

# Quarterly Report February 2018

For the Period Ended 28 February 2018

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**Areca Situational Income 2.0 Fund**

Management Company



(740840-D)



# QUARTERLY REPORT FEBRUARY 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 FEBRUARY 2018**  
ARECA SITUATIONAL INCOME 2.0 FUND

**FUND INFORMATION**

**Name of the Fund** Areca Situational Income 2.0 Fund

**Fund Category/ Type** Wholesale Fund with flexible asset allocation/Income and Growth

**Objective of the Fund** 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.

**Performance Benchmark** Maybank's 12-month fixed deposit rate

**Distribution Policy of the Fund** 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**

*As at 28 February 2018*

Size of Holding (Units)	No. of accounts	%	No. of unit held (million)	%
Up to 5,000	-	-	-	-
5,001 to 10,000	-	-	-	-
10,001 to 50,000	16	16.66	0.78	3.14
50,001 to 500,000	71	73.96	13.50	54.37
500,001 and above	9	9.38	10.55	42.49
<b>Total*</b>	<b>96</b>	<b>100.00</b>	<b>24.83</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 FEBRUARY 2018**  
ARECA SITUATIONAL INCOME 2.0 FUND

**FUND PERFORMANCE**

	<b>1.12.2017 to 28.2.2018</b>	<b>28.08.2017 to 30.11.2017</b>	
<b>Total Net Asset Value ("NAV") as at 28 February</b>			
Total Net Asset Value (RM million)	31.47	30.80	
Units in circulation (million units)	30.00	30.00	
NAV per unit (RM)	1.0490	1.0265	
<b>HIGHEST &amp; LOWEST NAV per unit for the period ended 28 February</b> <i>Please refer to <b>Note 1</b> for further information on NAV and pricing policy</i>			
Highest NAV per unit (RM)	1.0490	1.0268	
Lowest NAV per unit (RM)	1.0265	1.0000	
<b>ASSET ALLOCATION % of NAV as at 28 February</b>			
<b>Fixed Income Securities</b>			
Corporate bonds	95.33	97.42	
<b>Cash &amp; cash equivalent including placements &amp; repo</b>			
	4.67	2.58	
<b>DISTRIBUTION</b>			
There was no distribution for the financial period under review.			
<b>UNIT SPLITS</b>			
There was no unit split exercise for the financial period under review.			
<b>EXPENSE/ TURNOVER for the period ended 28 February</b>			
Management expense ratio (MER) (%)	0.52	0.49	
<i>Please refer to <b>Note 2</b> for further information</i>			
Portfolio turnover ratio (PTR) (times)	-	0.59	
<i>Please refer to <b>Note 3</b> for further information</i>			
<b>TOTAL RETURN for the period ended 28 February</b> <i>Please refer to <b>Note 4</b> for further information</i>			
Total Return (%)	2.19	2.65	
- Capital Return (%)	2.19	2.65	
- Income Return (%)	-	-	
Annual Total Return (%)	9.19	10.69	
Benchmark: Average Maybank's 12-month fixed deposit rate (%)	3.22	3.14	
Average Total Return per annum (%)	<b>1-yr</b> 2.19	<b>3-yrs</b> -	<b>5-yrs</b> -

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

**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:** *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 3:** *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 4:** *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.***

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

**FUND REVIEW**

For the quarter ending 28 February 2018, the Fund posted an annualized return of 9.19% against the benchmark Maybank's 12 mths FD rate of 3.22%. The portfolio outperformed the benchmark as this highly concentrated portfolio was supported by a stable, low and accommodative domestic interest rates environment. In addition, credit quality of the sole issue in the portfolio remains strong and sufficiently secured.

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. We continue to monitor their credit quality regularly and rigorously.

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.

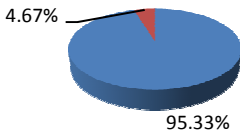
**NAV per unit** as at 28 February 2018

RM1.0490

**Asset Allocation / Portfolio Composition** as at

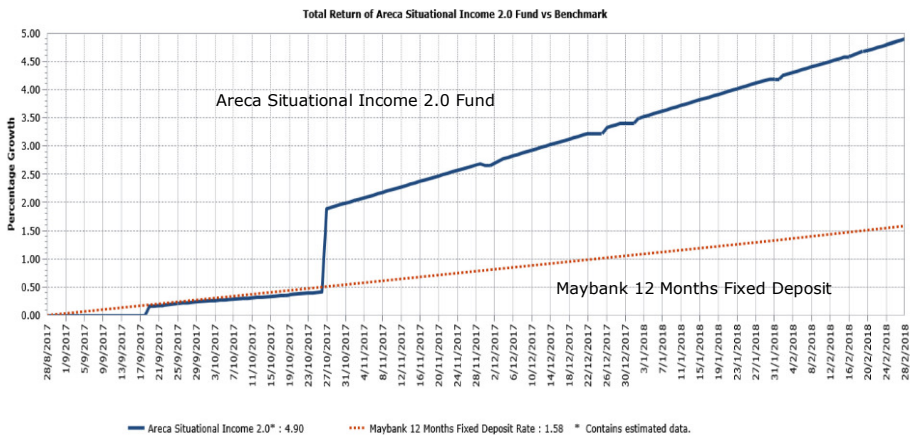
**28.02.2018**

**30.11 2017**



	28.02.2018	30.11 2017
Fixed income securities	95.33%	97.42%
Cash & cash equivalents	4.67%	2.58%

**Performance of Areca Situational Income 2.0 Fund  
for the financial period since inception to 28 February 2018**



Source Lipper



## QUARTERLY REPORT FEBRUARY 2018

### MANAGER'S REPORT

## MARKET REVIEW & OUTLOOK

### ECONOMIC REVIEW & OUTLOOK

US annualised 4Q2017 GDP grew at 2.5% y-o-y following 3Q's 2.3%, marking 7 consecutive quarters of steady rise. For the year 2017, their economy grew 2.3%. Unemployment rate has gradually declined and now reads 4.1% as at end February, the lowest level in 17 years for the fifth month running. With ample liquidity still in the system, the stock market benefited as Trump's tax reform plan received Senate's endorsement at the end of November. The Dow Jones index hit an all-time high of 26,616 on January 26, 2018. This quarter ending February 2018 saw Federal Funds Rate raised by a quarter percent in December to 1.50% accompanied by a hawkish tone towards end of January reacting to bullish job data and rising inflation expectations while the dot plot suggests at least three hikes for 2018. A long overdue stock market correction ensued shaving off 10.4% by end of first week in February. At the same time, Trump unleashed the start of a series unfriendly trade tariffs targeting China with levy imposition on solar panels and washing machines imports.

Meanwhile, reports surfaced that China may slowdown purchases of US Treasuries or even stop all together in January, possibly getting wind of what was to come from Trump's disdain towards China-US trade imbalance. In February, China's constitution was amended to allow President Xi Jinping to serve beyond two 5 year terms, a move received with trepidation by the West as it remembers autocratic Chairman Mao's rule. China counter claims it promotes stability and continuity.

The start of 2018 saw inflation in Malaysia trend down as a result of high base effect from petrol influenced sector. February reading was a mere 1.4%. 4Q2017 GDP grew at 5.9%, above market expectation but below previous quarter's 6.2%. For the year, GDP grew 5.9%, the highest level in three years. Foreign Reserves stands at USD103.7 billion (or RM419.5 bil) as at end February, sufficient to finance 7.2 months of retained imports and is 1.1 times short-term external debt.

### FIXED INCOME MARKET REVIEW & OUTLOOK

The 10-year US Treasury benchmark traded at a higher platform of 2.34-2.95% compared to the previous three month's range of 2.04-2.46% closing out at the higher end of range. The hike in December was followed by hawkish sentiment as strong labour, improving PMI and higher inflation expectation supported that call. At the same time, there appear to be an unwritten 'weak US dollar' policy developing as exports improve. The outlook point towards at least three rate hikes with hawks calling for a fourth for 2018. US Treasuries will likely test 3% psychological level in due time.

In Malaysia, the Monetary Policy Committee announced in January the first Overnight Policy Rate hike since July 2014 from 3.005 to 3.25% citing confidence towards global growth and domestic demand. Inflation remain susceptible to rising commodity and energy prices. As a result, MGS flattened bearishly as short end up to 3 years tenures rose between 33 and 55 basis points while 10 years increased by only 15 basis points. There was a net inflow of foreign funds in this quarter by RM3.28 bil though February itself saw an outflow of RM4.63 bil. Foreign debt holdings stand at RM190.9 bil at end February or 27.6% of outstanding.

## TRUSTEE'S REPORT

*For The Financial Period Ended 28th February, 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 28th February, 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 April, 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 28th February, 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 April, 2018

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION**

*As Of 28th February, 2018*

	<b>Note</b>	<b>28.2.2018</b> <b>RM</b>	<b>30.11.2017</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		1,193	-
Short-term deposits		1,512,076	-
Cash at bank		8,973	849,253
Total Other Assets		<u>1,522,242</u>	<u>849,253</u>
<b>Total Assets</b>		<u>31,522,242</u>	<u>30,849,253</u>
<b>Liability</b>			
Accruals	5	51,012	53,502
Total liability		<u>51,012</u>	<u>53,502</u>
<b>Unitholders' Fund</b>			
Unitholders' capital		30,013,000	30,013,000
Unrealised reserve		-	-
Realised reserve		1,458,230	782,751
<b>Net Asset Value attributable to unitholders</b>		<u>31,471,230</u>	<u>30,795,751</u>
<b>Total Unitholders' Fund and Liability</b>		<u>31,522,242</u>	<u>30,849,253</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>1.0490</u>	<u>1.0265</u>

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

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

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**

*For The Financial Period Ended 28th February, 2018*

		<b>1.12.2017 to 28.2.2018 RM</b>	<b>28.8.2017 to 30.11.2017 RM</b>
<b>Investment Income</b>	<b>Note</b>		
Interest income		838,269	907,554
Total Investment Income		<u>838,269</u>	<u>907,554</u>
<b>Expenditure</b>			
Management fee	7	153,556	117,654
Trustee's fee	8	-	-
Other expenses		9,234	7,149
Total Expenditure		<u>162,790</u>	<u>124,803</u>
<b>Net Income Before Tax</b>		675,479	782,751
<b>Income Tax Expense</b>	9	<u>-</u>	<u>-</u>
<b>Net Income After Tax/Total Comprehensive Income For The Period</b>		<u>675,479</u>	<u>782,751</u>
 <b>Net Income After Tax Is Made Up Of:</b>			
Realised gain		675,479	782,751
Unrealised gain/(loss)		<u>-</u>	<u>-</u>
		<u>675,479</u>	<u>782,751</u>

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

*For The Financial Period Ended 28th February, 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 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>-</u>	<u>31,471,230</u>
 <b>As at launch date</b>	 -	 -	 -	 -
Amounts received from units created	30,013,000	-	-	30,013,000
Total comprehensive income for the period	-	782,751	-	782,751
<b>As of 30th November, 2017</b>	<u>30,013,000</u>	<u>782,751</u>	<u>-</u>	<u>30,795,751</u>

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

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

**UNAUDITED STATEMENT OF CASH FLOWS**

*For The Financial Period Ended 28<sup>th</sup> February, 2018*

	<b>1.12.2017 to 28.2.2018 RM</b>	<b>28.8.2017 to 30.11.2017 RM</b>
<b>Cash Flows From/(Used In) Operating And Investing Activities</b>		
Interest received	837,076	907,555
Purchase of investments	-	(30,000,000)
Management fee paid	(155,905)	(67,181)
Trustee's fee paid	-	-
Payment for other fees and expenses	(9,375)	(4,121)
Net Cash Generated From/(Used In) Operating And Investing Activities	671,796	(29,163,747)
<b>Cash Flows From/(Used In) Financing Activities</b>		
Cash proceeds from units created	-	30,013,000
Net Cash From Financing Activities	-	30,013,000
<b>Net Increase In Cash And Cash Equivalents</b>	671,796	849,253
<b>Cash And Cash Equivalents At The Beginning of The Financial Period</b>	849,253	-
<b>Cash And Cash Equivalents At The End of The Financial Period</b>	1,521,049	849,253
Cash and cash equivalents consist of the following amounts:		
	<b>RM</b>	<b>RM</b>
Short term deposits	1,512,076	-
Cash at bank	8,973	849,253
	1,521,049	849,253

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

## 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>28.2.2018</b>	<b>30.11.2017</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 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>
<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>95.33</u>
Total investments			<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>	<u>95.33</u>

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

Details of unquoted fixed income securities as of 30th November, 2017 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	30,000,000	30,000,000	30,000,000	97.42
Total investments			30,000,000	30,000,000	30,000,000	97.42

**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>28.2.2018</b>		
Areca Capital Sdn Bhd	5,171,439	5,424,840
Dato' Wee Hoe Soon @ Gooi Hoe Soon	296,854	311,399
	<u>5,468,293</u>	<u>5,736,239</u>
<b>30.11.2017</b>		
Areca Capital Sdn Bhd	5,460,762	5,605,473
Dato' Wee Hoe Soon @ Gooi Hoe Soon	296,854	304,720
	<u>5,757,616</u>	<u>5,910,193</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>28.2.2018 RM</b>	<b>30.11.2017 RM</b>
Accruals consist of:		
Management fee	48,125	50,474
Trustee's fee	-	-
Others	2,887	3,028
	<u>51,012</u>	<u>53,502</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 RM31,471,230 (30.11.2017: RM30,795,751) as of 28<sup>th</sup> February 2018 by 30,000,000 units (30.11.2017: 30,000,000) in issue as of 28<sup>th</sup> February, 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% (30.11.2017: 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.

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

**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% (30.11.2017: 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**

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 0.52% (30.11.2017: 0.49%) for the period ended 28<sup>th</sup> February, 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 RM31,136,162 (30.11.2017: RM25,261,086).

**Portfolio Turnover Ratio (PTR)**

The portfolio turnover ratio for the Fund is Nil (30.11.2017: 0.59) 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 (30.11.2017: RM30,000,000)

total disposal for the year = NIL (30.11.2017: 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>28.02.2018</b>				
KAF Investment Bank Berhad	1,670,000	100.00	-	-
	1,670,000	100.00	-	-
<b>30.11.2017</b>				
Areca Capital Sdn Bhd	30,000,000	54.54	-	-
KAF Investment Bank Berhad	25,010,000	45.46	-	-
	55,010,000	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.

#### Categories of Financial Instruments

	<b>28.2.2018</b>	<b>30.11.2017</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	8,973	849,253
Short term deposits	1,512,076	-
Other receivables	1,193	-
<b>Financial Liability</b>		
Accruals	51,012	53,502

#### 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>28.2.2018</b>		
Finance services	1,512,076	1,512,076
Property development	-	30,000,000
	<u>1,512,076</u>	<u>31,512,076</u>
<b>30.11.2017</b>		
Property development	-	30,000,000
	<u>-</u>	<u>30,000,000</u>

### **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 summarizes the maturity profile of the Fund's liabilities at the reporting date based on contractual undiscounted repayment obligations:

	<b>Up to 1 month RM</b>	<b>1 - 3 months RM</b>	<b>3 months to 1 year RM</b>	<b>Total RM</b>
<b>28.2.2018</b>				
<b>Financial Liability</b>				
<b>Non-interest bearing</b>				
Accruals	51,012	-	-	51,012
<b>30.11.2017</b>				
<b>Financial Liability</b>				
<b>Non-interest bearing</b>				
Accruals	53,502	-	-	53,502

### **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 28th February, 2018 have not been audited.





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