

Quarterly Report September 2017

For the Period Ended 30 September 2017

Areca Situational Income Fund

Management Company



(740840-D)

QUARTERLY REPORT SEPTEMBER 2017

✦ ARECA SITUATIONAL INCOME 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

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 (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

QUARTERLY REPORT SEPTEMBER 2017
ARECA SITUATIONAL INCOME FUND

FUND INFORMATION

Name of the Fund	Areca Situational Income Fund																																			
Fund Category/ Type	Wholesale Fixed income Fund/ Income and Growth																																			
Objective of the Fund	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																																			
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. 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.																																			
Profile of unitholdings	<i>As at 30 September 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;">46</td> <td style="text-align: center;">42.59</td> <td style="text-align: center;">2.26</td> <td style="text-align: center;">8.34</td> </tr> <tr> <td>50,001 to 500,000</td> <td style="text-align: center;">57</td> <td style="text-align: center;">52.78</td> <td style="text-align: center;">9.38</td> <td style="text-align: center;">34.61</td> </tr> <tr> <td>500,001 and above</td> <td style="text-align: center;">5</td> <td style="text-align: center;">4.63</td> <td style="text-align: center;">15.46</td> <td style="text-align: center;">57.05</td> </tr> <tr> <td>Total*</td> <td style="text-align: center;">108</td> <td style="text-align: center;">100.00</td> <td style="text-align: center;">27.10</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	46	42.59	2.26	8.34	50,001 to 500,000	57	52.78	9.38	34.61	500,001 and above	5	4.63	15.46	57.05	Total*	108	100.00	27.10	100.00
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<i>* excluding units held by the Manager (please refer to Notes to Financial Statement – Note 4)</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	01 March 2016																																			
Initial Offer Price	RM1.0000 per unit during the initial offer period of 15 days ended 15 March 2016																																			
Pricing Policy	Single Pricing – Selling and repurchase of units by Manager are at Net Asset Value per unit																																			
Financial Year End	31 March																																			

QUARTERLY REPORT SEPTEMBER 2017
ARECA SITUATIONAL INCOME FUND

FUND PERFORMANCE

	01.07.2017 to 30.09.2017	01.04.2017 to 30.06.2017
Total Net Asset Value ("NAV")		
Total Net Asset Value (RM million)	31.29	30.61
Units in circulation (million units)	29.95	29.95
NAV per unit (RM)	1.0449	1.0222
HIGHEST & LOWEST NAV per unit		
<i>Please refer to Note 1 for further information on NAV and pricing policy</i>		
Highest NAV per unit (RM)	1.0449	1.0995
Lowest NAV per unit (RM)	1.0222	1.0048
ASSET ALLOCATION % of NAV		
Fixed Income Securities		
Corporate bonds	95.74	97.91
Cash & cash equivalent including placements & repo	4.26	2.09
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) (%)	0.41	0.41
<i>Please refer to Note 2 for further information</i>		
Portfolio turnover ratio (PTR) (times)	-	0.12
<i>Please refer to Note 3 for further information</i>		
TOTAL RETURN		
<i>Please refer to Note 4 for further information</i>		
Total Return (%)	2.22	2.23
- Capital Return (%)	2.22	-6.60
- Income Return (%)	-	8.83
Annual Total Return (%)	9.10*	9.26*
Performance Benchmark: Average Maybank's 12-month fixed deposit rate (%)	3.14*	3.14*
*Annualised for comparison purpose only		
Total Return since launch (%)	14.37	11.88

QUARTERLY REPORT SEPTEMBER 2017
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.

FUND REVIEW

For the quarter ending 30 September 2017, the Fund posted an annualized return of 9.1% against the benchmark Maybank's 12 mths FD rate of 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 protected. At end of September 2017, cash accumulated as part of the security amounted to RM21.6 million or 72.0% of the outstanding issued (RM30.0 million). Taking a 'fire sale' value of 50% of the charged properties, total security coverage stands at 116.9% of outstanding.

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 regular income and incidental capital appreciation based on current market investment opportunities.

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.

Investment Policy and Strategy

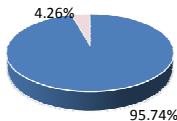
The Fund invests wholly in a single fixed income investment.

NAV per unit as at 30 September 2017

RM1.0449

Asset Allocation / Portfolio Composition

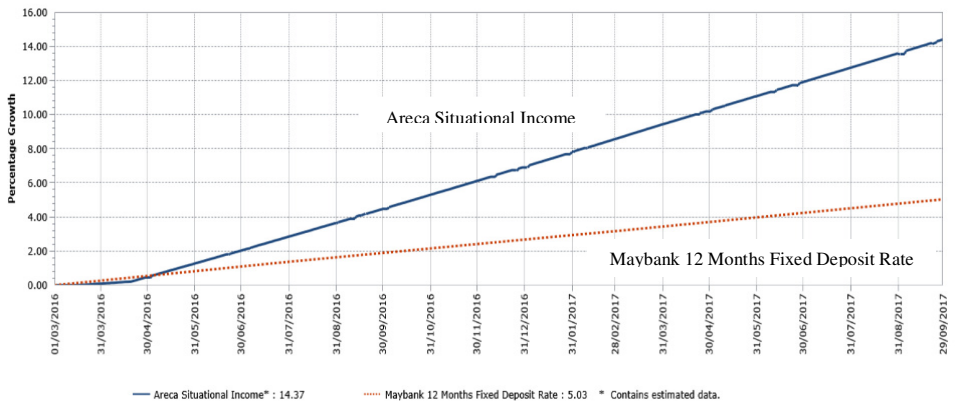
30.09.2017 30.06.2017



Fixed income securities	95.74%	97.91%
Cash & cash equivalents	4.26%	2.09%

Performance of Areca Situational Income Fund for the financial period since inception to 30 September 2017

Total Return of Areca Situational Income Fund vs Benchmark



Source: Lipper

MARKET REVIEW & OUTLOOK

ECONOMIC REVIEW & OUTLOOK

The US has been a shining economic example of self-repair from a self-inflicted economic crisis a decade ago. Annualised 3Q2017 GDP grew at 2.3%, marking 7 quarters of gradual annualised increase. Unemployment rate has steadily declined to a 16-year low of 4.2% in September. Housing indicators are on a positive trajectory with Housing starts, Housing Price Indices and Building permits showing signs of recovery in a sector that sparked the Financial Crisis and bore its brunt. Inflation in this quarter have also firmed up above target with September reading at 2.2%. However, with 2 hikes this year already, the FOMC resisted hawkish calls for further hikes this 3rd quarter. Thus benefitting the stock market which has been further bolstered by the possibility of President Trump pushing through his tax reforms.

On the flip side, there have been distractions from internal party feuds, sabre rattling with North Korea, juvenile nit picking with anyone else that do not put him on a pedestal that he so much desire, domestic tragic terror incidents and ravaging hurricanes.

Looking ahead, it will be interesting to see if US President's scheduled Asia trip in November will enhance the position of the US on a global stage or see the emergence of other forces that may overshadow century old phase of US dominance.

Growth in Europe has been equally encouraging with annualized 2Q and 3Q GDP registering 2.3% and 2.5% increase. With unemployment at 8.9%, lowest since January 2009, inflation remains the unattainable objective. This grants the ECB the leeway to insist that quantitative easing exercise is to continue with zero interest rates policy.

Meanwhile snap elections called in Japan and China's National Congress meeting to be held in October will likely see the consolidation and affirmation of power by the incumbent leaders in Shinzo Abe and Xi JinPeng of their respective 3rd and 2nd largest economies in the world. This will ensure continued economic policies that will help guide them to a larger influence in global trade.

In Malaysia, inflation has been fluctuating between 3 and 5% this year. The 3rd quarter was similar with readings of 3.2%, 3.7% and 4.3%, price of pump petrol RON95 being the major contributor. With Q2 GDP growth at 5.8%, above market expectations, BNM is able to convince the market that inflation is cost-push and expected to moderate. By keeping cost of borrowing low, it is hoped domestic demand can further flourish hence providing a 'feel good' environment essential to maintain the status quo in the upcoming General Elections. Foreign Reserves increased to USD101.2 billion (or RM427.7 bil) as at end September from USD98.9 bil (or RM424.8 bil) in earlier quarter. Bank Negara Malaysia as expected kept the Overnight Policy Rate (OPR) unchanged at 3% throughout this quarter.

FIXED INCOME MARKET REVIEW & OUTLOOK

The 10-year US Treasury benchmark closed the quarter near where it started circa 2.30%. It hit a low of 2.04% during a period when there were doubts as to whether President Trump can bring forth tax reforms or fall flat like his failures to fulfill his campaign promises of repeal and replace the Affordable Healthcare Act and build the border wall with Mexico. Upward trend was forming towards the end of September as expectations of another rate hike builds. In contrast, the effervescent Dow Jones Industrial Average Index hit multiple all-time highs throughout the year with September registering another at 22412 on advancing economic data and optimism towards tax cuts.

In Malaysia, there was a net inflow of offshore funds into our sovereign debt markets of RM5.2 bil in the 3rd quarter. Foreign debt holdings stand at RM183.2 bil at end September versus RM178.0 bil at end of last quarter. The net increase was a notable decline when compared to previous quarter's inflow of RM15.7 bil. Percentage holdings of total outstanding debt rose slightly to 27.3% from 26.6%.

Yields declined at the shorter end, most at the 2-year tranche by 25 bps. The sideways drifting of US Treasuries and commitment towards low rates by other major economies gave some impetus to investors to press short end yields down.

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MANAGER'S REPORT

The current environment of improving economic data, cost-led inflation and need for domestic demand to be a larger component of growth coupled with the impending 14th General Elections will likely keep interest rates low throughout this year.

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ARECA SITUATIONAL INCOME FUND

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 30 September 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

Kuala Lumpur
20 November 2017

DATO' WEE HOE SOON @ GOOI HOE SOON
INDEPENDENT DIRECTOR

Kuala Lumpur
20 November 2017

QUARTERLY REPORT SEPTEMBER 2017
ARECA SITUATIONAL INCOME FUND

UNAUDITED STATEMENT OF FINANCIAL POSITION

As Of 30th September, 2017

	Note	01.07.2017 to 30.09.2017 RM	01.04.2017 to 30.06.2017 RM
Assets			
Investments			
Unquoted fixed income securities	3	29,957,580	29,973,300
Total Investments		29,957,580	29,973,300
Other Assets			
Other receivables		1,473,699	650,959
Cash at bank		29,299	41,724
Total Other Assets		1,502,998	692,683
Total Assets		31,460,578	30,665,983
Unitholders' Fund and Liability			
Liability			
Accruals		169,351	54,233
Unitholders' Fund			
Unitholders' capital		29,998,160	29,998,160
Unrealised reserve		(42,420)	(26,700)
Realised reserve		1,335,487	640,290
Net Asset Value attributable to unitholders		31,291,227	30,611,750
Total Unitholders' Fund and Liability		31,460,578	30,665,983
Number of Units in Circulation		29,947,106	29,947,106
Net Asset Value Per Unit		1.0449	1.0222

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

QUARTERLY REPORT SEPTEMBER 2017
ARECA SITUATIONAL INCOME FUND

UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Period Ended 30th September, 2017

	Note	01.07.2017 to 30.09.2017 RM	01.04.2017 to 30.06.2017 RM
Investment Income			
Interest income		822,740	782,841
Net loss from investments:			
Investments at fair value through profit or loss ("FVTPL")	3	<u>(15,720)</u>	<u>(19,754)</u>
Total Investment Income		<u>807,020</u>	<u>763,087</u>
Expenditure			
Management fee		117,036	109,195
Trustee's fee		3,121	2,912
Other expenses		<u>7,386</u>	<u>7,064</u>
Total Expenditure		<u>127,543</u>	<u>119,171</u>
Net Income Before Tax		679,477	643,916
Income Tax Expense		<u>-</u>	<u>-</u>
Net Income After Tax/Total Comprehensive Income For The Period		<u><u>679,477</u></u>	<u><u>643,916</u></u>
Net Income After Tax Is Made Up Of:			
Realised gain		695,197	663,670
Unrealised loss		<u>(15,720)</u>	<u>(19,754)</u>
		<u><u>679,477</u></u>	<u><u>643,916</u></u>

UNAUDITED STATEMENT OF CHANGES IN NET ASSET VALUE

For The Financial Period Ended 30th September, 2017

	Unitholders' capital RM	Realised reserve RM	Unrealised reserve RM	Total net asset value RM
As of 1st April, 2017	22,998,160	2,159,771	(6,946)	25,150,985
Amount received from units created	7,000,000	-	-	7,000,000
Total comprehensive income for the period	-	643,916	-	643,916
Net unrealised loss transferred to unrealised reserve	-	19,754	(19,754)	-
Distribution to unitholders for the period	-	<u>(2,183,151)</u>	-	<u>(2,183,151)</u>
As of 30th June, 2017	<u>29,998,160</u>	<u>640,290</u>	<u>(26,700)</u>	<u>30,611,750</u>
As of 1st July, 2017	29,998,160	640,290	(26,700)	30,611,750
Total comprehensive income for the period	-	679,477	-	679,477
Net unrealised loss transferred to unrealised reserve	-	15,720	(15,720)	-
As of 30th September, 2017	<u><u>29,998,160</u></u>	<u><u>1,335,487</u></u>	<u><u>(42,420)</u></u>	<u><u>31,291,227</u></u>

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

QUARTERLY REPORT SEPTEMBER 2017
ARECA SITUATIONAL INCOME FUND

UNAUDITED STATEMENT OF CASH FLOWS

For The Financial Period Ended 30th September, 2017

	01.07.2017	01.04.2017
	to	to
	30.09.2017	30.06.2017
	RM	RM
Cash Flows From/ (Used In) Operating And Investing Activities		
Interest Received	-	2,530,183
Purchase of investments	-	(7,000,000)
Management fee paid	-	(293,504)
Trustee's fee paid	(3,099)	(2,760)
Payment for other fees and expenses	(9,326)	(18,113)
Net Cash Used In Operating And Investing Activities	(12,425)	(4,784,194)
Cash Flows From/ (Used In) Financing Activities		
Cash proceeds from units created	-	7,000,000
Distribution to unitholders	-	(2,183,151)
Net Cash From Financing Activities	-	4,816,849
Net Decrease In Cash And Cash Equivalents	(12,425)	32,655
Cash And Cash Equivalents At The Beginning of The Financial Period	41,724	9,069
Cash And Cash Equivalents At The End of The Financial Period	29,299	41,724

Cash and cash equivalents consist of the following amounts:

	30.09.2017	30.06.2017
	RM	RM
Cash at bank	29,299	41,724
	29,299	41,724

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

QUARTERLY REPORT SEPTEMBER 2017
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 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 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.

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

	30.09.2017	30.06.2017
At aggregate cost	RM	RM
Unquoted fixed income securities	30,000,000	30,000,000
	30,000,000	30,000,000
At market value		
Unquoted fixed income securities	29,957,580	29,973,300
	29,957,580	29,973,300
Net loss on investments at FVTPL comprised:		
Unrealised loss on changes in fair value	(42,420)	(19,754)
	(42,420)	(19,754)

Details of unquoted fixed income securities as of 30th September, 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						
Iconic Vacation Club Berhad (NR) 2021/11.00	30,000,000	99.8586	30,000,000	29,993,054	29,957,580	95.74
Total investments			30,000,000	29,993,054	29,957,580	95.74
30.06.2017						
Bonds						
Iconic Vacation Club Berhad (NR) 2021/11.00	30,000,000	99.9110	30,000,000	29,993,054	29,973,300	97.91
Total investments			30,000,000	29,993,054	29,973,300	97.91

QUARTERLY REPORT SEPTEMBER 2017
ARECA SITUATIONAL INCOME FUND

4 UNITS HELD BY MANAGER AND RELATED PARTY

The number of units held by the Manager and related party are as follows:

	<-----30.09.2017----->	<-----30.06.2017----->		
	No. of units	RM	No. of units	RM
Areca Capital Sdn Bhd	2,851,622	2,979,660	2,851,622	2,914,928
Wong Teck Meng, an Executive Director of the Manager	100,000	104,490	100,000	102,220
	2,951,622	3,084,150	2,951,622	3,017,148

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 (including interest rate risk and price risk) on its investments.

Categories of Financial Instruments

	30.09.2017	30.06.2017
	RM	RM
Financial assets		
Carried at FVTPL:		
Unquoted fixed income securities	29,957,580	29,973,300
Loans and receivables:		
Other receivables	1,473,699	650,959
Cash at bank	29,299	41,724
Financial Liability		
Accruals	169,351	54,233

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 30th September, 2017.

The Fund invests only in unquoted investments of at least investment grade as rated by a 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.

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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
30.09.2017				
Financial Liability				
Non-interest bearing				
Accruals	1,087	-	168,264	169,351
30.06.2017				
Financial Liability				
Non-interest bearing				
Accruals	1,063	-	53,170	54,233

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:

	Changes in price %	Effect on profit or loss Increase/(Decrease) RM
30.09.2017		
Investments	+5/-5%	<u>1,497,879/(1,497,879)</u>
30.06.2017		
Investments	+5/-5%	<u>1,498,665/(1,498,665)</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

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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 30th September, 2017 have not been audited.



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