

Quarterly Report

November 2017

For the Period Ended 30 November 2017

Areca Situational Income 2.0 Fund

Management Company



(740840-D)

QUARTERLY REPORT NOVEMBER 2017

✦ ARECA SITUATIONAL INCOME 2.0 FUND

Contents

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

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

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

TRUSTEE

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

AUDITOR

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

TAX ADVISER

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

MANAGER'S OFFICE AND BRANCHES

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 6697/6698
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 NOVEMBER 2017
ARECA SITUATIONAL INCOME 2.0 FUND

FUND INFORMATION

Name of the Fund	Areca Situational Income 2.0 Fund																																			
Fund Category / Type	Wholesale Fund with flexible asset allocation/Income and Growth																																			
Objective of the Fund	The Fund aims to provide Medium to Long Term combination of income and capital growth. Any material changes to the Fund's objective would require Unit Holder's approval.																																			
Performance Benchmark	Maybank's 12-month fixed deposit rate																																			
Distribution Policy of the Fund	Subject to the availability of income, the Fund will distribute income at least once a year. Capital repayment in a form of cash may be made to the Unit Holders. The capital repayment is pursuant to the maturity of the investment, disposal by Manager or early redemption by issuer and without intention to reinvest the investment proceeds. The Capital Distribution is subject to performance fee at a rate of 30% on any excess of annualized aggregate total returns above the Watermark Return (9% p.a. on NAV to NAV basis) upon capital distribution. In the absence of any instructions, at the Manager discretion to reinvest the income into another unit trust fund as determined by the Manager at the NAV per Unit of the distribution day without any entry fee.																																			
Profile of unitholdings	<i>As at 30 November 2017</i>																																			
	<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;">16</td> <td style="text-align: center;">16.84</td> <td style="text-align: center;">0.78</td> <td style="text-align: center;">3.18</td> </tr> <tr> <td>50,001 to 500,000</td> <td style="text-align: center;">70</td> <td style="text-align: center;">73.69</td> <td style="text-align: center;">13.21</td> <td style="text-align: center;">53.83</td> </tr> <tr> <td>500,001 and above</td> <td style="text-align: center;">9</td> <td style="text-align: center;">9.47</td> <td style="text-align: center;">10.55</td> <td style="text-align: center;">42.99</td> </tr> <tr> <td>Total*</td> <td style="text-align: center;">95</td> <td style="text-align: center;">100.00</td> <td style="text-align: center;">24.54</td> <td style="text-align: center;">100.00</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	16	16.84	0.78	3.18	50,001 to 500,000	70	73.69	13.21	53.83	500,001 and above	9	9.47	10.55	42.99	Total*	95	100.00	24.54	100.00
Size of Holding (Units)	No. of accounts	%	No. of unit held (million)	%																																
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Rebates & Soft Commissions	The Manager will retain soft commissions received from stockbrokers, provided these are of demonstrable benefit to the Unit Holders. The soft commissions may take the form of goods and services such as data and quotation services, computer software incidental to the management of the Fund and investment related publications. Cash rebates, if any, will be directed to the account of the Fund. During the period under review, the Manager had not received any soft commissions.																																			
Inception Date	28 August 2017																																			
Initial Offer Price	RM1.0000 per unit during the initial offer period of 30 days from the inception date ended 18 September 2017																																			
Pricing Policy	Single Pricing – Selling and repurchase of units by Manager are at Net Asset Value per unit																																			
Financial Year End	31 August																																			

* excluding units held by the Manager

QUARTERLY REPORT NOVEMBER 2017
ARECA SITUATIONAL INCOME 2.0 FUND

FUND PERFORMANCE

**28.08.2017
to
30.11.2017**

Total Net Asset Value ("NAV") as at 30 November

Total Net Asset Value (RM million)	30.80
Units in circulation (million units)	30.00
NAV per unit (RM)	1.0265

HIGHEST & LOWEST NAV per unit for the period ended 30 November

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

Highest NAV per unit (RM)	1.0268
Lowest NAV per unit (RM)	1.0000

ASSET ALLOCATION % of NAV as at 30 November

Fixed Income Securities

Corporate bonds	97.42
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Cash & cash equivalent including placements & repo

2.58

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 for the period ended 30 November

Management expense ratio (MER) (%)	0.49
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Please refer to **Note 2** for further information

Portfolio turnover ratio (PTR) (times)	0.59
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Please refer to **Note 3** for further information

TOTAL RETURN for the period ended 30 November

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

Total Return (%)	2.65
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- Capital Return (%)	2.65
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- Income Return (%)	-
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Annual Total Return (%)	10.69
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Benchmark: Average Maybank's 12-month fixed deposit rate (%)	3.14
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	1-yr	3-yrs	5-yrs
Average Total Return per annum (%)	2.65	-	-

QUARTERLY REPORT NOVEMBER 2017

ARECA SITUATIONAL INCOME 2.0 FUND

NOTES:

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

Note 2: *MER is calculated based on the total fees and expenses incurred by the Fund, divided by the average net asset value calculated on a daily basis.*

Note 3: *PTR is computed based on the average of the total acquisitions and total disposals of the investment securities of the Fund, divided by the average net asset value calculated on a daily basis.*

Note 4: *Fund performance figures are calculated based on NAV to NAV and assume reinvestment of distributions (if any) at NAV. The total return is sourced from Lipper. Benchmark data is sourced from Malayan Banking Berhad.*

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

FUND REVIEW

For the quarter ended 30 November 2017, the Fund posted an annualized return of 10.69% against the benchmark Maybank's 12-month Fixed Deposit rate was 3.14%. The portfolio outperformed the benchmark as this highly concentrated portfolio was supported by a low and accommodative domestic interest rates environment. In addition, credit quality of the sole issue in the portfolio remains strong and sufficiently secured.

As a result of the tight structure of the bond, we remain confident of the going concern of the issuer and their ability to fulfill its financial obligation to the fund. We continue to monitor their credit quality regularly and rigorously.

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

Investment Policy and Strategy

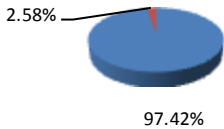
The Fund may invest up to 100% of its NAV in authorized investments with flexible allocation in its assets to achieve a higher possible return by freely changing risk degree according to current market conditions.

NAV per unit as at 30 November 2017

RM1.0265

Asset Allocation / Portfolio Composition as at 30 November

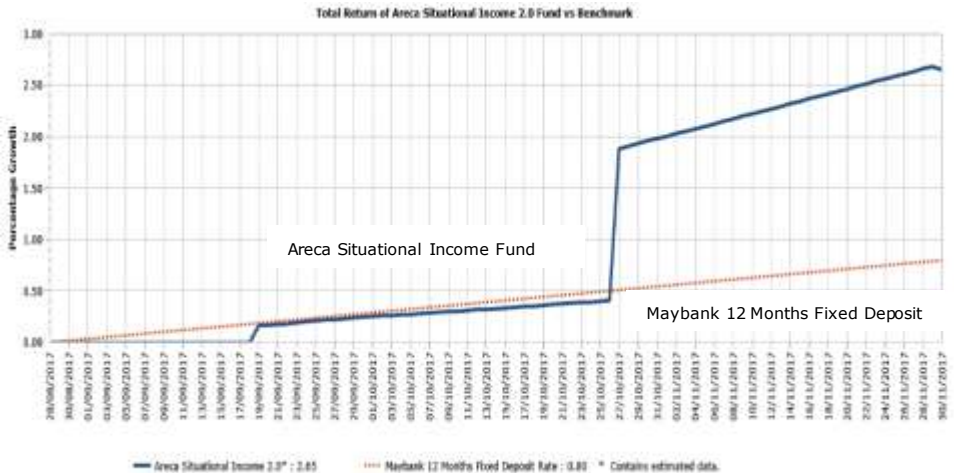
2017



Fixed income securities
Cash & cash equivalents

97.42%
2.58%

**Performance of Areca Situational Income 2.0 Fund
for the financial period since inception to 30 November 2017**



MARKET REVIEW & OUTLOOK

ECONOMIC REVIEW & OUTLOOK

Recovering from a self-inflicted economic crisis a decade ago, annualised 3Q2017 Gross Domestic Product (GDP) grew at 2.3% y-o-y, marking 6 consecutive quarters of gradual annualised increase in GDP growth. Unemployment rate has steadily declined to 4.1% in October, the lowest level since February 2001. Housing indicators are on a positive trajectory with Housing starts, Housing Price Indices and Building permits showing positive signs of strength in a sector that sparked the Financial Crisis. Inflation in this period in review has also managed to sustain above target with November reading at 2.2%. With Trump's tax reform plan endorsed by Senate at the end of November, it is no surprise that the bullish stock market can continue to push through umpteen new highs with November closing at yet another all-time high of 24,272 points despite heightened geopolitical tensions between the United States (US) and North Korea.

In Europe, GDP growth rates have been encouraging with 2Q and 3Q registering 2.4% and 2.6% respectively. Equally bright is the steady decline of unemployment rate which showed the lowest level since January 2009 in October at 8.8%. However, suppressed inflation rate allows for continued bond buying program at least until September 2018 although halved to €30 bil a month beginning January as announced in October.

Meanwhile China's National Congress meeting and snap elections in Japan returned and reaffirmed Xi Jin Peng and Shinzo Abe as leaders of their respective countries; the 2nd and 3rd largest economies in the world; granting them the ability to upstage and display to the world the shift in global power when hosting President Trump in his first trip to Asia. In seducing the US President, China received warm words of praise as opposed to the lambasting he gave months earlier branding China a currency manipulator and stealing American jobs.

In Malaysia, inflation has kept above 3% this year. In this quarter in review, inflation came in at 4.3%, 3.7% and 3.4% from September to November largely due to higher average pump prices. 3Q GDP growth advanced 6.2%, above last quarter's 5.8% and market expectation of 5.4%, highest since 2Q 2014 with major contribution from private consumption and exports. Looking forward, growth for the year is expected to hit the upper range of official estimate of 5.2-5.7%. Foreign Reserves stands at USD101.9 billion (or RM430.4 bil) as at end November, sufficient to finance 7.5 months of retained imports and is 1.1 times short-term external debt.

FIXED INCOME MARKET REVIEW & OUTLOOK

The 10-year US Treasury benchmark traded in a 2.04-2.46% range closing this period at the higher end at 2.42% on favourable economic data. There were 2 Federal Open Market Committee (FOMC) meetings this period with no change in interest rates but expectation of the third rate hike for the year has now been priced in for the December meet. In addition, Trump's corporate friendly tax reform and plan may further aid the sustenance of stable growth. This is reflected in the benchmark US Treasuries testing the psychological 2.50% mark last seen six months ago.

In Malaysia, there were two Monetary Policy Committee meetings in this period where policy rates were left unchanged. However, significant changes to the accompanying statement were noted to signify a potential preparation for rate hike in the future. Recognising improved external and domestic economic data, BNM "may consider reviewing the degree of monetary accommodation". This period also saw net inflow of offshore funds into our sovereign debt markets of RM13.7 bil. Foreign debt holdings stand at RM187.6 bil at end November or 28% of outstanding.

TRUSTEE'S REPORT

For The Financial Period Ended 30th November, 2017

To the Unitholder of Areca Situational Income 2.0 Fund

We have acted as Trustee of Areca Situational Income 2.0 Fund ("the Fund") for the financial period ended 30th November, 2017. In our opinion and to the best of our knowledge, Areca Capital Sdn Bhd ("the Manager") has operated and managed the Fund in accordance with the following:-

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

For and on behalf of the Trustee

RHB TRUSTEES BERHAD (Company No: 573019-U)

MOHD SOFIAN BIN KAMARUDDIN
VICE PRESIDENT

LEE YIT CHENG
HEAD, TRUSTEES OPERATIONS

Kuala Lumpur, Malaysia
26th January, 2018

STATEMENT BY THE MANAGER

To the Unitholders of Areca Situational Income 2.0 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 30th November, 2017 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

DATO' WEE HOE SOON @ GOOI HOE SOON
INDEPENDENT DIRECTOR

Kuala Lumpur
26th January, 2018

QUARTERLY REPORT NOVEMBER 2017
ARECA SITUATIONAL INCOME 2.0 FUND

UNAUDITED STATEMENT OF FINANCIAL POSITION

As Of 30th November, 2017

	Note	RM
Assets		
Investments		
Unquoted fixed income securities	3	30,000,000
Total Investments		<u>30,000,000</u>
Other Assets		
Cash at bank		849,253
Total Other Assets		<u>849,253</u>
Total Assets		<u><u>30,849,253</u></u>
Liability		
Accruals	5	53,502
Total liability		<u>53,502</u>
Unitholders' Fund		
Unitholders' capital		30,013,000
Unrealised reserve		-
Realised reserve		782,751
Net Asset Value attributable to unitholders		<u>30,795,751</u>
Total Unitholders' Fund and Liability		<u><u>30,849,253</u></u>
Number of Units in Circulation		<u>30,000,000</u>
Net Asset Value Per Unit	6	<u><u>1.0265</u></u>

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

QUARTERLY REPORT NOVEMBER 2017
ARECA SITUATIONAL INCOME 2.0 FUND

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

For The Financial Period From 28th August, 2017 (Launch Date) To 30th November, 2017

	Note	RM
Investment Income		
Interest income		907,554
Total Investment Income		<u>907,554</u>
Expenditure		
Management fee	7	117,654
Trustee's fee	8	-
Other expenses		7,149
Total Expenditure		<u>124,803</u>
Net Income Before Tax		782,751
Income Tax Expense	9	-
Net Income After Tax/ Total Comprehensive Income For The Period		<u><u>782,751</u></u>
Net Income After Tax Is Made Up Of:		
Realised gain		782,751
Unrealised gain/(loss)		-
		<u><u>782,751</u></u>

UNAUDITED STATEMENT OF CHANGES IN NET ASSET VALUE

For The Financial Period Ended 30th November, 2017

	Unitholders ' capital RM	Realised reserve RM	Unrealised reserve RM	Total net asset value RM
As at launch date	-	-	-	-
Amounts received from units created	30,013,000	-	-	30,013,000
Total comprehensive income for the period	-	782,751	-	782,751
As of 30th November, 2017	<u><u>30,013,000</u></u>	<u><u>782,751</u></u>	-	<u><u>30,795,751</u></u>

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

QUARTERLY REPORT NOVEMBER 2017
ARECA SITUATIONAL INCOME 2.0 FUND

UNAUDITED STATEMENT OF CASH FLOWS

For The Financial Period From 28th August, 2017 (Launch Date) To 30th November, 2017

	RM
Cash Flows From/(Used In) Operating And Investing Activities	
Interest received	907,555
Purchase of investments	(30,000,000)
Management fee paid	(67,181)
Trustee's fee paid	-
Payment for other fees and expenses	<u>(4,121)</u>
Net Cash Used In Operating And Investing Activities	<u>(29,163,747)</u>
Cash Flows From/(Used In) Financing Activities	
Cash proceeds from units created	<u>30,013,000</u>
Net Cash From Financing Activities	<u>30,013,000</u>
Net Increase In Cash And Cash Equivalents	849,253
Cash And Cash Equivalents At The Beginning of The Financial Period	<u>-</u>
Cash And Cash Equivalents At The End of The Financial Period	<u><u>849,253</u></u>

Cash and cash equivalents consist of the following amounts :

	RM
Cash at bank	<u>849,253</u>
	<u><u>849,253</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

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

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

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

3 INVESTMENTS

	30.11.2017
At aggregate cost	RM
Unquoted fixed income securities	30,000,000
	<u>30,000,000</u>
At market value	
Unquoted fixed income securities	30,000,000
	<u>30,000,000</u>

Details of unquoted fixed income securities as of 30th November, 2017 are as follows:

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 %
Bonds						
Carey Island Waterfront Sdn Bhd (NR) 2019/11.00	30,000,000	100.00	30,000,000	30,000,000	30,000,000	97.42
Total investments			<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>	<u>97.42</u>

QUARTERLY REPORT NOVEMBER 2017
ARECA SITUATIONAL INCOME 2.0 FUND

4 UNITS HELD BY THE MANAGER AND RELATED PARTIES

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

	No. of units	RM
Areca Capital Sdn Bhd	5,460,762	5,605,473
Dato' Wee Hoe Soon @ Gooi Hoe Soon	<u>296,854</u>	<u>304,720</u>
	<u><u>5,757,616</u></u>	<u><u>5,910,193</u></u>

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

5 ACCRUALS

	RM
Accruals consist of:	
Management fee	50,474
Trustee's fee	-
Others	<u>3,028</u>
	<u><u>53,502</u></u>

6 NET ASSET VALUE PER UNIT

The net asset value per unit is calculated by dividing the net asset value attributable to unitholders as of 30th November, 2017 of RM30,795,751 by units in issue as of 30th November, 2017 of 30,000,000 units.

7 MANAGEMENT FEE

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

8 TRUSTEE'S FEE

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

9 INCOME TAX EXPENSE

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

10 MANAGEMENT EXPENSE RATIO AND PORTFOLIO TURNOVER

Management Expense Ratio (MER)

Management expense ratio for the Fund is 0.49% for the period ended 30th November, 2017. The management expense ratio which includes management fee, Trustee's fee, audit fee, tax agent's fee and other expenses, is calculated as follows:

QUARTERLY REPORT NOVEMBER 2017
ARECA SITUATIONAL INCOME 2.0 FUND

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

A = Management fee

B = Trustee's fee

C = Audit fee

D = Tax agent's fee

E = Other expenses

F = Average net asset value of Fund

The average net asset value of the Fund for the period is RM25,261,086.

Portfolio Turnover Ratio (PTR)

The portfolio turnover ratio for the Fund is 0.59 times for the period ended 30th November, 2017. The portfolio turnover is derived from the following calculation:

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

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

Where: total acquisition for the year = RM30,000,000

total disposal for the year = NIL

11 TRADE WITH BROKERS/ DEALERS

Details of transactions with brokers/dealers are as follows:

Brokers/ Dealers	Value of Trades RM	% of Total Trades %	Fees RM	% of Total Brokerage Fee %
Areca Capital Sdn Bhd	30,000,000	54.54	-	-
KAF Investment Bank Berhad	25,010,000	45.46	-	-
	55,010,000	100.00	-	-

12 RISK MANAGEMENT POLICIES

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Categories of Financial Instruments

	RM
Financial assets	
Carried at FVTPL:	
Redeemable convertible preference shares	30,000,000
Loans and receivables:	
Cash at bank	849,253
Financial Liability	
Accruals	53,502

Credit risk management

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge an obligation. The Fund is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour

QUARTERLY REPORT NOVEMBER 2017
ARECA SITUATIONAL INCOME 2.0 FUND

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 30th November, 2017.

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

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

Industry	Short-term deposits RM	Collective investment scheme RM	Redeemable convertible preference shares RM
Property development	-	-	30,000,000
	-	-	<u>30,000,000</u>

Liquidity risk management

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

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

Financial Liability	Up to 1 month RM	1 - 3 months RM	3 months to 1 year RM	Total RM
Non-interest bearing				
Accruals	53,502	-	-	<u>53,502</u>

Market risk management

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

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

Interest rate risk management

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

Price risk management

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

Capital Risk Management

The capital of the Fund is represented by equity consisting of unitholders' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

13 COMPARATIVE FIGURES

There are no comparative figures as this is the Fund's first set of financial statement.

14 QUARTERLY ACCOUNTS

The quarterly accounts for the 4-month period ended 30th November, 2017 have not been audited.



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