

# Quarterly Report

# May 2018

For the Period Ended 31 May 2018

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Areca Situational Income 2.0 Fund

Management Company



(740840-D)



# QUARTERLY REPORT MAY 2018

## ✦ ARECA SITUATIONAL INCOME 2.0 FUND

### Contents

CORPORATE DIRECTORY	2
MANAGER'S REPORT	
Areca Situational Income 2.0 Fund: Fund Information, Performance & Review	3
Market Review & Outlook	7
TRUSTEE'S REPORT	8
STATEMENT BY THE MANAGER	8
UNAUDITED FINANCIAL STATEMENTS FOR Areca Situational Income 2.0 Fund	9

## CORPORATE DIRECTORY

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### MANAGER

Areca Capital Sdn Bhd (740840-D)  
107, Blok B, Pusat Dagangan Phileo Damansara 1  
No. 9, Jalan 16/11, Off Jalan Damansara  
46350 Petaling Jaya, Selangor  
Tel: 603-7956 3111, Fax: 603-7955 4111  
website: [www.arecacapital.com](http://www.arecacapital.com)  
e-mail: [invest@arecacapital.com](mailto:invest@arecacapital.com)

### BOARD OF DIRECTORS

Wong Teck Meng (Executive)  
Edward Iskandar Toh Bin Abdullah (Executive)  
Raja Datuk Zaharaton Bt Raja Dato' Zainal Abidin  
(Independent)  
Dr. Junid Saham (Independent)

### INVESTMENT COMMITTEE MEMBERS

Dato' Seri Lee Kah Choon (Independent)  
Raja Datuk Zaharaton Bt Raja Dato' Zainal Abidin  
(Independent)  
Dr. Junid Saham (Independent)

### TRUSTEE

RHB Trustees Berhad (573019-U)  
Level 11, Tower One, RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Tel: 03-9280 8799, Fax: 03-9280 8796

### AUDITOR

Deloitte PLT (LLP 0010145-LCA)  
Level 16, Menara LGB  
1 Jalan Wan Kadir, Taman Tun Dr. Ismail  
60000 Kuala Lumpur  
Tel: 03-7610 8888, Fax: 03-7726 8986

### TAX ADVISER

Deloitte Tax Services Sdn Bhd (36421-T)  
Level 16, Menara LGB  
1 Jalan Wan Kadir, Taman Tun Dr. Ismail  
60000 Kuala Lumpur  
Tel: 03-7610 8888, Fax: 03-7726 8986

## MANAGER'S OFFICE AND BRANCHES

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### HEAD OFFICE

107, Blok B, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara,  
46350 Petaling Jaya, Selangor.  
Tel: 603-7956 3111, Fax: 603-7955 4111  
website: [www.arecacapital.com](http://www.arecacapital.com)  
e-mail: [invest@arecacapital.com](mailto:invest@arecacapital.com)

### PENANG – PULAU TIKUS

368-2-02 Belissa Row  
Jalan Burma, Georgetown  
10350 Pulau Pinang  
Tel : 604-210 2011  
Fax: 604-210 2013

### PERAK - IPOH

11A, (First Floor)  
Persiaran Greentown 5  
Greentown Business Centre  
30450 Ipoh, Perak  
Tel : 605-249 6697  
Fax: 605-249 6696

### MALACCA

95A, Jalan Melaka Raya 24  
Taman Melaka Raya  
75000 Melaka  
Tel : 606-282 9111  
Fax: 606-283 9112

**QUARTERLY REPORT MAY 2018**  
ARECA SITUATIONAL INCOME 2.0 FUND

**FUND INFORMATION**

<b>Name of the Fund</b>	Areca Situational Income 2.0 Fund
<b>Fund Category/ Type</b>	Wholesale Fund with flexible asset allocation/Income and Growth
<b>Objective of the Fund</b>	The Fund aims to provide Medium to Long Term combination of income and capital growth. Any material changes to the Fund's objective would require Unit Holder's approval.
<b>Performance Benchmark</b>	Maybank's 12-month fixed deposit rate
<b>Distribution Policy of the Fund</b>	Subject to the availability of income, the Fund will distribute income at least once a year. Capital repayment in a form of cash may be made to the Unit Holders. The capital repayment is pursuant to the maturity of the investment, disposal by Manager or early redemption by issuer and without intention to reinvest the investment proceeds. The Capital Distribution is subject to performance fee at a rate of 30% on any excess of annualized aggregate total returns above the Watermark Return (9% p.a. on NAV to NAV basis) upon capital distribution. In the absence of any instructions, at the Manager discretion to reinvest the income into another unit trust fund as determined by the Manager at the NAV per Unit of the distribution day without any entry fee.

**Profile of unitholdings**

Size of Holding (Units)	<i>As at 31 May 2018</i>			
	No. of accounts	%	No. of unit held (million)	%
Up to 5,000	-	-	-	-
5,001 to 10,000	-	-	-	-
10,001 to 50,000	16	16.49	0.78	2.78
50,001 to 500,000	72	74.23	13.66	48.87
500,001 and above	9	9.28	13.52	48.35
<b>Total*</b>	<b>97</b>	<b>100.00</b>	<b>27.96</b>	<b>100.00</b>

\* excluding units held by the Manager

**Rebates & Soft Commissions**

The Manager will retain soft commissions received from stockbrokers, provided these are of demonstrable benefit to the Unit Holders. The soft commissions may take the form of goods and services such as data and quotation services, computer software incidental to the management of the Fund and investment related publications. Cash rebates, if any, will be directed to the account of the Fund. During the period under review, the Manager had not received any soft commissions.

**Inception Date**

28 August 2017

**Initial Offer Price**

RM1.0000 per unit during the initial offer period of 30 days from the inception date ended 18 September 2017

**Pricing Policy**

Single Pricing – Selling and repurchase of units by Manager are at Net Asset Value per unit

**Financial Year End**

31 August

**QUARTERLY REPORT MAY 2018**  
ARECA SITUATIONAL INCOME 2.0 FUND

**FUND PERFORMANCE**

	<b>1.3.2018 to 31.5.2018</b>	<b>1.12.2017 to 28.2.2018</b>
<b>Total Net Asset Value ("NAV") as at 31 May</b>		
Total Net Asset Value (RM million)	30.79	31.47
Units in circulation (million units)	30.00	30.00
NAV per unit (RM)	1.0263	1.0490

<b>HIGHEST &amp; LOWEST NAV per unit for the period ended 31 May</b> <i>Please refer to Note 1 for further information on NAV and pricing policy</i>		
Highest NAV per unit (RM)	1.0511	1.0490
Lowest NAV per unit (RM)	1.0063	1.0265

<b>ASSET ALLOCATION % of NAV as at 31 May</b>		
<b>Fixed Income Securities</b>		
Corporate bonds	97.43	95.33
<b>Cash &amp; cash equivalent including placements &amp; repo</b>		
	2.57	4.67

<b>DISTRIBUTION</b> <i>Please refer to Note 2 for further information</i>		
Distribution date	08 March 2018	-
Gross distribution (sen per unit)	4.50	-
-Net distribution (sen per unit)	4.50	-
NAV before distribution (RM per unit)	1.0513(7 Mar)	-
NAV after distribution (RM per unit)	1.0063(8 Mar)	-

<b>UNIT SPLITS</b>		
There was no unit split exercise for the financial period under review.		

<b>EXPENSE/ TURNOVER for the period ended 31 May</b>		
Management expense ratio (MER) (%)	0.53	0.52
<i>Please refer to Note 3 for further information</i>		
Portfolio turnover ratio (PTR) (times)	-	-
<i>Please refer to Note 4 for further information</i>		

<b>TOTAL RETURN for the period ended 31 May</b> <i>Please refer to Note 5 for further information</i>		
Total Return (%)	2.21	2.19
- Capital Return (%)	(2.16)	2.19
- Income Return (%)	4.37	-

Annual Total Return (%)	9.06	9.19
Benchmark: Average Maybank's 12-month fixed deposit rate (%)	3.39	3.22

**QUARTERLY REPORT MAY 2018**  
ARECA SITUATIONAL INCOME 2.0 FUND

	<b>1-yr</b>	<b>3-yrs</b>	<b>5-yrs</b>
Average Total Return per annum (%)	2.21	-	-

**NOTES:**

**Note 1:** Selling of units by the Management Company (i.e. when you purchase units and invests in the Fund) and redemption of units by the Management Company (i.e. when you redeem your units and liquidate your investments) will be carried out at NAV per unit (the actual value of a unit). The entry/ exit fee (if any) would be computed separately based on your net investment/ liquidation amount.

**Note 2:** Net distribution of 4.50 sen per unit was declared on 8 March 2018 and was automatically reinvested into additional units on the same day at NAV per unit after distribution at no entry fee.

**Note 3:** MER is calculated based on the total fees and expenses incurred by the Fund, divided by the average net asset value calculated on a daily basis.

**Note 4:** PTR is computed based on the average of the total acquisitions and total disposals of the investment securities of the Fund, divided by the average net asset value calculated on a daily basis.

**Note 5:** Fund performance figures are calculated based on NAV to NAV and assume reinvestment of distributions (if any) at NAV. The total return is sourced from Lipper. Benchmark data is sourced from Malayan Banking Berhad.

**Unit prices and distributions payable, if any, may go down as well as up. Past performance of the Fund is not an indication of its future performance.**

## FUND REVIEW

For the quarter ending 31 May 2018, the Fund posted an annualized return of 9.06% against the benchmark Maybank's 12 mths FD rate of 3.39%. The portfolio outperformed the benchmark as this highly concentrated portfolio continue to be supported by a stable, low and accommodative domestic interest rates environment. In addition, the credit quality of the asset in the portfolio remains strong and sufficiently secured and remains closely monitored.

As a result of the tight structure of the bond, we remain confident of the going concern of the issuer and their ability to fulfill its financial obligation to the fund.

The Fund achieved its objective to offer investor to provide Medium to Long Term combination of income and capital growth.

### Investment Policy and Strategy

The Fund may invest up to 100% of its NAV in authorized investments with flexible allocation in its assets to achieve a higher possible return by freely changing risk degree according to current market conditions.

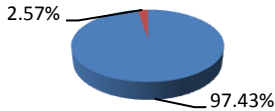
**NAV per unit** as at 31 May 2018

RM1.0263

**Asset Allocation / Portfolio Composition** as at

**31.05.2018**

**28.02.2018**

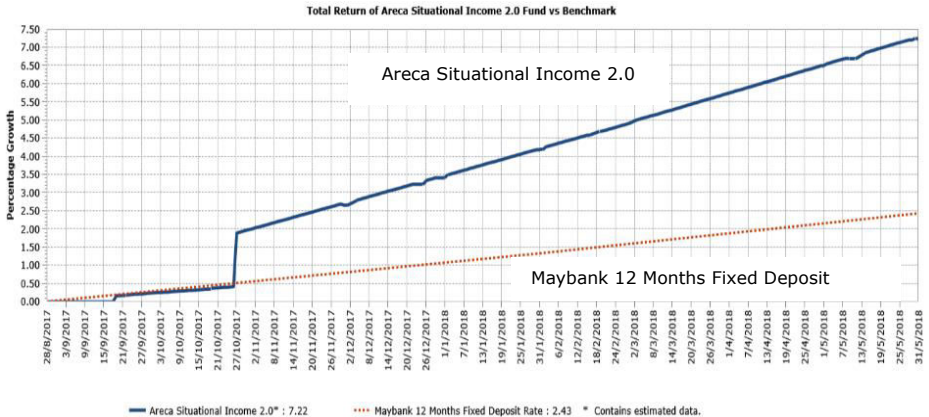


Fixed income securities  
Cash & cash equivalents

97.43%  
2.57%

95.33%  
4.67%

### Performance of Areca Situational Income 2.0 Fund for the financial period since inception to 31 May 2018



Source: Lipper



**MARKET REVIEW & OUTLOOK**  
**ECONOMIC REVIEW&OUTLOOK**

US 1Q2018 GDP grew at 2.8% y-o-y while Unemployment data continue to sparkle with May rate hitting an 18-year low of 3.8%. Inflation has also picked up registering a 6-year high of 2.8% with core inflation above target of 2% every month in this quarter. The Federal Reserve confidently raised rates by a ¼% in March on the back of virtually full employment and economic activity rising at a moderate pace. This induced a fairly hawkish tone and a dot-plot that points towards 4 hikes of a ¼% each for the year 2018. Beginning end January, a tit for tat series of announcements by the US and China on trade tariffs to be imposed in the next few months ramped up tensions in this quarter from March to May 2018. The Dow Jones consolidated below 25000 pts, 8.2% off its high of 26616 at end January to close this quarter at 24415 pts.

China's 1Q GDP surprised many repeating their 2 previous quarters' growth of 6.8%. This was followed with a surprise 1% reduction to Reserve Ratio. The freed up liquidity is to be used to repay high cost medium term facility with PBOC and the balance to be loaned to SMEs. This underscores their desire to improve credit risk of the financial industry while maintaining a supportive monetary policies. Reacting to trade tariffs threat from the US, China's strategy appears to be measured and specific, targeting exporting states that are pro-Trump.

Not spared, the EU has also talked up retaliation towards Trump's announcements of tariffs amidst improving unemployment rate to 8.4% in May (lowest in 9½ years), moderate rise in inflation to 1.9% (highest since April 2017) and a moderating growth rate of 2.5% for 1Q 2018. The EU has kept rates at zero, affirming the need for ample monetary stimulus to continue without any indication if they will extend beyond September their bond purchase program.

Global headlines were made with the unprecedented and unexpected victory by the opposition coalition Pakatan Harapan and subsequent smooth transition of power in Malaysia's relatively fledgling democracy. Removal of GST will be counterbalanced by re-imposition of Sales and Services Tax, deferments of mega projects and higher oil revenues. A sense of prudent financial management at national level as well as addressing high cost of living amongst the citizens suggest a bias towards keeping easy monetary policy with low cost of borrowing while allowing fundamentals to take care of our external factors. Volatility in local stock and bond markets followed election results and will likely continue a while more as the new system of doing business and government replace the old.

Economically, 1Q GDP came in at a respectable 5.4% with Foreign Reserves at USD108.5 billion (or RM419.0 billion) at the end of May against end February's USD103.7 billion (or RM419.5 bil). Inflation is contained at 1.8% with core inflation at its lowest recorded level of 1.5%.

**FIXED INCOME MARKET REVIEW & OUTLOOK**

Briefly breaching above 3% in May, the 10-year US Treasury benchmark traded at a higher platform of 2.73-3.11% easing off to close this quarter at 2.86% compared to the previous three month's range of 2.34-2.95% reflecting March's Fed Rate hike at optimism in the US economy. The market has absorbed expectations of 3 more hikes for the rest of 2018.

In Malaysia, the Overnight Policy Rate was maintained at 3.25% in March and May with imminent change to Bank Negara Governor following the 14<sup>th</sup> General Elections. A protégé of previous Governor Dr Zeti, Datuk Shamsiah will likely follow her conservative and stable hand in maintaining a supportive monetary policy.

This quarter also saw foreign funds exit our system totaling RM12.7 billion. Under current uncertainties pertaining to new Government's policies, foreigner fund managers are expected to reduce exposure while rating agencies ponder over the situation. They may not share our optimism towards the mantra of 'short term pain with long term gain'. MGS yield curve bearish flattened rising on average 16 bps over this quarter.

## **TRUSTEE'S REPORT**

*For The Financial Period Ended 31st May, 2018*

### **To the Unitholder of Areca Situational Income 2.0 Fund**

We have acted as Trustee of Areca Situational Income 2.0 Fund ("the Fund") for the financial period ended 31st May, 2018. In our opinion and to the best of our knowledge, Areca Capital Sdn Bhd ("the Manager") has operated and managed the Fund in accordance with the following:-

- (a) limitations imposed on the investment powers of the Manager and the Trustee under the Deed, the Securities Commission Malaysia's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation or pricing of the Fund is carried out in accordance with the Deed and relevant regulatory requirement; and
- (c) creation and cancellation of units of the Fund are carried out in accordance with the Deed and any regulatory requirements.

### **For and on behalf of the Trustee**

#### **RHB TRUSTEES BERHAD (Company No: 573019-U)**

MOHD SOFIAN BIN KAMARUDDIN  
VICE PRESIDENT

LEE YIT CHENG  
HEAD, GROUP INT'L OPS SUPPORT &  
TRUSTEES OPS

Kuala Lumpur, Malaysia  
18th July 2018

## **STATEMENT BY THE MANAGER**

### **To the Unitholders of Areca Situational Income 2.0 Fund**

We, **WONG TECK MENG** and **EDWARD ISKANDAR TOH BIN ABDULLAH**, two of the Directors of the Manager, Areca Capital Sdn Bhd, do hereby state that in the opinion of the Manager, the unaudited financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Securities Commission Malaysia's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework in Malaysia so as to give a true and fair view of the financial position of the Fund as of 31st May, 2018 and the financial performance and the cash flows of the Fund for the financial period ended on that date.

### **For and on behalf of the Manager**

#### **Areca Capital Sdn Bhd**

WONG TECK MENG  
CEO/ EXECUTIVE DIRECTOR

EDWARD ISKANDAR TOH BIN ABDULLAH  
CIO/ EXECUTIVE DIRECTOR

Kuala Lumpur  
18th July 2018

**QUARTERLY REPORT MAY 2018**  
ARECA SITUATIONAL INCOME 2.0 FUND

**UNAUDITED STATEMENT OF FINANCIAL POSITION**

*As Of 31st May, 2018*

	<b>Note</b>	<b>31.5.2018</b> <b>RM</b>	<b>28.2.2018</b> <b>RM</b>
<b>Assets</b>			
<b>Investments</b>			
Unquoted fixed income securities	3	30,000,000	30,000,000
Total Investments		<u>30,000,000</u>	<u>30,000,000</u>
<b>Other Assets</b>			
Other receivables		78	1,193
Short-term deposits		844,197	1,512,076
Cash at bank		993	8,973
Total Other Assets		<u>845,268</u>	<u>1,522,242</u>
<b>Total Assets</b>		<u>30,845,268</u>	<u>31,522,242</u>
<b>Liability</b>			
Accruals	5	55,260	51,012
Total liability		<u>55,260</u>	<u>51,012</u>
<b>Unitholders' Fund</b>			
Unitholders' capital		30,013,000	30,013,000
Unrealised reserve		-	-
Realised reserve		777,008	1,458,230
<b>Net Asset Value attributable to unitholders</b>		<u>30,790,008</u>	<u>31,471,230</u>
<b>Total Unitholders' Fund and Liability</b>		<u>30,845,268</u>	<u>31,522,242</u>
<b>Number of Units in Circulation</b>		<u>30,000,000</u>	<u>30,000,000</u>
<b>Net Asset Value Per Unit</b>	6	<u>1.0263</u>	<u>1.0490</u>

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

**QUARTERLY REPORT MAY 2018**  
ARECA SITUATIONAL INCOME 2.0 FUND

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**

*For The Financial Period Ended 31st May, 2018*

		<b>1.3.2018 to 31.5.2018 RM</b>	<b>1.12.2017 to 28.2.2018 RM</b>
<b>Investment Income</b>	<b>Note</b>		
Interest income		832,533	838,269
Total Investment Income		<u>832,533</u>	<u>838,269</u>
<b>Expenditure</b>			
Management fee	7	154,114	153,556
Trustee's fee	8	-	-
Other expenses		9,328	9,234
Total Expenditure		<u>163,442</u>	<u>162,790</u>
<b>Net Income Before Tax</b>		669,091	675,479
<b>Income Tax Expense</b>	9	<u>-</u>	<u>-</u>
<b>Net Income After Tax/Total Comprehensive Income For The Period</b>		<u>669,091</u>	<u>675,479</u>
 <b>Net Income After Tax Is Made Up Of:</b>			
Realised gain		669,091	675,479
Unrealised gain/(loss)		<u>-</u>	<u>-</u>
		<u>669,091</u>	<u>675,479</u>

**UNAUDITED STATEMENT OF CHANGES IN NET ASSET VALUE**

*For The Financial Period Ended 31st May, 2018*

	<b>Unitholders ' capital RM</b>	<b>Realised reserve RM</b>	<b>Unrealised reserve RM</b>	<b>Total net asset value RM</b>
<b>As at 1st March, 2018</b>	30,013,000	1,458,230	-	31,471,230
Amounts received from units created	-	-	-	-
Total comprehensive income for the period	-	669,091	-	669,091
Income Distribution	-	(1,350,313)	-	(1,350,313)
<b>As of 31st May, 2018</b>	<u>30,013,000</u>	<u>777,008</u>	-	<u>30,790,008</u>
 <b>As at 1st December, 2017</b>	 30,013,000	 782,751	 -	 30,795,751
Amounts received from units created	-	-	-	-
Total comprehensive income for the period	-	675,479	-	675,479
<b>As of 28th February, 2018</b>	<u>30,013,000</u>	<u>1,458,230</u>	-	<u>31,471,230</u>

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

**QUARTERLY REPORT MAY 2018**  
ARECA SITUATIONAL INCOME 2.0 FUND

**UNAUDITED STATEMENT OF CASH FLOWS**

*For The Financial Period Ended 31<sup>st</sup> May, 2018*

	<b>1.3.2018 to 31.5.2018 RM</b>	<b>1.12.2017 to 28.2.2018 RM</b>
<b>Cash Flows From/(Used In) Operating And Investing Activities</b>		
Interest received	833,476	837,076
Purchase of investments	-	-
Management fee paid	(150,107)	(155,905)
Trustee's fee paid	-	-
Payment for other fees and expenses	(8,915)	(9,375)
Net Cash Generated From/(Used In) Operating And Investing Activities	674,454	671,796
<b>Cash Flows From/(Used In) Financing Activities</b>		
Cash proceeds from units created	-	-
Distribution paid	(1,350,313)	-
Net Cash Used In Financing Activities	(1,350,313)	-
<b>Net (Decrease)/ Increase In Cash And Cash Equivalents</b>	(675,859)	671,796
<b>Cash And Cash Equivalents At The Beginning of The Financial Period</b>	1,521,049	849,253
<b>Cash And Cash Equivalents At The End of The Financial Period</b>	845,190	1,521,049

Cash and cash equivalents consist of the following amounts:

	<b>RM</b>	<b>RM</b>
Short term deposits	844,197	1,512,076
Cash at bank	993	8,973
	845,190	1,521,049

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

**QUARTERLY REPORT MAY 2018**  
ARECA SITUATIONAL INCOME 2.0 FUND

**NOTES TO THE FINANCIAL STATEMENTS**

**1 GENERAL INFORMATION**

Areca Situational Income 2.0 Fund ("Situational Income 2.0" or "the Fund") was established pursuant to the Trust Deed dated 22<sup>nd</sup> August, 2017.

The principal activity of the Fund is to invest in investments as defined under Schedule 7 of the Deed, which include unquoted fixed income securities and deposits with financial institutions. The Fund commenced operations on 28<sup>th</sup> August, 2017 and will continue its operations until terminated by the Trustee in accordance with Part 11 of the Deed.

The objective of the Fund is to provide Medium to Long Term combination of income and capital growth. Any material changes to the Fund's objective would require Unit Holder's approval.

The Manager of the Fund is Areca Capital Sdn Bhd, a company incorporated in Malaysia. Its principal activities are managing private and unit trust funds.

The Fund has invested as the sole investor in Carey Island Waterfront Sdn Bhd's (CIWB) redeemable convertible preference shares (RCPS) programme. Areca Capital Sdn Bhd, the Manager of the Fund, was appointed by CIWB as the fund manager to manage the redemption account under the CIWB RCPS programme. As at the date of the report, the Manager was not aware of any conflict of interest arising from the above.

**2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements of the Fund have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the Securities Commission Malaysia's Guideline on Unlisted Capital Market Products under the Lodge and Launch Framework, the Capital Markets and Services Act 2007 and other applicable laws.

**3 INVESTMENTS**

	<b>31.5.2018</b>	<b>28.2.2018</b>
<b>At aggregate cost</b>	<b>RM</b>	<b>RM</b>
Unquoted fixed income securities	<u>30,000,000</u>	<u>30,000,000</u>
	<u>30,000,000</u>	<u>30,000,000</u>
<b>At market value</b>		
Unquoted fixed income securities	<u>30,000,000</u>	<u>30,000,000</u>
	<u>30,000,000</u>	<u>30,000,000</u>

Details of unquoted fixed income securities as of 31st May, 2018 are as follows:

<b>Issuer (rating) maturity/ coupon (%)</b>	<b>Nominal Value RM</b>	<b>Valuation Price RM</b>	<b>Aggregate Cost RM</b>	<b>Carrying Value RM</b>	<b>Fair Value RM</b>	<b>Fair Value as a % of Net Asset Value %</b>
<b>Bonds</b>						
Carey Island Waterfront Sdn Bhd (NR) 2019/11.00	30,000,000	100.00	<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>	<u>97.43</u>
Total investments			<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>	<u>97.43</u>

Details of unquoted fixed income securities as of 28th February, 2018 are as follows:

<b>Issuer (rating) maturity/ coupon (%)</b>	<b>Nominal Value RM</b>	<b>Valuation Price RM</b>	<b>Aggregate Cost RM</b>	<b>Carrying Value RM</b>	<b>Fair Value RM</b>	<b>Fair Value as a % of Net Asset Value %</b>
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**QUARTERLY REPORT MAY 2018**  
ARECA SITUATIONAL INCOME 2.0 FUND

**Bonds**

Carey Island Waterfront Sdn Bhd (NR) 2019/11.00	30,000,000	100.00	30,000,000	30,000,000	30,000,000	95.33
Total investments			<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>	<u>95.33</u>

**4 UNITS HELD BY THE MANAGER AND RELATED PARTIES**

As of end of the financial period, the total number and value of units held by the Manager and related parties are as follows:

	<b>No. of units</b>	<b>RM</b>
<b>31.5.2018</b>		
Areca Capital Sdn Bhd	<u>2,039,398</u>	<u>2,089,955</u>
	<u>2,039,398</u>	<u>2,089,955</u>
<b>28.2.2018</b>		
Areca Capital Sdn Bhd	5,171,439	5,424,840
Dato' Wee Hoe Soon @ Gooi Hoe Soon	<u>296,854</u>	<u>311,399</u>
	<u>5,468,293</u>	<u>5,736,239</u>

The directors of the Manager are of the opinion that the transactions with the related parties have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

**5 ACCRUALS**

	<b>31.5.2018</b>	<b>28.2.2018</b>
	<b>RM</b>	<b>RM</b>
Accruals consist of:		
Management fee	52,132	48,125
Trustee's fee	-	-
Others	<u>3,128</u>	<u>2,887</u>
	<u>55,260</u>	<u>51,012</u>

**6 NET ASSET VALUE PER UNIT**

The net asset value per unit is calculated by dividing the net asset value attributable to unitholders of RM30,790,008 (28.2.2018: RM31,471,230) as of 31<sup>st</sup> May 2018 by 30,000,000 units (28.2.2018: 30,000,000) in issue as of 31<sup>st</sup> May 2018.

**7 MANAGEMENT FEE**

The Schedule 8<sup>th</sup> of the Deed provides that the Manager is entitled to an annual management fee at a rate not exceeding 2.00% (28.2.2018: 2.00%) per annum computed daily on the net asset value of the Fund before the deduction of the management fee and Trustee's fee for the relevant day. The management fee is subject to 6% goods and services tax ("GST") effective 1st April, 2015.

**8 TRUSTEE'S FEE**

The Schedule 9<sup>th</sup> of the Deed provides that the Trustee is entitled to an annual Trustee's fee at rate not exceeding 0.07% (28.2.2018: 0.07%) per annum computed daily on the net asset value of the Fund before the deduction of the management fee and Trustee's fee for the relevant day. The Trustee's fee is subject to 6% goods and services tax ("GST") effective 1st April, 2015.

There is no Trustee's fee provided for in the financial statements for the financial period as the fee was borne by the Manager.

**9 INCOME TAX EXPENSE**

**QUARTERLY REPORT MAY 2018**  
ARECA SITUATIONAL INCOME 2.0 FUND

There is no tax charge as interest income derived by the Fund is exempted pursuant to Paragraph 35 and 35A, Schedule 6 of the Income Tax Act, 1967. Gains arising from realisation of investments are not treated as income pursuant to Paragraph 61(1)(b) of the Income Tax Act, 1967.

## 10 MANAGEMENT EXPENSE RATIO AND PORTFOLIO TURNOVER

### Management Expense Ratio (MER)

Management expense ratio for the Fund is 0.53% (28.2.2018: 0.52%) for the period ended 31<sup>st</sup> May 2018. The management expense ratio which includes management fee, Trustee's fee, audit fee, tax agent's fee and other expenses, is calculated as follows:

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

A	= Management fee	D	= Tax agent's fee
B	= Trustee's fee	E	= Other expenses
C	= Audit fee	F	= Average net asset value of Fund

The average net asset value of the Fund for the period is RM30,569,924 (28.2.2018: RM31,136,162).

### Portfolio Turnover Ratio (PTR)

The portfolio turnover ratio for the Fund is Nil (28.2.2018: Nil) times for the period ended 28<sup>th</sup> February, 2018. The portfolio turnover is derived from the following calculation:

$$\frac{(\text{Total acquisition for the period} + \text{total disposal for the period}) \div 2}{\text{Average net asset value of the Fund for the period calculated on a daily basis}}$$

Average net asset value of the Fund for the period calculated on a daily basis

Where: total acquisition for the year = NIL (28.2.2018: NIL)

total disposal for the year = NIL (28.2.2018: NIL)

## 11 TRADE WITH BROKERS/ DEALERS

Details of transactions with brokers/dealers are as follows:

Brokers/ Dealers	Value of Trades RM	% of Total Trades %	Fees RM	% of Total Brokerage Fee %
<b>31.05.2018</b>				
KAF Investment Bank Berhad	988,000	85.84	-	-
CIMB Investment Bank Berhad	163,000	14.16	-	-
	1,151,000	100.00	-	-
<b>28.02.2018</b>				
KAF Investment Bank Berhad	1,670,000	100.00	-	-
	1,670,000	100.00	-	-

## 12 RISK MANAGEMENT POLICIES

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund seeks to preserve capital as well as to provide regular income over the short to medium term period by investing in fixed income instruments. In order to meet its stated investment objectives, the Fund utilises risk management for both defensive and proactive purposes. Rigorous analysis of sources of risk in the portfolio is carried out and the following policies are implemented to provide effective ways to reduce future risk and enhance future returns within the Fund's mandate.

The key risks faced by the Fund are credit risk, liquidity risk, market risk, interest rate risk and price risk primarily on its investments.



**QUARTERLY REPORT MAY 2018**  
ARECA SITUATIONAL INCOME 2.0 FUND

**Categories of Financial Instruments**

	<b>31.5.2018</b>	<b>28.2.2018</b>
	<b>RM</b>	<b>RM</b>
<b>Financial assets</b>		
<b>Carried at FVTPL:</b>		
Redeemable convertible preference shares	30,000,000	30,000,000
<b>Loans and receivables:</b>		
Cash at bank	993	8,973
Short term deposits	844,197	1,512,076
Other receivables	78	1,193
<b>Financial Liability</b>		
Accruals	55,260	51,012

**Credit risk management**

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge an obligation. The Fund is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations to make timely repayments of interest, principal and proceeds from realisation of investments.

The Manager manages the Fund's credit risk by undertaking credit evaluation and close monitoring of any changes to the issuer/counterparty's credit profile to minimise such risk. It is the Fund's policy to enter into financial instruments with reputable counterparties.

The Fund's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position. None of the Fund's financial assets were past due or impaired as at 28<sup>th</sup> February, 2018.

The Fund invests only in redeemable convertible preference shares of at least investment grade as rated by a credit rating agency. The Fund also invests in government backed/related securities which are not rated by credit rating agency.

The following table set out the Fund's portfolio of unquoted investments by industry:

<b>Industry</b>	<b>Short-term deposits</b>	<b>Redeemable convertible preference shares</b>
	<b>RM</b>	<b>RM</b>
<b>31.5.2018</b>		
Finance services	844,197	-
Property development	-	30,000,000
	844,197	30,844,197
<b>28.2.2018</b>		
Finance services	1,512,076	-
Property development	-	30,000,000
	1,512,076	31,512,076

**Liquidity risk management**

Liquidity risk is defined as the ease with which a security can be sold at or near its fair value depending on the volume traded on the market. The Fund manages its liquidity risk by investing predominantly in securities that it expects to be able of being converted into cash with 7 days.

The table below summaries the maturity profile of the Fund's liabilities at the reporting date based on contractual undiscounted repayment obligations:

<b>Up to 1 month</b>	<b>1 - 3 months</b>	<b>3 months to 1 year</b>	<b>Total</b>
<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>

**QUARTERLY REPORT MAY 2018**  
ARECA SITUATIONAL INCOME 2.0 FUND

	Up to 1 month RM	1 - 3 months RM	3 months to 1 year RM	Total RM
<b>31.5.2018</b>				
<b>Financial Liability</b>				
<b>Non-interest bearing</b>				
Accruals	55,260	-	-	55,260
<b>28.2.2018</b>				
<b>Financial Liability</b>				
<b>Non-interest bearing</b>				
Accruals	51,012	-	-	51,012

**Market risk management**

This is a class of risk that inherently exists in an economy and cannot be avoided by any business or company. It is usually due to changes in the economic outlook and affects broad market confidence. This risk cannot be removed from an investment portfolio, which is solely invested within that particular market, by diversification.

Therefore, as the Fund presently invests only in Malaysian fixed income securities, the performance of the Fund might go up or down in accordance with the prevailing market risk of Malaysia.

**Interest rate risk management**

This risk related to movements in the direction of the interest rates that will cause the value of the securities to fluctuate. The Fund seeks to manage this risk by constructing a fixed income portfolio with sufficient diverse range of maturities in accordance to the interest rate strategies developed after thorough evaluation of macroeconomic variables. As interest rates and yield curves change over time, the Fund may be exposed to a loss in earnings due to the effects of interest rates on the structure of the statement of financial position.

**Price risk management**

Price risk is the risk of unfavourable changes in the fair value of unquoted fixed income securities as the result of changes in the level of the equity indices and the value of individual securities. The price risk exposure arises from the Fund's investment in unquoted securities.

**Capital Risk Management**

The capital of the Fund is represented by equity consisting of unitholders' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. 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 for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

**13 QUARTERLY ACCOUNTS**

The quarterly accounts for the 3-month period ended 31<sup>st</sup> May, 2018 have not been audited.





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