

# Quarterly Report

# June 2017

For the Period Ended 30 June 2017

---

**Areca Situational Income Fund**

Management Company



(740840-D)



# QUARTERLY REPORT JUNE 2017

## ✦ ARECA SITUATIONAL INCOME

### FUND

#### Contents

CORPORATE DIRECTORY	2
MANAGER'S REPORT	
Fund Information, Performance & Review	3
Market Review & Outlook	7
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](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 (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](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 JUNE 2017**  
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>	<b>As at 30 June 2017</b>																																			
	<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;">9.42</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;">28.65</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;">61.93</td> </tr> <tr> <td><b>Total*</b></td> <td style="text-align: center;"><b>108</b></td> <td style="text-align: center;"><b>100.00</b></td> <td style="text-align: center;"><b>27.10</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	46	42.59	2.26	9.42	50,001 to 500,000	57	52.78	9.38	28.65	500,001 and above	5	4.63	15.46	61.93	<b>Total*</b>	<b>108</b>	<b>100.00</b>	<b>27.10</b>	<b>100.00</b>
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	9.42																																
50,001 to 500,000	57	52.78	9.38	28.65																																
500,001 and above	5	4.63	15.46	61.93																																
<b>Total*</b>	<b>108</b>	<b>100.00</b>	<b>27.10</b>	<b>100.00</b>																																
* excluding units held by the Manager (please refer to Notes to Financial Statement –Note 4)																																				
<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																																			

**QUARTERLY REPORT JUNE 2017**  
ARECA SITUATIONAL INCOME FUND

**FUND PERFORMANCE**

	<b>01.04.2017 to 30.06.2017</b>	<b>01.01.2017 to 31.03.2017</b>
<b>Total Net Asset Value ("NAV")</b>		
Total Net Asset Value (RM million)	30.61	25.15
Units in circulation (million units)	29.95	22.98
NAV per unit (RM)	1.0222	1.0944

**HIGHEST & LOWEST NAV per unit**

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

Highest NAV per unit (RM)	1.0995	1.0944
Lowest NAV per unit (RM)	1.0048	1.0691

**ASSET ALLOCATION % of NAV**

**Fixed Income Securities**

Corporate bonds	97.91	91.42
<b>Cash &amp; cash equivalent including placements &amp; repo</b>	<b>2.09</b>	<b>8.58</b>

**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	0.28
<i>Please refer to <b>Note 2</b> for further information</i>		
Portfolio turnover ratio (PTR) (times)	0.12	-
<i>Please refer to <b>Note 3</b> for further information</i>		

**TOTAL RETURN**

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

Total Return (%)	2.23	2.37
- Capital Return (%)	-6.60	2.37
- Income Return (%)	8.83	-

Annual Total Return (%)	9.26*	10.07*
Performance Benchmark: Average Maybank's 12-month fixed deposit rate (%)	3.14*	3.10*

\*Annualised for comparison purpose only

Total Return since launch (%)	11.88	11.88
-------------------------------	-------	-------

**QUARTERLY REPORT JUNE 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 June 2017, the Fund posted an annualized return of 9.26% 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. At end of June 2017, cash accumulated as part of the security amounted to RM19.6 million or 65.4% of the outstanding issued (RM30.0 million). Taking a 'fire sale' value of 50% of the charged properties, total security coverage stands at 110.2% 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

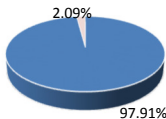
The Fund invests wholly in a single fixed income investment.

**NAV per unit** as at 30 June 2017

RM1.0222

**Asset Allocation / Portfolio Composition**  
**31.03.2017**

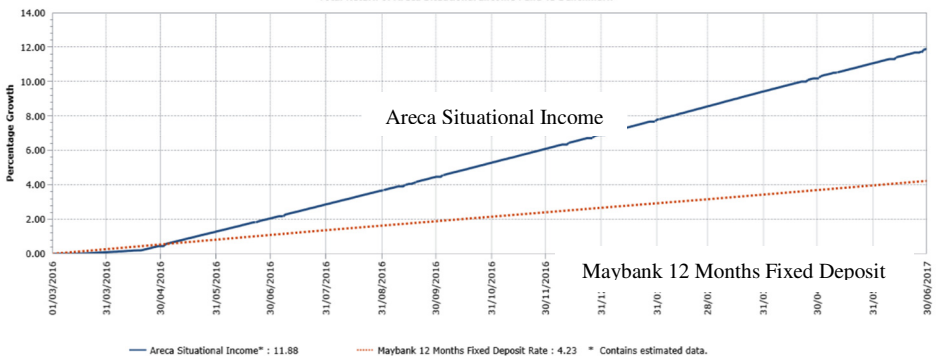
**30.06.2017**



Fixed income securities	97.91%
91.42%	
Cash & cash equivalents	2.09%
8.58%	

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

Total Return of Areca Situational Income Fund vs Benchmark



Source Lipper



## QUARTERLY REPORT JUNE 2017

### MANAGER'S REPORT

## MARKET REVIEW & OUTLOOK

### ECONOMIC REVIEW & OUTLOOK

There has been a significant rise in geopolitical risk this quarter. It began with US retaliatory bombing of Syria for alleged usage of chemical weapons, then dropping the 'mother of all bombs' in Afghanistan targeting ISIS and their underground tunnels before a series of jabs and counter jabs of 'sabre-rattling' with North Korea. Thankfully, across the Atlantic, Emmanuel Macron won the French Presidential elections, taming fears of France following the path of the British in exiting the EU if his opponent Le Pen had won.

Despite Trump's inability to carry out his campaign promises of building the border wall and replacing Obamacare, optimism continue to swirl within Wall Street with the Dow Jones hitting all time high breaking above 21500 mid-June. It continued to ride on the prospects of a Trump inspired expansionary fiscal plan and anticipated tax reforms. Inflation tapered down since reaching a five year high at 2.7% in February with 2.2%, 1.9% and 1.6% from April to June. Meanwhile Unemployment hit a sixteen year low at 4.3% in May. The Federal Reserve Committee followed up this uptick in sentiment with the second ¼% rate hike in June. They further expressed their readiness to trim the Federal Reserve's asset portfolio of US\$4.5 trillion in a gradual, non-disruptive and orderly manner.

China's GDP grew 6.9% in the second quarter following a similar rate in previous one. They maintain a full year (2017) projection of 6.5% ahead of their National People's Congress in October. Reserves have also increased to near USD3.06 trillion as at end June while reclaiming top US debtholder position following imposition of capital controls on outflows and a series of US Treasuries' buying sprees. China continues to fix their niggling problems of rising debt, property inflation and capital outflows in the process of manoeuvring her economy to be one of consumption based.

In Malaysia, inflation has since eased to 3.6% in June following March's 100 mths high of 5.1%. Meantime 1Q GDP registered a strong 5.6% growth aided by favourable trade data, manufacturing and encouraging domestic consumption. Foreign Reserves increased to USD99.8 billion (or RM424.9 bil) from USD95.4 bil (or RM422.2 bil) in earlier quarter. Bank Negara Malaysia as expected kept the Overnight Policy Rate (OPR) unchanged at 3% throughout this quarter amidst General elections rumours.

### FIXED INCOME MARKET REVIEW & OUTLOOK

Trading in a lower 2.12-2.41% range this quarter, traders of US treasury yield may not share the same exuberance as suggested by the effervescent stock market of the US economy. The hike in June left a few to question if inflation target of 2% can be achieved. The jury is out there as to whether the economy is able to sustain beyond this year. Moreover, to support the Federal Reserve's aim to unwind their bond holdings position, rates cannot rise aggressively. Meanwhile, all the other major economies left benchmark rates unchanged this quarter.

This period under review also saw a reversal of capital outflows. Foreign holdings of our sovereign debt totaled RM178.0 bil at end June versus RM162.3 bil at end of last quarter. This net increase of RM15.7 bil is in contrast with first quarter's net outflow of RM37.6 bil. Percentage holdings of total outstanding debt rose to 26.6% from 24.9% amidst lower government bond supply and improving economic data.

The market remains expectant of one more rate hike in the US which is likely to occur late this year provided balance sheet shrinking exercise commences.

In the EU, there is growing optimism towards the regions recovery. If unemployment continue to improve while growth picks up, scaling back quantitative easing may begin before the year is up

As for Malaysia, narrower disposable income as a result higher cost push inflation coupled with the imminent 14<sup>th</sup> General Elections which has to occur by June next year, interest rates will likely stay low and accommodative. Statutory Reserve cut is an available tool if a boost is required.

**QUARTERLY REPORT JUNE 2017**  
**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 June 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  
21 August 2017

DATO' WEE HOE SOON @ GOOI HOE  
SOON  
INDEPENDENT DIRECTOR

Kuala Lumpur  
21 August 2017

**QUARTERLY REPORT JUNE 2017**  
ARECA SITUATIONAL INCOME FUND

**UNAUDITED STATEMENT OF FINANCIAL POSITION**

*As Of 30th June, 2017*

	<b>Note</b>	<b>01.04.2017 to 30.06.2017 RM</b>	<b>01.01.2017 to 31.03.2017 RM</b>
<b>Assets</b>			
<b>Investments</b>			
Unquoted fixed income securities	3	29,973,300	22,993,054
Total Investments		<u>29,973,300</u>	<u>22,993,054</u>
<b>Other Assets</b>			
Other receivables		650,959	2,398,301
Cash at bank		41,724	9,070
Total Other Assets		<u>692,683</u>	<u>2,407,371</u>
<b>Total Assets</b>		<u><u>30,665,983</u></u>	<u><u>25,400,425</u></u>
 <b>Unitholders' Fund and Liability</b>			
<b>Liability</b>			
Accruals		<u>54,233</u>	<u>249,440</u>
 <b>Unitholders' Fund</b>			
Unitholders' capital		29,998,160	22,998,160
Unrealised reserve		(26,700)	(6,946)
Realised reserve		640,290	2,159,771
<b>Net Asset Value attributable to unitholders</b>		<u>30,611,750</u>	<u>25,150,985</u>
<b>Total Unitholders' Fund and Liability</b>		<u><u>30,665,983</u></u>	<u><u>25,400,425</u></u>
 <b>Number of Units in Circulation</b>			
		<u>29,947,106</u>	<u>22,980,545</u>
<b>Net Asset Value Per Unit</b>		<u>1.0222</u>	<u>1.0944</u>

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

**QUARTERLY REPORT JUNE 2017**  
ARECA SITUATIONAL INCOME FUND

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

*For The Financial Period Ended 30th June, 2017*

	<b>Note</b>	<b>01.04.2017 to 30.06.2017 RM</b>	<b>01.01.2017 to 31.03.2016 RM</b>
<b>Investment Income</b>			
Interest income		782,841	630,767
Net (loss)/ gain from investments: Investments at fair value through profit or loss ("FVTPL")	3	(19,754)	21,183
Total Investment Income		763,087	651,950
<b>Expenditure</b>			
Management fee		109,195	61,994
Trustee's fee		2,912	2,452
Other expenses		7,064	5,099
Total Expenditure		119,171	69,545
<b>Net Income Before Tax</b>		643,916	582,405
<b>Income Tax Expense</b>		-	-
<b>Net Income After Tax/Total Comprehensive Income For The Period</b>		643,916	582,405
 <b>Net Income After Tax Is Made Up Of:</b>			
Realised gain		663,670	561,222
Unrealised (loss)/ gain		(19,754)	21,183
		643,916	582,405

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

*For The Financial Period Ended 30th June, 2017*

	<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 January, 2017</b>	22,998,160	1,598,549	(28,129)	24,568,580
Total comprehensive income for the period	-	582,405	-	582,405
Net unrealised gain transferred to unrealised reserve	-	(21,183)	21,183	-
<b>As of 31st March, 2017</b>	22,998,160	2,159,771	(6,946)	25,150,985
<b>As of 1st April, 2017</b>	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	-	(2,183,151)	-	(2,183,151)
<b>As of 30th June, 2017</b>	29,998,160	640,290	(26,700)	30,611,750

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

**QUARTERLY REPORT JUNE 2017**  
ARECA SITUATIONAL INCOME FUND

**UNAUDITED STATEMENT OF CASH FLOWS**

*For The Financial Period Ended 30th June, 2017*

	<b>01.04.2017 to 30.06.2017 RM</b>	<b>01.01.2017 to 31.03.2017 RM</b>
<b>Cash Flows From/ (Used In) Operating And Investing Activities</b>		
Interest Received	2,530,183	-
Purchase of investments	(7,000,000)	-
Management fee paid	(293,504)	-
Trustee's fee paid	(2,760)	(2,433)
Payment for other fees and expenses	(18,113)	(354)
Net Cash Used In Operating And Investing Activities	(4,784,194)	(2,787)
<b>Cash Flows From/ (Used In) Financing Activities</b>		
Cash proceeds from units created	7,000,000	-
Distribution to unitholders	(2,183,151)	-
Net Cash From Financing Activities	4,816,849	-
<b>Net Increase/ (Decrease) In Cash And Cash Equivalents</b>	32,655	(2,787)
<b>Cash And Cash Equivalents At The Beginning of The Financial Period</b>	9,069	11,856
<b>Cash And Cash Equivalents At The End of The Financial Period</b>	41,724	9,069

Cash and cash equivalents consist of the following amounts:

	<b>30.06.2017 RM</b>	<b>31.03.2017 RM</b>
Cash at bank	41,724	9,070
	41,724	9,070

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

**QUARTERLY REPORT JUNE 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**

	<b>30.06.2017</b>	<b>31.03.2017</b>
	<b>RM</b>	<b>RM</b>
<b>At aggregate cost</b>		
Unquoted fixed income securities	30,000,000	23,000,000
	30,000,000	23,000,000
<b>At market value</b>		
Unquoted fixed income securities	29,973,300	22,993,054
	29,973,300	22,993,054
<b>Net (loss)/ gain on investments at FVTPL comprised:</b>		
Unrealised (loss)/ gain on changes in fair value	(19,754)	21,183
	(19,754)	21,183

Details of unquoted fixed income securities as of 30th June, 2017 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	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
<b>31.03.2017</b>						
<b>Bonds</b>						
Iconic Vacation Club Berhad (NR) 2021/11.00	23,000,000	99.9698	23,000,000	23,000,000	22,993,054	91.42
Total investments			23,000,000	23,000,000	22,993,054	91.42

**QUARTERLY REPORT JUNE 2017**  
ARECA SITUATIONAL INCOME FUND

**4 UNITS HELD BY MANAGER**

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

	<-----30.06.2017----->	<-----31.03.2017----->	
	No. of units	RM	No. of units
Areca Capital Sdn Bhd	2,851,622	2,914,928	3,105,855
	2,851,622	2,914,928	3,399,048

**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**

	30.06.2017	31.03.2017
	RM	RM
<b>Financial assets</b>		
<b>Carried at FVTPL:</b>		
Unquoted fixed income securities	29,973,300	22,993,054
<b>Loans and receivables:</b>		
Other receivables	650,959	2,398,301
Cash at bank	41,724	9,070
<b>Financial Liability</b>		
Accruals	54,233	249,441

**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 June, 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.

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

**QUARTERLY REPORT JUNE 2017**  
ARECA SITUATIONAL INCOME FUND

	Up to 1 month RM	1 - 3 months RM	3 months to 1 year RM	Total RM
<b>30.06.2017</b>				
<b>Financial Liability</b>				
<b>Non-interest bearing</b>				
Accruals	1,063	-	53,170	54,233
<b>31.03.2017</b>				
<b>Financial Liability</b>				
<b>Non-interest bearing</b>				
Accruals	902	-	248,538	249,440

**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
<b>30.06.2017</b>		
Investments	+5/-5%	1,498,665/(1,498,665)
<b>31.03.2017</b>		
Investments	+5/-5%	1,149,653/(1,149,653)



**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 30th June, 2017 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