

# Quarterly Report

## Dec 2016

For the Period Ended 31 December 2016

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**Areca Situational Income Fund**

Management Company



(740840-D)



# QUARTERLY REPORT DECEMBER 2016

## ✦ ARECA SITUATIONAL INCOME FUND

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## 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

Dato' Wee Hoe Soon @ Gooi Hoe Soon  
(Independent, Chairman)  
Wong Teck Meng (Executive)  
Raja Datuk Zaharaton Bt Raja Dato' Zainal Abidin  
(Non-Executive Non-Independent)  
Dr. Junid Saham (Independent)

### INVESTMENT COMMITTEE MEMBERS

Dato' Wee Hoe Soon @ Gooi Hoe Soon  
(Independent, Chairman)  
Raja Datuk Zaharaton Bt Raja Dato' Zainal Abidin  
(Non-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 (AF 0080)  
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 DECEMBER 2016**  
ARECA SITUATIONAL INCOME FUND

**FUND INFORMATION**

<b>Name of the Fund</b>	Areca Situational Income Fund																																			
<b>Fund Category/ Type</b>	Wholesale Fixed income Fund/ Income and Growth																																			
<b>Objective of the Fund</b>	Seek to offer investors regular income* and incidental capital appreciation based on current market investment opportunities  * income could be in the form of Units or Cash																																			
<b>Performance Benchmark</b>	Maybank's 12-month fixed deposit rate																																			
<b>Distribution Policy of the Fund</b>	Subject to the availability of income, the Fund will distribute income at least once a year. In the absence of any instructions, we will, at our discretion, pay any income distributed by the Fund to you, or reinvest the income in additional units at the NAV per unit of the distribution day without any entry fee.																																			
<b>Profile of unitholdings</b>	<p style="text-align: right;"><i>As at 31 December 2016</i></p> <table border="1" 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;">38</td> <td style="text-align: center;">44.19</td> <td style="text-align: center;">1.87</td> <td style="text-align: center;">9.42</td> </tr> <tr> <td>50,001 to 500,000</td> <td style="text-align: center;">43</td> <td style="text-align: center;">50.00</td> <td style="text-align: center;">5.69</td> <td style="text-align: center;">28.65</td> </tr> <tr> <td>500,001 and above</td> <td style="text-align: center;">5</td> <td style="text-align: center;">5.81</td> <td style="text-align: center;">12.31</td> <td style="text-align: center;">61.93</td> </tr> <tr> <td><b>Total*</b></td> <td style="text-align: center;"><b>86</b></td> <td style="text-align: center;"><b>100.00</b></td> <td style="text-align: center;"><b>19.87</b></td> <td style="text-align: center;"><b>100.00</b></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	38	44.19	1.87	9.42	50,001 to 500,000	43	50.00	5.69	28.65	500,001 and above	5	5.81	12.31	61.93	<b>Total*</b>	<b>86</b>	<b>100.00</b>	<b>19.87</b>	<b>100.00</b>
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<b>Total*</b>	<b>86</b>	<b>100.00</b>	<b>19.87</b>	<b>100.00</b>																																
<b>Rebates &amp; Soft Commissions</b>	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.																																			
<b>Inception Date</b>	01 March 2016																																			
<b>Initial Offer Price</b>	RM1.0000 per unit during the initial offer period of 15 days ended 15 March 2016																																			
<b>Pricing Policy</b>	Single Pricing – Selling and repurchase of units by Manager are at Net Asset Value per unit																																			
<b>Financial Year End</b>	31 March																																			

\* excluding units held  
by the Manager

**QUARTERLY REPORT DECEMBER 2016**  
ARECA SITUATIONAL INCOME FUND

**FUND PERFORMANCE**

	<b>01.10.2016 to 31.12.2016</b>	<b>01.07.2016 to 30.09.2016</b>
<b>Total Net Asset Value ("NAV")</b>		
Total Net Asset Value (RM million)	24.57	24.01
Units in circulation (million units)	22.98	22.98
NAV per unit (RM)	1.0691	1.0446

<b>HIGHEST &amp; LOWEST NAV per unit</b>		
<i>Please refer to <b>Note 1</b> for further information on NAV and pricing policy</i>		
Highest NAV per unit (RM)	1.0691	1.0446
Lowest NAV per unit (RM)	1.0446	1.0207

<b>ASSET ALLOCATION % of NAV</b>		
<b>Fixed Income Securities</b>		
Corporate bonds	93.50	95.68
<b>Cash &amp; cash equivalent including placements &amp; repo</b>	<b>6.50</b>	<b>4.32</b>

<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</b>		
Management expense ratio (MER) (%)	0.30	0.30
<i>Please refer to <b>Note 2</b> for further information</i>		
Portfolio turnover ratio (PTR) (times)	-	-
<i>Please refer to <b>Note 3</b> for further information</i>		

<b>TOTAL RETURN</b>		
<i>Please refer to <b>Note 4</b> for further information</i>		
Total Return (%)	2.35	2.37
- Capital Return (%)	2.35	2.37
- Income Return (%)	-	-
Annual Total Return (%)	9.63*	9.75*
Performance Benchmark: Average Maybank's 12-month fixed deposit rate (%)	3.14*	3.20*
*Annualised for comparison purpose only		

Total Return since launch (%)	6.91	4.46
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**QUARTERLY REPORT DECEMBER 2016**  
ARECA SITUATIONAL INCOME 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.***

**QUARTERLY REPORT DECEMBER 2016**  
ARECA SITUATIONAL INCOME FUND

**FUND REVIEW**

For the quarter ending 31 December 2016, the Fund posted an annualised return of 9.63%. The benchmark Maybank's 12-month fixed deposit rate was 3.14%. The portfolio outperformed the benchmark as the strategy of low liquidity and highly concentrated portfolio was supported by a low and accommodative domestic interest rates environment. There was also no diminution in credit quality of the sole credit exposure in the portfolio. The strategy is appropriate for a captive investor market with a long time view of stable returns.

The Fund achieved its objective to offer investor regular income and incidental capital appreciation based on current market investment opportunities.

**Investment Policy and Strategy**

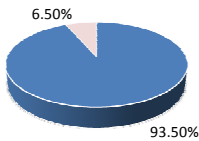
The Fund invests wholly in a single fixed income investment.

**NAV per unit** as at 31 December 2016

RM1.0691

**Asset Allocation / Portfolio Composition**

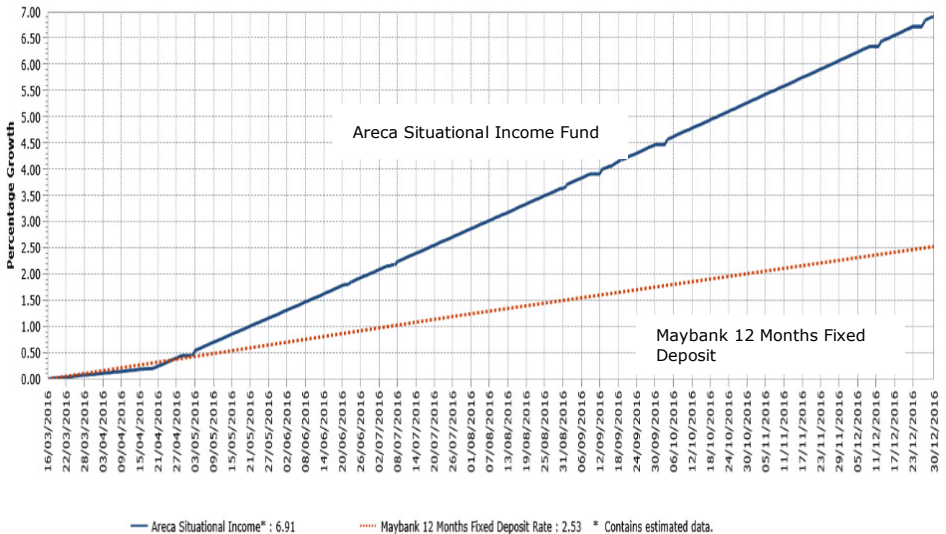
**31.12.2016    30.09.2016**



Fixed income securities	93.50%	95.68%
Cash & cash equivalents	6.50%	4.32%

**Performance of Areca Situational Income Fund  
for the financial period since inception to 31 December 2016**

Total Return of Areca Situational Income Fund vs Benchmark



Source Lipper



## MARKET REVIEW & OUTLOOK

### ECONOMIC REVIEW&OUTLOOK

US Unemployment hit a 9 year low in November with wages picking up while Housing Starts data improved to reach its highest reading in 9 years as well. Inflation in the US also picked up in December to print 2.1%, a 2½ year high. Then came the US elections results that perplexed many and put the world on a tentative pause. With most of his campaign sound bites controversial and provocative, Donald Trump's presidency promises to be anything but conventional. The Federal Reserve then followed up with a widely expected rate hike in December.

Europe and Japan remain steadfast in their extremely accommodative monetary policy while China's 3Q GDP recorded a steady 6.7%.

The US economy appears to be turning the corner. Trump is expected to announce his fiscal expansion plan which will likely entail infrastructure rebuilding funded by possible corporate tax cuts. China, Europe and other major economies will benefit from this normalization of US rates and economy. However, internal factors like stubborn inflation and lack of economic reaction to stimulus in these countries will likely peg Europe's and Japan's interest rates low. As for China, currency peg/control may come into question with Trump taking an abrasive stance. Interest rates will also likely remain low in China as its economy continues to shift to one that is consumption based.

The National Budget announced in October had fiscal discipline but did little to pacify the MYR doubters as anticipated declining interest rates differential added to the negative effect of the ignominy that surrounds 1MDB which resurfaced in the mainstream media. MYR slid 8.5% to 4.4860 from 4.1355 against US\$, 2.1% against AUD\$ from 3.1694 to 3.2371 and 2.1% against SGD\$ from 3.0345 to 3.0975 in this quarter.

However, GDP held up to record 4.3% annual growth for Q3 with private consumption making up for slowdown in exports. Exports did pick up in the last two months of 2016 with 7.8% and 10.7% while accompanied by imports growth of 11.2% and 11.5% respectively. External Reserves remained healthy at MYR424.2 billion or US\$94.6 billion and sufficient to finance 8.8 months of retained imports. It is 1.3 times the short term external debt. Inflation remains muted for the year at 2.1% despite petrol prices at the pump rising 13.5% from RM1.85 to RM2.10 for the year.

The OPEC finally agreed to cut production late November in an effort to drain global glut helping to prop oil price up. Non-OPEC members were also coaxed to comply. Crude oil price is expected to be range bound between US\$45-60 supported by the OPEC production cut agreement but limited by re-introduction of other sources like shale oil.

### FIXED INCOME MARKET REVIEW & OUTLOOK

After the benchmark 10 years US Treasury traded to a historical low in July at 1.375%, Trump's victory sparked a turnaround with yields surging to a 26 months high of 2.606% in December as it coincided with the FOMC's rate hike. It closed the year at 2.45%.

With optimism of a 'make America great again' type of fiscal program building up in the US, the Federal Reserve will likely bow to the hawks and raise interest rates at least twice in 2017.

In Malaysia, after the Overnight Policy Rate was unexpectedly cut by 25bps to 3.00% in July, it was left unchanged for the rest of the year. With Trump's win, interest rates differential is expected to narrow quicker, compounding MYR weakness with reversal of 'carry-trades' and the sell-down of Malaysian bonds by foreign investor that totaled MYR24 billion in the last two months of 2016. This reversed all that we gained in the year with a MYR1 billion net negative at the year close. MGS yields rose almost 1 percent before recovering to a net rise of 50 bps against half a year ago while corporate bonds rose about 50 bps before ending the year with a net 20 bps higher.

Looking ahead, a higher anticipated supply of MGS may instigate a rise in yields coupled with expected higher US interest rates. Mitigating this is the possibility of early General Election this year as well as the tightening disposable income level of the population at large as the effects of subsidy removal from most items continue to reverberate.

## **QUARTERLY REPORT DECEMBER 2016**

### MANAGER'S REPORT

There also remains the possibility of Statutory Rate cut as an option if liquidity tightens as a result of withdrawal of funds from the system as experienced in November/December.

Fixed income markets is expected to be buoyant but challenged. The possible tail end of low interest rates regime is balanced out by the new norm of low interest rates for a very long time as global growth remains low and lumpy at best.

**QUARTERLY REPORT DECEMBER 2016**  
**ARECA SITUATIONAL INCOME FUND**

**TRUSTEE'S REPORT**

*For The Financial Period Ended 31 December 2016*

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

We have acted as Trustee of Areca Situational Income Fund ("the Fund") for the financial period ended 31 December 2016. In our opinion, Areca Capital Sdn Bhd ("the Manager") has managed the Fund in the financial period ended under review in accordance with the following:-

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

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

BERNICE KM LAU  
Head, Operations

Kuala Lumpur, Malaysia  
21 February 2017

**STATEMENT BY THE MANAGER**

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

We, Wong Teck Meng and Dato' Wee Hoe Soon @ Gooi Hoe Soon, 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 31 December 2016 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

Kuala Lumpur  
21 February 2017

DATO' WEE HOE SOON @ GOOI HOE SOON  
INDEPENDENT DIRECTOR

Kuala Lumpur  
21 February 2017

**QUARTERLY REPORT DECEMBER 2016**  
ARECA SITUATIONAL INCOME FUND

**UNAUDITED STATEMENT OF FINANCIAL POSITION**

*As Of 31st December, 2016*

	<b>Note</b>	<b>01.10.2016 to 31.12.2016 RM</b>	<b>01.07.2016 to 30.09.2016 RM</b>
<b>Assets</b>			
<b>Investments</b>			
Unquoted fixed income securities	3	22,971,871	22,967,432
Total Investments		<u>22,971,871</u>	<u>22,967,432</u>
<b>Other Assets</b>			
Other receivables		1,767,534	1,136,767
Cash at bank		11,856	14,409
Total Other Assets		<u>1,779,390</u>	<u>1,151,176</u>
<b>Total Assets</b>		<u><u>24,751,261</u></u>	<u><u>24,118,608</u></u>
<b>Unitholders' Fund and Liability</b>			
<b>Liability</b>			
Accruals		<u>182,681</u>	<u>113,336</u>
<b>Unitholders' Fund</b>			
Unitholders' capital		22,998,160	22,998,160
Unrealised reserve		(28,129)	(32,568)
Realised reserve		<u>1,598,549</u>	<u>1,039,680</u>
<b>Net Asset Value attributable to unitholders</b>		<u><u>24,568,580</u></u>	<u><u>24,005,272</u></u>
<b>Total Unitholders' Fund and Liability</b>		<u><u>24,751,261</u></u>	<u><u>24,118,608</u></u>
<b>Number of Units in Circulation</b>		<u>22,980,545</u>	<u>22,980,545</u>
<b>Net Asset Value Per Unit</b>		<u>1.0691</u>	<u>1.0446</u>

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

**QUARTERLY REPORT DECEMBER 2016**  
ARECA SITUATIONAL INCOME FUND

**UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For The Financial Period Ended 31st December, 2016*

	<b>Note</b>	<b>01.10.2016 to 31.12.2016 RM</b>	<b>01.07.2016 to 30.09.2016 RM</b>
<b>Investment Income</b>			
Interest income		630,767	637,698
Net gain/ (loss) from investments: Investments at fair value through profit or loss ("FVTPL")	3	4,439	(12,098)
<b>Total Investment Income</b>		<u>635,206</u>	<u>625,600</u>
<b>Expenditure</b>			
Management fee		61,223	59,805
Trustee's fee		2,449	2,392
Other expenses		8,226	8,419
<b>Total Expenditure</b>		<u>71,898</u>	<u>70,616</u>
<b>Net Income Before Tax</b>		563,308	554,984
<b>Income Tax Expense</b>		-	-
<b>Net Income After Tax/Total Comprehensive Income For The Period</b>		<u>563,308</u>	<u>554,984</u>
 <b>Net Income After Tax Is Made Up Of:</b>			
Realised gain		558,869	567,082
Unrealised gain/ (loss)		4,439	(12,098)
		<u>563,308</u>	<u>554,984</u>

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

*For The Financial Period Ended 31st December, 2016*

	<b>Unitholders' capital RM</b>	<b>Realised reserve RM</b>	<b>Unrealised reserve RM</b>	<b>Total net asset value RM</b>
<b>As of 1st July, 2016</b>	22,998,160	472,598	(20,470)	23,450,288
Total comprehensive income for the period	-	554,984	-	554,984
Net unrealised loss transferred to unrealised reserve	-	12,098	(12,098)	-
<b>As of 30th September, 2016</b>	<u>22,998,160</u>	<u>1,039,680</u>	<u>(32,568)</u>	<u>24,005,272</u>
<b>As of 1st October, 2016</b>	22,998,160	1,039,680	(32,568)	24,005,272
Total comprehensive income for the period	-	563,308	-	563,308
Net unrealised gain transferred to unrealised reserve	-	(4,439)	4,439	-
<b>As of 31st December, 2016</b>	<u>22,998,160</u>	<u>1,598,549</u>	<u>(28,129)</u>	<u>24,568,580</u>

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

**QUARTERLY REPORT DECEMBER 2016**  
ARECA SITUATIONAL INCOME FUND

**UNAUDITED STATEMENT OF CASH FLOWS**

*For The Financial Period Ended 31st December, 2016*

	<b>01.10.2016 to 31.12.2016 RM</b>	<b>01.07.2016 to 30.09.2016 RM</b>
<b>Cash Flows From/ (Used In) Operating And Investing Activities</b>		
Trustee's fee paid	(2,404)	(2,374)
Payment for other fees and expenses	(149)	(230)
Net Cash Used In Operating And Investing Activities	(2,553)	(2,604)
<b>Net Decrease In Cash And Cash Equivalents</b>	(2,553)	(2,604)
<b>Cash And Cash Equivalents At The Beginning of The Financial Period</b>	14,409	17,013
<b>Cash And Cash Equivalents At The End of The Financial Period</b>	11,856	14,409

Cash and cash equivalents consist of the following amounts:

	<b>31.12.2016 RM</b>	<b>30.09.2016 RM</b>
Cash at bank	11,856	14,409
	11,856	14,409

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

**QUARTERLY REPORT DECEMBER 2016**  
ARECA SITUATIONAL INCOME FUND

**NOTES TO THE FINANCIAL STATEMENTS**

**1 GENERAL INFORMATION**

Areca Situational Income Fund ("Situational Income" or "the Fund") was established pursuant to the Trust Deed dated 25th February, 2016.

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 1st March, 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 offer investor regular income and incidental capital appreciation based on current market investment opportunities.

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 Iconic Vacation Club Berhad's (IVCB) Medium Term Note (MTN) programme. Areca Capital Sdn Bhd, the Manager of the Fund, was appointed by IVCB as the fund manager to manage the redemption account under the IVCB MTN programme. As at the date of the report, the Manager was not aware of any conflict of interest arising from the above.

**2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

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

**3 INVESTMENTS**

	<b>31.12.2016</b>	<b>30.09.2016</b>
<b>At aggregate cost</b>	<b>RM</b>	<b>RM</b>
Unquoted fixed income securities	23,000,000	23,000,000
	23,000,000	23,000,000
<b>At market value</b>		
Unquoted fixed income securities	22,971,871	22,967,432
	22,971,871	22,967,432
	<b>31.12.2016</b>	<b>30.09.2016</b>
<b>Net gain/ (loss) on investments at FVTPL comprised:</b>		
Unrealised gain/ (loss) on changes in fair value	4,439	(12,098)
	4,439	(12,098)
	4,439	(12,098)

Details of unquoted fixed income securities as of 31st December, 2016 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>						
Iconic Vacation Club Berhad (NR) 2021/11.00	23,000,000	99.877	23,000,000	23,000,000	22,971,871	93.50
Total investments			23,000,000	23,000,000	22,971,871	93.50
			23,000,000	23,000,000	22,971,871	93.50

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Issuer (rating) maturity/ coupon (%)	Nominal Value RM	Valuation Price RM	Aggregate Cost RM	Carrying Value RM	Fair Value RM	Fair Value as a % of Net Asset Value %
<b>30.09.2016</b>						
<b>Bonds</b>						
Iconic Vacation Club Berhad (NR) 2021/11.00	23,000,000	100.00	23,000,000	23,000,000	22,967,432	95.68
Total investments			23,000,000	23,000,000	22,967,432	95.68

#### 4 UNITS HELD BY MANAGER

The number of units held by the Manager is as follows:

	<-----31.12.2016----->		<-----30.09.2016----->
	No. of units	RM	No. of units
Areca Capital Sdn Bhd	3,105,855	3,320,469	3,105,855
			3,244,376

#### 5 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

	31.12.2016 RM	30.09.2016 RM
<b>Financial assets</b>		
<b>Carried at FVTPL:</b>		
Unquoted fixed income securities	22,971,871	22,967,432
<b>Loans and receivables:</b>		
Other receivables	1,767,534	1,136,767
Cash at bank	11,856	14,409
<b>Financial Liability</b>		
Accruals	182,681	113,336

##### 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 December, 2016.



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The Fund invests only in unquoted investments 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.

**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 summarises 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>31.12.2016</b>				
<b>Financial Liability</b>				
<b>Non-interest bearing</b>				
Accruals	881	-	181,800	182,681
<b>30.09.2016</b>				
<b>Financial Liability</b>				
<b>Non-interest bearing</b>				
Accruals	833	-	112,503	113,336

**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 is risk exposure arises from the Fund's investment in unquoted securities.

**Price risk sensitivity**

Management's best estimate of the effect on the income for the year due to a reasonably possible change in price, with all other variables held constant is indicated in the table below:

	<b>Changes in price %</b>	<b>Effect on profit or loss Increase/(Decrease) RM</b>
<b>31.12.2016</b>		
Investments	+5/-5%	1,148,594/(1,148,594)

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	<b>Changes in price</b>	<b>Effect on profit or loss</b>
	<b>%</b>	<b>Increase/(Decrease)</b>
<b>30.09.2016</b>		<b>RM</b>
Investments	+5/-5%	<u>1,148,372/(1,148,372)</u>

**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.

**6 QUARTERLY ACCOUNTS**

The quarterly accounts for the 3-month period ended 31st December, 2016 have not been audited.





**ARECA CAPITAL SDN BHD** (740840-D)

107, Blok B, Pusat Dagangan Phileo  
Damansara I, No.9, Jalan 16/11  
Off Jalan Damansara, 46350 Petaling Jaya  
Selangor, Malaysia

**T** 603•7956 3111 **F** 603•7955 4111

**E** [invest@arecacapital.com](mailto:invest@arecacapital.com)

**www.arecacapital.com**

**Penang Branch**

368-2-02 Belissa Row, Jalan Burma  
Georgetown, 10350 Pulau Pinang

**T** 604•210 2011 **F** 604•210 2013

**Ipoh Branch**

11A, (First Floor) Persiaran Greentown 5  
Greentown Business Centre, 30450 Ipoh, Perak

**T** 605•249 6697 **F** 605•249 6696

**Malacca Branch**

95A, Jalan Melaka Raya 24  
Taman Melaka Raya, 75000 Melaka

**T** 606•282 9111 **F** 606•283 9112