

Annual Report

Mar 2018

For the Period Ended 31 March 2018

Areca Dynamic Growth Fund

Management Company



(740840-D)

ANNUAL REPORT MARCH 2018

✦ ARECA DYNAMIC GROWTH FUND

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CORPORATE DIRECTORY

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
e-mail: 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

Maybank Trustees Berhad (5004-P)
8th Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur
Tel: 03-2078 8363, Fax: 03-2070 9387

AUDITOR

Deloitte PLT (LLP0010145-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

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
e-mail: 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

FUND INFORMATION

| Name of the Fund | Areca Dynamic Growth Fund | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|----------------------------|---|----------------------------|---|-------------|---|---|---|---|-----------------|---|---|---|---|------------------|---|---|---|---|-------------------|---|---|---|---|-------------------|---|---|---|---|---------------|---|---|---|---|
| Fund Category/ Type | Wholesale Equity Fund/ Growth | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Objective of the Fund | The Fund aims to provide medium to long term capital growth. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Performance Benchmark | Absolute returns of 10% per annum | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Distribution Policy of the Fund | Incidental, subject to the availability of income. In the absence of any instructions, the Manager will, at our discretion, pay any income distributed by the Fund to the unit holders, or reinvest the income in additional units at the NAV per unit of the distribution day without any entry fee. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Profile of unitholdings | As at 31 March 2018 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Size of Holding (Units)</th> <th style="text-align: center;">No. of accounts</th> <th style="text-align: center;">%</th> <th style="text-align: center;">No. of unit held (million)</th> <th style="text-align: center;">%</th> </tr> </thead> <tbody> <tr> <td>Up to 5,000</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>5,001 to 10,000</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>10,001 to 50,000</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>50,001 to 500,000</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>500,001 and above</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Total*</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> </tbody> </table> | 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 | - | - | - | - | 50,001 to 500,000 | - | - | - | - | 500,001 and above | - | - | - | - | Total* | - | - | - | - |
| 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 | - | - | - | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 50,001 to 500,000 | - | - | - | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 500,001 and above | - | - | - | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total* | - | - | - | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>* excluding units held by the Manager (please refer to Notes to Financial Statement – Note 16)</i> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Rebates & Soft Commissions | The Manager retains soft commissions received from stockbrokers, provided these are of demonstrable benefit to unitholders. 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) are directed to the account of the Fund. During the period under review, the Manager had not received any soft commissions. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Inception Date | 11 November 2016 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Initial Offer Price | RM1.0000 per unit during the initial offer period of 10 days ended 20 November 2016 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Pricing Policy | Single Pricing – Selling and repurchase of units by Manager are at Net Asset Value per unit | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Financial Year End | 31 March | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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ARECA DYNAMIC GROWTH FUND

FUND PERFORMANCE

**11.11.2016 to
31.03.2018**

| | |
|--------------------------------------|--------|
| Total Net Asset Value ("NAV") | |
| Total Net Asset Value (RM million) | - |
| Units in circulation (million units) | - |
| NAV per unit (RM) | 0.9968 |

HIGHEST & LOWEST NAV per unit

*Please refer to **Note 1** for further information on NAV and pricing policy*

| | |
|---------------------------|--------|
| Highest NAV per unit (RM) | 1.0074 |
| Lowest NAV per unit (RM) | 0.9734 |

ASSET ALLOCATION % of NAV

| | |
|-------------------------------------------------------------------|--------|
| Cash & cash equivalent including placements & repo | 100.00 |
|-------------------------------------------------------------------|--------|

DISTRIBUTION

There was no distribution for the financial period under review.

UNIT SPLITS

There was no unit split exercise for the financial period under review.

EXPENSE/ TURNOVER

| | |
|--------------------------------------------------------------|------|
| Management expense ratio (MER) (%) | 3.06 |
| <i>Please refer to Note 2 for further information</i> | |
| Portfolio turnover ratio (PTR) (times) | 1.14 |
| <i>Please refer to Note 3 for further information</i> | |

TOTAL RETURN

*Please refer to **Note 4** for further information*

| | |
|----------------------|------|
| Total Return (%) | 0.18 |
| - Capital Return (%) | - |
| - Income Return (%) | 0.18 |

| | |
|-------------------------|-------|
| Annual Total Return (%) | 10.00 |
|-------------------------|-------|

*Annualised for comparison purpose only

| | |
|-------------------------------|-------|
| Total Return since launch (%) | -0.29 |
|-------------------------------|-------|

| | 1-yr | 3-yrs | 5-yrs |
|------------------------------------|-------------|--------------|--------------|
| Average Total Return per annum (%) | 0.18 | N/A | N/A |

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ARECA DYNAMIC GROWTH 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 and the performance benchmark are sourced from Lipper.*

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

The NAV per unit of the Fund was RM0.9968 as at 31 March 2018. The Fund posted an annualized return of 7.43%. As a security requires longer period to see its potential gains, the Fund's net asset value is affected by the normal running cost and fee such as trustee and management fees. Please refer details of the audited financial statements.

The unitholder's capital is hold by the Manager as the fund is at a dormant position with no investment held.

The Fund has achieved its objective to offer investor regular income and incidental capital appreciation based on current market investment opportunities for the period under review.

Investment Policy and Strategy

The Fund will invest a maximum of 100% of its NAV in domestic and foreign equities and other equity-related securities including unlisted securities, to achieve its objective. The Fund may concentrate its investments wholly in securities of a company or a single issuer that have potential for capital growth.

NAV per unit as at 31 March 2018

RM0.9968

Asset Allocation / Portfolio Composition

31.03.2018



100.00%

Cash & cash equivalents

100.00%

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MANAGER'S REPORT

MARKET REVIEW & OUTLOOK

ECONOMIC REVIEW & OUTLOOK

2017 ended with US President Trump hitting a high with his tax reform plan endorsed by Senate after unfulfilled promises of building the Mexico-funded border wall and repealing Obama's healthcare plan without a replacement. There were geopolitical tensions throughout the year in review with US retaliatory bombing of Syria for alleged usage of chemical weapons, then dropping the 'mother of all bombs' in Afghanistan targeting ISIS before a series of jabs and counter jabs of 'sabre-rattling' with North Korea

Economically, the US has been a shining example of self-repair from a self-inflicted economic crisis a decade ago. Fueled by low interest rates and ample liquidity, the recovery gathered pace in the second half of 2017. From April 2017 till March 2018, annualized y-o-y quarterly growth were 2.2%, 2.3%, 2.6% and 2.9% respectively. Unemployment rate has gradually declined and now reads 4.1% as at end March 2018, the lowest level in 17 years, while core inflation finally broke through to read 2.1%. The stock market benefited with the Dow Jones index hitting an all-time high of 26,616 on January 26, 2018.

In June and December of 2017 then again in March 2018, the Federal Reserve raised rates by a quarter percent each time from 1% to 1.75%. Normalisation continued with the announcement to reduce the central bank's excess balance sheet of USD4.5 trillion starting in October. A long overdue stock market correction ensued shaving off 10.4% by end of first week in February' reacting in part to Trump's levy imposition on solar panels and washing machines imports broadly targeting China. A full blown trade war now looms after another imposition of 25% tariff on steel and aluminum imports in March as punishment towards China's alleged intellectual property theft and unfair investments in technology sector. China responded with a list of 120 products from the US including fruits and pork subjected to 15-25% import tax. Fortunately, the thawing of relations between North Korea and the US/South Korea which may lead to a historic end to tensions and denuclearization provided some relief.

The start of the year also saw reports surface alluding that China may slowdown purchases of US Treasuries or even stop all together, possibly due to anticipation 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.

In Europe, GDP grew by 2.5% for 1Q2018 following 2.8% and 2.7% for 3Q and 4Q respectively. Encouragingly, unemployment has declined steadily to 8.5% in February 2018 which is the lowest level since January 2009. However, inflation struggles allow for continued bond buying program at least until September 2018 though it is to be halved to €30 bil a month beginning January. Inflation in March registered a tepid 1.3%.

In Malaysia, inflation has kept above 3% throughout last year before trending down this year as a result of high base effect from petrol influenced sector. March's reading of 1.3% compares in contrast to 5.1% in March 2017. 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 USD107.8 billion (or RM416.4 bil) as at end March, sufficient to finance 7.4 months of retained imports and is 1.1 times short-term external debt.

FIXED INCOME MARKET REVIEW & OUTLOOK

Between April 2017 and March 2018, the 10-year US Treasury benchmark traded to a low of 2.04% in September 2017 and a high of 2.95% in February 2018 before closing off its high at 2.74% on rising yield momentum and the optimism towards the advancing economy. This is very much in tandem with the 3 rate hikes during this period in review. US Treasuries will likely test 3% psychological level in due time.

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MANAGER'S REPORT

In Malaysia, there were six Monetary Policy Committee meetings in this period. In January, Bank Negara Malaysia announced the first Overnight Policy Rate hike since July 2014 from 3.00% 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 mirroring most major economies. Short end up to 3 years tenures rose between 33 and 55 basis points while 10 years increased by only 15 basis points in the first three months of the year. There was a strong net inflow of foreign funds in this 12 months period by RM31.9 bil, helping to keep trading yields low. Foreign debt holdings stand at RM194.3 bil at end March or 27.6% of outstanding.

Constant Maturity Conventional Yield-To-Maturity: March 2018 vs March 2017

| Tenure | 1Y | | 3Y | | 5Y | | 7Y | | 10Y | |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Mar'17 | Mar'18 | Mar'17 | Mar'18 | Mar'17 | Mar'18 | Mar'17 | Mar'18 | Mar'17 | Mar'18 |
| MGS | 3.289 | 3.184 | 3.630 | 3.365 | 3.821 | 3.603 | 4.006 | 3.837 | 4.167 | 3.979 |
| AAA | 4.080 | 4.080 | 4.250 | 4.330 | 4.380 | 4.510 | 4.520 | 4.640 | 4.720 | 4.820 |
| AA2 | 4.360 | 4.290 | 4.560 | 4.530 | 4.690 | 4.700 | 4.820 | 4.840 | 4.980 | 5.030 |
| A2 | 5.550 | 5.470 | 6.220 | 6.140 | 6.770 | 6.730 | 7.180 | 7.180 | 7.840 | 7.800 |

Source: Bond Pricing Agency Malaysia Sdn Bhd (BPA)

Supported by optimistic economic outlook on growth, bullish job data and rising inflation expectations, it is widely expected that there will be a total of three hikes with hawks pushing for four in 2018 in the US. One already served in March.

In Malaysia, easing inflation rate has helped counter rising global yields. With a slight hawkish tone, there is a slim possibility of a second hike towards the end of this year if growth momentum outweighs easing inflation. Meantime, Malaysia brace for the 14th General Elections.

Fixed income markets is expected to remain positive as MYR stay attractive. Conservative and gradual rate rise suggests confidence in the economy.

TRUSTEE'S REPORT

For The Financial Period 11 November 2016 (Date of Launch) to 31 March 2018

To the Unitholders of Areca Dynamic Growth Fund

We have acted as Trustee for Areca Dynamic Growth Fund ("the Fund") for the financial period from 11 November 2016 (date of inception) to 31 March 2018. To the best of our knowledge, Areca Capital Sdn Bhd ("the Manager") has managed the Fund in the said period under review in accordance with the following:-

1. Limitations imposed on the investment powers of the Manager and the Trustee under the Deeds, securities laws and the Securities Commission Malaysia's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework;
2. Valuation and pricing of the Fund are carried out in accordance with the Deeds and regulatory requirement; and
3. Creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirement.

For Maybank Trustees Berhad (Company No: 5004-P)

EIDA BINTI MAHADI
Alternate Head, Operations

Kuala Lumpur, Malaysia
18 May 2018

STATEMENT BY THE MANAGER

To the Unitholders of Areca Dynamic Growth 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 accompanying 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 March, 2018 and the financial performance and the cash flows of the Fund for the financial period 11th November, 2016 (date of launch) to 31st March, 2018.

For and on behalf of the Manager Areca Capital Sdn Bhd

WONG TECK MENG
CEO/ EXECUTIVE DIRECTOR

Kuala Lumpur
18 May 2018

EDWARD ISKANDAR TOH BIN ABDULLAH
CIO/ EXECUTIVE DIRECTOR

Kuala Lumpur
18 May 2018

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ARECA DYNAMIC GROWTH FUND

AUDITED STATEMENT OF FINANCIAL POSITION

As At 31st March, 2018

| | Note | 31.3.2018 RM |
|----------------------------------------------------|-------------|-------------------------|
| Assets | | |
| Investment | | |
| Unlisted securities | 5 | - |
| Other Assets | | |
| Cash at bank | | 31,182 |
| Total Assets | | 31,182 |
| Unitholders' Fund and Liability | | |
| Liability | | |
| Accruals | 6 | 30,158 |
| Unitholders' Fund | | |
| Unitholders' capital | 7 | 46,766 |
| Realised reserve | 8 | (45,742) |
| Net Asset Value attributable to unitholders | | 1,024 |
| Total Unitholders' Fund and Liability | | 31,182 |
| Number of Units in Circulation | 7 | 1,027 |
| Net Asset Value Per Unit | 9 | 0.9968 |

The accompanying Notes form an integral part of the Financial Statements.

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ARECA DYNAMIC GROWTH FUND

AUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Period 11th November, 2016 (Date of Launch) to 31st March, 2018

| | Note | Financial period 11.11.2016 (date of launch) to 31.3.2018 RM |
|---------------------------------------------------------------------------------|-------------|-------------------------------------------------------------------------------------|
| Investment Income | | |
| Interest income | | 278 |
| Total Investment Income | | 278 |
| Expenditure | | |
| Management fee | 10 | 29,270 |
| Trustee's fee | 11 | 823 |
| Audit Fee | | 8,000 |
| Tax agent's fee | | 4,100 |
| Other expenses | | 3,827 |
| Total Expenditure | | 46,020 |
| Loss Before Tax | | (45,742) |
| Income Tax Expense | 12 | - |
| Loss After Tax And Total Comprehensive Loss For The Financial Period | | (45,742) |
| Loss After Tax Is Made Up Of: | | |
| Realised loss | | (45,742) |
| | | (45,742) |

AUDITED STATEMENT OF CHANGES IN NET ASSET VALUE

For The Financial Period 11th March, 2016 (Date of Launch) to 31st March, 2018

| | Unitholders' capital RM | Realised reserve RM | Total net asset value RM |
|---------------------------------------------------|----------------------------------------|------------------------------------|-----------------------------------------|
| As of 11th March, 2016 (date of launch) | - | - | - |
| Amount received from units created | 1,724,197 | - | 1,724,197 |
| Amount paid for units cancelled | (1,677,431) | - | (1,677,431) |
| Total comprehensive loss for the financial period | - | (45,742) | (45,742) |
| As at 31st March, 2018 | 46,766 | (45,742) | 1,024 |

The accompanying Notes form an integral part of the Financial Statements.

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ARECA DYNAMIC GROWTH FUND

AUDITED STATEMENT OF CASH FLOWS

For The Financial Period 11th March, 2016 (Date of Launch) to 31st March, 2018

| | Financial period 11.11.2016 (date of launch) to 31.3.2018 RM |
|--------------------------------------------------------|---------------------------------------------------------------------------------------------|
| Cash Flows From/ (Used In) Operating Activities | |
| Proceeds from disposal of investments | 1,721,210 |
| Interest received | 278 |
| Purchase of investment | (1,721,210) |
| Management fee paid | (14,034) |
| Trustee's fee paid | (816) |
| Payment for other fees and expenses | (1,012) |
| Net Cash Used In Operating Activities | <u>(15,584)</u> |
| Cash Flows From/ (Used In) Financing Activities | |
| Cash proceeds from units created | 1,724,197 |
| Payment for cancellation of units | (1,677,431) |
| Net Cash From Financing Activities | <u>46,766</u> |
| Net Increase In Cash And Cash Equivalents | 31,182 |
| Cash And Cash Equivalents At Date of Launch | <u>-</u> |
| Cash And Cash Equivalents At End of Period | <u><u>31,182</u></u> |

The accompanying Notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Areca Dynamic Growth Fund ("the Fund") was established pursuant to the Trust Deed dated 31st October, 2016 ("the Deed") between Areca Capital Sdn Bhd as the Manager, Maybank Trustees Berhad as the Trustee and all the registered unit holders of the Fund.

The principal activity of the Fund is to invest in investments as defined under Schedule 7 of the Deed, which include securities listed on Bursa Malaysia Securities Berhad or any other permitted foreign stock exchanges, unlisted securities, collective investment schemes and deposits with financial institutions. The Fund commenced operations on 11th November, 2016 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 investors with medium to long term capital growth.

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 financial statements were authorized for issue by the Board of Directors of the Manager in accordance with a resolution on directors on 18 May 2018.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and Securities Commission Malaysia's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework in Malaysia.

Adoption of New and Revised Malaysian Financial Reporting Standards

On 11th November, 2016 (date of launch), the Fund has adopted all applicable new and revised MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to its operations.

Standards, Issue Committee ("IC") Interpretation and Amendments in Issue But Not Yet Effective

At the date of authorisation for issue of these financial statements, the new and revised Standards, IC Interpretation and Amendments which were in issue but not yet effective and not early adopted by the Fund are as listed below:

| | |
|------------------------------------|----------------------------------------------------------------------------------------------------|
| MFRS 9 | Financial Instruments ³ |
| MFRS 15 | Revenue from Contracts with Customers (and the related Clarifications) ² |
| MFRS 16 | Leases ⁵ |
| MFRS 17 | Insurance Contracts ⁷ |
| Amendments to MFRS 2 | Classification and Measurement of Share-based Payment Transactions ² |
| Amendments to MFRS 4 | Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts ⁴ |
| Amendments to MFRS 9 | Prepayment Feature with Negative Compensation ⁵ |
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁸ |

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ARECA DYNAMIC GROWTH FUND

| | |
|------------------------|-------------------------------------------------------------------------------------|
| Amendments to MFRS 107 | Disclosure Initiative ¹ |
| Amendments to MFRS 112 | Recognition of Deferred Tax Assets for Unrealised Losses ¹ |
| Amendments to MFRS 119 | Plan Amendment, Curtailment or Settlement ⁵ |
| Amendments to MFRS 128 | Long-term Interests in Associates and Joint Ventures ⁵ |
| Amendments to MFRS 140 | Transfers of Investment Property ² |
| IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration ² |
| IC Interpretation 23 | Uncertainty over Income Tax Payments ⁵ |
| Amendments to MFRSs | Annual Improvements to MFRSs 2014 - 2016 Cycle ^{1 or 2} |
| Amendments to MFRSs | Annual Improvements to MFRSs 2015 - 2017 Cycle ⁵ |
| Amendments to MFRSs | Amendments to References to the Conceptual Framework in MFRS Standards ⁶ |

¹ Effective for annual periods beginning on or after 1 January 2017.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after 1 January 2018, with early application permitted. In addition, an entity may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss for annual periods beginning before 1 January 2018, as stated in paragraph 7.1.2 of MFRS 9.

⁴ Overlay approach to be applied when MFRS 9 is first applied. Deferred approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date.

⁵ Effective for annual periods beginning on or after 1 January 2019.

⁶ Effective for annual periods beginning on or after 1 January 2020.

⁷ Effective for annual periods beginning on or after 1 January 2021.

⁸ Effective date deferred to a date to be announced by Malaysian Accounting Standards Board.

The Manager of the Fund anticipates that the abovementioned Standards, IC Interpretation and Amendments will be adopted in the annual financial statements of the Fund when they become effective and that the adoption of these Standards, IC Interpretation and Amendments will have no material impact on the financial statements of the Fund in the period of initial application except for MFRS 9 and MFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 and MFRS 15 until the Manager undertakes a detail review.

3 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND JUDGEMENTS

SIGNIFICANT ACCOUNTING POLICIES

Income Recognition

Interest income from unquoted fixed income securities and short-term deposits is recognised on a time proportion basis that reflects the effective yield on the asset.

Realised gain and loss on disposal of investments is arrived based on net sales proceeds less carrying value from reversal of prior year's unrealised gains and losses for financial instruments which were realised (i.e. sold, redeemed or matured) during the reporting period.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period.

Income Tax

Income tax comprises Malaysian corporate tax for the current financial period, which is measured using the tax rates that have been enacted or substantively enacted at the end of each reporting period.

No deferred tax is recognised as no temporary differences have been identified.

Functional and Presentation Currency

The financial statements are measured using the currency of the primary economic environment in which the Fund operates ("functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also its functional currency.

Distribution

Distributions are at the discretion of the Trustee. A distribution to the Fund's Unitholders is accounted for as a deduction from realised reserve. A proposed distribution is recognised as a liability in the period in which it is approved by the Trustee.

Creation and Cancellation of Units

The Fund issues cancellable units, which are cancelled at the unitholder's option and are classified as equity. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net assets value. The outstanding units is carried at the redemption amount that is payable at the net assets value if the holder exercises the right to put the unit back to the Fund.

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

Unitholders' Capital

The unitholders' contributions to the Fund meet the definition of puttable instruments classified as equity instruments under the revised MFRS 132 *Financial Instruments: Presentation*.

The units in the Fund are puttable instruments which entitle the unitholders to a pro-rata share of the net asset value of the Fund. The units are subordinated and have identical features. There is no contractual obligation to deliver cash or another financial asset other than the obligation on the Fund to repurchase the units. The total expected cash flows from the units in the Fund over the life of the units are based on the change in the net asset value of the Fund.

Financial Instruments

Financial instruments are recognised in the statement of financial position when, and only when the Fund has become a party to the contractual provisions of the financial instruments. Financial assets and liabilities include cash at bank and accruals. The accounting policies on recognition and measurement of these items are disclosed in their respective accounting policies.

Financial instruments are classified as assets or liabilities in accordance with the substance of the contractual arrangements. Interest, dividends, gains and losses relating to financial instruments classified as assets, are reported as investment income.

Financial Assets

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' financial

assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset of liability) to be designated as at FVTPL accounts.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss under 'Net gain or loss' on financial assets at FVTPL accounts.

Investments

The Fund's investments which are classified under FVTPL include investment in unlisted securities.

Unlisted securities are classified under FVTPL and are generally valued on a daily basis with the appropriate prices by reference to quotes published by an approved bond pricing agency ("BPA"). When no market prices are available or during abnormal market or when the Manager is of the view that the quotes by the BPA differ from the 'market price' by 20 basis points, such securities will be valued at 'fair values' in accordance with the requirements stipulated in the Guidance Note issued by the Securities Commission Malaysia.

Gains or losses arising from the changes in the fair value of the investments is recognised as gains or losses from investment in profit or loss and transferred to unrealised reserve.

Loans and Receivables

Receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loan and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected. Receivables assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Fund's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in the national or global economic conditions that correlate with default on receivables.

In respect of receivables carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Classification of Realised Gains and Losses

Realised gains and losses on disposals of financial instruments classified as FVTPL are accounted for as the difference between the net disposal proceeds and the carrying amount of the financial instruments.

Derecognition of Financial Assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial Liabilities and Equity Instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Fund after deducting all of its liabilities. Equity instruments issued by the Fund are recognised at the proceeds received, net of direct issue costs.

Financial Liabilities

Financial liabilities are initially measured at fair value, net of transaction cost and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of Financial Liabilities

The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Statement of Cash Flows

The Fund adopts the direct method in the preparation of statement of cash flows.

Cash equivalents are highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) **Critical judgements in applying accounting policies**

In the process of applying the Fund's accounting policies, which are described in Note 3 above, the Manager is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(ii) **Key sources of estimation uncertainty**

The Manager believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

5 INVESTMENT

| | 31.3.2018 RM |
|----------------------|-------------------------------|
| At fair value: | |
| At beginning of year | - |
| Additions | 1,721,210 |
| Disposal | (1,721,210) |
| At end of year | - |

Investment represents investment in unlisted securities which had been disposed off during the year.

6 ACCRUALS

| | 31.3.2018 RM |
|--------------------|-------------------------------|
| Accrual consist of | |
| Management fee | 15,236 |
| Trustee's fee | 7 |
| Audit fee | 8,000 |
| Tax agent's fee | 4,100 |
| Others | 2,815 |
| | 30,158 |

7 UNITHOLDERS' CAPITAL

| | <-----31.3.2018 -----> | |
|-----------------------------|-------------------------------------|-------------|
| | No. of units | RM |
| At date of launch | - | - |
| Created during the period | 1,724,197 | 1,724,197 |
| Cancelled during the period | (1,723,170) | (1,677,431) |
| At end of the period | 1,027 | 46,766 |

8 REALISED RESERVE

31.3.2018

| | |
|---------------------------------------------------|-----------------|
| | RM |
| At date of launch | - |
| Total comprehensive loss for the financial period | (45,742) |
| At end of financial period | <u>(45,742)</u> |

9 NET ASSET VALUE PER UNIT

The net asset value per unit is calculated by dividing the net asset value attributable to unitholders as of 31st March, 2018 of RM1,024 by units in issue as of 31st March, 2018 of 1,027 units.

10 MANAGEMENT FEE

The Schedule 8 of the Deed provides that the Manager is entitled to an annual management fee at a rate not exceeding 1.52% of the net asset value of the Fund. The management fee provided for in the financial statements amounted to 1.94% per annum for the financial period of 17 months, inclusive of 0.55% per annum for the period 11 November 2016 (date of launch) to 31st March 2017. The management fee is subject to 6% goods and services tax ("GST").

11 TRUSTEE'S FEE

The Schedule 9 of the Deed provides that the Trustee is entitled to an annual Trustee's fee at rate not exceeding 0.04% of the net asset value of the Fund, subject to a minimum fee of RM6,000 per annum. The Trustee's fee provided for in the financial statements amounted to 0.05% per annum for the financial period of 17 months, inclusive of 0.01% per annum for the period 11th November 2016 to 31st March 2017. The Trustee's fee is subject to 6% GST.

12 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.

13 MANAGEMENT EXPENSE RATIO AND PORTFOLIO TURNOVER

Management Expense Ratio (MER)

Management expense ratio for the Fund is 3.06% for the financial period ended 31st March, 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 financial period is RM1,505,079.

Portfolio Turnover Ratio (PTR)

The portfolio turnover ratio for the Fund is 1.14 times for the financial period ended 31st March, 2018. The portfolio turnover ratio is derived from the following calculation:

$$\frac{\text{Total acquisition for the financial period} + \text{total disposal for financial the period}}{2}$$

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

Where: total acquisition for the financial period = RM1,721,210

total disposal for the financial period = RM1,721,210

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14 UNITS HELD BY THE MANAGER

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

| | <-----31.3.2018-----> | | RM |
|-------------|------------------------------------|--|-----------|
| | No. of units | | RM |
| The Manager | 1,027 | | 1,024 |
| | 1,027 | | 1,024 |

15 TRADE WITH BROKERS/DEALERS

Details of transactions with brokers/dealers are as follows:

| Brokers/Dealers | Value of Trades RM | % of Total Trades % |
|----------------------------|-------------------------------|--------------------------------|
| KAF Investment Bank Berhad | 1,721,210 | 100.00 |
| | 1,721,210 | 100.00 |

Included in transactions with brokers/dealers are trades conducted on normal terms in relation to investment in unquoted fixed income securities and money market instruments.

16 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 (including interest rate risk and price risk).

Categories of Financial Instruments

| | 31.3.2018 RM |
|-----------------------------------|-------------------------|
| Financial asset | |
| Loans and receivables: | |
| Cash at bank | 31,182 |
| Financial liability | |
| Other financial liability: | |
| Accruals | 30,158 |

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 31st March, 2018.

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The credit risk for cash at bank considered negligible, since the counterparties are reputable banks with high quality ratings.

Liquidity risk management

This 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 summarises the maturity profile of the Fund's liabilities at the reporting date based on contractual undiscounted repayment obligations:

| | Up to 1 month RM | 1 - 3 months RM | 3 months to 1 year RM | Total RM |
|-----------------------------|---------------------------------|--------------------------------|--------------------------------------|---------------------|
| 31.3.2018 | | | | |
| Financial Liability | | | | |
| Non-interest bearing | | | | |
| Accruals | 7 | 16,151 | 14,000 | 30,158 |

Market risk management

This is a class of risk that inherently exists in an economy and cannot be avoided by any business or fund. It is usually due to changes in market variables such as interest rates and markets prices. This risk cannot be removed from an investment portfolio, which is solely invested within that particular market, by diversification.

During the current financial period, as the Fund invests only in Malaysian unlisted securities, the performance of the Fund might go up or down in accordance with the prevailing market risk of Malaysia.

Price rate management

Price risk is the risk of unfavourable changes in the value of unlisted securities as the result of changes in the levels of the equity indices. The price risk exposure arises from the Fund's investment in unlisted securities. The Manager manages the risk of unfavourable changes in prices by continuous monitoring of the performance and risk profile of the investment portfolio.

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.

17 COMPARATIVE

The financial statements are drawn up for the financial period 11 November, 2016 (date of launch) to 31st March, 2018 or for a period of 17 months.

As the financial statements are drawn up for the first time, no comparative figures are presented.

**INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
ARECA DYNAMIC GROWTH FUND**

(Established under Trust Deed dated 25th February, 2016)

Report on the Audit of the Financial Statements

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **ARECA DYNAMIC GROWTH FUND**, which comprise the statement of financial position as at 31st March, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in net asset value and statement of cash flows for the financial period 11th November, 2016 (date of launch) to 31st March 2018, and notes to the financial statements including a summary of significant accounting policies, as set out on pages 10 to 21.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31st March, 2018, and of its financial performance and cash flows for the financial period 11th November 2016 (date of launch) to 31st March, 2018 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's and Trustee's reports, but does not include the financial statements of the Fund and our auditors' report thereon.

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

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

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

Responsibilities of the Manager for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

Other Matters

This report is made solely to the unitholders of the Fund, as a body, and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

DELOITTE PLT (LLP0010145-LCA)

Chartered Accountants (AF 0080)

KHONG SIEW CHIN

Partner - 03049/03/2019 J

Chartered Accountant

15 May, 2018



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