 (AAA)	10,000,000	10,119,326	10,209,226	0.50
Celcom Networks Sdn Bhd 5.27% 28.10.2026 (AAA)	5,000,000	5,213,059	5,272,147	0.26
CIMB Islamic Bank IMTN 3.85% 30/07/2029 (AAA)	20,000,000	20,132,904	20,122,504	0.98
DanaInfra Nasional Bhd 4.32% 26/11/2025 (NR) #	80,000,000	81,980,877	82,092,899	3.98
DanaInfra Nasional Bhd 4.330% 04/04/2025 (NR) #	10,000,000	10,253,151	10,260,889	0.50
DanaInfra Nasional Bhd 4.37% 21/02/2025 (NR) #	40,000,000	40,316,040	40,360,751	1.96
DanaInfra Nasional Bhd IMTN 4.56% 19/03/2027 (GB) #	35,000,000	35,920,718	35,996,781	1.75
Gamuda Bhd IMTN 3.90% 27/03/2029 (GB) #	15,000,000	15,006,411	15,025,311	0.73
Genting RMTN Bhd 5.19% 25/3/2027 (GB) #	10,000,000	10,005,566	10,213,432	0.50

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
30.09.2024 (continued)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
GII Murabahah 4.070% 30/09/2026 (GB) #	170,000,000	171,768,359	172,509,508	8.37
GII Murabahah 4.128% 15/08/2025 (GB) #	100,000,000	101,342,479	101,327,217	4.92
Govt Investment Issues 3.990% 15/10/2025 (GB) #	30,000,000	30,738,684	30,786,113	1.49
Lembaga Pembiayaan Perumahan S 3.69% 25/08/2025 (NR) #	65,000,000	65,310,608	65,462,764	3.18
Lembaga Pembiayaan Perumahan S 4.20% 31/10/2025 (NR) #	55,000,000	56,404,310	56,481,730	2.74
Malayan Banking Bhd 3.41% 05/08/2031 (AA1)	30,000,000	29,789,434	29,924,256	1.45
Malaysia Government Securities 3.502% 31/05/2027 (NR) #	10,000,000	9,945,857	10,161,690	0.49
Malaysia Government Securities 3.882% 14/03/2025 (NR) #	30,000,000	30,115,529	30,144,799	1.46
Malaysia Government Securities 4.504% 30/04/2029 (GB) #	29,670,000	30,217,931	31,483,764	1.53
Malaysian Government 3.892% 15/03/2027 (GB) #	20,000,000	20,104,626	20,299,856	0.99
Malaysian Government 3.955% 15/09/2025 (GB) #	10,000,000	10,070,729	10,086,296	0.49
Malaysian Islamic Treasury Bil 273D 31/01/2025 (GB) #	10,000,000	9,889,776	9,896,700	0.48
Malaysian Islamic Treasury Bil 364D 23/04/2025 (GB) #	81,670,000	80,178,700	80,257,926	3.90
Malaysian Islamic Treasury Bil 364D 24/03/2025 (GB) #	71,180,000	70,065,498	70,130,807	3.40
Malaysian Islamic Treasury Bil 364D 26/05/2025 (GB) #	30,000,000	29,393,719	29,394,900	1.43
Malaysian Islamic Treasury Bil 364D 26/09/2025 (GB) #	100,000,000	96,947,397	96,947,000	4.71
Malaysian Islamic Treasury Bil 364D 29/07/2025 (GB) #	50,000,000	48,720,970	48,735,000	2.37
Malaysian Treasury Bills 365D 16/05/2025 (GB) #	40,000,000	39,187,536	39,232,400	1.90
Prasarana Malaysia Bhd 4.34% 12/09/2025 (GB) #	10,000,000	10,085,137	10,112,747	0.49
RHB Bank Bhd 3.65% 28/04/2031 (GB)	10,000,000	10,081,552	10,134,100	0.49

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
30.09.2024 (continued)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
RHB Bank Bhd 4.40% 28/09/2032 (AA2)	20,000,000	20,002,411	20,278,211	0.97
Sarawak Energy Bhd 4.05% 04/07/2028 (AAA)	10,000,000	10,098,753	10,224,554	0.50
Syarikat Prasarana Negara Bhd 4.380% 24/03/2025 (NR) #	10,000,000	10,046,998	10,061,201	0.48
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>1,407,520,000</u>	<u>1,411,527,439</u>	<u>1,417,917,616</u>	<u>68.82</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>6,390,177</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>1,417,917,616</u>		
31.03.2024				
Audited				
UNQUOTED FIXED INCOME SECURITIES				
BGSM Management Sdn Bhd 3.03% 27/08/2024 (AA3)	10,000,000	10,008,656	10,001,325	0.55
BGSM Management Sdn Bhd 4.47% 13/08/2027 (AA3)	145,000,000	145,816,847	147,906,297	8.15
BGSM Management Sdn Bhd 4.56% 15/08/2028 (AA3)	20,000,000	20,114,937	20,490,337	1.13
BGSM Management Sdn Bhd 4.92% 29/08/2025 (AA3)	10,000,000	10,172,308	10,189,734	0.55
BGSM Management Sdn Bhd 5.35% 09/03/2026 (AA3)	5,000,000	5,128,648	5,150,490	0.28
Cagamas Bhd 2.78% 30/09/2024 (AAA)	20,000,000	20,004,570	19,920,170	1.10
Cagamas Bhd 4.27% 22/12/2025 (AAA)	10,000,000	10,119,326	10,211,026	0.56
Celcom Networks Sdn Bhd 5.27% 18/10/2026 (AAA)	5,000,000	5,235,538	5,309,725	0.29
CIMB Group Holdings Bhd 4.88% 13/09/2029 (AA)	25,000,000	25,140,694	25,186,507	1.38

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
31.03.2024				
Audited (continued)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
DanaInfra Nasional Bhd 4.32% 26/11/2025 (GG)	80,000,000	82,301,647	82,333,030	4.53
DanaInfra Nasional Bhd 4.33% 04/04/2025 (GG)	10,000,000	10,298,673	10,305,862	0.57
DanaInfra Nasional Bhd 4.37% 21/02/2025 (GG)	40,000,000	40,483,321	40,543,162	2.23
DanaInfra Nasional Bhd 4.56% 19/03/2027 (GG)	35,000,000	36,104,883	36,076,749	1.99
Gamuda Bhd 3.90% 27/03/2029 (AA3)	15,000,000	15,008,014	15,041,014	0.83
Genting RMTN Bhd 5.19% 25/03/2027 (AA1)	10,000,000	10,006,405	10,201,453	0.56
GII Murabahah 4.05% 15/08/2024 (GB)	70,000,000	70,554,179	70,542,627	3.89
GII Murabahah 4.07% 30/09/2026 (GB)	170,000,000	172,219,938	172,606,100	9.51
Govt Investment Issues 3.99% 15/10/2025 (GB)	30,000,000	30,825,913	30,847,361	1.70
Lembaga Pembiayaan Perumahan Sektor Awam 3.69% 25/08/2025 (GG)	65,000,000	65,345,282	65,503,643	3.61
Lembaga Pembiayaan Perumahan Sektor Awam 4.20% 31/10/2025 (GG)	55,000,000	56,592,328	56,645,351	3.12
Malayan Banking Bhd 3.41% 05/08/2031 (AA1)	30,000,000	29,690,964	29,911,553	1.65
Malaysia Government Securities 3.48% 14/06/2024 (GB)	90,000,000	90,956,854	90,950,218	5.01
Malaysia Government Securities 3.50% 31/05/2027 (GB)	10,000,000	9,915,738	10,119,190	0.56
Malaysia Government Securities 4.06% 30/09/2024 (GB)	100,000,000	100,349,857	100,388,362	5.53
Malaysia Government Securities 4.50% 30/04/2029 (GB)	29,670,000	30,216,044	31,388,535	1.73
Malaysian Government 3.89% 15/03/2027 (GB)	20,000,000	20,125,502	20,251,454	1.12
Malaysian Government 3.96% 15/09/2025 (GB)	10,000,000	10,101,291	10,100,074	0.56
Malaysian Islamic Treasury Bil. 364D 02/09/2024 (GB)	28,970,000	28,569,705	28,578,615	1.57

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Name of issuer	Nominal value RM	Aggregate cost RM	Market value RM	Percentage of NAV %
31.03.2024				
Audited (continued)				
UNQUOTED FIXED INCOME SECURITIES (CONTINUED)				
Malaysian Islamic Treasury Bil. 364D 15/08/2024 (GB)	60,000,000	59,259,611	59,284,200	3.27
Malaysian Islamic Treasury Bil. 364D 24/03/2025 (GB)	41,180,000	39,874,997	39,875,006	2.20
Prasarana Malaysia Bhd 4.34% 12/09/2025 (GG)	10,000,000	10,125,153	10,153,803	0.55
RHB Bank Bhd 3.65% 28/04/2031 (AA2)	10,000,000	10,058,263	10,117,700	0.56
RHB Bank Bhd 4.40% 28/09/2032 (AA2)	20,000,000	20,007,233	20,333,633	1.12
Sarawak Energy Bhd 4.05% 04/07/2028 (AAA)	10,000,000	10,097,644	10,215,044	0.56
Syarikat Prasarana Negara Bhd 4.38% 24/03/2025 (GG) #	10,000,000	10,086,951	10,106,100	0.56
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>1,309,820,000</u>	<u>1,320,917,914</u>	<u>1,326,785,450</u>	<u>73.08</u>
ACCUMULATED UNREALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>5,867,536</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>1,326,785,450</u>		

The unquoted fixed income securities which are not rated as at the end of each period/year are issued, backed or guaranteed by Governments or Government agencies.

9. CASH AND CASH EQUIVALENTS

	30.09.2024 RM	31.03.2024 Audited RM
Bank balance	<u>6,237,307</u>	<u>6,220,350</u>

10. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

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

	30.09.2024	31.03.2024
	RM	Audited RM
Unit holders' contributions	2,002,759,052	1,776,570,255
Retained earnings	57,537,488	39,036,129
	<u>2,060,296,540</u>	<u>1,815,606,384</u>

The movement in the components of net assets attributable to unit holders for the financial period were as follows:

	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 April 2024	1,776,570,254	39,036,130	1,815,606,384
Movement in unit holders' contributions:			
- Creation of units from applications	328,800,000		328,800,000
- Creation of units from distributions	13,934,263		13,934,263
- Cancellation of units	(116,545,465)		(116,545,465)
Total comprehensive income for the financial period	-	35,667,411	35,667,411
Distributions	-	(17,166,053)	(17,166,053)
Balance as at 30 September 2024	<u>2,002,759,052</u>	<u>57,537,488</u>	<u>2,060,296,540</u>
Balance as at 1 April 2023	1,968,798,659	29,567,284	1,998,365,943
Movement in unit holders' contributions:			
- Creation of units from applications	178,302,799		178,302,799
- Creation of units from distributions	32,863,881		32,863,881
- Cancellation of units	(285,345,754)		(285,345,754)
Total comprehensive income for the financial period	-	30,111,287	30,111,287
Distributions	-	(36,503,206)	(36,503,206)
Balance as at 30 September 2023	<u>1,894,619,585</u>	<u>23,175,365</u>	<u>1,917,794,950</u>

11. NUMBER OF UNITS IN CIRCULATION (UNITS)

	01.04.2024 to 30.09.2024	01.04.2023 to 31.03.2024
	No. of units	Audited No. of units
At the beginning of the financial period/year	1,724,923,866	1,909,116,371
Add: Creation of units from applications	311,330,935	717,091,659
Add: Creation of units from distribution	13,154,628	46,268,936
Less: Cancellation of units	(110,040,435)	(947,553,100)
At the end of the financial period/year	<u>1,939,368,994</u>	<u>1,724,923,866</u>

12. TOTAL EXPENSE RATIO (“TER”)

	01.04.2024 to 30.09.2024	01.04.2023 to 30.09.2023
	%	%
TER	<u>0.04</u>	<u>0.04</u>

TER is derived from the following calculation:

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

A	=	Management fee
B	=	Trustee fee
C	=	Other expenses
D	=	Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial period calculated on a daily basis is RM1,979,452,879 (30.09.2023: RM1,963,042,992).

13. PORTFOLIO TURNOVER RATIO (“PTR”)

	01.04.2024 to 30.09.2024	01.04.2023 to 30.09.2023
PTR (times)	<u>0.18</u>	<u>0.21</u>

PTR is derived from the following calculation:

$$\frac{(\text{Total acquisition for the financial period} + \text{total disposal for the financial period})}{\text{Average NAV of the Fund for the financial period calculated on a daily basis}} \times 2$$

where:

total acquisition for the financial period	=	RM592,874,795 (30.09.2023: RM821,185,503)
total disposal for the financial period	=	RM116,395,250 (30.09.2023: Nil)

14. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO 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

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

<u>Related parties</u>	<u>Relationship</u>
CIMB Group Holdings Bhd	Ultimate holding company of shareholder of the Manager
CIMB Group Sdn Bhd	Shareholder of the Manager
CIMB Bank Bhd	Fellow related party to the Manager
CIMB Islamic Bank Bhd	Fellow related party to the Manager
Subsidiaries and associates of Principal Financial Group Inc., other than above, as disclosed in its financial statements	Fellow subsidiary and associated companies of the ultimate holding company of shareholder of the Manager

Units held by the Manager and parties related to the Manager

	30.09.2024		31.03.2024 Audited	
	No. of units	RM	No. of units	RM
Manager				
Principal Asset Management Berhad	7	7	7	7

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

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

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

	30.09.2024	31.03.2024 Audited
	RM	RM
Deposits with licensed financial institutions:		
- CIMB Bank Bhd	93,555,458	71,018,382
- CIMB Islamic Bank Bhd	75,006,164	71,017,507
	<u>168,561,622</u>	<u>142,035,889</u>
	01.04.2024 to 30.09.2024	01.04.2023 to 30.09.2023
	RM	RM

Significant related party transactions

Interest income from deposits with licensed financial institutions:		
- CIMB Bank Bhd	1,239,129	655,288
- CIMB Islamic Bank Bhd	783,535	652,165
	<u>2,022,664</u>	<u>1,307,453</u>

15. TRANSACTIONS WITH DEALERS

Details of transactions with the top 10 dealers for the six months financial period ended 30 September 2024 were as follows:

Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
CIMB Bank Bhd #	212,358,330	29.94	-	-
Citi Bank Berhad	150,419,000	21.21	-	-
AmIslamic Bank Berhad	126,257,767	17.80	-	-
AmBank (M) Bhd	117,835,452	16.61	-	-
HSBC Bank Malaysia Bhd	38,711,540	5.46	-	-
Malayan Banking Bhd	29,323,706	4.13	-	-
United Overseas Bank Bhd	19,350,000	2.73	-	-
RHB Investment Bank Bhd	15,014,250	2.12	-	-
	<u>709,270,045</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Details of transactions with the top 10 dealers for the six months financial period ended 30 September 2023 were as follows:

Dealers	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
CIMB Bank Bhd #	208,469,870	25.39	-	-
AmBank (M) Bhd	155,831,068	18.98	-	-
HSBC Bank Malaysia Bhd	98,334,367	11.97	-	-
AmIslamic Bank Bhd	86,914,948	10.58	-	-
Malayan Banking Bhd	60,649,000	7.39	-	-
United Overseas Bank Bhd	55,151,250	6.72	-	-
CIMB Islamic Bank Bhd #	50,670,000	6.17	-	-
Bank of America Malaysia Bhd	50,077,500	6.10	-	-
JP Morgan Chase Bank Bhd	30,394,500	3.70	-	-
RHB Investment Bank Bhd	14,906,000	1.82	-	-
Others	9,787,000	1.19	-	-
	<u>821,185,503</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

Included in the transactions are trades conducted with CIMB Islamic Bank Bhd and CIMB Bank Bhd, fellow related parties to the Manager amounting to NIL (2023: RM50,670,000) and RM212,358,330 (30.09.2023: RM208,469,870). The Manager is of the opinion that all transactions with the related company have been entered into in the normal course of business at agreed terms between the related parties.

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