

Quarterly Report

September 2024

For the Period Ended 30 September 2024

Areca Steady *fixed*INCOME Fund

Management Company



200601021087(740840-D)

QUARTERLY REPORT SEPTEMBER 2024

✦ ARECA Steady *fixed*INCOME FUND

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CORPORATE DIRECTORY

MANAGER

Areca Capital Sdn Bhd
Company No: 200601021087 (740840-D)
107, Blok B, Pusat Dagangan Phileo Damansara 1
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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 Choon
(Independent Non-Executive)

TRUSTEE

RHB Trustees Berhad
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AUDITOR

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Level 16, Menara LGB
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TAX ADVISER

PricewaterhouseCoopers Taxation
Services Sdn Bhd (464731-M)
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MANAGER'S OFFICE AND BRANCHES

HEAD OFFICE

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PENANG BRANCH

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Fax: 604-210 2013

IPOH BRANCH

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MALACCA BRANCH

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Taman Melaka Raya
75000 Melaka
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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

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Taman Melodies
80250 Johor Bahru
Tel : 607-336 3689

KOTA KINABALU BRANCH

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

QUARTERLY REPORT SEPTEMBER 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

FUND PERFORMANCE

01.07.2024
to 30.09.2024

NET ASSET VALUE ("NAV")

Net Asset Value (RM million)	101.81
Units in circulation (million units)	81.74
NAV per unit (RM)	1.2455

HIGHEST & LOWEST NAV per unit

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

Highest NAV per unit (RM)	1.2455
Lowest NAV per unit (RM)	1.2237

ASSET ALLOCATION % of NAV

Collective investment schemes	92.53
Unquoted fixed income securities	
Unquoted Bonds	4.79
Liquid assets and other net current assets	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
<i>Please refer to Note 2 for further information</i>	
Portfolio turnover ratio (PTR) (times)	0.01
<i>Please refer to Note 3 for further information</i>	

TOTAL RETURN

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

Total Return (%)	1.84
- Capital growth (%)	1.84
- Income distribution (%)	-

	1-yr	3-yrs	5-yrs
Average Total Return per annum (%)	4.04	4.40	5.28

QUARTERLY REPORT SEPTEMBER 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 30th September 2024, the Fund posted a return of 1.84% (annualised 7.50%) against the benchmark Maybank's 12-month fixed deposit rate of 0.66% (annualised 2.63%). This enabled the Fund to meet the objective of providing stable income stream and maintaining capital stability over a medium to long-term investment horizon.

The stable income and capital performance is mainly underpinned by the 92.53% 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 gradually extended the portfolio duration, our focus remains 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.

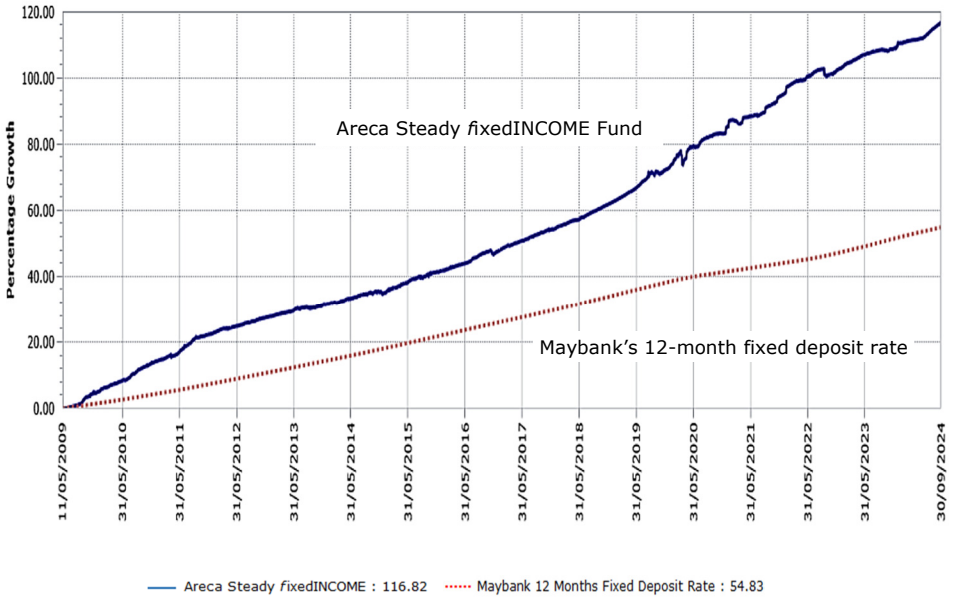
NAV per unit as at 30 September 2024 RM1.2455

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

FUND REVIEW

Performance of Areca Steady fixedINCOME Fund
for the period since inception to 30 September 2024

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") cut interest rates by 50 basis points ("bps"), bringing the range to 4.75%-5.00% during its September 2024 meeting. Markets are currently expecting an additional 50 bps in cuts, with two more Fed meetings scheduled before the end of 2024. The rate cut is further supported by moderating annual inflation at 2.40% (August: 2.50%) in September. The United States ("US") labor market added 254,000 jobs in September, above the expected increase of 140,000; the unemployment rate stood at 4.10% (August: 4.20%). The US economy's soft landing appears to be on track, supported by resilient Gross Domestic Product ("GDP") growth in the first half of 2024 ("1H2024"), with a year-on-year increase of 2.90% in first quarter of year 2024 ("1Q2024") and 3.10% in second quarter of year 2024 ("2Q2024"). Nevertheless, the manufacturing activity remains weak, as indicated by the Standard & Poor's ("S&P") Global US Manufacturing Purchasing Managers' Index ("PMI") of 47.30 (August: 47.90) in September 2024, still below the 50-point expansion threshold. In contrast, the services sector has shown strength, with the S&P Global US Services PMI at 55.20 (August: 55.70). Overall, the US Composite PMI stood at 54.00 in September 2024 (August: 54.60), signaling moderate growth.

As a result of the commencing of the rate cut cycle, United States Treasury ("UST") yields ended consistently lower across the curve at the end of August. The 2/10-year Treasury spread has also normalised significantly from -47 bps a year ago to +14 bps at the end of September, reestablishing a normal yield curve.

The European Central Bank ("ECB") reduced its refinancing operations rate to 3.65% in September 2024, as annual inflation eased to 1.70% in September (August: 2.20%), while the unemployment rate remained steady at 6.40% in August (July: 6.40%). The Eurozone economy growth was relatively muted in the 1H2024, growing at a year-over-year rate of 0.50% in 1Q24 and 0.60% in 2Q24. The Eurozone Composite PMI stood at 49.60 in September (August: 51.00), signaling business activity slowed for the first time since February 2024. Services slowed at 51.40 (August: 52.90) and the manufacturing contraction deepened at 45.00 (August: 45.80). Meanwhile, the Bank of England ("BOE") lowered its Bank Rate by 25 bps to 5.00% during its August 2024 meeting, as annual inflation remained contained at 1.70% in September 2024 (August: 2.20%), while the unemployment rate fell to 4.00% in August 2024 (July: 4.10%). The British GDP expanded 0.70% year-over-year in 2Q24 (1Q24: 0.30%). At the same time, the S&P Global UK Composite PMI fell to 52.60 in September 2024 (August: 53.80), due to contraction in the Manufacturing PMI to 51.50 (August: 52.50) and the Services PMI to 52.40 (August: 53.70).

The People's Bank of China ("PBoC") reduced its 1-year and 5-year loan prime rates by 10 bps to 3.35% and 3.85%, respectively, in July 2024 to support a fragile economic recovery, as reflected by low annual inflation at 0.40% in September (August: 0.60%) and high unemployment at 5.10% (August: 5.30%). The Chinese economy expanded 4.70% year-over-year in 2Q24 (1Q24: 5.30%). Meanwhile, the Caixin China General Composite PMI fell to 50.30 in September 2024 (August: 51.20). Manufacturing activities fell to 49.30 (August: 50.40), while services activities fell to 50.30 (August: 51.60). In the broader Asia-Pacific region, the Bank of Japan ("BoJ") surprised markets with a 15 bps rate hike to 0.25% in July 2024, up from the previous range of 0.00%-0.10%. The resulting strengthening of the Yen instigated a surge of 'Yen carry trade' reversal; a popular trade strategy in the last four years.

MALAYSIA FIXED INCOME MARKET REVIEW AND OUTLOOK

Back in Malaysia, the Overnight Policy Rate (“OPR”) has been maintained at 3.00% by Bank Negara Malaysia (“BNM”) since May 2023, supported by stable annual inflation at 1.90% in August 2024 (July: 2.00%) and low unemployment rate of 3.20% (July: 3.30%) in July. Malaysian GDP growth is solid in the 1H2024, at a year-over-year rate of 4.20% in 1Q24 and 5.90% in 2Q24, driven by strong performance across all sectors, for example, the construction sector has gained momentum due to the data center boom and strong Foreign Direct Investment (“FDI”) inflows. However, the S&P Global Malaysia Manufacturing PMI fell to 49.50 in September (July: 49.70), indicating muted trends across the manufacturing sector.

Domestic data continue to support the current interest rates environment. With imminent US rate cuts, the interest rate differential will narrow and encourage expectations of a similar move by BNM. However, it is crucial to focus on domestic indicators to determine interest rates moves. The 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 OPR will likely stay to enhance price stability in the foreseeable future.

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

UNAUDITED STATEMENT OF FINANCIAL POSITION

As At 30 September 2024

	30.09.2024 RM
Assets	
Investments	99,073,693
Cash and cash equivalents	2,687,159
Dividend receivables	<u>98,290</u>
Total Assets	<u>101,859,142</u>
 Unitholders' Fund And Liabilities	
Liabilities	
Other payables and accrued expenses	<u>51,224</u>
Total Liabilities	<u>51,224</u>
 Unitholders' Fund	
Unitholders' capital	90,274,013
Retained earnings	<u>11,533,905</u>
Net Asset Value Attributable To Unitholders	<u>101,807,918</u>
 Total Unitholders' Fund And Liabilities	<u>101,859,142</u>
 Number Of Units In Circulation	<u>81,743,674</u>
 Net Asset Value Per Unit (RM)	<u>1.2455</u>

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

UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Period Ended 30 September 2024

	01.07.2024 to 30.09.2024 RM
Investments Income	
Dividend income	213,755
Interest income	62,622
Net gain on investments at fair value through profit or loss ("FVTPL")	<u>1,664,251</u>
Total Investments Income	<u>1,940,628</u>
Expenditure	
Management fee	82,697
Trustee's fee	12,726
Audit fee	3,126
Tax agent's fee	825
Other expenses	<u>2,711</u>
Total Expenditure	<u>102,085</u>
Net Income Before Tax	1,838,543
Income Tax Expense	<u>-</u>
Net Income After Tax And Total Comprehensive Income For The Financial Period	<u><u>1,838,543</u></u>
Net Income After Tax Is Made Up Of:	
Realised gain	193,092
Unrealised gain	<u>1,645,451</u>
	<u><u>1,838,543</u></u>

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

UNAUDITED STATEMENT OF CHANGES IN NET ASSET VALUE

For The Financial Period Ended 30 September 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>

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

UNAUDITED STATEMENT OF CASH FLOWS

For The Financial Period Ended 30 September 2024

	01.07.2024 to 30.09.2024 RM
Cash Flows From Operating Activities	
Proceeds from disposal of investments	1,000,000
Purchase of investments	(1,045,882)
Dividend income received	218,335
Interest received	91,793
Management fee paid	(81,373)
Trustee's fee paid	(12,668)
Payment for other fees and expenses	<u>(2,711)</u>
Net Cash Generated From Operating Activities	<u>167,494</u>
Cash Flows From Financing Activities	
Cash proceeds from units created	87,167
Payment for cancellation of units	<u>(364,000)</u>
Net Cash Used In Financing Activities	<u>(276,833)</u>
Net Decrease In Cash And Cash Equivalents	(109,339)
Cash And Cash Equivalents At Beginning Of Period	<u>2,796,498</u>
Cash And Cash Equivalents At The End Of Period	<u><u>2,687,159</u></u>
Cash And Cash Equivalents Comprise:	
Cash at bank	2,560
Short-term deposits	<u>2,684,599</u>
	<u><u>2,687,159</u></u>



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