

Quarterly Report

Dec 2024

For the Period Ended 31 December 2024

Areca Steady *fixed*INCOME Fund

Management Company



200601021087(740840-D)

QUARTERLY REPORT DECEMBER 2024

✦ ARECA Steady *fixed*INCOME FUND

Contents

CORPORATE DIRECTORY	2
MANAGER'S REPORT	
Fund Information, Performance & Review	3
Market Review & Outlook	8
UNAUDITED FINANCIAL STATEMENTS FOR Areca Steady <i>fixed</i> INCOME Fund	9

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
(Chief Executive Officer Non-Independent)
Edward Iskandar Toh Bin Abdullah
(Executive Non-Independent)

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 Choan
(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 No 5-1-8, 1st Floor
Lorong Api-Api 1
Api-Api Centre
88000 Kota Kinabalu, Sabah
Tel : 6088-276 757

QUARTERLY REPORT DECEMBER 2024
ARECA Steady fixedINCOME FUND

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 period under review, the Manager had not received any soft commissions.</p>
Inception Date	11 May 2009
Financial Year End	30 June

QUARTERLY REPORT DECEMBER 2024
ARECA Steady fixed **INCOME** FUND

FUND PERFORMANCE

	01.10.2024 to 31.12.2024	01.07.2024 to 30.09.2024	
NET ASSET VALUE ("NAV")			
Net Asset Value (RM million)	92.39	101.81	
Units in circulation (million units)	74.09	81.74	
NAV per unit (RM)	1.2471	1.2455	
HIGHEST & LOWEST NAV per unit			
<i>Please refer to Note 1 for further information on NAV and pricing policy</i>			
Highest NAV per unit (RM)	1.2668	1.2455	
Lowest NAV per unit (RM)	1.2340	1.2237	
ASSET ALLOCATION % of NAV			
Collective investment schemes	94.65	92.53	
Unquoted fixed income securities			
Unquoted Bonds	1.91	4.79	
Liquid assets and other net current assets	3.44	2.68	
DISTRIBUTION			
There was no distribution for the financial period under review.			
UNIT SPLIT			
There was no unit split exercise for the financial period under review.			
EXPENSE/TURNOVER			
Total expense ratio (TER) (%)	0.10	0.10	
<i>Please refer to Note 2 for further information</i>			
Portfolio turnover ratio (PTR) (times)	0.05	0.01	
<i>Please refer to Note 3 for further information</i>			
TOTAL RETURN			
<i>Please refer to Note 4 for further information</i>			
Total Return (%)	0.13	1.84	
- Capital growth (%)	0.13	1.84	
- Income distribution (%)	-	-	
	1-yr	3-yrs	5-yrs
Average Total Return per annum (%)	3.15	3.76	5.09

QUARTERLY REPORT DECEMBER 2024
ARECA Steady fixed **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: *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 quarter ended 31st December 2024, the Fund posted a return of 0.13% (annualised 0.51%) against the benchmark Maybank's 12-month fixed deposit rate of 0.66% (annualised 2.63%). Despite underperforming the benchmark, the Fund was able to meet the objective of providing stable stream of income and maintaining capital stability.

The stable income and capital performance is mainly underpinned by the 94.70% contribution from the 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.

While we remain cautious of the global headwinds and challenging growth outlook ahead, we expect local bond market to remain well supported. We opine our domestic interest rate policy will remain accommodative as we are confronted by external geopolitical risks and domestic potential inflationary issues from subsidy rationalisation in the year ahead. We have remained focused on selecting good quality corporate name for better yield pick-up.

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.

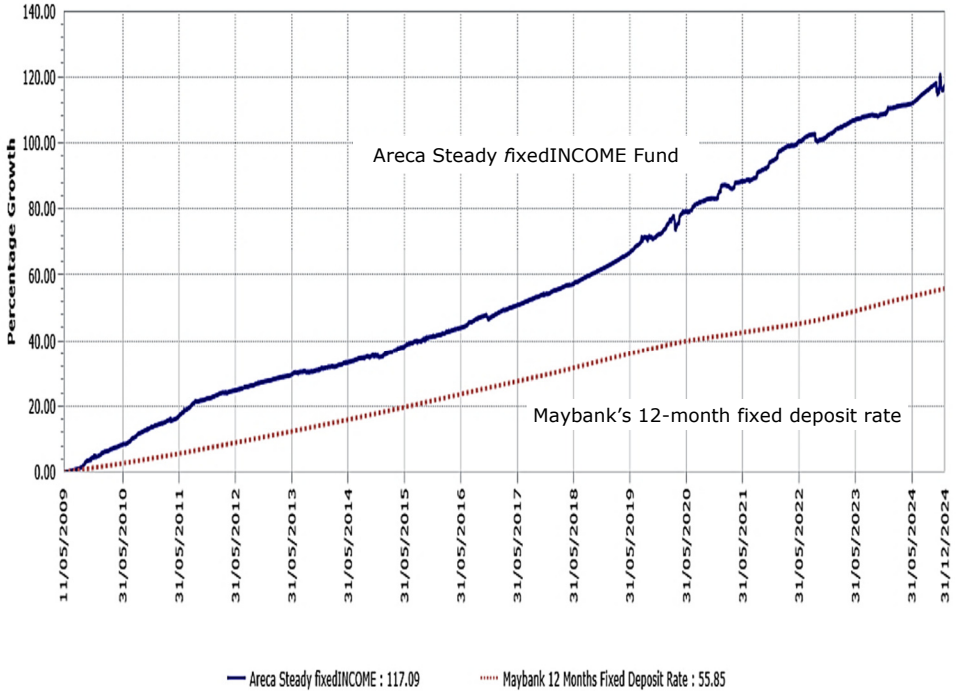
NAV per unit as at 31 December 2024 RM1.2471

Asset Allocation/Portfolio Composition	31.12.2024	30.09.2024
Collective investment schemes	94.65%	92.53%
Unquoted fixed income securities	1.91%	4.79%
Liquid assets and other net current assets	3.44%	2.68%

FUND REVIEW

Performance of Areca Steady fixedINCOME Fund
for the period since inception to 31 December 2024

Total Return of Areca Steady fixedINCOME Fund vs Benchmark



Source Lipper

GLOBAL FIXED INCOME MARKET REVIEW AND OUTLOOK

In the quarter under review, the Federal Reserve ("Fed") cut its Fed funds rate by 50 basis points ("bps") citing progress on inflation reduction and a balanced assessment of risk as the rationale for the move. However, United States Treasury ("UST") yield curves experienced a bearish start in an immediate aftermath of the United States ("U.S.") elections in November. The 10-year treasury 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.

In December, UST yields edged higher with the 10-year Treasury inching by 2 bps to close at 4.58% while the 2-year UST closed at 4.33%. The Fed at its last policy meeting for the year on 19 December 2024, delivered a widely anticipated 25 bps rate cut bringing its policy rate from 4.75% to 4.50%. The dot plot released by the Fed signals a significantly more gradual rate-cut cycle going forward. As the Fed continues its easing monetary policy, markets however are now pricing in a slower pace of rate cuts amidst a strong economic backdrop. We expect yields to stay in range as the pricing of future rate cuts is moderated on the back of stronger job reports.

Across the globe, central banks continued to lower rates with Bank of England cutting its policy rate by 25 bps in November to 4.75% marking the second decrease since its cutting cycle in August. In United Kingdom ("U.K."), headline inflation rose from 1.70% to 2.30% and core inflation was up from 3.20% to 3.30% year-on-year in October. Eurozone's inflation rate accelerated to 2.30% in November (October: 2.00%) with energy and food inflation being the main contributor. However, core inflation was stable keeping rate cut market expectations in line. Despite resilient inflation numbers, investors continue to expect that weak demand in France and Germany will give the European Central Bank enough justification for further rate cuts.

MALAYSIA FIXED INCOME MARKET REVIEW AND OUTLOOK

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 in 2025, down from 4.30% in 2024. From a fixed income perspective, the Budget is also neutral with no major surprises on inflation. Malaysia's headline Consumer Price Index ("CPI") stood at 1.90% year-over-year (September: 1.80%) and core inflation increased by 1.80% year-over-year, whilst unemployment rate improved to 3.20% in October (September: 3.40%).

The Malaysian Government Securities ("MGS") and Malaysian Government Investment Issue ("MGII") bond yields ended mostly lower in the month of September tracking those of the UST, albeit to a lesser degree. The 3-year, 5-year and 10-year MGS and MGII bonds yields declined in the circa of 7-12 bps across the curves post U.S. elections. Overall, the sovereign bonds market demonstrated resilience despite rising UST yields. The benchmark government bonds closed mixed within a narrow range for the month as trading interest remained muted amid the year-end period. The 3-year MGS closed 2 bps higher at 3.50% and the 10-year MGII inched 1 bps lower to close at 3.83% but other benchmarks lacked trading interest. Similarly in the ringgit corporate bond market, trading interest was also lacking.

Headline and core CPI averaged 1.90% and 1.80% respectively, remained benign despite diesel price rationalisation. However, potential risk lies in the second phase of subsidy rationalisation. While the earlier move to remove subsidy from diesel prices had muted impact on inflation; it remains uncertain as to how much an effect a removal of subsidy from the wider used RON95 will have on inflation. If it is managed prudently, a resultant muted impact may suggest that Overnight Policy Rate ("OPR") will likely stay to enhance price stability in the foreseeable future. We expect Bank Negara Malaysia to maintain the OPR at 3.00% going into the first quarter in 2025 as the current monetary policy continues to be supportive of the economy growth.

QUARTERLY REPORT DECEMBER 2024
ARECA Steady fixed **INCOME** FUND

UNAUDITED STATEMENT OF FINANCIAL POSITION

As At 31 December 2024

	31.12.2024	30.09.2024
	RM	RM
Assets		
Investments	89,212,113	99,073,693
Cash and cash equivalents	3,096,882	2,687,159
Dividend receivables	118,068	98,290
Total Assets	92,427,063	101,859,142
Unitholders' Fund And Liabilities		
Liabilities		
Other payables and accrued expenses	37,758	51,224
Total Liabilities	37,758	51,224
Unitholders' Fund		
Unitholders' capital	80,733,461	90,274,013
Retained earnings	11,655,844	11,533,905
Net Asset Value Attributable To Unitholders	92,389,305	101,807,918
Total Unitholders' Fund And Liabilities	92,427,063	101,859,142
Number Of Units In Circulation	74,086,084	81,743,674
Net Asset Value Per Unit (RM)	1.2471	1.2455

QUARTERLY REPORT DECEMBER 2024
ARECA Steady fixed **INCOME** FUND

UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Period Ended 31 December 2024

	01.10.2024 to 31.12.2024	01.07.2024 to 30.09.2024
	RM	RM
Investments Income		
Dividend income	364,780	213,755
Interest income	46,751	62,622
Net (loss)/gain on investments at fair value through profit or loss ("FVTPL")	(196,724)	1,664,251
Total Investments Income	214,807	1,940,628
Expenditure		
Management fee	74,575	82,697
Trustee's fee	11,976	12,726
Audit fee	3,125	3,126
Tax agent's fee	825	825
Other expenses	2,367	2,711
Total Expenditure	92,868	102,085
Net Income Before Tax	121,939	1,838,543
Income Tax Expense	-	-
Net Income After Tax And Total Comprehensive Income For The Financial Period	121,939	1,838,543
Net Income After Tax Is Made Up Of:		
Realised gain	533,242	193,092
Unrealised (loss)/gain	(411,303)	1,645,451
	121,939	1,838,543

QUARTERLY REPORT DECEMBER 2024
ARECA Steady fixed **INCOME** FUND

UNAUDITED STATEMENT OF CHANGES IN NET ASSET VALUE

For The Financial Period Ended 31 December 2024

	Unitholders' capital RM	Retained earnings RM	Total net asset value RM
Balance as at 1 July 2024	90,609,846	9,695,362	100,305,208
Amounts received from units created	28,167	-	28,167
Amounts paid for units cancelled	(364,000)	-	(364,000)
Total comprehensive income for the financial period	-	1,838,543	1,838,543
Balance as at 30 September 2024	<u>90,274,013</u>	<u>11,533,905</u>	<u>101,807,918</u>
Balance as at 1 October 2024	90,274,013	11,533,905	101,807,918
Amounts received from units created	1,082,030	-	1,082,030
Amounts paid for units cancelled	(10,622,582)	-	(10,622,582)
Total comprehensive income for the financial period	-	121,939	121,939
Balance as at 31 December 2024	<u>80,733,461</u>	<u>11,655,844</u>	<u>92,389,305</u>

QUARTERLY REPORT DECEMBER 2024
ARECA Steady fixed **INCOME** FUND

UNAUDITED STATEMENT OF CASH FLOWS

For The Financial Period Ended 31 December 2024

	01.10.2024 to 31.12.2024	01.07.2024 to 30.09.2024
	RM	RM
Cash Flows From Operating Activities		
Proceeds from disposal of investments	9,632,392	1,000,000
Purchase of investments	-	(1,045,882)
Dividend income received	345,002	218,335
Interest received	79,216	91,793
Management fee paid	(79,258)	(81,373)
Trustee's fee paid	(12,210)	(12,668)
Payment for other fees and expenses	(14,867)	(2,711)
Net Cash Generated From Operating Activities	9,950,275	167,494
Cash Flows From Financing Activities		
Cash proceeds from units created	1,082,030	87,167
Payment for cancellation of units	(10,622,582)	(364,000)
Net Cash Used In Financing Activities	(9,540,552)	(276,833)
Net Increase/(Decrease) In Cash And Cash Equivalents	409,723	(109,339)
Cash And Cash Equivalents At Beginning Of Period	2,687,159	2,796,498
Cash And Cash Equivalents At The End Of Period	3,096,882	2,687,159
Cash And Cash Equivalents Comprise:		
Cash at bank	227,042	2,560
Short-term deposits	2,869,840	2,684,599
	3,096,882	2,687,159



ARECA CAPITAL SDN BHD 200601021087(740840-D)

107, Blok B, Pusat Dagangan Phileo
Damansara 1, 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
www.arecacapital.com

Penang Branch

368-2-02 Bellisa Row, Jalan Burma
Georgetown, 10350 Pulau Pinang
T 604 210 2011 F 604 210 2013

Ipoh Branch

11, 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

Kuching Branch

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

Johor Branch

No 105, Jalan Meranti Merah
Taman Melodies,
80250 Johor Bahru
T 607 336 3689

Kota Kinabalu Branch

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