

Annual Report

June 2025

For the Year Ended 30 June 2025

Areca Steady *fixedINCOME* Fund

Management Company



200601021087(740840-D)

ANNUAL REPORT JUNE 2025

✧ ARECA Steady *fixed*INCOME FUND

Contents

CORPORATE DIRECTORY	2
MANAGER'S REPORT	
Fund Information, Performance & Review	3
Market Review & Outlook	8
TRUSTEE'S REPORT	10
STATEMENT BY MANAGER	10
AUDITORS' REPORT	11
FINANCIAL STATEMENTS FOR	
Areca Steady <i>fixed</i> INCOME Fund	14

CORPORATE DIRECTORY

MANAGER

Areca Capital Sdn Bhd
Company No: 200601021087 (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

Raja Datuk Zaharaton Bt Raja Dato' Zainal Abidin
(Independent Non-Executive Chairman)
Dr. Junid Saham
(Independent Non-Executive)
Wong Teck Meng
(Non-Independent Executive/Chief Executive Officer)
Edward Iskandar Toh Bin Abdullah
(Non-Independent Executive/Chief Investment Officer)
(Resigned with effect from 16 April 2025)

INVESTMENT COMMITTEE MEMBERS

Raja Datuk Zaharaton Bt Raja Dato' Zainal Abidin
(Independent Non-Executive Chairman)
Dr. Junid Saham
(Independent Non-Executive)
Dato' Seri Lee Kah Choon
(Independent Non-Executive)

TRUSTEE

RHB Trustees Berhad
Company No: 200201005356 (573019-U)
Level 10, Tower One, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03-2302 8252, Fax: 03-2302 8298

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

PricewaterhouseCoopers Taxation
Services Sdn Bhd (464731-M)
Level 10, Menara TH 1 Sentral
Jalan Rakyat, Kuala Lumpur Sentral
P O Box 10192
50706 Kuala Lumpur
Tel: 03-2173 1188, Fax: 03-2173 1288

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 BRANCH

368-2-02 Bellisa Row
Jalan Burma, Georgetown
10350 Pulau Pinang
Tel : 604-210 2011
Fax: 604-210 2013

IPOH BRANCH

11, Persiaran Greentown 5
Greentown Business Centre
30450 Ipoh, Perak
Tel : 605-249 6697
Fax: 605-249 6696

MALACCA BRANCH

95A, Jalan Melaka Raya 24
Taman Melaka Raya
75000 Melaka
Tel : 606-282 9111
Fax: 606-283 9112

KUCHING BRANCH

1st Floor, Sublot 3
Lot 7998, Block 16
KLCD, Cha Yi Goldland
Jalan Tun Jugah/Stutong
93350 Kuching, Sarawak
Tel : 6082-572 472

JOHOR BRANCH

No 105, Jalan Meranti Merah
Taman Melodies
80250 Johor Bahru
Tel : 607-336 3689

KOTA KINABALU BRANCH

Unit 5-1-8, 1st Floor
Lorong Api-Api 1
Api-Api Centre
88000 Kota Kinabalu, Sabah
Tel : 6088-276 757

FUND INFORMATION

Name of the Fund	Areca Steady fixedINCOME Fund
Fund Category/ Type	Wholesale Fixed Income Fund/Income
Objective of the Fund	The Fund aims to provide stable stream of income while maintaining capital stability.
Performance Benchmark	Maybank's 12-month fixed deposit rate
Distribution Policy of the Fund	Yearly or more frequent, subject to the availability of distributable income.
Rebates & Soft Commissions	<p>The Manager will retain soft commissions received from brokers or dealers, provided that:</p> <ul style="list-style-type: none"> (a) the soft commissions bring direct benefit or advantage to the management of the Fund and may include research and advisory related services; (b) any dealing with the broker or dealer is executed on terms which are the most favourable for the Fund; and (c) the availability of soft commissions is not the sole or primary purpose to perform or arrange transactions with such broker or dealer, and the Manager or fund manager shall not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commissions. <p>The soft commissions may be in 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 year under review, the Manager had not received any soft commissions.</p>
Inception Date	11 May 2009
Financial Year End	30 June

FUND PERFORMANCE

	2025	2024	2023
NET ASSET VALUE ("NAV")			
Net Asset Value (RM million)	88.07	100.31	106.09
Units in circulation (million units)	68.30	82.02	89.59
NAV per unit (RM)	1.2895	1.2230	1.1842

HIGHEST & LOWEST NAV per unit

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

Highest NAV per unit (RM)	1.2895	1.2230	1.1916
Lowest NAV per unit (RM)	1.2237	1.1916	1.1514

ASSET ALLOCATION % of NAV

Unquoted fixed income securities

Unquoted Bonds	2.00	3.87	20.26
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Collective investment schemes

	95.56	93.23	78.35
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Liquid assets and other net current assets

	2.44	2.90	1.39
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DISTRIBUTION

There was no distribution for the financial year under review.

UNIT SPLIT

There was no unit split exercise for the financial year under review.

EXPENSE/TURNOVER

Total expense ratio (TER) (%)	0.38	0.45	0.73
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*Please refer to **Note 2** for further information*

Portfolio turnover ratio (PTR) (times)	0.09	0.40	0.76
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*Please refer to **Note 3** for further information*

TOTAL RETURN

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

Total Return (%)	5.44	2.64	3.19
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- Capital growth (%)	5.44	2.64	3.19
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- Income distribution (%)	-	-	-
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	2025	2024	2023	2022	2021
Annual Total Return (%)	5.44	2.64	3.19	6.52	5.21
Performance Benchmark (%):					
Maybank's 12-month fixed deposit rate	2.54	2.93	2.74	1.88	1.86

	1-yr	3-yrs	5-yrs
Average Total Return per annum (%)	5.44	3.89	5.03

ANNUAL REPORT JUNE 2025
ARECA Steady fixedINCOME 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: *TER 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 benchmark data are sourced from Lipper.*

The abovementioned performance computations have been adjusted to reflect distribution payments and unit splits wherever applicable.

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

FUND REVIEW

For the year ended 30th June 2025, the Fund posted return of 5.44% against the benchmark Maybank's 12-month fixed deposit rate of 2.54%.

The portfolio is mainly invested in structured high-yielding collective investment schemes. The portfolio is further diversified with an exposure to corporate bond issues across different sectors including infrastructure and utilities, asset-back securities, trading and services, industrial products and transportation.

Investment Policy and Strategy

The Fund will primarily invest in a diversified portfolio of Fixed Income Investments with intention to hold until maturity. The Fund will focus mainly on those of quality debentures with Medium to Long Term maturity and some exposure to other maturity periods. Notwithstanding the above, the Fund may adopt a more concentrated strategy by holding higher exposure in single investment in order to achieve its objective.

The Fund may invest in derivatives such as futures contracts and options to protect the Fund against adverse movement of markets.

It is also the Fund's strategy to invest in CIS and other instrument such as preference shares. Investing in CIS or preference shares with similar investment objectives indirectly gives the Fund exposure to the underlying investment.

NAV per unit as at 30 June 2025

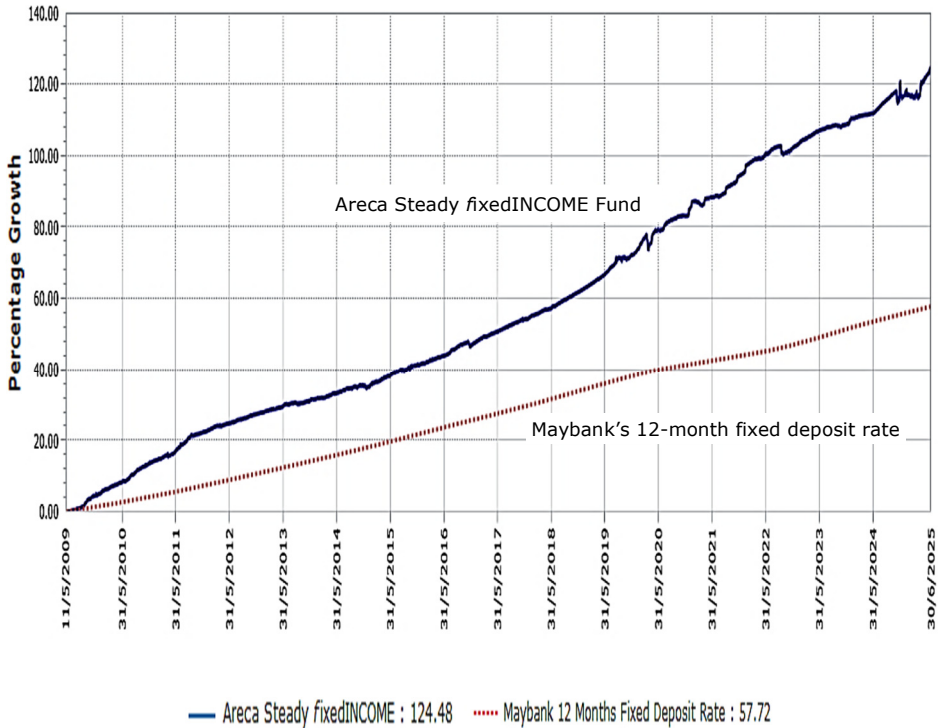
RM1.2895

Asset Allocation/Portfolio Composition	2025	2024	2023
Unquoted fixed income securities	2.00%	3.87%	20.26%
Collective investment schemes	95.56%	93.23%	78.35%
Liquid assets and other net current assets	2.44%	2.90%	1.39%

FUND REVIEW

Performance of Areca Steady fixedINCOME Fund for the period since inception to 30 June 2025

Total Return of Areca Steady fixedINCOME Fund vs Benchmark



Source: Lipper

GLOBAL FIXED INCOME MARKET REVIEW AND OUTLOOK

During the review period, the Federal Reserve ("Fed") reduced interest rates three times in 2024. The Fed reduced interest rates by 100 basis points ("bps") in the September, November and December Federal Open Market Committee ("FOMC") meetings, citing progress on inflation reduction and a balanced assessment of risk as the rationale for the move. In June 2024, global bond markets strengthened further with the release of weaker-than-expected United States ("US") inflation and retail sales data for May 2024 even as the Fed's latest dot plot, which shows the near-term US interest rate path, pointed to only one cut this year compared to its March 2024 projection of three cuts. Global bond markets rallied further in July 2024 after the Fed left the rate unchanged and signalled that the policy rate could be cut as soon as September 2024.

Bond yields rose in October as the US economy continued to show strength, coupled with expectations that more US Treasury ("UST") bonds could be issued to fund the US government's higher fiscal deficit. UST yield curves experienced a bearish start in an immediate aftermath of the US elections. The 10-year UST yield rose sharply partly driven by expectation of Trump's proposed policies, but yields started to normalise across most tenures as markets recalibrated their expectations. While many believe that president-elect Trump, with his business-focused approach, would favor a low-interest-rate environment, his proposed tariffs could drive inflation. This, in turn, might necessitate a "higher-for-longer" interest rate policy.

Heading into 2025, the Fed held rates steady at 4.25% - 4.50% at its January FOMC meeting, while signaling a gradual pace of rate cuts in 2025 amid a resilient US economy and slower progress in reduction inflation. UST yields slid in February as market participants prepare for President Trump's tariff on Canada and Mexico to go into effect. In April traders kept a close watch on the evolving trade war, holding onto hopes for a potential easing of tensions. News reports indicated that China might suspend its 125.00% tariff on some US goods, although Chinese officials denied any active tariff negotiations. While policy changes under the Trump administration could pose near-term market uncertainties, the prospect of monetary easing by the Fed and other major central banks should remain supportive of the bond markets in the long run.

In June, treasury yields were softer across the curve with investor pricing the chances of sharp economic downturn after tariff war subsided during the month. The Fed left rates steady in its June meeting suggesting policymakers agreed on a cautious approach to monetary policy. Some FOMC members voiced support for a July rate cut, which caused a rally across the Treasury curve. The 10-year Treasury yield fell close to 4.25% before retracing higher by the end of the week as Fed Chair Jerome Powell struck a more neutral tone. Currently, bond markets are pricing in a full 25 bps cut by July.

MALAYSIA FIXED INCOME MARKET REVIEW AND OUTLOOK

For the financial year under review, local bond yields moved higher in February 2024 amid a softer Ringgit against the US Dollar and a weaker UST market following the release of stronger-than-expected US jobs and inflation data. In April 2024, the local bond market softened in tandem with the weak global bond markets. Bond yields subsequently declined and the local sovereign bonds market had a strong performance in third quarter of year 2024 ("3Q2024") with yields across benchmark tenures falling sharply – particularly in the shorter end. Key benchmark indices such as the FTSE Russell ("FTSE") Bond Pricing Agency Malaysia ("BPAM") Ringgit All Bond Index recorded a positive return of 1.63% during the quarter – bringing the Year-to-date ("YTD") performance to about 3.76% (5.01% annualised). The strong performance was largely attributable to the Fed's decision to finally embark on a rate cut cycle, leading to positive foreign fund flows into our local bond market. The Budget 2025 which was announced in October continues to set the stage for fiscal consolidation while striking a balance with expansionary policies. The fiscal deficit is expected to narrow to 3.80% of Gross Domestic Product ("GDP") in 2025, down from 4.30% in 2024.

Malaysia's headline inflation slowed to 1.40% in March (February: 1.50%), marking the lowest level in four years, and core inflation steadied at 1.90% for two consecutive months. Official estimates projected the Malaysian economy to expand by 4.40% Year-on-Year ("YoY") in first quarter of year 2025 ("1Q2025"), at a slightly slower pace than the previous quarter at 5.00%. On the external front, risks remain from the turbulent global trade landscape and expected slowdown in major economies. Malaysia was hit with 24.00% reciprocal tariffs by the US on 2 April, but it was partially lifted within hours of implementation. While this provided temporary relief, the US-China trade war seemed to be rolling ahead with tit-for-tat retaliatory measures. With both being Malaysia's major trade partners, such heightened trade tensions could spill over into lower external demand and cause wider supply chain disruptions. Nevertheless, Malaysia's trade seemed to be on stable ground with exports rising by 6.80% in March (February: 6.20%) on front-loading activities while imports contracted by 2.80% (February: 5.50%).

The Malaysian economy moderated further from 4.90% in fourth quarter of year 2024 ("4Q2024"), in line with the Department of Statistics Malaysia's advanced estimate. A sharper contraction in the mining sector driven by lower oil and gas output was the primary drag on growth in first quarter of year 2025 ("1Q2025"), alongside a broad-based moderation across most other sectors, with the exception of agriculture, which recorded a slight increase. Bank Negara Malaysia ("BNM") maintained the Overnight Policy Rate ("OPR") at 3.00%, while lowering Statutory Reserve Requirement ("SRR") ratio by 100 bps from 2.00% to 1.00% effective May 16.

In June, bond market continued its rally with government bonds rallying on the back of weaker-than-expected inflation data. The Malaysian Government Securities ("MGS") yield curve bull-steepened, with yields declining by 2 bps to 10 bps across the short to belly segments, while the 30-year MGS remained unchanged. Headline Consumer Price Index ("CPI") eased further to 1.20% YoY in May, below consensus expectations of 1.40%, marking the lowest reading in over 4 years. Core CPI also moderated, falling to 1.80% from 2.00% in April. With inflation on a downtrend and exports still under pressure, we maintain our base case for BNM to cut the OPR by 25 bps in the second half of the year to support domestic demand.

CROSS TRADE

Cross trade transactions have been carried out during the reporting year and the Investment Committee of the Fund has reviewed that such transactions are in the best interest of the Fund and transacted on an arm's length (*) and fair value basis.

* Transactions at arm's length refer to transactions entered in the normal course of business at prevailing market price as at the date of cross trade.

SECURITIES FINANCING TRANSACTIONS

The Fund had not undertaken any securities financing transactions during the financial year under review.

STATE OF AFFAIRS

There has been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unitholders during the financial year under review.

TRUSTEE'S REPORT

To the Unitholders of Areca Steady *fixed*INCOME Fund ("Fund")

We have acted as Trustee of the Fund for the financial year ended 30 June 2025 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Areca Capital Sdn Bhd has operated and managed the Fund during the year covered by these financial statements in accordance with the following:

1. Limitations imposed on the investment powers of the management company under the deeds, securities laws and the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework;
2. Valuation and pricing is carried out in accordance with the deeds; and
3. Any creation and cancellation of units are carried out in accordance with the deeds and any regulatory requirement.

For RHB Trustees Berhad
[Company No. : 200201005356 (573019-U)]

LIM BEE FANG
ASSISTANT VICE PRESIDENT

WONG CHOOI YIN
ASSISTANT VICE PRESIDENT

Kuala Lumpur
27 August 2025

STATEMENT BY MANAGER

To the Unitholders of Areca Steady *fixed*INCOME Fund

We, **WONG TECK MENG** and **RAJA DATUK ZAHARATON BT RAJA DATO' ZAINAL ABIDIN**, two of the Directors of the Manager, Areca Capital Sdn Bhd, do hereby state that in the opinion of the Manager, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Fund as at 30 June 2025 and the financial performance and the cash flows of the Fund for the financial year ended on that date.

For and on behalf of the Manager
Areca Capital Sdn Bhd

WONG TECK MENG
CEO/EXECUTIVE DIRECTOR

RAJA DATUK ZAHARATON BT RAJA DATO' ZAINAL ABIDIN
CHAIRMAN/NON-EXECUTIVE DIRECTOR

Kuala Lumpur
27 August 2025

**INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF ARECA Steady fixed**INCOME** FUND**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **ARECA Steady fixed**INCOME** FUND** ("the Fund"), which comprise the statement of financial position as at 30 June 2025, and the statement of profit or loss and other comprehensive income, statement of changes in net asset value and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 14 to 33.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2025, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Fund in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Manager of the Fund is responsible for the other information. The other information comprises the Manager's Report, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager and Trustee for the Financial Statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error. The Trustee is responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable the fair presentation of these financial statements.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

ANNUAL REPORT JUNE 2025
ARECA Steady *fixed***INCOME** FUND

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report is made solely to the unitholders of the Fund, as a body, and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

MAK WAI KIT
Partner - 03546/12/2026 J
Chartered Accountant

27 August 2025

ANNUAL REPORT JUNE 2025
ARECA Steady fixed**INCOME** FUND

STATEMENT OF FINANCIAL POSITION

As At 30 June 2025

	Note	2025 RM	2024 RM
Assets			
Investments	5	85,919,080	97,392,731
Cash and cash equivalents	6	2,048,611	2,796,498
Amount due from Manager		25,727	59,000
Dividend receivables		118,593	102,870
Total Assets		88,112,011	100,351,099
Unitholders' Fund And Liabilities			
Liabilities			
Other payables and accrued expenses	7	40,608	45,891
Total Liabilities		40,608	45,891
Unitholders' Fund			
Unitholders' capital		73,516,686	90,609,846
Retained earnings		14,554,717	9,695,362
Net Asset Value Attributable To Unitholders		88,071,403	100,305,208
Total Unitholders' Fund And Liabilities		88,112,011	100,351,099
Number Of Units In Circulation	8	68,300,750	82,017,181
Net Asset Value Per Unit (RM)		1.2895	1.2230

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

ANNUAL REPORT JUNE 2025
ARECA Steady fixed**INCOME** FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 30 June 2025

	Note	2025 RM	2024 RM
Investments Income			
Dividend income		1,031,780	2,599,336
Interest income		163,570	605,209
Net gain on investments at fair value through profit or loss ("FVTPL")	5	<u>4,021,988</u>	<u>669,582</u>
Total Investments Income		<u>5,217,338</u>	<u>3,874,127</u>
Expenditure			
Management fee	9	283,894	412,448
Trustee's fee	10	46,494	53,716
Audit fee		12,000	12,500
Tax agent's fee		8,250	3,900
Other expenses		<u>7,345</u>	<u>2,333</u>
Total Expenditure		<u>357,983</u>	<u>484,897</u>
Net Income Before Tax		4,859,355	3,389,230
Income Tax Expense	11	<u>-</u>	<u>-</u>
Net Income After Tax And Total Comprehensive Income For The Financial Year		<u>4,859,355</u>	<u>3,389,230</u>
Net Income After Tax Is Made Up Of:			
Realised (loss)/gain		(5,228,026)	2,745,985
Unrealised gain		<u>10,087,381</u>	<u>643,245</u>
		<u>4,859,355</u>	<u>3,389,230</u>

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

ANNUAL REPORT JUNE 2025
ARECA Steady fixed**INCOME** FUND

STATEMENT OF CHANGES IN NET ASSET VALUE

For The Financial Year Ended 30 June 2025

	Unitholders' capital RM	Retained earnings RM	Total net asset value RM
Balance as at 1 July 2023	99,788,759	6,306,132	106,094,891
Amounts received from units created	20,140,000	-	20,140,000
Amounts paid for units cancelled	(29,318,913)	-	(29,318,913)
Total comprehensive income for the financial year	-	3,389,230	3,389,230
Balance as at 30 June 2024	<u>90,609,846</u>	<u>9,695,362</u>	<u>100,305,208</u>
Balance as at 1 July 2024	90,609,846	9,695,362	100,305,208
Amounts received from units created	4,863,865	-	4,863,865
Amounts paid for units cancelled	(21,957,025)	-	(21,957,025)
Total comprehensive income for the financial year	-	4,859,355	4,859,355
Balance as at 30 June 2025	<u>73,516,686</u>	<u>14,554,717</u>	<u>88,071,403</u>

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

ANNUAL REPORT JUNE 2025
ARECA Steady fixed**INCOME FUND**

STATEMENT OF CASH FLOWS

For The Financial Year Ended 30 June 2025

	Note	2025 RM	2024 RM
Cash Flows From/(Used In) Operating Activities			
Proceeds from disposal of investments		16,474,713	46,329,175
Proceeds from maturity of investments		-	250,000
Purchase of investments		(1,029,500)	(39,388,980)
Cash capital distribution received		4,831	-
Dividend income received		1,016,058	2,496,466
Interest received		209,164	781,363
Amount received from the Manager - others		-	535,120
Management fee paid		(288,161)	(422,639)
Trustee's fee paid		(47,010)	(53,988)
Payment for other fees and expenses		(28,095)	(16,234)
Net Cash From Operating Activities		<u>16,312,000</u>	<u>10,510,283</u>
Cash Flows From/(Used In) Financing Activities			
Cash proceeds from units created		4,897,138	20,081,000
Payment for cancellation of units		(21,957,025)	(29,318,913)
Net Cash Used In Financing Activities		<u>(17,059,887)</u>	<u>(9,237,913)</u>
Net (Decrease)/Increase In Cash And Cash Equivalents		(747,887)	1,272,370
Cash And Cash Equivalents At Beginning Of Year		<u>2,796,498</u>	<u>1,524,128</u>
Cash And Cash Equivalents At End Of Year		<u><u>2,048,611</u></u>	<u><u>2,796,498</u></u>
Cash And Cash Equivalents Comprise:			
Cash at banks	6	730	5,306
Short-term deposits	6	<u>2,047,881</u>	<u>2,791,192</u>
		<u><u>2,048,611</u></u>	<u><u>2,796,498</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Areca Steady fixed**INCOME** Fund ("the Fund") was formed under a custodian structure on 11 May 2009. A trustee was later appointed for the Fund with the signing of a Trust Deed dated 24 July 2009, as modified by the First Supplemental Deed dated 15 August 2013, Second Supplemental Deed dated 5 July 2023 and Third Supplemental Deed dated 7 June 2024 ("the Deeds") between Areca Capital Sdn Bhd as the Manager, RHB Trustees Berhad as the Trustee and all the registered unitholders of the Fund.

The principal activity of the Fund is to invest in "Permitted Investments" as defined under Schedule 6 of the Deeds, which include fixed income securities issued by the Malaysian Government or Bank Negara Malaysia ("BNM") or any other government related bodies. Such instruments include Malaysian Government Securities, Treasury Bills and Bank Negara Bills; issues guaranteed by the Government of Malaysia or BNM or any State Government in Malaysia; issues by bank or Financial Institution such as Banker's Acceptances and Negotiable Certificate of Deposits; corporate bonds including those convertibles into equities; units and shares in collective investment schemes; preference shares; derivatives such as future contracts and options for hedging purposes only; foreign sovereign bonds and corporate bonds including those convertibles into equities; deposit with financial institutions; local or foreign money market instrument; and any other form of investments which are in line with the Fund's objective and as may be agreed upon by the Manager and the Trustee from time to time. The Fund was launched on 11 May 2009 and will continue its operations until terminated in accordance with the conditions provided in Part 11 of the Deeds.

The investment objective of the Fund is to provide stable stream of income while maintaining capital stability. Any material changes to the Fund's objective would require unitholders' approval.

The Manager of the Fund is Areca Capital Sdn Bhd, a company incorporated in Malaysia. It is engaged in managing, administering, marketing and distributing unit trust funds, managing and administering funds under private mandates and the regulated activities of financial planning and providing investment advice.

The financial statements were authorised for issue by the Board of Directors of the Manager on 27 August 2025.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") as issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRSs") and the relevant Securities Commission Malaysia guidelines.

Adoption of Amendments to MFRS

The Fund has applied the following relevant Amendments for the first time for the financial year beginning on 1 July 2024:

Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*

The adoption of the above did not give rise to any material effects on the financial statements of the Fund.

New MFRS and Amendments to MFRSs in Issue But Not Yet Effective

At the date of authorisation for issue of these financial statements, the relevant new MFRS and Amendments to MFRSs which were in issue by the MASB but not yet effective and not early adopted by the Fund are listed below:

	Effective for annual periods beginning on or after
MFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
Amendments to MFRS 9 <i>Financial Instruments</i> and MFRS 7 <i>Financial Instruments: Disclosures</i>	1 January 2026
Annual Improvements to MFRS Accounting Standards - Volume 11	1 January 2026

The Manager of the Fund anticipates that the abovementioned new MFRS and Amendments to MFRSs will be adopted in the annual financial statements of the Fund when they become effective and that the adoption of these New MFRS and Amendments to MFRSs is not expected to have material impact on the financial statements of the Fund in the period of initial application.

3 MATERIAL ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Fund have been prepared under the historical cost convention except for financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Income Recognition

Dividend income is recognised based on the date when the right to receive the dividend has been established.

Interest income from short-term deposits and unquoted fixed income securities are recognised on an accrual basis on the effective yield of the asset.

Realised gain and loss on disposal of investments is arrived at based on net sales proceeds less carrying value. Any unrealised gain and loss previously charged to profit or loss in relation to the disposal of this investment will be reversed and classified as realised gain or loss during the financial year.

Unrealised gains and losses are calculated based on changes in the fair value of financial instruments at the end of the reporting year.

Income Tax

Pursuant to Paragraph 35 and 35A, Schedule 6 of the Income Tax Act 1967, interest income derived by the Fund is exempt from tax, and pursuant to Paragraph 61(1)(b) of the Income Tax Act 1967, gains from realisation of investments are not treated as income and is also exempt from tax.

Functional and Presentation Currency

The financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates ("functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Fund's functional currency.

Unitholders' Capital

The unitholders' contributions to the Fund meet the definition of puttable instruments classified as equity instruments.

The units in the Fund are puttable instruments which entitle the unitholders to a pro-rata share of the net asset value of the Fund. The units are subordinated and have identical features. There is no contractual obligation to deliver cash or another financial asset other than the obligation on the Fund to repurchase the units. The total expected cash flows from the units in the Fund over the life of the units are based on the change in the net asset value of the Fund.

Creation and Cancellation of Units

The Fund issues cancellable units, which are cancelled at the unitholders' option and are classified as equity. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The outstanding units are carried at the redemption amount that is payable at the net asset value if the holder exercises the right to put the units back to the Fund.

Units are created and cancelled at the unitholders' option at prices based on the Fund's net asset value per unit at the time of creation or cancellation. The Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units.

Financial Instruments

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Fund changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting year following the change of the business model.

Financial Assets

(i) Classification

The Fund classified its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the Fund can make an irrevocable election at the time of initial recognition to account for the equity investment either at fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL").

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Fund commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Impairment of Financial Assets

The Fund assesses at the end of each reporting year whether there is any objective evidence that a financial asset is impaired.

The Fund applies the simplified approach under MFRS 9 which requires expected lifetime loss to be recognised from initial recognition. The expected loss allowance is based on provisional matrix.

Derecognition of Financial Assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Equity Instruments

The Fund measures its equity investments at fair value with gains or losses on valuation recognised in profit or loss unless the Fund's management has made an irrevocable election to recognise the fair value gains and losses in other comprehensive income at its initial stage.

Financial Liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is any liability with contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Financial Liabilities Measured Subsequently at Amortised Cost

Financial liabilities that are not held for trading, or designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant years. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Investments

Unquoted fixed income securities are valued at FVTPL and are generally valued by reference to published prices of Bond Pricing Agency Malaysia ("BPAM").

Investment in collective investment scheme are valued at FVTPL based on the Net Asset Value of such collective investment scheme at the end of the reporting year.

Unquoted equity securities in preference shares are valued at FVTPL. Where no market data is available, the Fund will value the investment based on valuation methods and techniques generally recognised as standard within the industry.

Gains or losses arising from the changes in the fair values of the investments are recognised in the profit or loss and are classified as unrealised gain or loss.

Classification of Realised and Unrealised Gains and Losses

Gains or losses arising from the disposal of financial instruments are recognised as realised gains or losses in the profit or loss.

Gains or losses arising from the changes in the valuation of financial instruments at the end of the reporting year are recognised as unrealised gains or losses in the profit or loss.

Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, where it is probable that the Fund will be required to settle that obligation and a reliable estimate can be made of the amount or timing of the obligation.

The amount recognised as a provision will be the best estimate of the amount required to settle the present obligation at the reporting date, taking into account the uncertainties surrounding the obligation. Where a provision is measured using the estimated cash flows to settle the present obligation, its carrying amount will be the present value of those cash flows.

Statement of Cash Flows

The Fund adopts the direct method in the preparation of the statement of cash flows.

Cash and cash equivalents, which comprise cash and balances with banks and other financial institutions and deposit placements, are short-term, highly liquid investments with maturities of three months or less from the date of acquisition or are readily convertible to cash with insignificant risk of changes in value.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) Critical judgements in applying accounting policies

In the process of applying the Fund's accounting policies, which are described in Note 3 above, the Manager is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty

The Manager believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year except as disclosed below:

(a) Fair value estimation of preference shares

The preference shares are not quoted in an active market. Where no market data is available, the Fund will value the investment based on valuation methods and techniques generally recognised as standard within the industry, and are generally based on the net present value of contractual cash flows of the securities discounted using a discount rate which approximates the expected rate of return by the unitholders.

5 INVESTMENTS

	2025 RM	2024 RM
Financial assets at FVTPL:		
Unquoted fixed income securities	1,758,195	3,882,615
Collective investment schemes	84,160,885	93,510,115
Unquoted equity securities	-	1
	<u>85,919,080</u>	<u>97,392,731</u>

ANNUAL REPORT JUNE 2025
ARECA Steady fixed**INCOME** FUND

	2025 RM	2024 RM
Net gain on investments at FVTPL comprised:		
Realised (loss)/gain on disposals	(6,065,393)	26,337
Unrealised gain on changes in fair value	10,087,381	643,245
	<u>4,021,988</u>	<u>669,582</u>

Financial assets at fair value through profit or loss as at 30 June 2025 are as follows:

Issuer coupon (%) maturity rating	Nominal Value RM	Adjusted Cost RM	Fair Value RM	Fair Value as a % of Net Asset Value %
UNQUOTED FIXED INCOME SECURITIES				
Unquoted Bonds				
Alpha Circle Sdn Bhd*				
5.60% 31/12/2025 C IS	535,500	535,500	-	-
Lebuhraya Duke Fasa 3 Sdn Bhd				
6.23% 21/08/2037 AA- IS	500,000	522,638	556,313	0.63
Menara ABS Bhd				
13/01/2027 D	1,201,882	<u>1,201,882</u>	<u>1,201,882</u>	<u>1.37</u>
		2,260,020	1,758,195	2.00
Less: Impaired investment of Alpha Circle Sdn Bhd recovered from the Manager		(535,120)	-	-
Total unquoted fixed income securities		<u>1,724,900</u>	<u>1,758,195</u>	<u>2.00</u>

	Quantity Units	Aggregate Cost RM	Fair Value RM	Fair Value as a % of Net Asset Value %
COLLECTIVE INVESTMENT SCHEMES				
Areca Dynamic Growth Fund 9.0	36,344,542	36,344,542	39,608,281	44.97
Areca Progressive Income Fund	2,183,155	2,196,908	2,203,895	2.50
Areca Progressive Income Fund 3.0	4,394,419	4,482,308	4,645,340	5.28
Areca Progressive Income Fund 4.0	5,332,704	5,333,333	4,951,415	5.62
Areca Progressive Income Fund 6.0	2,268,526	2,316,597	2,170,072	2.46
Areca Strategic Income Fund 2.0	5,247,463	5,257,522	5,253,760	5.97
Areca Strategic Income Fund 5.0	230,056	226,672	235,463	0.27
Areca Strategic Income Fund 8.0	23,000,000	23,000,000	24,748,000	28.10
Areca Strategic Income Fund 11	411,484	411,484	344,659	0.39
Total collective investment schemes		<u>79,569,366</u>	<u>84,160,885</u>	<u>95.56</u>
Total investments		81,294,266	85,919,080	97.56
Unrealised gain on investments			<u>4,624,814</u>	

ANNUAL REPORT JUNE 2025
ARECA Steady fixed**INCOME** FUND

Financial assets at fair value through profit or loss as at 30 June 2024 are as follows:

Issuer coupon (%) maturity rating	Nominal Value RM	Adjusted Cost RM	Fair Value RM	Fair Value as a % of Net Asset Value %
UNQUOTED FIXED INCOME SECURITIES				
Unquoted Bonds				
Alpha Circle Sdn Bhd*				
5.60% 31/12/2024 C IS	535,500	535,500	-	-
Genting Capital Bhd				
5.30% 11/07/2028 AA1 (S)	1,000,000	1,024,685	1,051,435	1.05
Lebuhraya Duke Fasa 3 Sdn Bhd				
6.23% 21/08/2037 AA- IS	500,000	522,638	571,938	0.57
Menara ABS Bhd				
13/01/2025 D	1,201,882	1,201,882	1,201,882	1.20
Telekosang Hydro One Sdn Bhd				
5.30% 06/08/2032 AA3	1,000,000	1,030,310	1,057,360	1.05
		4,315,015	3,882,615	3.87
Less: Impaired investment of Alpha Circle Sdn Bhd recovered from the Manager		(535,120)	-	-
Total unquoted fixed income securities		3,779,895	3,882,615	3.87

	Quantity Units	Aggregate Cost RM	Fair Value RM	Fair Value as a % of Net Asset Value %
COLLECTIVE INVESTMENT SCHEMES				
Areca Dynamic Growth Fund 9.0	36,344,542	36,344,542	36,406,328	36.30
Areca Focus Leverage Fund 2 – MYR Class	1,536,743	1,531,210	1,664,446	1.66
Areca Progressive Income Fund	5,543,627	5,578,552	5,599,063	5.58
Areca Progressive Income Fund 3.0	4,394,419	4,482,308	4,636,991	4.62
Areca Progressive Income Fund 4.0	5,332,704	5,333,333	5,333,237	5.32
Areca Progressive Income Fund 6.0	2,268,526	2,316,597	2,501,730	2.49
Areca Strategic Income Fund	5,486,418	5,486,418	5,620,835	5.60
Areca Strategic Income Fund 2.0	5,247,463	5,257,522	5,254,809	5.24
Areca Strategic Income Fund 4.0	1,124,438	1,178,254	1,203,373	1.20
Areca Strategic Income Fund 5.0	1,225,626	1,233,333	1,253,203	1.25
Areca Strategic Income Fund 8.0	23,000,000	23,000,000	23,016,100	22.95
Areca Strategic Income Fund 11	1,000,000	1,000,000	1,020,000	1.02
Total collective investment schemes		92,742,069	93,510,115	93.23

ANNUAL REPORT JUNE 2025
ARECA Steady fixed**INCOME** FUND

	Quantity Units	Aggregate Cost RM	Fair Value RM	Fair Value as a % of Net Asset Value RM
UNQUOTED EQUITY SECURITIES				
Preference Shares				
PNS Group Sdn Bhd**	666,667	666,667	-	-
PNS Group Sdn Bhd - Class B**	5,666,667	5,666,667	1	-
Total unquoted equity securities		<u>6,333,334</u>	<u>1</u>	<u>-</u>
Total investments		<u>102,855,298</u>	<u>97,392,731</u>	<u>97.10</u>
Unrealised loss on investments			<u>(5,462,567)</u>	

* The Fund has determined the fair value of Alpha Circle Sdn Bhd's unquoted fixed income security to be nil (2024: nil) as the Fund Manager is of the view that it is improbable for the issuer to redeem the securities. Consequently, the Fund Manager has reimbursed the cost of investment of Alpha Circle Sdn Bhd's unquoted fixed income security of RM535,120 to the Fund in the previous year.

** The Fund has determined the fair value of the PNS Group's preference shares to be RM1 as the Fund Manager is of the view that it is improbable for the issuer to redeem the securities.

As at 30 June 2025, the cost and market value of the preference share issued by PNS Group Sdn Bhd has been written down to nil due to unavailability of debtor's source of income or assets to generate sufficient future cash flows to repay the amount. The Fund does not anticipate any recovery of its investment from PNG Group Sdn Bhd in the foreseeable future.

6 CASH AND CASH EQUIVALENTS

	2025 RM	2024 RM
Cash at banks	730	5,306
Short-term deposits	<u>2,047,881</u>	<u>2,791,192</u>
	<u>2,048,611</u>	<u>2,796,498</u>

Short-term deposits represent deposits placed with a local licensed financial institution.

The effective interest rate for short-term deposits is 3.00% (2024: 3.00%) per annum and the remaining maturity period is 1 day (2024: 1 day).

7 OTHER PAYABLES AND ACCRUED EXPENSES

	2025 RM	2024 RM
Accrued expenses:		
Management fee	21,711	25,978
Trustee's fee	3,597	4,113
Audit fee	12,000	12,500
Tax agent's fee	<u>3,300</u>	<u>3,300</u>
	<u>40,608</u>	<u>45,891</u>

8 NUMBER OF UNITS IN CIRCULATION

	2025 Units	2024 Units
At beginning of the year	82,017,181	89,592,071
Created during the year	3,827,094	16,822,763
Cancelled during the year	<u>(17,543,525)</u>	<u>(24,397,653)</u>
At end of the year	<u><u>68,300,750</u></u>	<u><u>82,017,181</u></u>

9 MANAGEMENT FEE

The Schedule 7 of the Deeds provides that the Manager is entitled to an annual management fee of up to 2.50% per annum computed daily on the net asset value of the Fund before deducting the management fee and Trustee's fee for the relevant day.

The management fee provided in the financial statements is an average of 0.31% (2024: 0.38%) per annum for the financial year, net of management fee rebate on the collective investment schemes.

10 TRUSTEE'S FEE

The Schedule 8 of the Deeds provides that the Trustee is entitled to an annual Trustee's fee of up to 0.25% per annum computed daily on the net asset value of the Fund before deducting the management fee and Trustee's fee for the relevant day.

The Trustee's fee provided in the financial statements is 0.05% (2024: 0.05%) per annum for the financial year.

11 INCOME TAX EXPENSE

There is no income tax expense for the year as interest income derived by the Fund is exempted income from tax 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.

12 TOTAL EXPENSE RATIO AND PORTFOLIO TURNOVER RATIO

Total Expense Ratio (TER)

Total expense ratio for the Fund is 0.38% (2024: 0.45%) for the financial year ended 30 June 2025. The total expense ratio which includes management fee, Trustee's fee, audit fee, tax agent's fee and other expenses, is calculated as follows:

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

- 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 financial year is RM92,987,709 (2024: RM107,137,379).

Portfolio Turnover Ratio (PTR)

The portfolio turnover ratio for the Fund is 0.09 times (2024: 0.40 times) for the financial year ended 30 June 2025. The portfolio turnover is derived from the following calculation:

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

Where: total acquisition for the financial year = RM1,029,500 (2024: RM39,388,980)
 total disposal for the financial year = RM16,474,713 (2024: RM46,579,175)

13 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

There were no units held by the Manager or parties related to the Manager during the current and previous financial years.

14 TRADE WITH BROKERS/DEALERS

Details of transactions with brokers/dealers are as follows:

Brokers/Dealers	Value of Trades RM	% of Total Trades %
2025		
Hong Leong Investment Bank Bhd	3,068,000	74.87
Hong Leong Bank Bhd	1,029,500	25.13
	<u>4,097,500</u>	<u>100.00</u>
2024		
Hong Leong Bank Bhd	7,971,879	40.83
Malayan Banking Bhd	7,717,200	39.52
CIMB Bank Bhd	1,500,000	7.68
Affin Hwang Investment Bank Bhd	1,473,255	7.55
Hong Leong Investment Bank Bhd	695,450	3.56
RHB Investment Bank Bhd	127,495	0.65
Kenanga Investment Bank Bhd	41,666	0.21
	<u>19,526,945</u>	<u>100.00</u>

15 RISK MANAGEMENT POLICIES

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund seeks to provide sophisticated investors with a stable stream of consistent income while maintaining capital stability by investing in fixed income investments with medium to long term investment horizon. 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) primarily on its investments and capital risk.

Categories of Financial Instruments

	2025 RM	2024 RM
Financial assets		
Carried at FVTPL:		
Investments	85,919,080	97,392,731
Amortised cost:		
Cash and cash equivalents	2,048,611	2,796,498
Amount due from Manager	25,727	59,000
Dividend receivables	118,593	102,870
Financial liabilities		
Amortised cost:		
Other payables and accrued expenses	40,608	45,891

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, except for the Tranche A Sukuk issued by Menara ABS Berhad.

The credit risk for cash at bank is considered negligible since the counterparties are reputable banks with high quality external ratings.

The Fund invests only in unquoted fixed income securities of at least investment grade as rated by a credit rating agency at inception. 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 fixed income securities by rating categories:

Credit Rating	Fair Value RM	As a % of unquoted fixed income securities %	As a % of NAV %
2025			
Unquoted Fixed Income Securities			
AA- IS	556,313	31.64	0.63
D	1,201,882	68.36	1.37
	<u>1,758,195</u>	<u>100.00</u>	<u>2.00</u>

ANNUAL REPORT JUNE 2025
ARECA Steady fixed**INCOME** FUND

Credit Rating	Fair Value RM	As a % of unquoted fixed income securities %	As a % of NAV %
2024			
Unquoted Fixed Income Securities			
AA1 (S)	1,051,435	27.08	1.05
AA3	1,057,360	27.23	1.05
AA- IS	571,938	14.73	0.57
D	1,201,882	30.96	1.20
	<u>3,882,615</u>	<u>100.00</u>	<u>3.87</u>

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

	Short-term deposits RM	Unquoted fixed income securities RM	Collective investment schemes RM	Unquoted equity securities RM
2025				
Industry				
Construction	-	556,313	-	-
Financial, insurance and business services	2,047,881	1,201,882	84,160,885	-
	<u>2,047,881</u>	<u>1,758,195</u>	<u>84,160,885</u>	<u>-</u>
2024				
Industry				
Construction	-	571,938	-	1
Financial, insurance and business services	2,791,192	2,253,317	93,510,115	-
Power and electricity	-	1,057,360	-	-
	<u>2,791,192</u>	<u>3,882,615</u>	<u>93,510,115</u>	<u>1</u>

Liquidity risk management

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected. 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.

All financial liabilities are repayable on demand or due within 1 year from the date of the statement of financial position.

Market risk management

This is a class of risk that inherently exists in an economy and cannot be avoided by any business or Fund. It is usually due to changes in market variables such as interest rates and market prices.

During the financial year, as the Fund invest in unquoted fixed income securities and collective investment schemes, the performance of the Fund might go up or down in accordance with the prevailing market risk of Malaysia.

Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Fund is not exposed to interest rate risk through the impact of market interest rate changes as the interest rates on unquoted fixed income securities and unquoted equity securities are fixed on the inception. The Fund's short-term deposits and cash at banks earn interest at floating rates but is not exposed to any significant interest rate risk as the floating rates, represented by overnight cash rates, do not fluctuate significantly fluctuate year-on-year.

The Fund is exposed to risk of fluctuation in fair value of financial assets as a result of change in the market interest rate. The valuation for financial assets at FVTPL move inversely to the market interest rate movements. As the market interest rate rise, the fair value of financial assets at FVTPL decrease and vice versa.

Price risk management

Price risk is the risk of unfavourable changes in the fair value of unquoted fixed income securities, collective investment schemes and unquoted equity securities as the result of changes in the levels of the equity indices and the value of individual securities. The price risk exposure arises from the Fund's investment in unquoted fixed income securities, collective investment schemes and unquoted equity securities. The Manager manages the unfavourable changes in prices by continuous monitoring of the performance and risk profile of the investment portfolio.

Price risk sensitivity

The Manager'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
2025		
Investments	+5/-5%	<u>4,295,954/(4,295,954)</u>
2024		
Investments	+5/-5%	<u>4,869,637/(4,869,637)</u>

Capital risk management

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

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions.

ANNUAL REPORT JUNE 2025
ARECA Steady fixed **INCOME** FUND

Unquoted fixed income securities are valued using fair value prices quoted by Bond Pricing Agency Malaysia ("BPAM"). When no market price is available or during abnormal market or when the Manager is of the view that the price quoted by BPAM for a specific bond differs from the market price by more than 20 basis points, the Manager will separately assess the security to determine the price valuation, and the Manager will record the valuation basis and obtain the necessary internal approvals for using the non-BPAM price.

The fair value of the collective investment scheme is determined based on Net Asset Value ("NAV") per unit of such collective investment schemes as at the end of the reporting year.

The fair value of securities that are not quoted in active market are determined by using valuation techniques, primarily earnings multiples, discounted cash flows and recent comparable transactions. The inputs in the earning multiples models include observable data, such as forecast earnings for the portfolio company. Management uses models to adjust the observed equity returns to reflect the actual debt/equity financing structure of the valued equity investment. Models are calibrated by backtesting to actual results/exit prices achieved to ensure that outputs are reliable.

For deposits and placements with financial institutions with maturities of less than twelve months, the carrying value is a reasonable estimate of fair value.

The carrying amounts of other financial assets and financial liabilities approximate their fair values due to short maturity of these instruments.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2025				
Financial assets at FVTPL				
Unquoted fixed income securities	-	556,313	1,201,882	1,758,195
Collective investment schemes	-	84,160,885	-	84,160,885
2024				
Financial assets at FVTPL				
Unquoted fixed income securities	-	3,882,615	-	3,882,615
Collective investment schemes	-	93,510,115	-	93,510,115
Unquoted equity securities*	-	-	1	1

Tranche A Sukuk issued by Menara ABS Berhad amounting to RM1,201,882 as at 30 June 2025 was transferred from Level 2 to Level 3 during the financial year as the quoted price was no longer deemed to be reliable.

* The fair value of the unquoted equity securities were determined based on expected future cash flows discounted at prevailing rate of interest at reporting date. As the expected future cash flow is determined to be RM1, the fair value was determined to be RM1.

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as key observable input used in valuation model:

Instrument	Description of valuation technique and inputs used	Significant unobservable input	Relationship and sensitivity of unobservable inputs to fair value
Sukuk – Menara ABS Berhad	Discounted cash flows method was used to capture the present value of the expected future cash flows.	Future cash flows Discount rate: 5.30% (2024: Nil)	An increase in discount rate would result in decrease in fair value, and vice versa. An increase in future cash flows would result in increase in fair value, and vice versa.



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