

Semi-Annual Report Dec 2024

For the Period Ended 31 December 2024

*Areca enhanced*INCOME Fund

Management Company



200601021087(740840-D)

SEMI-ANNUAL REPORT DECEMBER 2024

✦ ARECA enhancedINCOME 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
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 Choon
(Independent Non-Executive)

TRUSTEE

Maybank Trustees Berhad
Company No: 196301000109 (5004-P)
8th Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur
Tel: 03-2070 8833, Fax: 03-2070 9387

AUDITOR

Deloitte PLT (LLP0010145-LCA)
Level 16, Menara LGB
1 Jalan Wan Kadir, Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel: 03-7610 8888, Fax: 03-7726 8986

TAX ADVISER

Deloitte Tax Services Sdn Bhd (36421-T)
Level 16, Menara LGB
1 Jalan Wan Kadir, Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel: 03-7610 8888, Fax: 03-7726 8986

MANAGER'S OFFICE AND BRANCHES

HEAD OFFICE

107, Blok B, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya, Selangor
Tel: 603-7956 3111, Fax: 603-7955 4111
website: www.arecacapital.com
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
KCLD, 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

SEMI-ANNUAL REPORT DECEMBER 2024ARECA enhanced**INCOME** FUND**FUND INFORMATION**

Name of the Fund	Areca enhancedINCOME Fund
Fund Category/ Type	Fixed Income/Income and Growth
Objective of the Fund	To provide long term investors with high level of income stream (income could be in the form of Units or cash) and an opportunity for capital appreciation.
Performance Benchmark	Maybank's 12-month fixed deposit rate
Distribution Policy of the Fund	Incidental.
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	30 July 2007
Financial Year End	30 June

SEMI-ANNUAL REPORT DECEMBER 2024
ARECA enhanced **INCOME FUND**

FUND PERFORMANCE

	2024	2023	2022
NET ASSET VALUE ("NAV")			
Net Asset Value (RM million)	15.21	15.15	15.44
Units in circulation (million units)	23.30	25.20	26.41
NAV per unit (RM)	0.6527	0.6013	0.5849

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)	0.6528	0.6023	0.5975
Lowest NAV per unit (RM)	0.6153	0.5859	0.5672

ASSET ALLOCATION % of NAV			
Quoted equity securities			
Construction	1.37	1.28	-
Consumer Products & Services	-	8.15	2.46
Energy	1.10	2.14	-
Financial Services	3.93	4.63	12.17
Health Care	2.94	2.85	5.19
Industrial Products & Services	2.44	1.99	5.21
Real Estate Investment Trust	-	6.55	-
Technology	2.35	-	3.24
Telecommunications & Media	0.92	-	-
Utilities	3.46	-	-
Collective investment schemes	33.32	6.90	6.50
Unquoted fixed income securities			
Commercial Papers	-	-	6.43
Unquoted Bonds	38.54	45.37	46.84
Unquoted equity securities			
Preferences Shares	-	9.90	9.63
Liquid assets and other net current assets	9.63	10.24	2.33

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) (%)	0.74	0.81	0.76
<i>Please refer to Note 2 for further information</i>			
Portfolio turnover ratio (PTR) (times)	0.49	0.18	0.34
<i>Please refer to Note 3 for further information</i>			

	30.06.2024	30.06.2023	30.06.2022
	to 31.12.2024	to 31.12.2023	to 31.12.2022
TOTAL RETURN			
<i>Please refer to Note 4 for further information</i>			
Total Return (%)	4.58	2.52	1.39
- Capital growth (%)	4.58	2.52	1.39
- Income distribution (%)	-	-	-

SEMI-ANNUAL REPORT DECEMBER 2024
ARECA enhanced **INCOME FUND**

FUND PERFORMANCE

	2024	2023	2022	2021	2020
Annual Total Return (%)	9.30*	5.07*	2.77*	8.32*	47.78*
Performance Benchmark (%): Maybank's 12-month fixed deposit rate	2.63*	3.12*	2.58*	1.86*	1.87*

* Annualised for comparison purpose only

	1-yr	3-yrs	5-yrs
Average Total Return per annum (%)	8.55	1.16	6.98

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 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 period ended 31st December 2024, the Fund posted a semi-annual return of 4.58% (annualised 9.30%) against the benchmark Maybank's 12-month fixed deposit rate of 1.32% (annualised 2.63%). This enabled the Fund to meet the objective of providing long term investors with high level of income stream and an opportunity for capital appreciation.

The Fund holds 18.51% in Malaysia equities while the rest in fixed income instruments. 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. For the equity market, we will remain focused on identifying high-quality stocks that can generate alpha for the portfolio, helping to navigate the uncertainties arising from Trump 2.0 policies and ongoing geopolitical tensions.

Investment Policy and Strategy

The Fund will invest a minimum of 60% of its NAV in Fixed Income Securities and Money Market Instruments (other than those classified as Liquid Assets) including Collective Investment Scheme ("CIS") that invest in Fixed Income Securities with a minimum of 2% of its NAV in Liquid Assets. The Fund may also invest up to 30% of its NAV (at time of purchase) in listed equities and equity-related securities including initial public offerings, warrants and CIS that invest primarily in equities at any time to enhance income and returns to the Fund. However, the Fund may continue to hold its investment in equities even if the Fund's holding exceeds 30% of its NAV due to appreciation or depreciation of the NAV of the Fund, whether as a result of an appreciation or depreciation in value of the investment, or as a result of repurchase of Units or payments made by the Fund.

NAV per unit as at 31 December 2024

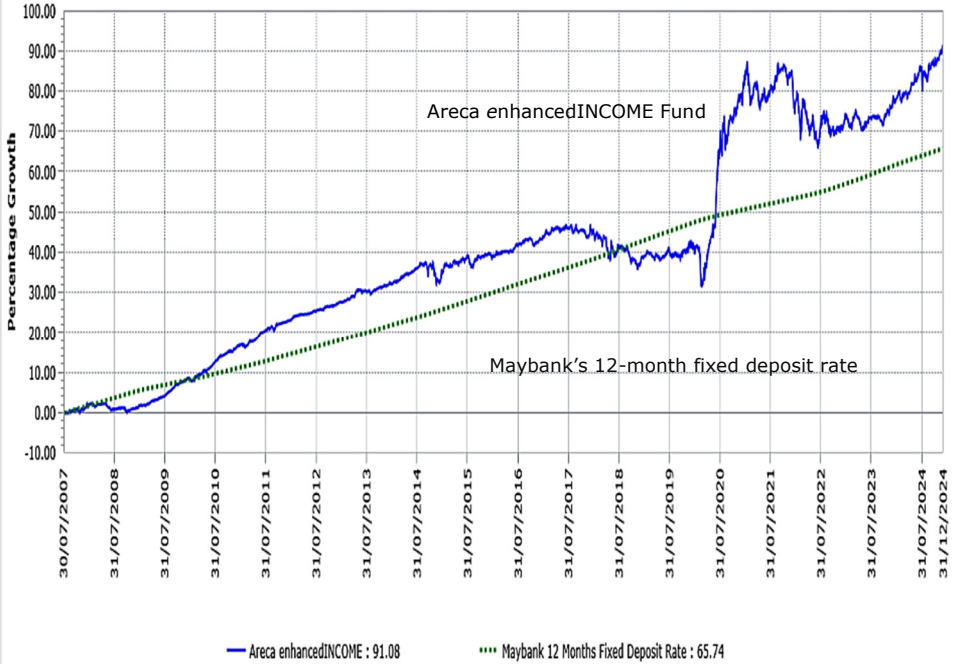
RM0.6527

Asset Allocation/Portfolio Composition	2024	2023	2022
Quoted equity securities	18.51%	27.59%	28.27%
Collective investment schemes	33.32%	6.90%	6.50%
Unquoted fixed income securities	38.54%	45.37%	53.27%
Unquoted equity securities	-	9.90%	9.63%
Liquid assets and other net current assets	9.63%	10.24%	2.33%

FUND REVIEW

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

Total Return of Areca enhancedINCOME Fund vs Benchmark



Source Lipper

GLOBAL FIXED INCOME MARKET REVIEW AND OUTLOOK

During the review period, the Federal Reserve ("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. However, in November the United States Treasury ("UST") yield curves experienced a bearish start in an immediate aftermath of the United States ("US") elections. 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. 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. 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 ("BOE") 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 ("UK"), headline inflation rose from 1.70% to 2.30% and core inflation was up from 3.20% to 3.30% year-on-year ("Y-o-Y") 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 ("ECB") enough justification for further rate cuts.

MALAYSIA FIXED INCOME MARKET REVIEW AND OUTLOOK

On the domestic front, the headline inflation eased lower to end December at 1.70% from 2.00% six months ago. Core inflation also trended down to 1.60% from 1.90% in this same period. We expect Malaysia to meet the deficit goal of 4.30% of Gross Domestic Product ("GDP") for 2024, but is unclear whether will stick to the medium-term fiscal path of lowering the deficit ratio to below 3.50% in 2025 due to uncertainty on RON95 subsidy rationalisation, higher operating expenditure on civil servant salary increase and whether there are any offsetting revenue measures.

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 GDP in 2025, down from 4.30% in 2024. From a fixed income perspective, the Budget is also neutral with no major surprises on inflation. We expect no change in the Overnight Policy Rate ("OPR") at 3.00% and on the Monetary Policy Committee ("MPC") statement on policy stance.

CROSS TRADE

No cross trade transactions have been carried out during the financial period under review.

SECURITIES FINANCING TRANSACTIONS

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

TRUSTEE'S REPORT

To the Unitholders of Areca enhancedINCOME** Fund ("Fund")**

We have acted as Trustee of the Fund for the financial period ended 31 December 2024 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 period 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 Unit Trust Funds;
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 Maybank Trustees Berhad
[Registration No: 196301000109 (5004-P)]

NORHAZLIANA BINTI MOHAMMED HASHIM
HEAD, UNIT TRUST & CORPORATE OPERATIONS

Kuala Lumpur
21 February 2025

STATEMENT BY MANAGER

To the Unitholders of Areca enhancedINCOME** Fund**

We, **WONG TECK MENG** and **EDWARD ISKANDAR TOH BIN ABDULLAH**, two of the Directors of the Manager, Areca Capital Sdn Bhd, do hereby state that in the opinion of the Manager, the accompanying unaudited 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 31 December 2024 and the financial performance and the cash flows of the Fund for the financial period ended on that date.

For and on behalf of the Manager
Areca Capital Sdn Bhd

WONG TECK MENG
CEO/EXECUTIVE DIRECTOR

EDWARD ISKANDAR TOH BIN ABDULLAH
CIO/EXECUTIVE DIRECTOR

Kuala Lumpur
21 February 2025

SEMI-ANNUAL REPORT DECEMBER 2024ARECA enhanced**INCOME FUND****UNAUDITED STATEMENT OF FINANCIAL POSITION***As At 31 December 2024*

	Note	31.12.2024 RM	31.12.2023 RM
Assets			
Investments	5	13,743,139	13,600,651
Cash and cash equivalents	6	1,002,922	1,574,187
Dividend receivables		11,377	8,160
Amount due from stockbrokers		479,897	-
Total Assets		15,237,335	15,182,998
Unitholders' Fund and Liabilities			
Liabilities			
Other payables and accrued expenses	7	29,544	30,059
Total Liabilities		29,544	30,059
Unitholders' Fund			
Unitholders' capital		9,074,649	10,278,630
Retained earnings		6,133,142	4,874,309
Net Asset Value Attributable To Unitholders		15,207,791	15,152,939
Total Unitholders' Fund And Liabilities		15,237,335	15,182,998
Number Of Units In Circulation	8	23,298,691	25,202,247
Net Asset Value Per Unit (RM)		0.6527	0.6013

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

SEMI-ANNUAL REPORT DECEMBER 2024

ARECA enhanced**INCOME** FUND

UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Period Ended 31 December 2024

		01.07.2024	01.07.2023
		to 31.12.2024	to 31.12.2023
	Note	RM	RM
Investments Income			
Dividend income		147,458	34,416
Interest income		154,637	201,179
Net gain on investments at fair value through profit or loss ("FVTPL")	5	<u>533,273</u>	<u>276,034</u>
Total Investments Income		<u>835,368</u>	<u>511,629</u>
Expenditure			
Management fee	9	95,167	106,595
Trustee's fee	10	6,229	6,241
Audit fee		6,251	6,250
Tax agent's fee		4,159	2,000
Transaction costs		29,786	3,741
Other expenses		<u>2,779</u>	<u>3,567</u>
Total Expenditure		<u>144,371</u>	<u>128,394</u>
Net Income Before Tax		690,997	383,235
Income Tax Expense	11	<u>-</u>	<u>-</u>
Net Income After Tax And Total Comprehensive Income For The Financial Period		<u>690,997</u>	<u>383,235</u>
Net Income After Tax Is Made Up Of:			
Realised gain/(loss)		489,639	(9,741)
Unrealised gain		<u>201,358</u>	<u>392,976</u>
		<u>690,997</u>	<u>383,235</u>

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

SEMI-ANNUAL REPORT DECEMBER 2024ARECA enhanced **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 2023	11,557,561	4,491,074	16,048,635
Amounts received from units created	700,232	-	700,232
Amounts paid for units cancelled	(1,979,163)	-	(1,979,163)
Total comprehensive income for the financial period	-	383,235	383,235
Balance as at 31 December 2023	<u>10,278,630</u>	<u>4,874,309</u>	<u>15,152,939</u>
Balance as at 1 July 2024	9,883,367	5,442,145	15,325,512
Amounts received from units created	44,452	-	44,452
Amounts paid for units cancelled	(853,170)	-	(853,170)
Total comprehensive income for the financial period	-	690,997	690,997
Balance as at 31 December 2024	<u>9,074,649</u>	<u>6,133,142</u>	<u>15,207,791</u>

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

SEMI-ANNUAL REPORT DECEMBER 2024

ARECA enhanced **INCOME FUND**

UNAUDITED STATEMENT OF CASH FLOWS

For The Financial Period Ended 31 December 2024

	Note	01.07.2024 to 31.12.2024	01.07.2023 to 31.12.2023
		RM	RM
Cash Flows From Operating Activities			
Proceeds from disposal of investments		6,149,561	1,806,077
Proceeds from maturity of investments		1,800,000	1,500,000
Purchase of investments		(6,710,082)	(2,317,292)
Dividend income received		158,299	42,984
Interest received		177,042	215,042
Management fee paid		(96,951)	(107,775)
Trustee's fee paid		(6,212)	(6,307)
Transaction costs paid		(28,269)	(3,741)
Payment for other fees and expenses		<u>(15,279)</u>	<u>(16,067)</u>
Net Cash Generated From Operating Activities		<u>1,428,109</u>	<u>1,112,921</u>
Cash Flows From Financing Activities			
Cash proceeds from units created		44,452	700,232
Payment for cancellation of units		<u>(853,170)</u>	<u>(1,979,163)</u>
Net Cash Used In Financing Activities		<u>(808,718)</u>	<u>(1,278,931)</u>
Net Increase/(Decrease) In Cash And Cash			
Equivalents		619,391	(166,010)
Cash And Cash Equivalents At Beginning Of Period		<u>383,531</u>	<u>1,740,197</u>
Cash And Cash Equivalents At The End Of Period		<u>1,002,922</u>	<u>1,574,187</u>
Cash And Cash Equivalents Comprise:			
Cash at bank	6	5,234	7,810
Short-term deposits	6	<u>997,688</u>	<u>1,566,377</u>
		<u>1,002,922</u>	<u>1,574,187</u>

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**1 GENERAL INFORMATION**

Areca enhancedINCOME Fund ("the Fund") was established pursuant to the Trust Deed dated 12 March 2007, as modified by the First Supplemental Deed dated 27 June 2007, Second Supplemental Deed dated 14 April 2008, Third Supplemental Deed dated 21 October 2008, Fourth Supplemental Master Deed dated 10 April 2009, Fifth Supplemental Master Deed dated 12 March 2013, Sixth Supplemental Master Deed dated 6 September 2013 and Seventh Supplemental Master Deed dated 29 August 2022 ("the Deeds") between Areca Capital Sdn Bhd as the Manager, Maybank 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 the Schedule 7 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, deposits and issues by banks or financial institutions such as banker's acceptances and negotiable certificates of deposit, private debt securities including those convertibles into equity. These issues are usually approved by BNM and/or the Securities Commission, and/or are rated by the Rating Agency of Malaysia ("RAM") or the Malaysian Rating Corporation Bhd ("MARC"). The credit rating of an issue may also be enhanced through bank guarantees or corporate guarantees, units and share in other collective investment schemes, derivatives such as future contracts for hedging purposes only, securities of Malaysian companies listed on permitted Stock Exchange(s), foreign currency exposure in sovereign bonds and corporate bonds, and any other form of investments as may be permitted by the relevant authorities from time to time. The Fund was launched on 30 July 2007 and will continue its operations until terminated in accordance with the conditions provided in Part 12 of the Deeds.

The investment objective of the Fund is to provide long term investors with high level of income stream (income could be in the form of units or cash) and an opportunity for capital appreciation. Any material changes to the investment 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.

2 BASIS OF PREPARATION OF THE 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 Amendment to MFRSs

The Fund has applied the following relevant Amendment for the first time for the financial period 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, 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 and MFRS 7 Financial Instruments: Disclosures</i>	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 Amendments will have no 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 based 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 period.

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

Transaction Costs

Transaction costs are costs incurred to acquire or dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the profit or loss.

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 period 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 period 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 transfer nor retain 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

Investments in quoted equity securities are classified as FVTPL and valued at the last done market price quoted on Bursa Malaysia Berhad at the end of the reporting period.

Investments in collective investment schemes are valued at FVTPL based on the Net Asset Value of such collective investment schemes at the end of the reporting period.

Unquoted fixed income securities are valued at FVTPL and are generally valued by reference to published prices of an approved bond pricing agency ("BPA").

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.

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ARECA enhanced **INCOME** FUND

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 period 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 period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

5 INVESTMENTS

	2024 RM	2023 RM
Financial assets at FVTPL:		
Quoted equity securities	2,814,471	4,180,287
Collective investment schemes	5,066,930	1,046,400
Unquoted fixed income securities	5,861,738	6,873,964
Unquoted equity securities	-	1,500,000
	<u>13,743,139</u>	<u>13,600,651</u>

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ARECA enhanced **INCOME FUND**

	2024 RM	2023 RM
Net gain on investments at FVTPL comprise:		
Realised gain/(loss) on disposals	331,914	(116,942)
Unrealised gain on changes in fair values	201,359	392,976
	<u>533,273</u>	<u>276,034</u>

Financial assets at fair value through profit or loss as at 31 December 2024 are as follows:

	No. of Shares Units	Aggregate Cost RM	Fair Value RM	Fair Value as a % of Net Asset Value %
QUOTED EQUITY SECURITIES				
Main Market				
Construction				
Gamuda Bhd	44,006	133,268	208,588	1.37
		<u>133,268</u>	<u>208,588</u>	<u>1.37</u>
Energy				
DIALOG Group Bhd	90,000	224,550	166,500	1.10
		<u>224,550</u>	<u>166,500</u>	<u>1.10</u>
Financial Services				
AMMB Holdings Bhd	109,000	388,285	597,320	3.93
		<u>388,285</u>	<u>597,320</u>	<u>3.93</u>
Health Care				
Hartalega Holdings Bhd	74,500	211,786	294,275	1.93
IHH Healthcare Bhd	21,000	150,961	153,300	1.01
		<u>362,747</u>	<u>447,575</u>	<u>2.94</u>
Industrial Products & Services				
SAM Engineering & Equipment (M) Bhd	19,300	98,573	84,148	0.55
Sunway Bhd	60,000	225,792	287,400	1.89
		<u>324,365</u>	<u>371,548</u>	<u>2.44</u>
Technology				
Inari Amertron Bhd	58,500	171,264	179,010	1.18
VSTECs Bhd	44,000	147,862	177,760	1.17
		<u>319,126</u>	<u>356,770</u>	<u>2.35</u>
Telecommunications & Media				
Telekom Malaysia Bhd	21,000	141,859	139,650	0.92
		<u>141,859</u>	<u>139,650</u>	<u>0.92</u>
Utilities				
Tenaga Nasional Bhd	24,000	297,600	358,560	2.36
YTL Power International Bhd	38,000	152,931	167,960	1.10
		<u>450,531</u>	<u>526,520</u>	<u>3.46</u>
Total quoted equity securities		<u>2,344,731</u>	<u>2,814,471</u>	<u>18.51</u>

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ARECA enhanced**INCOME** FUND

	Quantity Units	Aggregate Cost RM	Fair Value RM	Fair Value as a % of Net Asset Value %
COLLECTIVE INVESTMENT SCHEMES				
Areca Dynamic Growth Fund 10	449,750	449,750	474,441	3.12
Areca Dynamic Growth Fund 11	800,000	800,000	806,640	5.30
Areca Global Emerging Momentum Fund 2 – MYR Class	1,000,000	1,000,000	1,158,400	7.62
Areca Steady fixedINCOME Fund	401,123	500,000	500,241	3.29
Areca Strategic Income Fund 9.0	991,768	1,000,000	1,002,678	6.59
Areca Strategic Income Fund 11	1,100,000	1,100,000	1,124,530	7.40
Total collective investment schemes		<u>4,849,750</u>	<u>5,066,930</u>	<u>33.32</u>

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				
Amanat Lebuhraya Rakyat Bhd 5.09% 11/10/2030 AAA IS	1,000,000	1,011,017	1,066,117	7.01
Bank Pembangunan Malaysia Bhd 2.80% 10/10/2025 AAA IS	500,000	503,030	499,750	3.29
Bank Simpanan Nasional 3.82% 05/11/2027 AAA	500,000	502,878	503,153	3.31
GENM Capital Bhd 5.07% 05/05/2028 AA1 (S)	1,000,000	1,007,917	1,014,467	6.67
Konsortium KAJV Sdn Bhd 5.90% 11/05/2029 AA- IS	1,000,000	1,010,320	1,035,020	6.80
Lebuhraya Duke Fasa 3 Sdn Bhd 6.23% 21/08/2037 AA- IS	500,000	522,980	560,395	3.68
Malaysia Rail Link Sdn Bhd 3.13% 05/07/2030 NR (LT)	1,000,000	1,015,093	980,363	6.45
TG Excellence Bhd 3.95% 27/02/2120 A IS (CG)	200,000	202,749	202,473	1.33
Total unquoted fixed income securities		<u>5,775,984</u>	<u>5,861,738</u>	<u>38.54</u>
Total investments		<u>12,970,465</u>	<u>13,743,139</u>	<u>90.37</u>
Unrealised gain on investments			<u>772,674</u>	

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ARECA enhanced**INCOME** FUND

Financial assets at fair value through profit or loss as at 31 December 2023 are as follows:

	No. of Shares Units	Aggregate Cost RM	Fair Value RM	Fair Value as a % of Net Asset Value %
QUOTED EQUITY SECURITIES				
ACE Market				
Industrial Products & Services				
L&P Global Bhd	700,000	339,337	301,000	1.99
		<u>339,337</u>	<u>301,000</u>	<u>1.99</u>
Main Market				
Construction				
Muhibbah Engineering (M) Bhd	250,000	164,138	193,750	1.28
		<u>164,138</u>	<u>193,750</u>	<u>1.28</u>
Consumer Products & Services				
Berjaya Food Bhd	590,000	488,036	354,000	2.34
Berjaya Food Bhd - A Shares	5,900	-	3,540	0.02
Genting Bhd	190,000	857,892	877,800	5.79
		<u>1,345,928</u>	<u>1,235,340</u>	<u>8.15</u>
Energy				
Yinson Holdings Bhd	130,000	330,590	325,000	2.14
		<u>330,590</u>	<u>325,000</u>	<u>2.14</u>
Financial Services				
AMMB Holdings Bhd	136,000	484,465	545,360	3.60
Tune Protect Group Bhd	390,000	157,716	156,000	1.03
		<u>642,181</u>	<u>701,360</u>	<u>4.63</u>
Health Care				
Hartalega Holdings Bhd	160,000	320,347	432,000	2.85
		<u>320,347</u>	<u>432,000</u>	<u>2.85</u>
Real Estate Investment Trust				
Pavilion Real Estate Investment Trust	819,700	1,000,034	991,837	6.55
		<u>1,000,034</u>	<u>991,837</u>	<u>6.55</u>
Total quoted equity securities		<u>4,142,555</u>	<u>4,180,287</u>	<u>27.59</u>
	Quantity Units	Aggregate Cost RM	Fair Value RM	Fair Value as a % of Net Asset Value %
COLLECTIVE INVESTMENT SCHEME				
Areca Global Emerging Momentum Fund 2 – MYR Class	1,000,000	1,000,000	1,046,400	6.90
Total collective investment scheme		<u>1,000,000</u>	<u>1,046,400</u>	<u>6.90</u>

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ARECA enhanced **INCOME FUND**

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				
Amanat Lebuhraya Rakyat Bhd 5.09% 11/10/2030 AAA IS	1,000,000	1,010,877	1,073,767	7.09
Bank Pembangunan Malaysia Bhd 2.80% 10/10/2025 AAA IS	500,000	503,030	494,945	3.27
GENM Capital Bhd 5.07% 05/05/2028 AA1 (S)	1,000,000	1,007,501	1,019,661	6.73
Konsortium KAJV Sdn Bhd 5.90% 11/05/2029 AA- IS	1,000,000	1,009,836	1,033,916	6.82
Lebuhraya Duke Fasa 3 Sdn Bhd 6.23% 21/08/2037 AA- IS	500,000	522,809	551,354	3.64
Malaysia Rail Link Sdn Bhd 3.13% 05/07/2030 NR (LT)	1,000,000	1,015,178	972,538	6.42
Sabah Development Bank Bhd 4.40% 30/07/2024 AA1	1,500,000	1,525,010	1,527,725	10.08
TG Excellence Bhd 3.95% 27/02/2120 A- IS (CG)	200,000	202,684	200,058	1.32
Total unquoted fixed income securities		<u>6,796,925</u>	<u>6,873,964</u>	<u>45.37</u>

	Quantity Units	Aggregate Cost RM	Fair Value RM	Fair Value as a % of Net Asset Value %
UNQUOTED EQUITY SECURITIES				
Preference Shares				
Nova Mulia Development Sdn Bhd	1,500,000	1,500,000	1,500,000	9.90
Total unquoted equity securities		<u>1,500,000</u>	<u>1,500,000</u>	<u>9.90</u>
Total investments		<u>13,439,480</u>	<u>13,600,651</u>	<u>89.76</u>
Unrealised gain on investments			<u>161,171</u>	

6 CASH AND CASH EQUIVALENTS

	2024 RM	2023 RM
Cash at bank	5,234	7,810
Short-term deposits	997,688	1,566,377
	<u>1,002,922</u>	<u>1,574,187</u>

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

The effective interest rate for short-term deposits is 3.00% (2023: 3.05%) per annum and the remaining maturity period is 2 days (2023: 2 days).

SEMI-ANNUAL REPORT DECEMBER 2024ARECA enhanced**INCOME** FUND**7 OTHER PAYABLES AND ACCRUED EXPENSES**

	2024	2023
	RM	RM
Accrued expenses:		
Management fee	14,109	16,822
Trustee's fee	1,025	987
Audit fee	6,251	6,250
Tax agent's fee	8,159	6,000
	<u>29,544</u>	<u>30,059</u>

8 NUMBER OF UNITS IN CIRCULATION

	2024	2023
	Units	Units
At beginning of the period	24,557,008	27,364,895
Created during the period	70,952	1,165,506
Cancellation during the period	<u>(1,329,269)</u>	<u>(3,328,154)</u>
At end of the period	<u>23,298,691</u>	<u>25,202,247</u>

9 MANAGEMENT FEE

The Schedule 8 of the Deeds provides that the Manager is entitled to an annual management fee at rate not exceeding 2.50% per annum computed daily on the net asset value of the Fund before the deduction of the management fee and Trustee's fee for the relevant day.

The management fee provided in the financial statements is an average of 1.22% (2023: 1.37%) per annum for the financial period, net of the management fee rebate on the collective investment schemes.

10 TRUSTEE'S FEE

The Schedule 9 of the Deeds provides that the Trustee is entitled to an annual Trustee's fee at rate not exceeding 0.50% per annum computed daily on the net asset value of the Fund before the deduction of the management fee and Trustee's fee for the relevant day (excluding foreign custodian fee, if any).

The Trustee's fee provided in the financial statements is 0.08% (2023: 0.08%) per annum for the financial period.

11 INCOME TAX EXPENSE

There is no income tax expense for the period 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.

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ARECA enhanced **INCOME** FUND

12 TOTAL EXPENSE RATIO AND PORTFOLIO TURNOVER RATIO

Total Expense Ratio (TER)

Total expense ratio for the Fund is 0.74% (2023: 0.81%) for the financial period ended 31 December 2024. 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 the Fund

The average net asset value of the Fund for the financial period is RM15,444,862 (2023: RM15,474,657).

Portfolio Turnover Ratio (PTR)

The portfolio turnover ratio for the Fund is 0.49 times (2023: 0.18 times) for the financial period ended 31 December 2024. The portfolio turnover ratio is derived from the following calculation:

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

Where: total acquisition for the financial period = RM6,712,245 (2023: RM2,317,292)
total disposal for the financial period = RM8,430,974 (2023: RM3,306,077)

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

As at end of the financial period, the total number and value of units held by the Manager is as follows:

	←-----2024-----→	←-----2023-----→	
	No. of units	RM No. of units	RM
The Manager			
(The above units are held legally and beneficially)	-	-	
	-	1,165,113	700,582
	-	1,165,113	700,582

The Directors of the Manager are of the opinion that the transactions with the related parties have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. These dealings with related parties have been transacted at arm's length basis.

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14 TRADE WITH BROKERS/DEALERS

Details of transactions with brokers/dealers are as follows:

Brokers/Dealers	Value of Trades RM	% of Total Trades %	Fees RM	% of Total Brokerage Fee %
2024				
Kenanga Investment Bank Bhd	1,803,066	19.90	5,054	16.96
JP Morgan Securities (Malaysia) Sdn Bhd	1,604,323	17.71	5,299	17.79
Public Investment Bank Bhd	1,459,619	16.11	4,822	16.19
CIMB Securities Sdn Bhd	1,179,129	13.01	6,735	22.61
CGS International Securities Malaysia Sdn Bhd (formerly known as CGS CIMB Securities Sdn Bhd)	1,154,851	12.74	3,824	12.84
Maybank Investment Bank Bhd	830,634	9.17	2,380	7.99
CIMB Bank Bhd	500,000	5.52	-	-
CLSA Securities Malaysia Sdn Bhd	215,204	2.37	711	2.39
RHB Investment Bank Bhd	161,548	1.78	533	1.79
Hong Leong Investment Bank	152,931	1.69	428	1.44
	9,061,305	100.00	29,786	100.00
2023				
CIMB Investment Bank Bhd	1,681,011	40.77	625	16.71
RHB Investment Bank Bhd	1,659,327	40.24	527	14.09
Maybank Investment Bank Bhd	461,962	11.20	1,528	40.84
CLSA Securities Malaysia Sdn Bhd	161,020	3.91	532	14.22
JP Morgan Securities (Malaysia) Sdn Bhd	160,049	3.88	529	14.14
	4,123,369	100.00	3,741	100.00

15 RISK MANAGEMENT POLICIES

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund seeks to preserve capital as well as to provide investors with medium to long-term capital growth by investing in securities that have potential for capital growth. 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.

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ARECA enhanced **INCOME** FUND

Categories of Financial Instruments

	2024	2023
	RM	RM
Financial assets		
Carried at FVTPL:		
Investments	13,743,139	13,600,651
Amortised cost:		
Cash and cash equivalents	1,002,922	1,574,187
Dividend receivables	11,377	8,160
Amount due from stockbrokers	479,897	-
Financial liabilities		
Amortised cost:		
Other payables and accrued expenses	29,544	30,059

Credit risk management

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge an obligation. The Fund is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations to make timely repayments of interest, principal and proceeds from realisation of investments.

The Manager manages the Fund's credit risk by undertaking credit evaluation and close monitoring of any changes to the issuer/counterparty's credit profile to minimise such risk. It is the Fund's policy to enter into financial instruments with reputable counterparties.

The Fund's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position. None of the Fund's financial assets were past due or impaired as at 31 December 2024.

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 investments by rating categories:

Credit Rating	Fair Value	As a % of unquoted fixed income securities	As a % of NAV
	RM	%	%
2024			
Unquoted fixed income securities			
AAA	503,153	8.58	3.31
AAA IS	1,565,867	26.71	10.30
AA1 (S)	1,014,467	17.31	6.67
AA- IS	1,595,415	27.22	10.48
A IS (CG)	202,473	3.45	1.33
NR (LT)	980,363	16.73	6.45
	5,861,738	100.00	38.54

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ARECA enhanced**INCOME** FUND

Credit Rating	Fair Value RM	As a % of unquoted fixed income securities %	As a % of NAV %
2023			
Unquoted fixed income securities			
AAA IS	1,568,712	22.82	10.36
AA1	1,527,725	22.23	10.08
AA1 (S)	1,019,661	14.83	6.73
AA- IS	1,585,270	23.06	10.46
A IS (CG)	200,058	2.91	1.32
NR (LT)	972,538	14.15	6.42
	<u>6,873,964</u>	<u>100.00</u>	<u>45.37</u>

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

	Short-term deposits RM	Quoted equity securities RM	Collective investment schemes RM	Unquoted fixed income securities RM	Unquoted equity securities RM
2024					
Industry					
Construction and property development	-	208,588	-	1,540,757	-
Energy	-	166,500	-	1,035,021	-
Finance, insurance and business services	997,688	597,320	5,066,930	3,285,960	-
Health care	-	447,575	-	-	-
Industrial products and services	-	371,548	-	-	-
Technology	-	356,770	-	-	-
Telecommunications & media	-	139,650	-	-	-
Utilities	-	526,520	-	-	-
	<u>997,688</u>	<u>2,814,471</u>	<u>5,066,930</u>	<u>5,861,738</u>	<u>-</u>

2023					
Industry					
Construction and property development	-	193,750	-	1,523,892	1,500,000
Consumer products and services	-	1,235,340	-	-	-
Energy	-	325,000	-	1,033,916	-
Finance, insurance and business services	1,566,377	701,360	1,046,400	4,316,156	-
Health care	-	432,000	-	-	-
Industrial products and services	-	301,000	-	-	-
Real Estate Investment Trust	-	991,837	-	-	-
	<u>1,566,377</u>	<u>4,180,287</u>	<u>1,046,400</u>	<u>6,873,964</u>	<u>1,500,000</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 markets prices.

During the financial period, as the Fund presently invests in quoted equity security, collective investment schemes, unquoted fixed income securities and unquoted equity securities, 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 bank earn profit 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 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 quoted equity securities, collective investment schemes, unquoted fixed income securities and unquoted equity securities and 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 quoted equity securities, collective investment schemes, unquoted fixed income securities 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.

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Price risk sensitivity

The Manager's best estimate of the effect on the income for the period 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
2024		
Investments	+5/-5%	<u>687,157/(687,157)</u>
2023		
Investments	+5/-5%	<u>680,033/(680,033)</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.

For quoted equity securities in general, fair values have been estimated by reference to last done market price quoted on Bursa Malaysia Bhd at the end of the reporting period.

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

Unquoted fixed income securities are valued using fair value prices quoted by a bond pricing agency ("BPA"). When no market price is available or during abnormal market or when the Manager is of the view that the price quoted by BPA 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-BPA price.

The fair value of preference shares which is not quoted in an active market may be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Fund would exercise judgement and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily earning multiples and discounted cash flows. The models used to determine fair values are validated and periodically reviewed by experienced personnel, independent of the party that created them. The models used for the preference shares are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors.

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

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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
2024				
Financial assets at FVTPL				
Quoted equity securities	2,814,471	-	-	2,814,471
Collective investment schemes	-	5,066,930	-	5,066,930
Unquoted fixed income securities	-	5,861,738	-	5,861,738
2023				
Financial assets at FVTPL				
Quoted equity securities	4,180,287	-	-	4,180,287
Collective investment scheme	-	1,046,400	-	1,046,400
Unquoted fixed income securities	-	6,873,964	-	6,873,964
Unquoted equity securities	-	-	1,500,000	1,500,000

There is no transfer between Levels 1, 2 and 3 during the financial period.

17 COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with current period's financial statements presentation:

	2023 RM	Reclassification RM	2023 RM
Statement of financial position			
Assets			
Quoted securities	4,180,287	(4,180,287)	-
Unquoted fixed income securities	6,788,764	(6,788,764)	-
Collective investment scheme	1,046,400	(1,046,400)	-
Preference shares	1,500,000	(1,500,000)	-
Cash at bank	7,810	(7,810)	-
Short-term deposits	1,565,984	(1,565,984)	-
Other receivables	93,753	(93,753)	-
Investments	-	13,600,651	13,600,651
Cash and cash equivalents	-	1,574,187	1,574,187
Dividend receivables	-	8,160	8,160



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