

# Semi-Annual Report

# Dec 2023

For the Period Ended 31 December 2023

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*Areca income*TRUST Fund

Management Company



200601021087(740840-D)



# SEMI-ANNUAL REPORT DECEMBER 2023

## ✦ ARECA *income*TRUST FUND

Contents

CORPORATE DIRECTORY 2

MANAGER'S REPORT  
Fund Information, Performance & Review 3  
Market Review & Outlook 8

TRUSTEE'S REPORT 10

STATEMENT BY MANAGER 10

UNAUDITED FINANCIAL STATEMENTS FOR  
Areca *income*TRUST Fund 11

## CORPORATE DIRECTORY

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### 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](http://www.arecacapital.com)  
e-mail: [invest@arecacapital.com](mailto: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

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## MANAGER'S OFFICE AND BRANCHES

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### HEAD OFFICE

107, Blok B, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara  
46350 Petaling Jaya, Selangor  
Tel: 603-7956 3111, Fax: 603-7955 4111  
website: [www.arecacapital.com](http://www.arecacapital.com)  
e-mail: [invest@arecacapital.com](mailto:invest@arecacapital.com)

### PENANG BRANCH

368-2-02 Belissa 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 2023**ARECA *income*TRUST FUND**FUND INFORMATION**

<b>Name of the Fund</b>	Areca <i>income</i> TRUST Fund
<b>Fund Category/ Type</b>	Fixed Income/Income
<b>Objective of the Fund</b>	The investment objective of the Fund is to provide investors with short to medium term capital preservation and a regular income (income could be in the form of Units or cash).
<b>Performance Benchmark</b>	Maybank's 6-month fixed deposit rate
<b>Distribution Policy of the Fund</b>	Twice a year, subject to availability of distributable income.
<b>Rebates &amp; Soft Commissions</b>	<p>We will retain soft commissions received from brokers or dealers, provided that:</p> <ul style="list-style-type: none"><li>(a) the soft commissions bring direct benefit or advantage to the management of the Fund and may include research and advisory related services;</li><li>(b) any dealing with the broker or dealer is executed on terms which are the most favourable for the Fund; and</li><li>(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 shall not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commissions.</li></ul> <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>
<b>Inception Date</b>	23 April 2007
<b>Initial Offer Price</b>	RM0.5000 per unit during the initial offer period of 21 days ended 13 May 2007.
<b>Pricing Policy</b>	Single Pricing – Selling and repurchase of units by Manager are at Net Asset Value per unit
<b>Financial Year End</b>	30 June

**SEMI-ANNUAL REPORT DECEMBER 2023**

ARECA incomeTRUST FUND

**FUND PERFORMANCE**

	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>NET ASSET VALUE ("NAV")</b>			
Net Asset Value (RM million)	121.69	118.25	129.07
Units in circulation (million units)	195.17	199.75	222.86
NAV per unit (RM)	0.6235	0.5920	0.5792

<b>HIGHEST &amp; LOWEST NAV per unit</b>			
<i>Please refer to <b>Note 1</b> for further information on NAV and pricing policy</i>			
Highest NAV per unit (RM)	0.6235	0.5920	0.5792
Lowest NAV per unit (RM)	0.6093	0.5799	0.5739

<b>ASSET ALLOCATION % of NAV</b>			
<b>Unquoted Fixed Income Securities</b>			
Unquoted bonds	92.54	86.71	79.51
Islamic commercial paper	-	2.52	-
<b>Collective Investment Scheme</b>	-	2.56	-
<b>Unquoted Equity</b>			
Preference shares	4.10	4.23	6.20
<b>Cash and cash equivalent including placements and repo</b>	3.36	3.98	14.29

<b>DISTRIBUTION</b>	
There was no distribution for the financial period under review.	

<b>UNIT SPLIT</b>	
There was no unit split exercise for the financial period under review.	

<b>EXPENSE/TURNOVER</b>			
Total expense ratio (TER) (%)	0.55	0.42	0.47
<i>Please refer to <b>Note 2</b> for further information</i>			
Portfolio turnover ratio (PTR) (times)	0.12	0.13	0.06
<i>Please refer to <b>Note 3</b> for further information</i>			

	<b>30.06.2023 to 31.12.2023</b>	<b>30.06.2022 to 31.12.2022</b>	<b>30.06.2021 to 31.12.2021</b>
<b>TOTAL RETURN</b>			
<i>Please refer to <b>Note 4</b> for further information</i>			
Total Return (%)	2.31	2.10	0.92
- Capital growth (%)	2.31	2.10	0.92
- Income distribution (%)	-	-	-

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Annual Total Return (%)	4.64*	4.22*	1.84*	4.49*	4.36*
Performance Benchmark: Maybank's 6-month fixed deposit rate (%)	3.06*	2.53*	1.81*	1.82*	3.06*
<i>*Annualised for comparison purpose only</i>					

Average Total Return per annum (%)	<b>1-yr</b>	<b>3-yrs</b>	<b>5-yrs</b>
	5.32	3.10	4.50

## SEMI-ANNUAL REPORT DECEMBER 2023

ARECA incomeTRUST 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 period ended 31 December 2023, the Fund posted an annualised return of 4.64% versus 3.06% annualised for the benchmark, Maybank's 6-month fixed deposit rate. The Fund met the objective of short to medium term preservation of capital, but did not distribute any income in this period. The Fund outperformed the benchmark as the local bond market took cue from the firmer trading tone amidst stable interest rate policy.

The Fund remains diversified with a good spread of credit names across various industries, the largest being financial services constituting 23.90% of our holdings. From rating perspective, 81.20% of the portfolio is in bonds (Government Guaranteed and Corporate) that are rated AA or better.

While we remain cautious of the global headwinds and challenging growth outlook ahead, we expect local bond market to remain well supported where we opine the rate hike cycle is now at the tail-end and any excessive selling provides opportunity for bargain hunting. Our focus remains on selecting good quality corporate name for better yield pick-up.

### Investment Policy and Strategy

The Fund may invest up to 98% of its NAV in Fixed Income Securities and Money Market Instruments with a minimum of 2% of its NAV in Liquid Assets. The minimum credit rating for Money Market Instruments and other Fixed Income Securities (other than government and government related securities) that the Fund shall invest in is the credit rating of 'A3' by RAM or such equivalent rating by other rating agencies. Notwithstanding the above and subject to the person(s) or members undertaking the oversight function of the Fund unanimous approval, the Fund may invest up to 25% of its NAV in Fixed Income Securities with a credit rating below the minimum 'A3' rating including unrated issues. The Fund may continue to hold its investment in Fixed Income Securities with a credit rating below 'A3' even if the holdings exceeds 25% 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 investments, or as a result of repurchase of Units or other payment made by the Fund. Under normal circumstances, the weighted average Duration is expected to be approximately 2 to 5 years.

**NAV per unit** as at 31 December 2023

RM0.6235

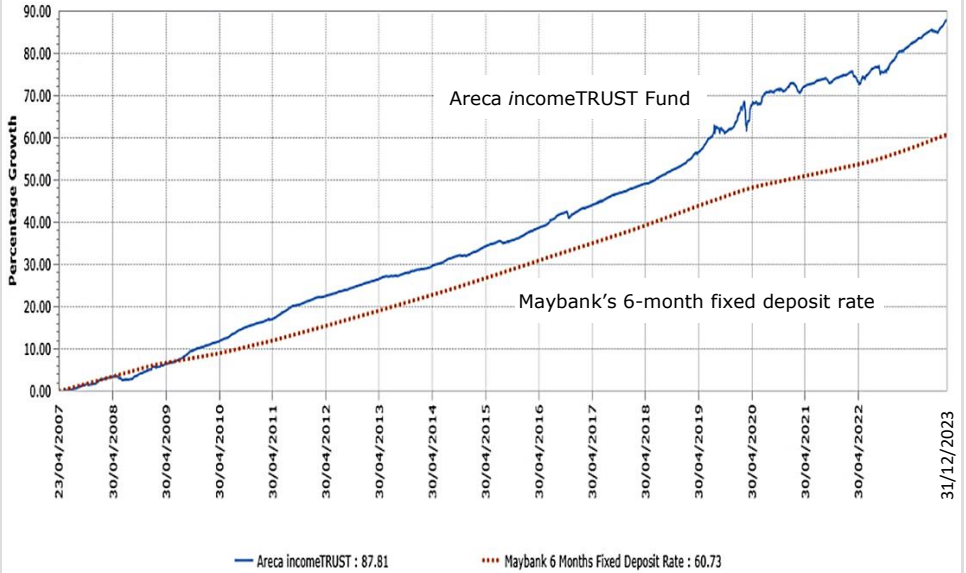
<b>Asset Allocation/Portfolio Composition</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Unquoted fixed income securities	92.54%	89.23%	79.51%
Collective investment scheme	-	2.56%	-
Preference shares	4.10%	4.23%	6.20%
Cash and cash equivalents	3.36%	3.98%	14.29%



FUND REVIEW

Performance of Areca incomeTRUST Fund  
 for the period since inception to 31 December 2023

Total Return of Areca IncomeTRUST Fund vs Benchmark



Source Lipper

## SEMI-ANNUAL REPORT DECEMBER 2023

ARECA incomeTRUST FUND

### GLOBAL FIXED INCOME MARKET REVIEW AND OUTLOOK

Despite a volatile market, the positive sentiment has somewhat overtaken the nervous uncertainty about the United States ("US") Federal Reserve's hiking cycle with inflation prints in the US and elsewhere globally contracting from the 2022's peak amidst signs of slowdown in global activities. During the review period, the US Federal Reserve raised the interest rate by 25 basis points to a range of 5.25%-5.50% in July 2023; the central bank has continued to keep rate steady since the last hike. The US Treasury ("UST") yield curves were steepened with mixed moves. 2-year and 5-year Treasury yields edged 65 basis points and 31 basis points lower to end at 4.25% and 3.84% respectively, whereas 10-year and 30-year shifted higher 3 basis points and 16 basis points to 3.87% and 4.02%. The inversion of yield curve over the 10y versus 2y has narrowed from 106 basis points to 38 basis points.

Benchmark	30-Jun-23	31-Dec-23	Changes (bps)
UST 2y	4.90%	4.25%	-65
UST 5y	4.15%	3.84%	-31
UST 10y	3.84%	3.87%	+3
UST 30y	3.86%	4.02%	+16

The US' inflation was printed at 3.40% Year-on-Year (Y-o-Y) in December 2023 down from 6.50% for the same period previous year, as softer fuel and energy costs eased off price pressures. The core inflation, excluding food and energy, registered at 3.90%, which was the lowest since May 2021. Moving forward, the policymakers anticipated a lower interest rate range of 4.50%-4.75% for 2024 amidst growing economic risks.

During the review period, the European Central Bank ("ECB") maintained its interest rate at 4.50% since the September meeting of 2023. Eurozone's headline inflation was higher at 2.90% from 2.40% Y-o-Y in November 2023 whereas core inflation declined to 3.40% from 3.60% in November 2023. Despite the resurging price pressure, Eurozone inflation continues to be tilted to the downside with risks from geopolitical tensions remaining to be limited. ECB's rate cuts remain in view as early as 2024 amidst the Eurozone's inflation progress. Meanwhile, the Bank of England ("BOE") continued to keep its key interest rates unchanged at 5.25% during the period. Britain's headline inflation rose in December 2023 to 4.00% from 3.90% in prior month whilst core inflation was at 5.10% unchanged from November.

### MALAYSIA FIXED INCOME MARKET REVIEW AND OUTLOOK

Following a surprised hike of 25 basis points in May meeting, Bank Negara Malaysia ("BNM") maintained its Overnight Policy Rate ("OPR") at 3.00% during the quarter on the back of moderating inflation trend and resilient growth. Although the central bank toned down its recent assessment of future financial imbalance risk, it continued to hold a cautious view on global economy.

The Malaysian government securities ("MGS") yields ended lower 7-24 basis points all across the curves as 3-year, 5-year, 7-year, 10-year, and 30-year MGS benchmark yields ended at 3.53%, 3.64%, 3.73%, 3.73%, and 4.25% respectively.

Benchmark	30-Jun-23	31-Dec-23	Changes (bps)
MGS 3y	3.49%	3.53%	+4
MGS 5y	3.61%	3.64%	+3
MGS 7y	3.76%	3.73%	-3
MGS 10y	3.88%	3.73%	-15
MGS 20y	4.10%	4.11%	+1
MGS 30y	4.14%	4.25%	+11

## SEMI-ANNUAL REPORT DECEMBER 2023

### ARECA incomeTRUST FUND

For the third quarter of 2023 ("3Q23"), Malaysian Gross Domestic Product ("GDP") growth accelerated to +3.30% Y-o-Y, bounced off from a growth of 2.90% previous quarter. Despite the heftier fall in net exports, domestic demand remained supportive of the growth pillar, aided by further improvements in labour market and continued increase in household spending amidst recovery in tourism activities.

The latest headline Consumer Price Index ("CPI") showed inflation stabilised at +1.50% Y-o-Y in December which was unchanged from prior as slower pick-up in food inflation was offset by increases in non-food prices; this also marked its lowest level since Feb-2021. Nonetheless, core inflation continued lower to +1.90% Y-o-Y from previously +2.00%. Overall, inflation outlook is expected to stay contained in the near term as impacts from the recent increase in Sales & Service Tax ("SST") and roll-out of targeted subsidy mechanisms are expected to remain manageable and limited.

Despite the recent volatility, local market condition is expected to remain conducive with peak rate narrative gaining further tractions. In terms of funds flow, foreign investors turned overall net buyers of domestic debts despite the few consecutive months of selling since previous quarter. The cumulative foreign flows crept up to positive RM24.1 billion for the year of 2023, supportive of domestic securities.

#### **CROSS TRADE**

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

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

#### **SECURITIES FINANCING TRANSACTIONS**

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

## SEMI-ANNUAL REPORT DECEMBER 2023

ARECA *income*TRUST FUND

### TRUSTEE'S REPORT

#### To the Unitholders of Areca *income*TRUST Fund ("Fund")

We have acted as Trustee of the Fund for the financial period ended 31 December 2023 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 unaudited financial statements in accordance with the following:

1. Limitations imposed on the investment powers of the management company under the deed, securities laws and Guidelines on Unit Trust Funds;
2. Valuation and pricing is carried out in accordance with the deed; and
3. Any creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement.

**For Maybank Trustees Berhad**  
**[Company No: 196301000109 (5004-P)]**

NORHAZLIANA BINTI MOHAMMED HASHIM  
HEAD, UNIT TRUST & CORPORATE OPERATIONS

Kuala Lumpur  
21 February 2024

### STATEMENT BY MANAGER

#### To the Unitholders of Areca *income*TRUST 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 2023 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 2024

**SEMI-ANNUAL REPORT DECEMBER 2023**

ARECA incomeTRUST FUND

**UNAUDITED STATEMENT OF FINANCIAL POSITION**

*As At 31 December 2023*

	<b>Note</b>	<b>31.12.2023</b> <b>RM</b>	<b>31.12.2022</b> <b>RM</b>
<b>Assets</b>			
<b>Investments</b>			
Unquoted fixed income securities	5	112,609,232	105,513,062
Collective investment scheme	5	-	3,022,210
Preference shares	5	4,991,644	5,000,000
Total Investments		<u>117,600,876</u>	<u>113,535,272</u>
<b>Other Assets</b>			
Amount due from Manager	6	185,000	-
Other receivables	7	1,385,598	1,393,475
Cash at bank		2,800	5,008
Short-term deposits	8	2,641,714	4,094,990
Total Other Assets		<u>4,215,112</u>	<u>5,493,473</u>
<b>Total Assets</b>		<u>121,815,988</u>	<u>119,028,745</u>
<b>Unitholder's Fund and Liabilities</b>			
<b>Liabilities</b>			
Amount due to Manager	6	-	550,855
Other payables and accrued expenses	9	126,372	230,306
<b>Total Liabilities</b>		<u>126,372</u>	<u>781,161</u>
<b>Unitholders' Fund</b>			
Unitholders' capital	10	78,539,807	81,176,467
Retained earnings	10	43,149,809	37,071,117
<b>Net Asset Value attributable to unitholders</b>	10	<u>121,689,616</u>	<u>118,247,584</u>
<b>Total Unitholders' Fund and Liabilities</b>		<u>121,815,988</u>	<u>119,028,745</u>
<b>Number of Units in Circulation</b>	10	<u>195,169,158</u>	<u>199,752,186</u>
<b>Net Asset Value Per Unit (RM)</b>	11	<u>0.6235</u>	<u>0.5920</u>

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

**SEMI-ANNUAL REPORT DECEMBER 2023**

ARECA incomeTRUST FUND

**UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME***For The Financial Period Ended 31 December 2023*

		<b>01.07.2023 to 31.12.2023</b>	<b>01.07.2022 to 31.12.2022</b>
	<b>Note</b>	<b>RM</b>	<b>RM</b>
<b>Investment Income</b>			
Interest income		2,379,683	2,656,003
Investment income from preference shares		-	120,051
Net gain on investments at fair value through profit or loss ("FVTPL")	5	1,034,919	282,385
Total Investment Income		<u>3,414,602</u>	<u>3,058,439</u>
<b>Expenditure</b>			
Management fee	12	596,968	461,817
Trustee's fee	13	47,757	49,550
Audit fee		8,140	8,140
Tax agent's fee		1,900	1,900
Other expenses		2,255	155
Total Expenditure		<u>657,020</u>	<u>521,562</u>
<b>Net Income Before Tax</b>		2,757,582	2,536,877
<b>Income Tax Expense</b>	14	-	-
<b>Net Income After Tax And Total Comprehensive Income For The Period</b>		<u>2,757,582</u>	<u>2,536,877</u>
<b>Net Income After Tax Is Made Up Of:</b>			
Realised gain		2,011,829	2,067,861
Unrealised gain		745,753	469,016
		<u>2,757,582</u>	<u>2,536,877</u>

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

**SEMI-ANNUAL REPORT DECEMBER 2023**

ARECA incomeTRUST FUND

**UNAUDITED STATEMENT OF CHANGES IN NET ASSET VALUE***For The Financial Period Ended 31 December 2023*

	<b>Unitholders' capital RM</b>	<b>Retained earnings RM</b>	<b>Total net asset value RM</b>
<b>Balance as at 1 July 2022</b>	77,297,446	34,534,240	111,831,686
Amounts received from units created	39,018,553	-	39,018,553
Amounts paid from units cancelled	(35,139,532)	-	(35,139,532)
Total comprehensive income for the financial period	-	2,536,877	2,536,877
<b>Balance as at 31 December 2022</b>	<u>81,176,467</u>	<u>37,071,117</u>	<u>118,247,584</u>
<b>Balance as at 1 July 2023</b>	66,423,730	40,392,227	106,815,957
Amounts received from units created	29,603,482	-	29,603,482
Amounts paid from units cancelled	(17,487,405)	-	(17,487,405)
Total comprehensive income for the financial period	-	2,757,582	2,757,582
<b>Balance as at 31 December 2023</b>	<u>78,539,807</u>	<u>43,149,809</u>	<u>121,689,616</u>

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

**SEMI-ANNUAL REPORT DECEMBER 2023**

ARECA incomeTRUST FUND

**UNAUDITED STATEMENT OF CASH FLOWS***For The Financial Period Ended 31 December 2023*

	<b>01.07.2023 to 31.12.2023</b>	<b>01.07.2022 to 31.12.2022</b>
	<b>RM</b>	<b>RM</b>
<b>Cash Flows From Operating Activities</b>		
Proceeds from disposal of investments	3,196,378	9,000,000
Proceeds from maturity of investments	1,500,000	-
Interest received	2,079,164	2,546,058
Investment income from preference shares	-	237,500
Purchase of investments	(23,058,709)	(23,059,795)
Management fee paid	(564,735)	(459,194)
Trustee's fee paid	(46,468)	(48,980)
Payment for other fees and expenses	(18,534)	(155)
Net Cash Used In Operating Activities	<u>(16,912,904)</u>	<u>(11,784,566)</u>
<b>Cash Flows From Financing Activities</b>		
Cash proceeds from units created	29,449,975	39,362,150
Payment for cancellation of units	<u>(17,487,405)</u>	<u>(34,588,677)</u>
Net Cash Generated From Financing Activities	<u>11,962,570</u>	<u>4,773,473</u>
<b>Net Decrease In Cash And Cash Equivalents</b>	(4,950,334)	(7,011,093)
<b>Cash And Cash Equivalents At Beginning Of Period</b>	<u>7,594,848</u>	<u>11,111,091</u>
<b>Cash And Cash Equivalents At The End Of Period</b>	<u><u>2,644,514</u></u>	<u><u>4,099,998</u></u>
<b>Cash And Cash Equivalents Comprise:</b>		
Cash at bank	2,800	5,008
Short-term deposits	<u>2,641,714</u>	<u>4,094,990</u>
	<u><u>2,644,514</u></u>	<u><u>4,099,998</u></u>

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



## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

### 1 GENERAL INFORMATION

Areca incomeTRUST Fund ("incomeTRUST" or "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 between Areca Capital Sdn Bhd as the Manager, the Trustee and all the registered unitholders of the Fund ("the Deed").

The principal activity of the Fund is to invest in investments as defined under Schedule 7 of the Deed, which include Fixed income securities issued by the Malaysian government or Bank Negara Malaysia 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 Bank Negara Malaysia 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 Bank Negara Malaysia 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 commenced operations on 23 April 2007 and will continue its operations until terminated by the Trustee in accordance with Part 12 of the Deed.

The investment objective of the Fund is to provide investors with short to medium term capital preservation and a regular income (income could be in the form of Units or cash).

The Manager of the Fund is Areca Capital Sdn Bhd, a company incorporated in Malaysia. Its principal activities are that of management of unit trust funds and private mandates; and regulated activity of financial planning.

### 2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

#### Adoption of Amendments to MFRSs

The Fund has applied the following the relevant Amendment for the first time for the financial period beginning on 1 July 2023:

Amendments to MFRS 3 *Reference to Conceptual Framework*

Amendments to MFRS 137 *Onerous Contracts - Costs of Fulfilling a Contract*

Annual Improvements to MFRS *Standards 2018 - 2020*

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

## SEMI-ANNUAL REPORT DECEMBER 2023

ARECA incomeTRUST FUND

### Amendments in Issue But Not Yet Effective

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

	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Income Taxes on Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 112 <i>International Tax Reform – Pillar Two Model Rules</i>	1 January 2023
Amendments to MFRS 101 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 107 and MFRS 7 <i>Financial Instruments: Disclosures</i>	1 January 2024

The Manager of the Fund anticipates that the abovementioned 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 SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The financial statements of the Fund have been prepared under the historical cost convention. 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.

## SEMI-ANNUAL REPORT DECEMBER 2023

### ARECA *income*TRUST FUND

The principal accounting policies adopted are set out below.

#### **Income Recognition**

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

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

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 and 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.

#### **Income Tax**

Income tax comprises Malaysian corporate tax for the current financial period, which is measured using the tax rates that have been enacted or substantively enacted at the end of each reporting period.

No deferred tax is recognised as no temporary differences have been identified.

#### **Functional and Presentation Currency**

The financial statements 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 its 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 unitholder's 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 assets value. The outstanding units is carried at the redemption amount that is payable at the net assets value if the holder exercises the right to put the unit back to the Fund.

Units are created and cancelled at the holder's 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 expenses in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest ("SPPI").

## SEMI-ANNUAL REPORT DECEMBER 2023

ARECA incomeTRUST FUND

### **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 measurement of expected credit losses ("ECL") is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the financial assets' gross carrying amount at the end of each reporting period. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

### **Derecognition of Financial Assets**

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

### **Equity instruments**

The Fund subsequently measures all equity investments at fair value. Where the Fund's management have elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Fund's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other income/(losses) in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

### **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.

#### **(a) Financial liabilities at FVTPL**

Financial liabilities are classified as at FVTPL when financial liabilities are either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

## SEMI-ANNUAL REPORT DECEMBER 2023

### ARECA incomeTRUST FUND

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Fund recognises the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

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

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

#### **Investments**

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

Unquoted investments 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 recognized as standard within the industry.

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

The Fund recognises a liability as a provision if the outflows required to settle the liability are uncertain in timing or amount.

A provision for onerous contracts is recognised when the Fund has a present legal or constructive obligation as a result of a past event, and of which the outflows of resources on settlement are probable and a reliable estimate of the amount can be made. No provision is recognised if these conditions are not met.

## SEMI-ANNUAL REPORT DECEMBER 2023

ARECA incomeTRUST FUND

### Statement of Cash Flows

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

Cash equivalents are highly liquid investments with maturities of three months or less from the date of acquisition and 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 except as disclosed below:

###### (a) Fair value estimation of preference shares

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

#### 5 INVESTMENTS

Investments designated as FVTPL are as follows:

	2023 RM	2022 RM
<b>At aggregate cost</b>		
Unquoted fixed income securities	112,672,207	108,328,142
Collective investment scheme	-	3,009,569
Preference shares	5,000,238	5,000,000
	<u>117,672,445</u>	<u>116,337,711</u>
<b>At fair value</b>		
Unquoted fixed income securities	112,609,232	105,513,062
Collective investment scheme	-	3,022,210
Preference shares	4,991,644	5,000,000
	<u>117,600,876</u>	<u>113,535,272</u>
<b>Net gain on investments at FVTPL comprised:</b>		
Realised gain/(loss) on disposals	289,166	(186,631)
Net unrealised gain on changes in fair values	745,753	469,016
	<u>1,034,919</u>	<u>282,385</u>

**SEMI-ANNUAL REPORT DECEMBER 2023**

ARECA incomeTRUST FUND

Details of unquoted fixed income securities are as follows:

<b>Issuer coupon (%) maturity rating</b>	<b>Nominal Value RM</b>	<b>Aggregate Cost RM</b>	<b>Fair Value RM</b>	<b>Fair Value as a % of Net Asset Value %</b>
<b>2023</b>				
<b>Unquoted bonds</b>				
Amanat Lebuhraya Rakyat Bhd 5.09% 11/10/2023 AAA IS	7,000,000	7,214,760	7,440,230	6.11
Bank Pembangunan Malaysia Bhd 2.80% 10/10/2025 AAA IS	3,500,000	3,479,000	3,443,405	2.83
Bank Pembangunan Malaysia Bhd 4.02% 01/12/2028 AAA IS	5,000,000	5,000,000	5,029,100	4.13
CIMB Thai Bank Public Company Ltd 4.15% 06/07/2029 AA3	4,000,000	4,000,000	4,001,240	3.29
GENM Capital Bhd 5.07% 05/05/2028 AA1 (S)	4,000,000	4,000,000	4,048,640	3.33
GENM Capital Bhd 5.30% 11/07/2028 AA1 (S)	7,000,000	7,000,000	7,146,020	5.87
Genting RMTN Bhd 4.18% 08/11/2029 AA1 (S)	5,000,000	5,000,000	4,802,350	3.95
GII Murabahah 3.465% 15/10/2030 NR (LT)	6,000,000	5,885,200	5,892,000	4.84
Hong Leong Islamic Bank Bhd 4.07% 03/11/2026 AAA	4,200,000	4,200,000	4,227,678	3.47
Konsortium KAJV Sdn Bhd 5.90% 11/05/2029 AA- IS	3,600,000	3,608,640	3,695,328	3.04
Lebuhraya Duke Fasa 3 Sdn Bhd 6.23% 21/08/2037 AA- IS	3,500,000	3,582,600	3,782,415	3.11
Malaysia Rail Link Sdn Bhd 3.13% 05/07/2030 NR (LT)	3,000,000	3,000,000	2,872,080	2.36
Menara ABS Bhd 0.00% 13/01/2024 D	6,009,407	6,009,407	6,009,407	4.94
Petroleum Sarawak E&P Sdn Bhd 4.65% 22/02/2033 AAA	5,000,000	5,020,000	5,200,600	4.27
PLUS Bhd 4.56% 12/01/2024 AAA IS (S)	1,500,000	1,501,050	1,500,375	1.23
Public Islamic Bank Bhd 3.75% 31/10/2029 AA1	5,000,000	5,145,000	4,998,550	4.11
Sabah Development Bank Bhd 4.55% 15/08/2025 AA1	5,000,000	4,985,250	5,006,100	4.11
Sabah Development Bank Bhd 4.40% 30/07/2024 AA1	2,000,000	1,996,700	2,000,320	1.64
STM Lottery Sdn Bhd 5.65% 29/06/2029 AA-	5,000,000	5,062,000	5,184,650	4.26
Tanjung Bin Energy Sdn Bhd 5.45% 22/05/2026 AA3	5,000,000	5,009,000	5,065,600	4.16
Telekosang Hydro One Sdn Bhd 5.30% 06/08/2032 AA3	4,000,000	4,037,600	4,022,800	3.31
TG Excellence Bhd 3.95% 27/02/2120 A+ IS (CG)	3,200,000	3,200,000	3,157,984	2.60
WCT Holdings Bhd 5.00% 28/02/2024 AA- IS	4,000,000	4,000,000	3,997,960	3.29
YTL Power International Bhd 4.95% 11/10/2024 AA1	10,000,000	10,736,000	10,084,400	8.29
Total unquoted fixed income securities		<u>112,672,207</u>	<u>112,609,232</u>	<u>92.54</u>
<b>Unrealised loss on unquoted fixed income securities</b>			<u>(62,975)</u>	



## SEMI-ANNUAL REPORT DECEMBER 2023

ARECA incomeTRUST FUND

Details of preference shares are as follows:

	Quantity Units RM	Aggregate Cost RM	Fair Value RM	Fair Value as a % of Net Asset Value %
<b>2023</b>				
<b>Preference shares</b>				
Bandar Sri Tujuh Sdn Bhd	5,000,000	5,000,000	4,991,406	4.10
Bandar Sri Tujuh Sdn Bhd - RPS-B	237,500	238	238	-
		<u>5,000,238</u>	<u>4,991,644</u>	<u>4.10</u>
<b>Unrealised loss on preference shares</b>			<u>(8,594)</u>	
Total investments		<u>117,672,445</u>	<u>117,600,876</u>	<u>96.64</u>
<b>Unrealised loss on investments</b>			<u>(71,569)</u>	

Details of unquoted fixed income securities are as follows:

Issuer coupon (%) maturity rating	Nominal Value RM	Aggregate Cost RM	Fair Value RM	Fair Value as a % of Net Asset Value %
<b>2022</b>				
<b>Unquoted bonds</b>				
Affin Islamic Perpetual Sukuk Murabahah 5.05% 23/10/2023 A1	4,000,000	4,144,000	4,025,240	3.40
Affin Islamic Perpetual Sukuk Wakalah 5.65% 18/10/2023 A3	4,000,000	4,166,000	4,033,440	3.41
Al-Dzahab Assets Bhd 5.70% 21/06/2023 AAA	5,000,000	5,332,000	5,039,350	4.26
Amanat Lebuhraya Rakyat Bhd 5.09% 11/10/2030 AAA	4,000,000	4,000,000	4,072,880	3.44
Bank Islam Malaysia Bhd 5.15% 07/11/2028 A1	3,500,000	3,646,650	3,535,070	2.99
Bank Pembangunan Malaysia Bhd 2.80% 10/10/2025 AAA IS	2,500,000	2,500,000	2,408,225	2.04
CIMB Group Holdings Bhd 5.40% 25/05/2116 A1	2,000,000	2,000,000	2,021,440	1.71
CIMB Thai Bank Public Company Ltd 4.15% 06/07/2029 AA3	4,000,000	4,000,000	3,971,840	3.36
Genting RMTN Bhd 4.18% 08/11/2029 AA1	5,000,000	5,000,000	4,693,950	3.97
Genting Capital Bhd 5.30% 11/07/2028 AA1	7,000,000	7,000,000	7,046,760	5.96
GII Murabahah 3.465% 15/10/2030 NR	13,000,000	12,780,600	12,467,390	10.54
Lebuhraya Duke Fasa 3 Sdn Bhd 6.23% 21/08/2037 AA-	3,500,000	3,582,600	3,545,010	3.00
Malaysia Rail Link Sdn Bhd 3.13% 05/07/2030 NR	3,000,000	3,000,000	2,773,680	2.35
Menara ABS Bhd 5.30% 15/01/2121 C3	10,000,000	10,000,000	9,956,800	8.42
Public Islamic Bank Bhd 3.75% 31/10/2029 AA1	5,000,000	5,145,000	4,960,950	4.20
Sabah Development Bank Bhd 5.30% 27/04/2023 AA1	1,000,000	1,024,500	1,003,370	0.85

**SEMI-ANNUAL REPORT DECEMBER 2023**

ARECA incomeTRUST FUND

<b>Issuer coupon (%) maturity rating</b>	<b>Nominal Value RM</b>	<b>Aggregate Cost RM</b>	<b>Fair Value RM</b>	<b>Fair Value as a % of Net Asset Value %</b>
<b>2022</b>				
<b>Unquoted bonds</b>				
STM LOTTERY Sdn Bhd 5.65% 29/06/2029 AA-	5,000,000	5,062,000	5,026,600	4.25
Tanjung Bin Energy Sdn Bhd 5.45% 22/05/2026 AA3	5,000,000	5,009,000	4,957,300	4.19
Telekosang Hydro One Sdn Bhd 5.30% 06/08/2032 AA3	4,000,000	4,037,600	3,806,080	3.22
TG Excellence Bhd 3.95% 27/02/2120 AA-	3,200,000	3,200,000	3,133,024	2.65
YTL Power International Bhd 4.95% 11/10/2024 AA1	10,000,000	10,736,000	10,054,800	8.50
		<u>105,365,950</u>	<u>102,533,199</u>	<u>86.71</u>
<b>Islamic Commercial Paper</b>				
Gabungan AQRS Bhd 17/02/2023 MARC-1	3,000,000	2,962,192	2,979,863	2.52
		<u>2,962,192</u>	<u>2,979,863</u>	<u>2.52</u>
Total unquoted fixed income securities		<u>108,328,142</u>	<u>105,513,062</u>	<u>89.23</u>
<b>Unrealised loss on unquoted fixed income securities</b>			<u>(2,815,080)</u>	

Details of collective investment scheme are as follows:

	<b>Quantity Units RM</b>	<b>Aggregate Cost RM</b>	<b>Fair Value RM</b>	<b>Fair Value as a % of Net Asset Value %</b>
<b>2022</b>				
<b>Collective investment scheme</b>				
Areca Global Emerging Momentum Fund 2	3,009,569	3,009,569	3,022,210	2.56
		<u>3,009,569</u>	<u>3,022,210</u>	<u>2.56</u>
<b>Unrealised gain on collective investment scheme</b>			<u>12,641</u>	

Details of preference shares are as follows:

	<b>Quantity Units RM</b>	<b>Aggregate Cost RM</b>	<b>Fair Value RM</b>	<b>Fair Value as a % of Net Asset Value %</b>
<b>2022</b>				
<b>Preference shares</b>				
Bandar Sri Tujuh Sdn Bhd	5,000,000	5,000,000	5,000,000	4.23
		<u>5,000,000</u>	<u>5,000,000</u>	<u>4.23</u>
Total investments		<u>116,337,711</u>	<u>113,535,272</u>	<u>96.02</u>
<b>Unrealised loss on investments</b>			<u>(2,802,439)</u>	

**SEMI-ANNUAL REPORT DECEMBER 2023**

ARECA incomeTRUST FUND

**6 AMOUNT DUE FROM/(TO) MANAGER**

	<b>2023</b>	<b>2022</b>
	<b>RM</b>	<b>RM</b>
Amount due from/(to) Manager comprises:		
Amount due from Manager	185,000	-
Amount due to Manager	-	(550,855)
	<u>185,000</u>	<u>(550,855)</u>

Amount due from/(to) Manager consists of amounts receivable from/(payable to) the Manager in respect of creation/(cancellation) of units. Amount receivable/(payable) for units created/(cancelled) is received/(paid) within 7 business days of the transaction dates.

**7 OTHER RECEIVABLES**

	<b>2023</b>	<b>2022</b>
	<b>RM</b>	<b>RM</b>
Other receivables from:		
Interest receivable	1,385,598	1,392,174
Preference shares	-	1,301
	<u>1,385,598</u>	<u>1,393,475</u>

**8 SHORT-TERM DEPOSITS**

Short-term deposits represent deposits placed with local licensed financial institutions.

The effective average interest rate for short-term deposits is 3.05% (2022: 2.75%) per annum and the average maturity period is 2 days (2022: 4 days).

**9 OTHER PAYABLES AND ACCRUED EXPENSES**

	<b>2023</b>	<b>2022</b>
	<b>RM</b>	<b>RM</b>
Management fee	104,197	73,325
Trustee's fee	8,335	8,111
Audit fee	8,140	24,420
Tax agent's fee	5,700	5,700
Advance coupon	-	118,750
	<u>126,372</u>	<u>230,306</u>

**10 NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS**

		<b>2023</b>	<b>2022</b>
	<b>Note</b>	<b>RM</b>	<b>RM</b>
Unitholders' capital	(a)	78,539,807	81,176,467
Retained earnings			
- Realised gain	(b)	43,050,551	39,702,729
- Unrealised gain/(loss)	(c)	99,258	(2,631,612)
		<u>43,149,809</u>	<u>37,071,117</u>
		<u>121,689,616</u>	<u>118,247,584</u>

**SEMI-ANNUAL REPORT DECEMBER 2023**

ARECA incomeTRUST FUND

**(a) Unitholders' capital/units in circulation**

	←-----2023-----→		←-----2022-----→	
	No. of units	RM	No. of units	RM
At beginning of the period	175,285,661	66,423,730	192,894,452	77,297,446
Created during the period	48,244,745	29,603,482	66,948,974	39,018,553
Cancelled during the period	(28,361,248)	(17,487,405)	(60,091,240)	(35,139,532)
At end of the period	<u>195,169,158</u>	<u>78,539,807</u>	<u>199,752,186</u>	<u>81,176,467</u>

**(b) Realised gain - distributable**

	2023 RM	2022 RM
At beginning of the period	41,038,722	37,634,868
Net realised gain for the period	<u>2,011,829</u>	<u>2,067,861</u>
At end of the period	<u><u>43,050,551</u></u>	<u><u>39,702,729</u></u>

**(c) Unrealised gain/(loss) – non-distributable**

	2023 RM	2022 RM
At beginning of the period	(646,495)	(3,100,628)
Net unrealised gain for the period	<u>745,753</u>	<u>469,016</u>
At end of the period	<u><u>99,258</u></u>	<u><u>(2,631,612)</u></u>

**11 NET ASSET VALUE PER UNIT**

The net asset value per unit is calculated by dividing the net asset value attributable to unitholders as at 31 December 2023 of RM121,689,616 (2022: RM118,247,584) by units in issue as at 31 December 2023 of 195,169,158 units (2022: 199,752,186 units).

**12 MANAGEMENT FEE**

The Schedule 8 of the Deed provides that the Manager is entitled to an annual management fee at a 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 amounted to 1.00% (2022: 0.75%) per annum for the period, net of management fee rebate on the collective investment scheme.

**13 TRUSTEE'S FEE**

The Schedule 9 of the Deed 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. The Trustee's fee provided in the financial statements amounted to 0.08% (2022: 0.08%) per annum for the financial period.

## SEMI-ANNUAL REPORT DECEMBER 2023

ARECA incomeTRUST FUND

### 14 INCOME TAX EXPENSE

There is no income tax expenses 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.

### 15 TOTAL EXPENSE RATIO AND PORTFOLIO TURNOVER RATIO

#### Total Expense Ratio (TER)

Total expense ratio for the Fund is 0.55% (2022: 0.42%) for the financial period ended 31 December 2023. The total expense ratio which includes management fee, Trustee's fee, audit fee, tax agent's fee and other expenses, is calculated as follows:

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

A	=	Management fee	D	=	Tax agent's fee
B	=	Trustee's fee	E	=	Other expenses
C	=	Audit fee	F	=	Average net asset value of Fund

The average net asset value of the Fund for the financial period is RM118,416,856 (2022: RM122,863,856).

#### Portfolio Turnover Ratio (PTR)

The portfolio turnover ratio for the Fund is 0.12 times (2022: 0.13 times) for the financial period ended 31 December 2023. The portfolio turnover 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 = RM23,058,709 (2022: RM23,059,795)  
total disposal for the financial period = RM4,696,378 (2022: RM9,000,000)

### 16 UNITS HELD BY THE MANAGER AND RELATED PARTIES

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

	←-----2023-----→		←-----2022-----→	
	No. of units	RM	No. of units	RM
Edward Iskandar Toh Bin Abdullah, an Executive Director of the Manager	52,153	32,517	52,153	30,875

There are no units held by the Manager for the financial period under review.

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.

## SEMI-ANNUAL REPORT DECEMBER 2023

ARECA incomeTRUST FUND

### 17 TRADE WITH BROKERS/DEALERS

Details of transactions with brokers/dealers are as follows:

Brokers/Dealers	Value of Trades RM	% of Total Trades %
<b>2023</b>		
Malayan Banking Bhd	13,372,968	51.09
Hong Leong Investment Bank Bhd	4,200,000	16.05
Hong Leong Bank Bhd	3,400,080	12.99
Affin Hwang Investment Bank	2,968,666	11.34
CIMB Bank Bhd	2,022,497	7.73
Kenanga Investment Bank Bhd	208,333	0.80
	<u>26,172,544</u>	<u>100.00</u>
<b>2022</b>		
Hong Leong Bank Bhd	10,000,000	55.37
CIMB Bank Bhd	5,097,603	28.23
Kenanga Investment Bank Bhd	2,962,192	16.40
	<u>18,059,795</u>	<u>100.00</u>

### 18 RISK MANAGEMENT POLICIES

#### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund seeks to preserve capital as well as to provide regular income over the short to medium term period by investing in unquoted fixed income securities and preference shares. In order to meet its stated investment objectives, the Fund utilises risk management for both defensive and proactive purposes. Rigorous analysis of sources of risk in the portfolio is carried out and the following policies are implemented to provide effective ways to reduce future risk and enhance future returns within the Fund's mandate.

The key risks faced by the Fund are credit risk, liquidity risk, market risk (including interest rate risk and price risk) primarily on its investments and capital risk.

#### Categories of Financial Instruments

	2023 RM	2022 RM
<b>Financial assets</b>		
<b>Carried at FVTPL:</b>		
Unquoted fixed income securities	112,609,232	105,513,062
Collective investment scheme	-	3,022,210
Preference shares	<u>4,991,644</u>	<u>5,000,000</u>
<b>Amortised costs:</b>		
Amount due from Manager	185,000	-
Other receivables	1,385,598	1,393,475
Cash at bank	2,800	5,008
Short-term deposits	<u>2,641,714</u>	<u>4,094,990</u>
<b>Financial liabilities</b>		
<b>Amortised costs:</b>		
Amount due to Manager	-	550,855
Other payables and accrued expenses	<u>126,372</u>	<u>230,306</u>

## SEMI-ANNUAL REPORT DECEMBER 2023

ARECA incomeTRUST FUND

### 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 2023, except for one investment is defaulted but carrying at fair value of RM6,009,407 (2022: Nil).

The Fund invests only in unquoted fixed income securities of at least investment grade as rated by a credit rating agency at inception. The Fund also invests in government backed/related securities which are not rated by credit rating agency. The following table set out the Fund's portfolio of unquoted fixed income securities by rating categories:

Credit Rating	Fair Value RM	As a % of unquoted fixed income securities	As a % of NAV
<b>2023</b>			
<b>Unquoted bonds</b>			
AAA	9,428,278	8.37	7.75
AAA IS	15,912,735	14.13	13.08
AAA IS (S)	1,500,375	1.33	1.23
AA1	22,089,370	19.62	18.15
AA1 (S)	15,997,010	14.21	13.15
AA3	13,089,640	11.62	10.76
AA-	5,184,650	4.60	4.26
AA- IS	11,475,703	10.19	9.43
A+ IS (CG)	3,157,984	2.81	2.59
D	6,009,407	5.34	4.94
NR (LT)	8,764,080	7.78	7.20
	<b>112,609,232</b>	<b>100.00</b>	<b>92.54</b>
<b>2022</b>			
<b>Unquoted bonds</b>			
AAA	9,112,230	8.64	7.71
AAA IS	2,408,225	2.28	2.03
AA1	27,759,830	26.31	23.48
AA3	12,735,220	12.07	10.77
AA-	5,026,600	4.76	4.25
AA- IS	6,678,034	6.33	5.65
A1	9,581,750	9.08	8.10
A3	4,033,440	3.82	3.41
C3	9,956,800	9.44	8.42
NR	15,241,070	14.45	12.89
	<b>102,533,199</b>	<b>97.18</b>	<b>86.71</b>

**SEMI-ANNUAL REPORT DECEMBER 2023**

ARECA incomeTRUST FUND

<b>Credit Rating</b>	<b>Fair Value RM</b>	<b>As a % of unquoted fixed income securities</b>	<b>As a % of NAV</b>
<b>2022</b>			
<b>Islamic Commercial Paper</b>			
MARC-1	2,979,863	2.82	2.52
	<u>2,979,863</u>	<u>2.82</u>	<u>2.52</u>
	<u>105,513,062</u>	<u>100.00</u>	<u>89.23</u>

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

<b>Industry</b>	<b>Short-term deposits RM</b>	<b>Unquoted fixed income securities RM</b>	<b>Preference shares RM</b>
<b>2023</b>			
Civil/Engineering	-	7,693,288	-
Construction and property development	-	15,595,100	4,991,644
Diversified holdings	-	4,802,350	-
Energy	-	5,200,600	-
Finance, insurance and business services	2,641,714	54,960,444	-
Gaming	-	5,184,650	-
Infrastructure and utilities	-	15,150,000	-
Power and electricity	-	4,022,800	-
	<u>2,641,714</u>	<u>112,609,232</u>	<u>4,991,644</u>

	<b>Short-term deposits RM</b>	<b>Collective investment scheme RM</b>	<b>Unquoted fixed income securities RM</b>	<b>Preference shares RM</b>
<b>2022</b>				
Construction and property development	-	-	13,371,433	5,000,000
Diversified holdings	-	-	4,693,950	-
Finance, insurance and business services	4,094,990	3,022,210	51,135,509	-
Gaming	-	-	5,026,600	-
Infrastructure and utilities	-	-	27,479,490	-
Power and electricity	-	-	3,806,080	-
	<u>4,094,990</u>	<u>3,022,210</u>	<u>105,513,062</u>	<u>5,000,000</u>

**Liquidity risk management**

Liquidity risk is defined as the ease with which a security can be sold at or near its fair value depending on the volume traded on the market. The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of unit by unitholders. The liquid assets comprise cash at bank and short-term deposits which are capable of being converted into cash within 7 days.



## SEMI-ANNUAL REPORT DECEMBER 2023

### ARECA incomeTRUST FUND

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

	Up to 1 month RM	1 - 3 months RM	3 months to 1 year RM	Total RM
<b>2023</b>				
<b>Financial liability:</b>				
<b>Non-interest bearing:</b>				
Other payables and accrued expenses	112,532	13,840	-	126,372
<b>2022</b>				
<b>Financial liability:</b>				
<b>Non-interest bearing:</b>				
Other payables and accrued expenses	81,436	148,870	-	230,306

### 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. This risk cannot be removed from an investment portfolio, which is solely invested within that particular market, by diversification.

Therefore, as the Fund presently invests only in Malaysian unquoted fixed income securities and preference shares, 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 are fixed on the inception. The Fund's short-term deposits and cash at bank earn interest at floating rates but is not exposed to any significant interest rate risk as the floating rates, represented by overnight cash rates, do not significantly fluctuate period-on-period.

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

### Price risk management

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

## SEMI-ANNUAL REPORT DECEMBER 2023

ARECA incomeTRUST FUND

### 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
<b>2023</b>		
Investments	+5/-5%	<u>5,880,044/(5,880,044)</u>
<b>2022</b>		
Investments	+5/-5%	<u>5,676,764/(5,676,764)</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.

## 19 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.

Unquoted fixed income securities are valued using fair value prices quoted by a bond pricing agency ("BPA"). When no market prices are 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 may use the market price, provided that the Manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of 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 a reasonable estimate of fair value.

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

## SEMI-ANNUAL REPORT DECEMBER 2023

### ARECA incomeTRUST FUND

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 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
<b>2023</b>				
<b>Financial assets at FVTPL</b>				
Unquoted fixed income securities	- 112,609,232		-	112,609,232
Preference shares	-	-	4,991,644	4,991,644
<b>2022</b>				
<b>Financial assets at FVTPL</b>				
Unquoted fixed income securities	- 105,513,062		-	105,513,062
Collective investment scheme	- 3,022,210		-	3,022,210
Preference shares	-	-	5,000,000	5,000,000

There were no transfers between Levels 1, 2 and 3 during the financial period.

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

Instrument	Description of valuation technique and inputs used	Significant unobservable input	Relationship and sensitivity of unobservable inputs to fair value
Preference shares	Discounted cash flows method was used to capture the present value of the expected future economic benefits to derived from the ownership of the investees.	Discount rate: 9.50% (2022: 9.50%)	An increase in the discount rate would result in a decrease in fair value, and vice versa.



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