

Semi-Annual Report December 2025

For the Period Ended 31 December 2025

*Areca income*TRUST Fund

Management Company



200601021087(740840-D)

SEMI-ANNUAL REPORT DECEMBER 2025

❖ ARECA *income*TRUST 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
(Non-Independent Executive/Chief Executive Officer)
Edward Iskandar Toh Bin Abdullah
(Non-Independent Executive/Chief Investment Officer)
(Resigned with effect from 16 April 2025)

INVESTMENT COMMITTEE MEMBERS

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

TRUSTEE

Maybank Trustees Berhad
Company No: 196301000109 (5004-P)
Level 22, Tower 1, Etiqa Twins
No. 11 Jalan Pinang
50450 Kuala Lumpur
Tel: 603-2177 5960, Fax: 603-2177 5974

AUDITOR

Deloitte Malaysia PLT (*formerly known as
Deloitte PLT*) (LLP0010145-LCA)
Level 16, Menara LGB
1 Jalan Wan Kadir, Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel: 603-7610 8888, Fax: 603-7726 8986

TAX ADVISER

Deloitte Malaysia Tax Services Sdn Bhd
(*formerly known as Deloitte Tax Services
Sdn Bhd*) (197701005407 (36421-T))
Level 16, Menara LGB
1 Jalan Wan Kadir, Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel: 603-7610 8888, Fax: 603-7726 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 5-1-8, 1st Floor
Lorong Api-Api 1
Api-Api Centre
88000 Kota Kinabalu, Sabah
Tel : 6088-276 757

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ARECA incomeTRUST FUND

FUND INFORMATION

| | |
|--|--|
| Name of the Fund | Areca incomeTRUST Fund |
| Fund Category/ Type | Fixed Income/Income |
| Objective of the Fund | 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). |
| Performance Benchmark | Maybank's 6-month fixed deposit rate |
| Distribution Policy of the Fund | Twice a year, subject to availability of distributable income. |
| Rebates & Soft Commissions | <p>The Manager will retain soft commissions received from brokers or dealers, provided that:</p> <ul style="list-style-type: none">(a) the soft commissions bring direct benefit or advantage to the management of the Fund and may include research and advisory related services;(b) any dealing with the broker or dealer is executed on terms which are the most favourable for the Fund; and(c) the availability of soft commissions is not the sole or primary purpose to perform or arrange transactions with such broker or dealer, and the Manager or fund manager shall not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commissions. <p>The soft commissions may be in the form of goods and services such as data and quotation services, computer software incidental to the management of the Fund and investment related publications. Cash rebates, if any, will be directed to the account of the Fund. During the period under review, the Manager had not received any soft commissions.</p> |
| Inception Date | 23 April 2007 |
| Financial Year End | 30 June |

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ARECA incomeTRUST FUND

FUND PERFORMANCE

| | 2025 | 2024 | 2023 |
|--------------------------------------|--------|--------|--------|
| NET ASSET VALUE ("NAV") | | | |
| Net Asset Value (RM million) | 189.53 | 180.18 | 121.69 |
| Units in circulation (million units) | 283.74 | 279.53 | 195.17 |
| NAV per unit (RM) | 0.6680 | 0.6446 | 0.6235 |

| | | | |
|--|--------|--------|--------|
| 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) | 0.6680 | 0.6446 | 0.6235 |
| Lowest NAV per unit (RM) | 0.6585 | 0.6374 | 0.6093 |

| | | | |
|---|-------|-------|-------|
| ASSET ALLOCATION % of NAV | | | |
| Unquoted fixed income securities | | | |
| Commercial Paper | 1.58 | 1.66 | - |
| Unquoted Bonds | 62.02 | 64.06 | 93.68 |
| Collective investment schemes | 26.73 | 7.79 | - |
| Unquoted securities | | | |
| Preference Shares | - | - | 4.10 |
| Liquid assets and other net current assets | 9.67 | 26.49 | 2.22 |

| | | | |
|---------------------|--|--|--|
| 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) (%) | 0.54 | 0.55 | 0.55 |
| <i>Please refer to Note 2 for further information</i> | | | |
| Portfolio turnover ratio (PTR) (times) | 0.31 | 0.24 | 0.12 |
| <i>Please refer to Note 3 for further information</i> | | | |

| | 30.06.2025 to 31.12.2025 | 30.06.2024 to 31.12.2024 | 30.06.2023 to 31.12.2023 |
|--|-----------------------------|-----------------------------|-----------------------------|
| TOTAL RETURN | | | |
| <i>Please refer to Note 4 for further information</i> | | | |
| Total Return (%) | 1.44 | 1.15 | 2.31 |
| - Capital growth (%) | 1.44 | 1.15 | 2.31 |
| - Income distribution (%) | - | - | - |

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|-------|-------|-------|-------|-------|
| Annual Total Return (%) | 2.88* | 2.29* | 4.64* | 4.22* | 1.84* |
| Performance Benchmark (%): | | | | | |
| Maybank's 6-month fixed deposit rate | 2.19* | 2.62* | 3.06* | 2.53* | 1.81* |
| <i>* Annualised for comparison purpose only</i> | | | | | |

| | 1-yr | 3-yrs | 5-yrs |
|------------------------------------|------|-------|-------|
| Average Total Return per annum (%) | 3.63 | 4.28 | 3.42 |

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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 31st December 2025, the Fund posted a return of 1.44% compared to its benchmark (Maybank's 6-month fixed deposit rate) return of 1.10%. The Fund met the objective of short to medium-term preservation of capital.

The Fund has been diversified with a good spread of credit names across various industries, the largest being financial sector constituting 11.82% of our holdings, followed by cash, 9.34%. From rating perspective, 46.31% of the portfolio is in corporate bonds that are rated AA or better.

While we remain optimistic that the local bond market will be well supported by a stable interest rates environment but wary of shifting global policies that may have an impact on local markets. 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 of a committee 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.

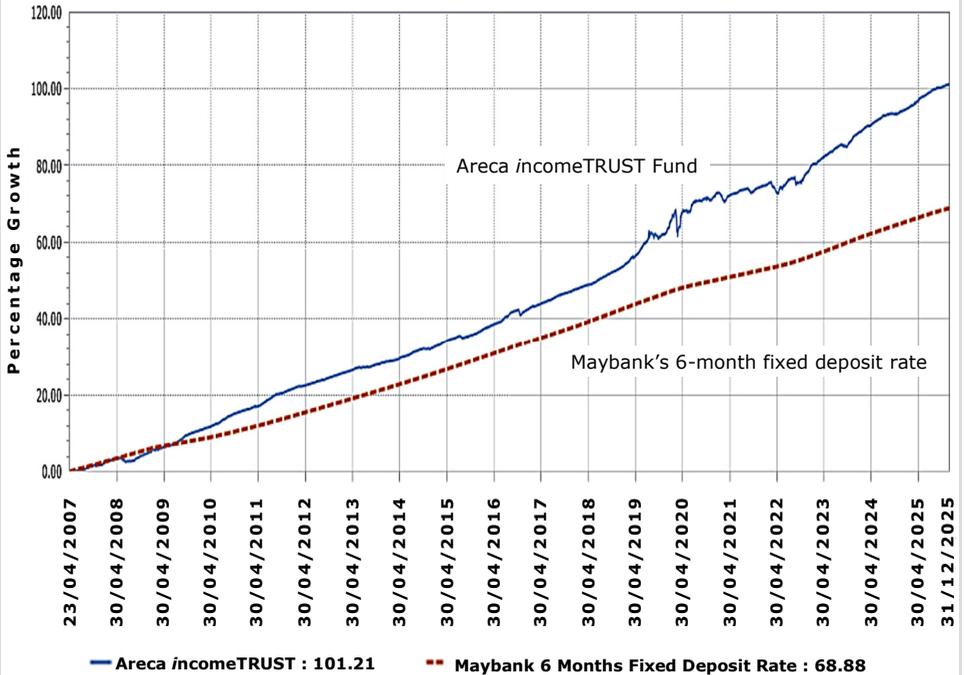
NAV per unit as at 31 December 2025

RM0.6680

| Asset Allocation/Portfolio Composition | 2025 | 2024 | 2023 |
|---|-------------|-------------|-------------|
| Unquoted fixed income securities | 63.60% | 65.72% | 93.68% |
| Collective investment schemes | 26.73% | 7.79% | - |
| Unquoted securities | - | - | 4.10% |
| Liquid assets and other net current assets | 9.67% | 26.49% | 2.22% |

FUND REVIEW

Performance of Areca incomeTRUST Fund
for the period since inception to 31 December 2025
Total Return of Areca incomeTRUST Fund vs Benchmark



Source Lipper

GLOBAL FIXED INCOME MARKET REVIEW AND OUTLOOK

In the period under review, the September United States ("US") headline Consumer Price Index ("CPI") inflation came in at 3.00% year-on-year ("YoY") which was below consensus expectation of 3.10% YoY, but higher than August 2025 at 2.90% YoY. At the same time core CPI inflation cooled to 3.00% YoY in September 2025 from 3.10% YoY in August 2025 raising concern on the resilience of domestic demand. In view of a moderation in US inflation and a softer labour market, the Federal Reserve ("Fed") began its rate cut cycle by reducing the Federal Funds Rate ("FFR") by a total of 50 basis points ("bps") to a target range of 3.75% - 4.00% in September and October.

In November, Treasuries saw declining yields driven primarily by the Fed's consecutive interest rate cut and signs of softening labour market. The decline in yields was most pronounced around mid-to-late November as the sentiment was supported by recent commentary from Fed officials, including Governor Waller and President Williams, who both indicated support for a cut at the year's final meeting.

In December, labour market conditions softened modestly with unemployment increasing to 4.60% in November before easing to 4.40% in December. Non farm payrolls rose by merely 50,000 jobs; the weakest monthly gains after the pandemic. Inflation moderated from earlier highs of 3.00% but remained above the Fed's 2.00% target with YoY CPI at 2.70% in December suggesting persistent price pressures. Against this backdrop, the Fed delivered 25 bps rate cuts in December lowering the federal funds target range to 3.50% - 3.75%. In addition, the Fed began purchasing short-term Treasury securities, primarily Treasury bills to maintain sufficient reserves and to keep the federal funds rate within its target range. Moving forward, US Supreme Court is widely expected to deliver a decision in early 2026 on the president's use of the International Emergency Economic Powers Act. Policy uncertainty, although lower than it was in October, is still much higher than it was in January 2025.

MALAYSIA FIXED INCOME MARKET REVIEW AND OUTLOOK

During the review period, bond market in Malaysia has once again shown its resilience in the first six months of 2025, despite global uncertainties arising from US tariff and trade policies amid easing monetary policies, particularly in emerging markets. Government bond saw yields pressured by inflation and global factors but supported by potential Bank Negara Malaysia ("BNM") easing despite global risk-off sentiment. We anticipate upward inflationary pressure in the near-to-medium term as fiscal reforms are progressively implemented. These include the fiscal consolidation measures outlined earlier, such as the RON95 petrol subsidy rationalisation, electricity tariff hike, and expansion of the Sales and Services Tax ("SST"). The Malaysian government has announced that the expanded SST and electricity hike will take effect from 1 July 2025. We believe the government will closely monitor the impact to ensure inflationary pressures remain under control before proceeding with the RON95 subsidy rationalisation.

BNM delivered the widely expected 25 bps cut to the Overnight Policy Rate ("OPR") lowering it to 2.75% in July after holding OPR steady for 12 consecutive meetings since May 2023. The pre-emptive cut reflected BNM's focus to preserve Malaysia's steady growth path amid continued challenges from global environment. In BNM's final meeting OPR was maintained at 2.75% in line with expectations. The decision highlights the central bank's confidence in Malaysia's economic resilience amid ongoing global uncertainties. Domestic demand remained the key driver of growth, underpinned by resilient private consumption, which expanded by 5.30% on the back of firm household spending, stable inflation, and strong retail and tourism activity.

Looking ahead, growth is expected to moderate as temporary boost from accelerated shipments dissipates and the revised US tariff regime begins to weigh on trade flows. With inflation contained and growth steady, we expect BNM to keep the OPR unchanged at 2.75% for now.

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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.

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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 2025 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Areca Capital Sdn Bhd has operated and managed the Fund during the 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 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
23 February 2026

STATEMENT BY MANAGER

To the Unitholders of Areca *income*TRUST Fund

We, **WONG TECK MENG** and **DR. JUNID SAHAM**, 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 2025 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

DR. JUNID SAHAM
INDEPENDENT NON-EXECUTIVE DIRECTOR

Kuala Lumpur
23 February 2026

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UNAUDITED STATEMENT OF FINANCIAL POSITION

As At 31 December 2025

| | Note | 31.12.2025 RM | 31.12.2024 RM |
|--|-------------|--------------------------|--------------------------|
| Assets | | | |
| Investments | 5 | 171,200,397 | 132,449,719 |
| Cash and cash equivalents | 6 | 17,696,160 | 47,675,950 |
| Amount due from Manager | | 810,293 | 217,463 |
| Total Assets | | <u>189,706,850</u> | <u>180,343,132</u> |
| Unitholders' Fund And Liabilities | | | |
| Liabilities | | | |
| Other payables and accrued expenses | 7 | <u>180,913</u> | <u>166,606</u> |
| Total Liabilities | | <u>180,913</u> | <u>166,606</u> |
| Unitholders' Fund | | | |
| Unitholders' capital | | 135,351,543 | 132,554,472 |
| Retained earnings | | <u>54,174,394</u> | <u>47,622,054</u> |
| Net Asset Value Attributable To Unitholders | | <u>189,525,937</u> | <u>180,176,526</u> |
| Total Unitholders' Fund And Liabilities | | <u>189,706,850</u> | <u>180,343,132</u> |
| Number Of Units In Circulation | 8 | <u>283,738,185</u> | <u>279,534,707</u> |
| Net Asset Value Per Unit (RM) | | <u>0.6680</u> | <u>0.6446</u> |

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

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ARECA incomeTRUST FUND

UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Period Ended 31 December 2025

| | Note | 01.07.2025 to 31.12.2025 RM | 01.07.2024 to 31.12.2024 RM |
|--|-------------|--|--|
| Investments Income | | | |
| Interest income | | 3,009,369 | 2,879,618 |
| Net gain/(loss) on investments at fair value through profit or loss ("FVTPL") | 5 | <u>570,190</u> | <u>(340,911)</u> |
| Total Investments Income | | <u>3,579,559</u> | <u>2,538,707</u> |
| Expenditure | | | |
| Management fee | 9 | (856,823) | (760,017) |
| Trustee's fee | 10 | (73,731) | (60,967) |
| Audit fee | | (6,000) | (6,251) |
| Tax agent's fee | | (1,901) | (1,901) |
| Other expenses | | <u>(41,298)</u> | <u>(2,354)</u> |
| Total Expenditure | | <u>(979,753)</u> | <u>(831,490)</u> |
| Net Income Before Taxation | | 2,599,806 | 1,707,217 |
| Taxation | 11 | <u>-</u> | <u>-</u> |
| Net Income After Taxation And Total Comprehensive Income For The Financial Period | | <u>2,599,806</u> | <u>1,707,217</u> |
| Net Income After Taxation Is Made Up Of: | | | |
| Realised gain | | 2,186,109 | 1,306,763 |
| Unrealised gain | | <u>413,697</u> | <u>400,454</u> |
| | | <u>2,599,806</u> | <u>1,707,217</u> |

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

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UNAUDITED STATEMENT OF CHANGES IN NET ASSET VALUE

For The Financial Period Ended 31 December 2025

| | Unitholders' capital RM | Retained earnings RM | Total net asset value RM |
|---|--|-------------------------------------|---|
| Balance as at 1 July 2024 | 90,013,488 | 45,914,837 | 135,928,325 |
| Amounts received from units created | 63,436,885 | - | 63,436,885 |
| Amounts paid from units cancelled | (20,895,901) | - | (20,895,901) |
| Total comprehensive income for the financial period | - | 1,707,217 | 1,707,217 |
| Balance as at 31 December 2024 | <u>132,554,472</u> | <u>47,622,054</u> | <u>180,176,526</u> |
| Balance as at 1 July 2025 | 124,812,022 | 51,574,588 | 176,386,610 |
| Amounts received from units created | 36,385,265 | - | 36,385,265 |
| Amounts paid for units cancelled | (25,845,744) | - | (25,845,744) |
| Total comprehensive income for the financial period | - | 2,599,806 | 2,599,806 |
| Balance as at 31 December 2025 | <u>135,351,543</u> | <u>54,174,394</u> | <u>189,525,937</u> |

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

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UNAUDITED STATEMENT OF CASH FLOWS

For The Financial Period Ended 31 December 2025

| | Note | 01.07.2025 to 31.12.2025 RM | 01.07.2024 to 31.12.2024 RM |
|---|-------------|--|--|
| Cash Flows From/(Used In) Operating Activities | | | |
| Proceeds from disposal of investments | | 18,500,000 | 14,119,000 |
| Proceeds from maturity of investments | | 26,500,000 | 15,700,000 |
| Purchase of investments | | (67,399,580) | (43,802,964) |
| Interest received | | 3,021,728 | 2,873,078 |
| Management fee paid | | (855,329) | (729,588) |
| Trustee's fee paid | | (72,789) | (58,367) |
| Payment for other fees and expenses | | (55,288) | (14,854) |
| Net Cash Used In Operating Activities | | <u>(20,361,258)</u> | <u>(11,913,695)</u> |
| Cash Flows From/(Used In) Financing Activities | | | |
| Cash proceeds from units created | | 35,574,972 | 64,681,582 |
| Payment for cancellation of units | | (25,899,977) | (20,895,901) |
| Net Cash From Financing Activities | | <u>9,674,995</u> | <u>43,785,681</u> |
| Net (Decrease)/Increase In Cash And Cash Equivalents | | (10,686,263) | 31,871,986 |
| Cash And Cash Equivalents At Beginning Of Period | | <u>28,382,423</u> | <u>15,803,964</u> |
| Cash And Cash Equivalents At End Of Period | | <u><u>17,696,160</u></u> | <u><u>47,675,950</u></u> |
| Cash And Cash Equivalents Comprise: | | | |
| Cash at banks | 6 | 6,616 | 4,272 |
| Short-term deposits | 6 | 17,689,544 | 47,671,678 |
| | | <u>17,696,160</u> | <u>47,675,950</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 ("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 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, 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 23 April 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 investors with short to medium term capital preservation and a regular income (income could be in the form of units or cash). Any material changes to the investment objective of the Fund 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 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.

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

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

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

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

3 MATERIAL ACCOUNTING POLICIES

Basis of Accounting

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

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

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

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

The principal accounting policies adopted are set out below.

Income Recognition

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.

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 investments 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 transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Equity Instruments

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

Financial Liabilities

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

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

Financial Liabilities Measured Subsequently at Amortised Cost

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

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

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

Investments

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

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.

Gains or losses arising from the changes in the fair value 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

| | 2025 | 2024 |
|--|--------------------|--------------------|
| | RM | RM |
| Financial assets at FVTPL: | | |
| Unquoted fixed income securities | 120,544,595 | 118,412,230 |
| Collective investment schemes | 50,655,802 | 14,037,489 |
| | <u>171,200,397</u> | <u>132,449,719</u> |
| Net gain/(loss) on investments at FVTPL comprise: | | |
| Realised gain/(loss) on disposals | 156,493 | (741,365) |
| Unrealised gain on changes in fair value | 413,697 | 400,454 |
| | <u>570,190</u> | <u>(340,911)</u> |

Financial assets at fair value through profit or loss as at 31 December 2025 are as follows:

| | Nominal Value RM | Adjusted Cost RM | Fair Value RM | Fair Value as a % of Net Asset Value % |
|--|---------------------|---------------------|------------------|---|
| UNQUOTED FIXED INCOME SECURITIES | | | | |
| Commercial Paper | | | | |
| Gabungan AQRS Bhd 08/01/2026 MARC-1 IS | 3,000,000 | 2,986,623 | 2,996,548 | 1.58 |
| Total commercial paper | | <u>2,986,623</u> | <u>2,996,548</u> | <u>1.58</u> |
| Unquoted Bonds | | | | |
| Amanat Lebuhraya Rakyat Bhd 5.09% 11/10/2030 AAA | 7,000,000 | 7,292,853 | 7,538,623 | 3.98 |
| Bank Pembangunan Malaysia Bhd 4.02% 01/12/2028 AAA IS | 5,000,000 | 5,017,071 | 5,090,571 | 2.69 |
| Bank Simpanan Nasional 3.82% 05/11/2027 AAA | 7,000,000 | 7,040,293 | 7,083,623 | 3.74 |
| GENM Capital Bhd 5.07% 05/05/2028 AA1 (S) | 4,000,000 | 4,031,670 | 4,122,430 | 2.17 |
| GENM Capital Bhd 5.30% 11/07/2028 AA1 (S) | 9,000,000 | 9,279,992 | 9,495,412 | 5.01 |

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| 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 | | | | |
| GENM Capital Bhd 4.92% 31/05/2029 AA1 (S) | 3,500,000 | 3,516,041 | 3,606,481 | 1.90 |
| Genting RMTN Bhd 4.18% 08/11/2029 AA1 (S) | 5,000,000 | 5,029,775 | 5,038,875 | 2.66 |
| GII Murabahah 4.369% 31/10/2028 NR (LT) | 10,000,000 | 10,352,214 | 10,409,814 | 5.49 |
| Hong Leong Islamic Bank Bhd 4.07% 03/11/2026 AAA | 4,200,000 | 4,227,631 | 4,252,579 | 2.24 |
| Konsortium KAJV Sdn Bhd 5.90% 11/05/2029 AA- IS | 3,600,000 | 3,637,154 | 3,782,090 | 2.00 |
| Lebuhraya Duke Fasa 3 Sdn Bhd 6.23% 21/08/2037 AA- IS | 3,500,000 | 3,659,664 | 4,084,634 | 2.16 |
| Malaysia Rail Link Sdn Bhd 3.13% 05/07/2030 NR (LT) | 3,000,000 | 3,045,792 | 3,012,222 | 1.59 |
| Malaysian Government Securities 3.828% 05/07/2034 NR (LT) | 5,000,000 | 5,118,639 | 5,214,839 | 2.75 |
| Menara ABS Bhd 0.00% 13/01/2027 D | 6,009,407 | 6,009,407 | 6,009,407 | 3.17 |
| Petroleum Sarawak Exploration & Production Sdn Bhd 4.65% 22/02/2033 AAA | 5,000,000 | 5,104,082 | 5,373,282 | 2.84 |
| Press Metal Aluminium Holdings Bhd 4.02% 19/03/2032 AA1 | 4,000,000 | 4,057,817 | 4,130,137 | 2.18 |
| Sime Darby Property Bhd 3.90% 29/04/2032 AA+ IS | 3,500,000 | 3,523,934 | 3,569,434 | 1.88 |
| STM Lottery Sdn Bhd 5.65% 29/06/2029 AA- | 5,000,000 | 5,062,774 | 5,252,824 | 2.77 |
| Tanjung Bin Energy Sdn Bhd 5.45% 22/05/2026 AA3 | 5,000,000 | 5,037,370 | 5,060,420 | 2.67 |
| Telekosang Hydro One Sdn Bhd 5.30% 06/08/2032 A1 | 5,000,000 | 5,157,852 | 5,145,602 | 2.71 |
| TNB Western Energy Bhd 5.26% 30/07/2027 AAA IS | 2,000,000 | 2,105,774 | 2,096,634 | 1.11 |
| YTL Power International Bhd 4.30% 24/08/2029 AA1 | 3,000,000 | 3,098,092 | 3,113,452 | 1.64 |
| Zamarad Assets Bhd 4.07% 12/11/2027 AAA | 5,000,000 | 5,026,762 | 5,064,662 | 2.67 |
| Total unquoted bonds | | <u>115,432,653</u> | <u>117,548,047</u> | <u>62.02</u> |
| Total unquoted fixed income securities | | <u>118,419,276</u> | <u>120,544,595</u> | <u>63.60</u> |

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| | Quantity Units | Aggregate Cost RM | Fair Value RM | Fair Value as a % of Net Asset Value % |
|---------------------------------------|-------------------|-------------------------|---------------------|--|
| COLLECTIVE INVESTMENT SCHEMES | | | | |
| Areca Composite Bond Fund | 11,349,428 | 11,542,208 | 11,582,091 | 6.11 |
| Areca Flexi fixedINCOME Fund | 3,734,688 | 5,000,000 | 4,988,049 | 2.63 |
| Areca Islamic incomeTRUST Fund | 2,636,109 | 1,400,000 | 1,431,407 | 0.76 |
| Areca Progressive Income Fund 3.0 | 5,314,565 | 5,550,000 | 5,529,805 | 2.92 |
| Areca Steady fixedINCOME Fund | 9,632,807 | 12,500,000 | 12,549,621 | 6.62 |
| Areca Strategic Income Fund 9.0 | 13,884,757 | 14,000,000 | 14,574,829 | 7.69 |
| Total collective investment schemes | | <u>49,992,208</u> | <u>50,655,802</u> | <u>26.73</u> |
| Total investments | | <u>168,411,484</u> | <u>171,200,397</u> | <u>90.33</u> |
| Unrealised gain on investments | | | <u>2,788,913</u> | |

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

| | Nominal Value RM | Adjusted Cost RM | Fair Value RM | Fair Value as a % of Net Asset Value % |
|--|------------------------|------------------------|---------------------|--|
| Issuer coupon (%) maturity rating | | | | |
| UNQUOTED FIXED INCOME SECURITIES | | | | |
| Commercial Paper | | | | |
| Gabungan AQRS Bhd 10/01/2025 MARC-1 | 3,000,000 | <u>2,901,699</u> | <u>2,994,658</u> | <u>1.66</u> |
| Total commercial paper | | <u>2,901,699</u> | <u>2,994,658</u> | <u>1.66</u> |
| Unquoted Bonds | | | | |
| Amanat Lebuhraya Rakyat Bhd 5.09% 11/10/2030 AAA IS | 7,000,000 | 7,291,876 | 7,462,816 | 4.14 |
| Bank Pembangunan Malaysia Bhd 2.80% 10/10/2025 AAA IS | 3,500,000 | 3,500,211 | 3,498,251 | 1.94 |
| Bank Pembangunan Malaysia Bhd 4.02% 01/12/2028 AAA IS | 5,000,000 | 5,016,521 | 5,036,321 | 2.80 |
| Bank Simpanan Nasional 3.82% 05/11/2027 AAA | 7,000,000 | 7,040,293 | 7,044,143 | 3.91 |
| GENM Capital Bhd 5.07% 05/05/2028 AA1 (S) | 4,000,000 | 4,031,670 | 4,057,870 | 2.25 |
| GENM Capital Bhd 4.92% 31/05/2029 AA1 (S) | 3,500,000 | 3,515,569 | 3,517,599 | 1.95 |
| GENM Capital Bhd 5.30% 11/07/2028 AA1 (S) | 9,000,000 | 9,279,991 | 9,353,121 | 5.20 |
| Genting RMTN Bhd 4.18% 08/11/2029 AA1 (S) | 5,000,000 | 5,030,921 | 4,872,121 | 2.70 |
| GII Murabahah 3.465% 15/10/2030 NR (LT) | 2,000,000 | 1,965,809 | 1,988,209 | 1.10 |
| GII Murabahah 4.19% 07/10/2032 NR (LT) | 12,500,000 | 12,973,637 | 12,944,487 | 7.18 |
| Hong Leong Islamic Bank Bhd 4.07% 03/11/2026 AAA | 4,200,000 | 4,227,163 | 4,249,801 | 2.36 |

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| 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 | | | | |
| Konsortium KAJV Sdn Bhd 5.90% 11/05/2029 AA- IS | 3,600,000 | 3,637,154 | 3,726,074 | 2.07 |
| Lebuhraya Duke Fasa 3 Sdn Bhd 6.23% 21/08/2037 AA- IS | 3,500,000 | 3,660,859 | 3,922,764 | 2.18 |
| Malaysia Rail Link Sdn Bhd 3.13% 05/07/2030 NR (LT) | 3,000,000 | 3,045,278 | 2,941,088 | 1.63 |
| Menara ABS Bhd 0.00% 13/01/2025 D | 6,009,407 | 6,009,407 | 6,009,407 | 3.34 |
| Petroleum Sarawak Exploration & Production Sdn Bhd 4.65% 22/02/2033 AAA | 5,000,000 | 5,104,082 | 5,298,482 | 2.94 |
| Sabah Development Bank Bhd 4.55% 15/08/2025 AA1 | 5,000,000 | 5,071,264 | 5,097,114 | 2.83 |
| STM Lottery Sdn Bhd 5.65% 29/06/2029 AA- | 5,000,000 | 5,063,548 | 5,176,848 | 2.87 |
| Tanjung Bin Energy Sdn Bhd 5.45% 22/05/2026 AA3 | 5,000,000 | 5,036,623 | 5,079,973 | 2.82 |
| Telekosang Hydro One Sdn Bhd 5.30% 06/08/2032 AA3 | 5,000,000 | 5,157,852 | 5,162,952 | 2.87 |
| TG Excellence Bhd 3.95% 27/02/2120 A IS (CG) | 3,900,000 | 3,949,121 | 3,948,219 | 2.19 |
| Zamarad Assets Bhd 4.07% 12/11/2027 AAA | 5,000,000 | 5,026,762 | 5,029,912 | 2.79 |
| Total unquoted bonds | | <u>114,635,611</u> | <u>115,417,572</u> | 64.06 |
| Total unquoted fixed income securities | | <u>117,537,310</u> | <u>118,412,230</u> | 65.72 |

| | Quantity Units | Aggregate Cost RM | Fair Value RM | Fair Value as a % of Net Asset Value % |
|---------------------------------------|-------------------|----------------------|--------------------|---|
| COLLECTIVE INVESTMENT SCHEME | | | | |
| Areca Strategic Income Fund 9.0 | 13,884,757 | 14,000,000 | 14,037,489 | 7.79 |
| Total collective investment scheme | | <u>14,000,000</u> | <u>14,037,489</u> | 7.79 |
| Total investments | | <u>131,537,310</u> | <u>132,449,719</u> | 73.51 |
| Unrealised gain on investments | | | <u>912,409</u> | |

6 CASH AND CASH EQUIVALENTS

| | 2025 RM | 2024 RM |
|---------------------|-------------------|-------------------|
| Cash at banks | 6,616 | 4,272 |
| Short-term deposits | <u>17,689,544</u> | <u>47,671,678</u> |
| | <u>17,696,160</u> | <u>47,675,950</u> |

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

The weighted average interest rate for short-term deposits is 2.85% (2024: 3.09%) per annum and the average maturity period is 4 days (2024: 7 days).

7 OTHER PAYABLES AND ACCRUED EXPENSES

| | 2025 | 2024 |
|-------------------|----------------|----------------|
| | RM | RM |
| Accrued expenses: | | |
| Management fee | 143,907 | 143,045 |
| Trustee's fee | 12,770 | 11,609 |
| Audit fee | 6,000 | 6,251 |
| Tax agent's fee | 5,701 | 5,701 |
| Other expenses | 12,535 | - |
| | <u>180,913</u> | <u>166,606</u> |

8 NUMBER OF UNITS IN CIRCULATION

| | 2025 | 2024 |
|-----------------------------|---------------------|---------------------|
| | Units | Units |
| At beginning of the period | 267,879,661 | 213,312,833 |
| Created during the period | 54,783,253 | 98,807,058 |
| Cancelled during the period | <u>(38,924,729)</u> | <u>(32,585,184)</u> |
| At end of the period | <u>283,738,185</u> | <u>279,534,707</u> |

9 MANAGEMENT FEE

The Schedule 8 of the Deeds provides that the Manager is entitled to an annual management fee of up to 2.50% per annum computed daily on the net asset value of the Fund before deducting the management fee and Trustee's fee for the relevant day.

The management fee provided in the financial statements is an average of 0.93% (2024: 1.00%) per annum for the financial period, net of 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 of up to 0.50% per annum computed daily on the net asset value of the Fund (excluding foreign custodian fees and charges, if any) before deducting the management fee and Trustee's fee for the relevant day.

The Trustee's fee provided in the financial statements is 0.08% (2024: 0.08%) per annum for the financial period.

11 TAXATION

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.

12 TOTAL EXPENSE RATIO AND PORTFOLIO TURNOVER RATIO

Total Expense Ratio (TER)

Total expense ratio for the Fund is 0.54% (2024: 0.55%) for the financial period ended 31 December 2025. The total expense ratio which includes management fee, Trustee's fee, audit fee, tax agent's fee and other expenses, is calculated as follows:

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

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

The average net asset value of the Fund for the financial period is RM182,818,686 (2024: RM151,171,078).

Portfolio Turnover Ratio (PTR)

The portfolio turnover ratio for the Fund is 0.31 times (2024: 0.24 times) for the financial period ended 31 December 2025. 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 = RM67,471,034 (2024: RM43,802,964)
total disposal for the financial period = RM45,000,000 (2024: RM29,819,000)

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 related parties are as follows:

| | ←-----2025-----→ | ←-----2024-----→ | | |
|--|------------------|------------------|--------------|---------|
| | No. of units | RM | No. of units | RM |
| Directors of the Manager (The above units are held legally and beneficially) | 247,599 | 165,396 | 294,484 | 189,824 |
| | 247,599 | 165,396 | 294,484 | 189,824 |

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. 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 % |
|--------------------------------|-------------------------------|--------------------------------|
| 2025 | | |
| Kenanga Investment Bank Bhd | 17,921,034 | 100.00 |
| | <u>17,921,034</u> | <u>100.00</u> |
| 2024 | | |
| CIMB Bank Bhd | 11,000,000 | 28.22 |
| Hong Leong Bank Bhd | 10,458,825 | 26.83 |
| Hong Leong Investment Bank Bhd | 9,623,203 | 24.68 |
| RHB Investment Bank Bhd | 5,000,000 | 12.83 |
| Kenanga Investment Bank Bhd | 2,901,699 | 7.44 |
| | <u>38,983,727</u> | <u>100.00</u> |

15 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 collective investment schemes. In order to meet its stated investment objectives, the Fund utilises risk management for both defensive and proactive purposes. Rigorous analysis of sources of risk in the portfolio is carried out and the following policies are implemented to provide effective ways to reduce future risk and enhance future returns within the Fund's mandate.

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

Categories of Financial Instruments

| | 2025 RM | 2024 RM |
|-------------------------------------|--------------------|--------------------|
| Financial assets | | |
| Carried at FVTPL: | | |
| Investments | 171,200,397 | 132,449,719 |
| | <u>171,200,397</u> | <u>132,449,719</u> |
| Amortised cost: | | |
| Cash and cash equivalents | 17,696,160 | 47,675,950 |
| Amount due from Manager | 810,293 | 217,463 |
| | <u>18,506,453</u> | <u>49,893,413</u> |
| Financial liabilities | | |
| Amortised cost: | | |
| Other payables and accrued expenses | 180,913 | 166,606 |
| | <u>180,913</u> | <u>166,606</u> |

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.

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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 nor impaired as at 31 December 2025.

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

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

| Credit Rating | Fair Value RM | As a % of unquoted fixed income securities % | As a % of NAV % |
|---|--------------------|--|-----------------------|
| 2025 | | | |
| Unquoted fixed income securities | | | |
| AAA | 29,312,769 | 24.32 | 15.47 |
| AAA IS | 7,187,205 | 5.96 | 3.80 |
| AA1 | 7,243,589 | 6.01 | 3.82 |
| AA1 (S) | 22,263,198 | 18.47 | 11.74 |
| AA3 | 5,060,420 | 4.20 | 2.67 |
| AA+ IS | 3,569,434 | 2.96 | 1.88 |
| AA- | 5,252,824 | 4.36 | 2.77 |
| AA- IS | 7,866,724 | 6.53 | 4.16 |
| A1 | 5,145,602 | 4.27 | 2.71 |
| MARC-1 | 2,996,548 | 2.48 | 1.58 |
| D | 6,009,407 | 4.98 | 3.17 |
| NR (LT) | 18,636,875 | 15.46 | 9.83 |
| | <u>120,544,595</u> | <u>100.00</u> | <u>63.60</u> |
| 2024 | | | |
| Unquoted fixed income securities | | | |
| AAA | 21,622,338 | 18.26 | 12.00 |
| AAA IS | 15,997,388 | 13.51 | 8.88 |
| AA1 | 5,097,114 | 4.31 | 2.83 |
| AA1 (S) | 21,800,711 | 18.41 | 12.10 |
| AA3 | 10,242,925 | 8.65 | 5.69 |
| AA- | 5,176,848 | 4.37 | 2.87 |
| AA- IS | 7,648,838 | 6.46 | 4.25 |
| A IS (CG) | 3,948,219 | 3.33 | 2.19 |
| MARC-1 | 2,994,658 | 2.53 | 1.66 |
| D | 6,009,407 | 5.07 | 3.34 |
| NR (LT) | 17,873,784 | 15.10 | 9.91 |
| | <u>118,412,230</u> | <u>100.00</u> | <u>65.72</u> |

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

| | Short-term deposits RM | Unquoted fixed income securities RM | Collective investment schemes RM |
|--|---------------------------------------|--|---|
| 2025 | | | |
| Industry | | | |
| Basic | - | 4,130,137 | - |
| Consumer | - | 27,516,022 | - |
| Energy/Utilities | - | 29,662,051 | - |
| Finance services | 17,689,544 | 22,410,271 | 50,655,802 |
| Government and other services | - | 15,624,653 | - |
| Industrial products and services | - | 2,996,548 | - |
| Real estate | - | 3,569,434 | - |
| Transportation | - | 14,635,479 | - |
| | <u>17,689,544</u> | <u>120,544,595</u> | <u>50,655,802</u> |
| 2024 | | | |
| Industry | | | |
| Construction | - | 9,858,510 | - |
| Electricity, gas and water | - | 19,267,481 | - |
| Finance, insurance, real estate and business services | 47,671,678 | 63,247,022 | 14,037,489 |
| Government and other services | - | 26,039,217 | - |
| | <u>47,671,678</u> | <u>118,412,230</u> | <u>14,037,489</u> |

Liquidity risk management

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected. The Fund manages its liquidity risk by investing predominantly in securities that it expects to be able of being converted into cash with 7 days.

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

Market risk management

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

During the financial period, as the Fund invests in unquoted fixed income securities and collective investment schemes, the performance of the Fund might go up or down in accordance with the prevailing market risk in 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 rate on unquoted fixed income securities is fixed on the inception. The Fund's short-term deposits and cash at banks earn interest at floating rates but is not exposed to any significant interest rate risk as the floating rates, represented by overnight cash rates, do not fluctuate significantly period-on-period.

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

Price risk sensitivity

The Manager's best estimate of the effect on the income for the 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 |
|-------------|------------------------------|--|
| 2025 | | |
| Investments | +5/-5% | <u>8,560,020/(8,560,020)</u> |
| 2024 | | |
| Investments | +5/-5% | <u>6,622,486/(6,622,486)</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.

Unquoted fixed income securities are valued using fair value prices quoted by a Bond Pricing Agency Malaysia ("BPAM"). When no market price is available or during abnormal market or when the Manager is of the view that the price quoted by 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 the collective investment schemes is determined based on Net Asset Value ("NAV") per unit of such collective investment schemes as at the end of the reporting period.

For deposits and placements with financial institutions with maturities of less than twelve months, the carrying value is a 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 |
|----------------------------------|-----------------------|-----------------------|-----------------------|---------------------|
| 2025 | | | | |
| Financial assets at FVTPL | | | | |
| Unquoted fixed income securities | - | 120,544,595 | - | 120,544,595 |
| Collective investment schemes | - | 50,655,802 | - | 50,655,802 |
| 2024 | | | | |
| Financial assets at FVTPL | | | | |
| Unquoted fixed income securities | - | 118,412,230 | - | 118,412,230 |
| Collective investment scheme | - | 14,037,489 | - | 14,037,489 |

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



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