

# **ARECA SITUATIONAL INCOME FUND**

## **RESPONSIBILITY STATEMENT**

This Product Highlight Sheet has been reviewed and approved by the Directors of Areca Capital Sdn Bhd and collectively and individually accept full responsibility for the accuracy of all information contained herein and confirm, having made all enquiries which are reasonable in the circumstances, that to the best of their knowledge and belief, there are no other facts omitted which would make any statement herein misleading.

The Securities Commission Malaysia has authorized the Fund, the subject of this Product Highlight Sheet, and the authorization shall not be taken to indicate that the Securities Commission Malaysia recommends the investment.

## **SPECIFIC RISK DISCLOSURE STATEMENTS**

The Fund may invest up to 100% of its NAV in a debenture issued by a single issuer. The Fund may invest in non-tradable and non-transferable mid-term debentures (3-5 years). The Fund is suitable only for investors who have a long-term investment horizon (5 years and above).

You will not be able to redeem your Units within 3 years from the Commencement Date. You can only redeem up to 20% of your initial investment once a year after 3 years but before the end of fifth year from the Commencement Date with an exit fee (please note that you might not be able to redeem Units if the Fund is not able to dispose its assets and has insufficient cash).

You are advised to read and understand the contents of this Information Memorandum and obtain professional advice before subscribing to the units of the Fund.

## **STATEMENT OF DISCLAIMER**

The Securities Commission Malaysia has authorised the issuance of Areca Situational Income Fund and a copy of this Product Highlight Sheet has been lodged with the Securities Commission Malaysia.

The authorisation of the Areca Situational Income Fund and lodgement of this Product Highlight Sheet, should not be taken to indicate that the Securities Commission Malaysia recommends the Areca Situational Income Fund or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Product Highlight Sheet.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of Areca Capital Sdn Bhd responsible for the Areca Situational Income Fund and takes no responsibility for the contents of this Product Highlight Sheet. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this Product Highlight Sheet, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

**This page is intentionally left blank**

This Product Highlight Sheet only highlights the key features and risks of the Areca Situational Income Fund. Investors are advised to request, read and understand the disclosure documents before deciding to invest.

## PRODUCT HIGHLIGHT SHEET

# ARECA SITUATIONAL INCOME FUND

### BRIEF INFORMATION ON THE PRODUCT

#### 1. What is this product about?

Product category / type	Wholesale Fixed Income / Income and Growth	Manager	Areca Capital Sdn Bhd
Launch date	01 March 2016	Trustee	Maybank Trustees Berhad
Minimum investment	RM100,000 or such other limit at the Manager's discretion	Minimum balance	100,000 units or such other limit at the Manager's discretion

### PRODUCT SUITABILITY

#### 2. Who is this product suitable for?

**Please note that this wholesale fund is for Sophisticated Investors (please refer to Glossary) only.**

This Fund is suitable for Sophisticated Investors investors who are:

- who seek regular income that is relatively higher than fixed deposit rate; and
- have long term investment horizon (5 years and above);

### KEY PRODUCT FEATURES

#### 3. What am I investing in?

<b>Objective of the Fund</b>	The Fund aims to seek to offer investors relatively high regular income* and incidental capital appreciation based on current market investment opportunities.  * income is in the form of Units or cash.
<b>Investment Policies and Strategies</b>	The Fund may invest up to 100% of the NAV in Fixed Income Investments based on Manager's outlook of current market investment conditions. The Fund may invest wholly in a single issue.  The Fund may place deposits with Financial Institutions.  The Fund may also invest in derivatives such as options and futures contracts to protect the Fund against adverse movement of markets (for hedging purpose only).
<b>Asset Allocation</b>	<u>Fixed income Investments</u> Up to 100% of the NAV of the Fund

<b>Performance Benchmark</b>	<p>Maybank's 12-month fixed deposit rate</p> <p>The risk profile of the Fund is different from the risk profile of the performance benchmark. There is no guarantee that the Fund will outperform the performance benchmark.</p>
<b>Income Distribution and Reinvestment Policy</b>	<p>Subject to availability of distributable income, the Fund will distribute income at least once a year.</p> <p>In the absence of your written instructions, we will at our discretion pay any income distributed by the Fund to you, or reinvest the income in additional Units of the same Fund at the NAV per Unit of the distribution day without any Entry Fee.</p>
<b>Capital Distribution</b>	<p>The Manager may make capital repayment to the Unit Holders in a form of cash. The capital repayment is pursuant to the early redemptions of debentures by the issuers, if any and the Manager not intends to reinvest the redemption proceeds.</p>
<b>Switching Facility</b>	<p>Not available.</p>

**4. What are the possible outcomes of my investment?**

There are many possible outcomes associated with an investment in the Fund and involves some degree of risk. Investors are to take note that the value of an investment in the Fund and its distributions payable (if any) may go down as well as up and are not guaranteed. The value of your investment is at risk depending on the underlying investments of the Fund.

Under normal circumstances, the Manager aims to out-perform the Fund's benchmark, the Maybank's 12-month fixed deposit rate. However, on the flip side, the Fund may post a much lower return or even incurring losses if one or more of the key risks occur. **In the worst scenario where all the investments of the Fund are in default or suspended, investors may lose part or even all of your initial investments.**

**KEY RISKS**

**5. What are the key risks associated with this product?**

Below are the risks associated in the product which may cause significant losses if they occur.

**General risks of investing in the Unit Trust Fund**

▪ **Market Risk**

Market risk refers to the possibility that an investment will lose value because of a general decline in financial markets, due to economic, political and/or other factors, which will result in a decline in the fund's net asset value.

▪ **Manager's Risk**

This risk refers to the day-to-day management of the fund by the manager which will impact the performance of the fund. For example, investment decisions undertaken by the manager, as a result of an incorrect view of the market or any non-compliance with internal policies, investment mandate, the deed, relevant law or guidelines due to factors such as human error or weaknesses in operational process and systems, may adversely affect the performance of the fund.

▪ **Inflation Risk**

This is the risk that investors' investment in the unit trust fund may not grow or generate income at a rate that keeps pace with inflation. This would reduce investors' purchasing power even though the value of the investment in monetary terms has increased.

### **Specific risks associated with the investment portfolio of Areca *Situational Income Fund***

The Fund may invest its entire NAV in a debenture with a single issuer. The Fund may invest in non-tradable and non-transferable mid-term debentures (3-5 years). The Fund is suitable only for investors who have a long-term investment horizon (5 years and above).

You are not be able to redeem your investment within 3 years from the Commencement Date. You can only redeem up to 20% of your initial investment once a year after 3 years but before the end of fifth year from the Commencement Date with an exit fee of 10% of the redemption amount.

The Fund may invest its entire NAV in a debenture with a single issuer. The Fund may invest in non-tradable and non-transferable debentures. The Fund is suitable only for investors who have a long-term investment horizon (5 years and above).

You are advised not to invest in this Fund if you are not able to accept the risks.

- **Liquidity Risk**

Liquidity risk refers to the ease of liquidating an asset depending on the asset's volume traded in the market. If the Fund holds assets that are illiquid, or are difficult to dispose of, the value of the Fund will be negatively affected when it has to sell such assets at unfavourable prices.

- **Credit Risk/Default Risk**

Credit risk relates to the creditworthiness of the issuers of the debt instruments and thier expected ability to make timely payment of interest and/or principal. Any adverse situations faced by the issuer may impact the value as well as liquidity of the debt instrument. Default risk relates to the risk than an issuer of a debt instrument either defaulting on payments or failing to make payments in a timely manner which will in turn adversely affect the value of the debt instruments. This will adversely affect the value of the fund.

- **Interest Rate Risk**

Interest rate risk refers to the impact of interest rate changes on the valuation of debt instruments. When interest rates rise, debt instruments prices generally decline and this may lower the market value of the fund's investment in debt instruments. The reverse may apply when interest rates fall.

- **Counterparty Risk**

The Fund's placements of deposits and/or investments in money market instruments with financial institutions are subject to the risk of the counterparty. Counterparty risk also refers to the possibility that the counterparty being unable to make timely payments of interest and/or principal payment on the maturity date. This may then lead to a default in the payment and/or interest and ultimately, affect the NAV per unit of the Fund.

- **Concentration Risk**

Concentration risk is the probability of loss arising from lack of diversification, investing with a single issuer. The strength of the issuer may be affected due to changes of financial performance, news of a possible merger or loss of key personnel of the issuer.

**The abovementioned risks which you should consider before investing into a wholesale fund should not be considered to be an exhaustive list.**

**You should be aware that investments in the Fund may be exposed to other risks of an exceptional nature from time to time.**

## FEES & CHARGES

### 6. What are the fees and charges involved?

<b>Entry Fee</b>	<ul style="list-style-type: none"> <li>▪ Direct investment with Manager: Up to 4% of the Net Investment Amount</li> <li>▪ Third-party distributors: Up to 4% of the Net Investment Amount</li> </ul> <p>Net Investment Amount is the number of units at the NAV per Unit. Please note that the Entry Fee is subject to 6% GST. If you make a RM100,000 payment for investment in the Fund through a third party distributor with an Entry Fee of 4%, your net investment amount is RM95,932.46 (i.e. <math>RM100,000 \div [1 + (0.04 \times 1.06)]</math>)</p>
<b>Penalty / Exit Fee</b>	<p>You cannot redeem any Units within the first 3 years from the Commencement Date of the Fund. You can only redeem up to 20% of your initial investment once a year after 3 years but before the end of fifth year from the Commencement Date with an exit fee of 10% of the redemption amount.</p> <p>The exit fee will be credited to the Fund.</p>
<b>Annual Management Fee</b>	A maximum of 1.50% p.a. of NAV of the Fund.
<b>Annual Trustee Fee</b>	0.04% p.a. of NAV of the Fund, subject to a minimum of RM6,000 per annum.

## VALUATION AND EXITING FROM INVESTMENT

### 7. How often are valuations available?

The valuation of the assets of the Fund is carried out on each Business Day.

The NAV per unit of the Fund will generally be published on the following 2 Business Days (T+2 days) in various major local newspapers and may also be found on the Manager's website at [www.arecacapital.com](http://www.arecacapital.com).

### 8. How can I exit from this investment and what are the risks and costs involved?

<b>Minimum Redemption</b>	RM100,000 or 100,000 Units or such other amount as decided by the Manager. However, if the redemption request leaves you with less than 100,000 Units (minimum balance), all the Units in your account will be redeemed automatically.
<b>Minimum Balance</b>	100,000 Units or such other limit at the Manager's discretion.
<b>Redemption Notice / Frequency</b>	<p>You cannot redeem your Units within the first 3 years from the Commencement Date of the Fund.</p> <p>You can only redeem up to 20% of your initial investment once a year after 3 years but before the end of fifth year from the Commencement Date with an exit fee of 10% of the redemption amount.</p> <p>No exit fee will be charged on redemption made after the 5<sup>th</sup> year from the Commencement Date.</p>
<b>Redemption Payment</b>	We will pay you within 10 days upon receipt of the duly completed original Redemption form.

For more information, please refer to the Information Memorandum dated 01 March 2016.

## CONTACT INFORMATION

### 9. Who should I contact for further information or to lodge a complaint?

1. For internal dispute resolution, you may contact:

**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)

2. If you are dissatisfied with the outcome of the internal dispute resolution process, you may refer your dispute to;

- A) Securities Commission Malaysia ("SC")  
Investor Affairs & Complaints Department  
Securities Commission Malaysia,  
No 3 Persiaran Bukit Kiara,  
Bukit Kiara,  
50490 Kuala Lumpur.  
Tel: 603 6204 8999  
Fax: 603 6204 8991  
Email: [aduan@seccom.com.my](mailto:aduan@seccom.com.my)
- B) Securities Industry Dispute Resolution Center ("SIDREC")  
Unit A-9-1, Level 9, Tower A ,  
Menara UOA Bangsar,  
No. 5, Jalan Bangsar Utama 1,  
59000 Kuala Lumpur.  
  
Tel : 603-2282 2280  
Fax : 603-2282 3855  
Email: [info@sidrec.com.my](mailto:info@sidrec.com.my)
- C) Federation of Investment Managers Malaysia ("FIMM")  
19-06-1, 6th Floor,  
Wisma Tune,  
19, Lorong Dungun,  
Damansara Heights,  
50490 Kuala Lumpur.  
  
Tel: 603-2093 2600  
Fax: 603-2093 2700  
Email: [info@fimm.com.my](mailto:info@fimm.com.my)

## GLOSSARY

<b>BNM</b>	Bank Negara Malaysia;
<b>Business Day</b>	A day on which Bursa Malaysia Securities Berhad, the stock exchange managed or operated by Bursa Malaysia Berhad, is open for trading;
<b>Bursa Malaysia</b>	Bursa Malaysia Securities Berhad, the stock exchange managed or operated by Bursa Malaysia Berhad;
<b>Business Day</b>	A day on which Bursa Malaysia is open for trading;
<b>CMSA</b>	The Capital Markets and Services Act, 2007 including all amendments thereto;
<b>Deed(s)</b>	The deed in relation to the Fund and any other supplemental deeds that may be entered into between the Manager and the Trustee;
<b>FIMM</b>	Federation of Investment Managers Malaysia;

<b>Financial Institution</b>	<p>(a) if the institution is in Malaysia –</p> <ul style="list-style-type: none"> <li>(i) licensed bank;</li> <li>(ii) licensed investment bank;</li> <li>(iii) Islamic bank;</li> </ul> <p>(b) if the institution is outside Malaysia, any institution that is licensed, registered, approved or authorised to provide financial services by the relevant banking regulator;</p> <p>“licensed bank” has the same meaning as given under the Financial Services Act 2013;  “licensed investment bank” has the same meaning as given under the Financial Services Act 2013;  “islamic bank” means a bank licensed under the Islamic Financial Services Act 2013”</p>
<b>Fixed Income Investments</b>	Debentures (including convertible bonds), money market instruments, deposits with Financial Institutions, preference shares and other fixed income related instruments that are in line with the Fund’s objective
<b>Fund</b>	Areca Situational Income Fund
<b>Fund Manager</b>	A person who holds a capital market services representative’s licence to carry on the regulated activity of fund management;
<b>GST</b>	Goods and Services Tax
<b>Guidelines</b>	Guidelines on Wholesale Funds issued by the Securities Commission Malaysia as may be amended from time to time;
<b>Information Memorandum</b>	Information Memorandum in relation to the Fund and includes any supplemental or replacement Information Memorandum;
<b>IUTA</b>	Institutional unit trust adviser, which is an institution, body or organisation that is registered with the FIMM to market and distribute unit trust;
<b>Jointholder</b>	A person who holds Units together with another person or persons;
<b>Licensed Bank</b>	Means a bank licensed under the Financial Services Act 2013;
<b>Licensed Investment Bank</b>	Means an investments bank licensed under the Financial Services Act 2013;
<b>Redemption</b>	The repurchase by the Manager of the Units owned by the Unit Holders upon a proper redemption request;
<b>Manager/We/Us</b>	Areca Capital Sdn Bhd;
<b>NAV</b>	The Net Asset Value of the Fund, which is the value of all the assets of the Fund less the total liabilities of the Fund at the valuation point; for the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund should be inclusive of the management fee and trustee fee for the relevant day;
<b>NAV per Unit</b>	The NAV of the Fund divided by the number of Units in circulation at the valuation point;
<b>SC</b>	The Securities Commission Malaysia which was established under the Securities Commission Act 1993;



**Sophisticated Investor**

1. An individual whose total net personal assets, or total net joint assets with his or her spouse, exceed RM3 million or its equivalent in foreign currencies, excluding the value of the individual's primary residence;
2. An individual who has a gross annual income exceeding RM300,000 or its equivalent in foreign currencies per annum in the preceding twelve months;
3. An individual who, jointly with his or her spouse, has a gross annual income exceeding RM400,000 or its equivalent in foreign currencies per annum in the preceding twelve months;
4. A corporation with total net assets exceeding RM10 million or its equivalent in foreign currencies based on the last audited accounts;
5. A partnership with total net assets exceeding RM10 million or its equivalent in foreign currencies;
6. A unit trust scheme or prescribed investment scheme;
7. A private retirement scheme;
8. A closed-end fund approved by the Securities Commission Malaysia;
9. A company that is registered as a trust company under the Trust Companies Act 1949 which has assets under management exceeding RM10 million or its equivalent in foreign currencies;
10. A corporation that is a public company under the Companies Act 1965 which is approved by the Securities Commission Malaysia to be a trustee under the Capital Markets and Services Act 2007 and has assets under management exceeding RM10 million or its equivalent in foreign currencies;
11. A statutory body established by an Act of Parliament or an enactment of any State;
12. A pension fund approved by the Director General of Inland Revenue under section 150 of the Income Tax Act 1967;
13. A holder of a capital markets services licence or an executive director or a chief executive officer of a holder of a capital markets services licence;
14. A licensed institution as defined in the Financial Services Act 2013;
15. An Islamic bank as defined in the Islamic Financial Services Act 2013;
16. An insurance company registered under the Financial Services Act 2013;
17. A takaful operator registered under the Islamic Financial Services Act 2013;
18. A bank licensee or insurance licensee as defined under the Labuan Financial Services and Securities Act 2010;
19. An Islamic bank licensee or takaful licensee as defined under the Labuan Islamic Financial Services and Securities Act 2010; and
20. Any other investor as may be defined by the Securities Commission Malaysia from time to time.

**Trustee**

Maybank Trustees Berhad;

**Units**

Units of the Fund and includes a fraction of a unit of the Fund;

**Unit Holder/You**

A person for the time being who is registered pursuant to the Deed as a holder of Units, including a Jointholder.

**This page is intentionally left blank**