

Annual Report

July 2024

For the Year Ended 31 July 2024

Areca USD Dynamic Assets Fund

Management Company



200601021087(740840-D)

ANNUAL REPORT JULY 2024

✦ ARECA USD DYNAMIC ASSETS FUND

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CORPORATE DIRECTORY

MANAGER

Areca Capital Sdn Bhd
Company No: 200601021087 (740840-D)
107, Blok B, Pusat Dagangan Phileo Damansara 1
No. 9, Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya, Selangor
Tel: 603-7956 3111, Fax: 603-7955 4111
website: www.arecacapital.com
e-mail: invest@arecacapital.com

BOARD OF DIRECTORS

Raja Datuk Zaharaton Bt Raja Dato' Zainal Abidin
(Independent Non-Executive Chairman)
Dr. Junid Saham
(Independent Non-Executive)
Wong Teck Meng
(Chief Executive Officer Non-Independent)
Edward Iskandar Toh Bin Abdullah
(Executive Non-Independent)

INVESTMENT COMMITTEE MEMBERS

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

TRUSTEE

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

AUDITOR

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

TAX ADVISER

PricewaterhouseCoopers Taxation
Services Sdn Bhd (464731-M)
Level 10, 1 Sentral, Jalan Rakyat
Kuala Lumpur Sentral, P O Box 10192
50706 Kuala Lumpur
Tel: 03-2173 1188, Fax: 03-2173 1288

MANAGER'S OFFICE AND BRANCHES

HEAD OFFICE

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

PENANG BRANCH

368-2-02 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: 604-283 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

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ARECA USD DYNAMIC ASSETS FUND

FUND INFORMATION

Name of the Fund	Areca USD Dynamic Assets Fund
Fund Category/ Type	Mixed Assets/Growth
Objective of the Fund	The Fund aims to provide Medium to Long Term capital growth to investors through investments in a diversified portfolio of mixed assets.
Performance Benchmark	Absolute return of 6% per annum
Distribution Policy of the Fund	Incidental, subject to the availability of distributable income.
Rebates & Soft Commissions	<p>The Manager will retain soft commissions received from brokers or dealers, provided that:</p> <ul style="list-style-type: none">(a) the soft commissions bring direct benefit or advantage to the management of the Fund and may include research and advisory related services;(b) any dealing with the broker or dealer is executed on terms which are the most favourable for the Fund; and(c) the availability of soft commissions is not the sole or primary purpose to perform or arrange transactions with such broker or dealer, and the Manager or fund manager shall not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commissions. <p>The soft commissions may be in the form of goods and services such as data and quotation services, computer software incidental to the management of the Fund and investment related publications. Cash rebates, if any, will be directed to the account of the Fund. During the year under review, the Manager had not received any soft commissions.</p>
Inception Date	23 December 2021
Financial Year End	31 July

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ARECA USD DYNAMIC ASSETS FUND

FUND PERFORMANCE

	2024	2023	23.12.2021 (launch date) to 31.07.2022
NET ASSET VALUE ("NAV")			
Net Asset Value (USD million)			
- MYR Class	0.87	0.09	0.08
- SGD Class	0.001	0.001	0.001
- USD Class	0.001	0.04	0.03
Units in circulation (million units)			
- MYR Class	2.91	0.35	0.33
- SGD Class	0.001	0.001	0.001
- USD Class	0.001	0.03	0.03
NAV per unit			
- MYR Class (RM)	1.3678	1.2101	1.0000
- SGD Class (SGD)	1.0000	1.0000	1.0000
- USD Class (USD)	1.0000	1.1519	1.0000

HIGHEST & LOWEST NAV per unit

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

Highest NAV per unit			
- MYR Class (RM)	1.4597	1.2200	1.0000
- SGD Class (SGD)	1.0000	1.0000	1.0000
- USD Class (USD)	1.1506	1.1531	1.0000
Lowest NAV per unit			
- MYR Class (RM)	1.1584	0.9219	1.0000
- SGD Class (SGD)	1.0000	1.0000	1.0000
- USD Class (USD)	1.0000	0.9013	1.0000

ASSET ALLOCATION % OF NAV

Quoted equity securities - foreign

Exchange Traded Fund	59.36	98.53	-
Liquid assets and other net current assets	40.64	1.47	100.00

DISTRIBUTION

There was no distribution for the financial year under review.

UNIT SPLIT

There was no unit split exercise for the financial year under review.

EXPENSE/TURNOVER

Total expense ratio (TER) (%)	4.40	4.19	-
<i>Please refer to Note 2 for further information</i>			
Portfolio turnover ratio (PTR) (times)	0.54	0.47	-
<i>Please refer to Note 3 for further information</i>			

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ARECA USD DYNAMIC ASSETS FUND

FUND PERFORMANCE

	2024	2023	23.12.2021 (launch date) to 31.07.2022
TOTAL RETURN			
<i>Please refer to Note 4 for further information</i>			
MYR Class			
Total Return (%)	13.03	21.01	-
- Capital growth (%)	13.03	21.01	-
- Income distribution (%)	-	-	-
Annual Total Return (%)	13.03	21.01	-
Performance Benchmark (%): Absolute return of 6% per annum	6.00	6.00	3.57*
<i>* Annualised for comparison purpose only</i>			
SGD Class			
Total Return (%)	-	-	-
- Capital growth (%)	-	-	-
- Income distribution (%)	-	-	-
Annual Total Return (%)	-	-	-
Performance Benchmark (%): Absolute return of 6% per annum	6.00	6.00	3.57*
<i>* Annualised for comparison purpose only</i>			
USD Class			
Total Return (%)	(13.19)	15.19	-
- Capital growth (%)	(13.19)	15.19	-
- Income distribution (%)	-	-	-
Annual Total Return (%)	(13.19)	15.19	-
Performance Benchmark (%): Absolute return of 6% per annum	6.00	6.00	3.57*
<i>* Annualised for comparison purpose only</i>			
Total Return since launch (%)			
- MYR Class	36.78	21.01	-
- SGD Class	-	-	-
- USD Class	-	15.19	-
Average Total Return per annum (%)			
	1-yr	3-yrs	5-yrs
- MYR Class	13.03	N/A	N/A
- SGD Class	-	N/A	N/A
- USD Class	(13.19)	N/A	N/A

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ARECA USD DYNAMIC ASSETS 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 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

During the year under review, the Fund's registered a total return of 13.03% (MYR Class)/ -13.19% (USD Class), outperforming the absolute return benchmark of 6.00% per annum. The Fund has positioned in various Exchange Traded Funds ("ETFs") reflecting the theme of Innovation and Sustainability, and the ETFs reflecting the Innovation theme have been the key performance contributors during the period under review. As the United States ("U.S.") inflation rate is seen to be on a moderating trend now, and thus the US Federal Reserve ("Fed") may pivot to easing monetary policy sometime later this year, the ETFs under the Innovation theme consisting of mega tech stocks that are particularly sensitive to prevailing market interest rate have performed very well. The Fund's strategy has played out well so far, benefitting investors of the Fund. In terms of strategy going forward, the Fund will stick the investing in the themes of Innovation and Sustainability as we believe these are the megatrends that will drive outsized returns in the mid- to longer-term.

The total return of the Fund since launch stands at 36.78% (MYR Class) against the benchmark return for the same period of 16.38%. In view of the significant outperformance, the Fund has achieved its objective of providing medium to long term capital growth to investors through investments in a diversified portfolio of mixed assets.

Investment Policy and Strategy

The Fund aims to provide investors with capital growth over the Medium to Long Term through a diversified portfolio of investments in Malaysian equities, global CIS which includes exchange-traded-funds ("ETFs") which is traded on eligible market for both local and foreign and liquid assets.

The Fund will invest in securities issued by companies that exhibit good management track record, a history of Long-Term profitability and earning resilience, a strong balance sheet and/or have a good competitive position in their respective industries. The Manager will adopt an active trading strategy with frequency that will depend on the market conditions and the market outlook.

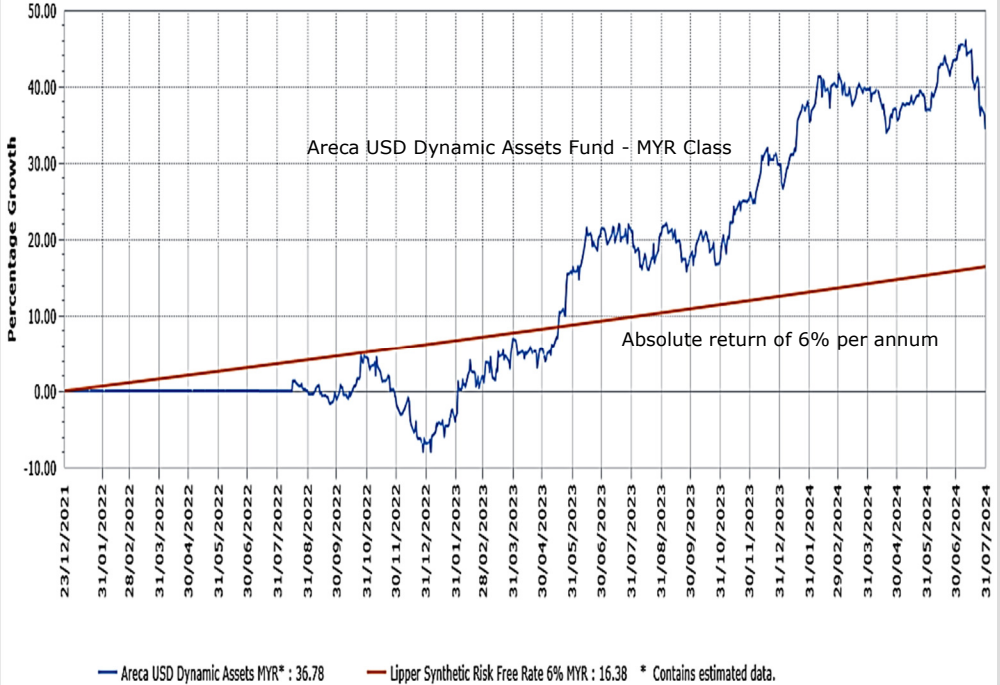
The Fund may hold up to 100% in liquid assets including cash when market condition is not favourable to the major asset classes e.g. during high inflation or aggressive rate hike where most asset classes will be affected negatively. The Fund may hold cash for more than 12 months if adverse market conditions prolong.

	MYR Class	SGD Class	USD Class
NAV per unit as at 31 July 2024	RM1.3678	SGD1.0000	USD1.0000
Asset Allocation/Portfolio Composition	2024	2023	2022
Quoted equity securities - foreign	59.36%	98.53%	-
Liquid assets and other net current assets	40.64%	1.47%	100.00%

FUND REVIEW

Performance of Areca USD Dynamic Assets Fund – MYR Class
for the period since inception to 31 July 2024

Total Return of Areca USD Dynamic Assets Fund (MYR) vs Benchmark

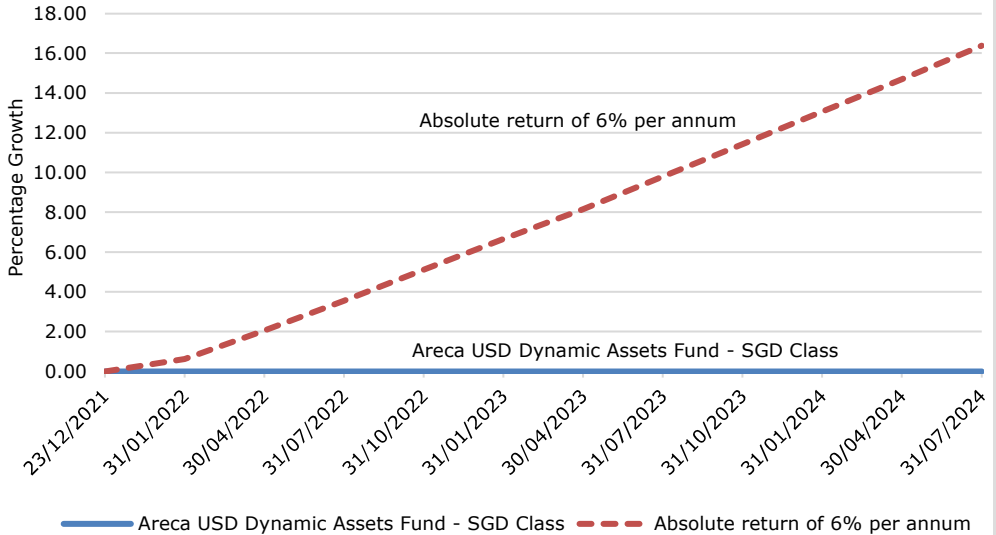


Source Lipper

FUND REVIEW

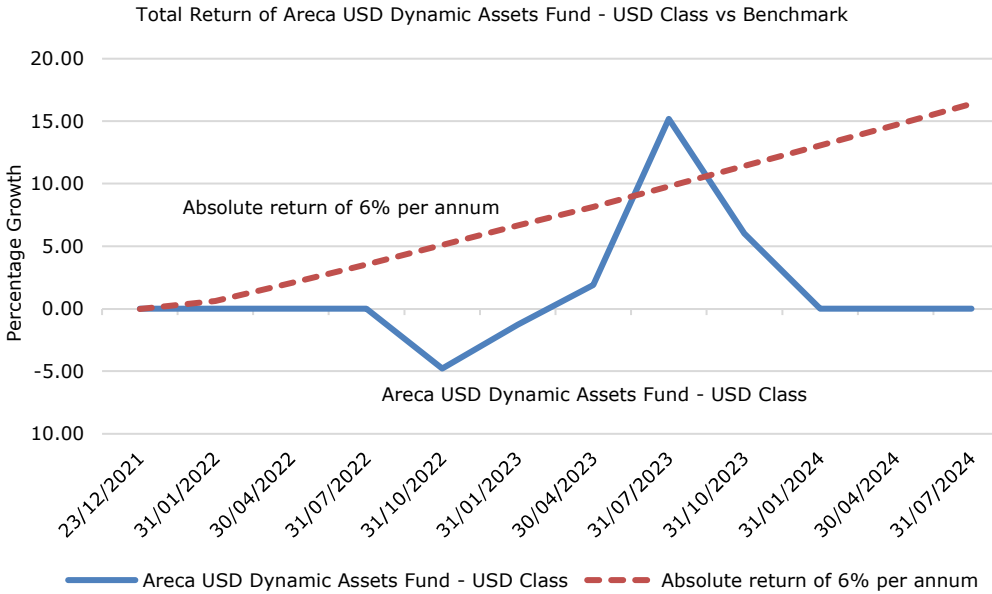
Performance of Areca USD Dynamic Assets Fund - SGD Class
for the period since inception to 31 July 2024

Total Return of Areca USD Dynamic Assets Fund - SGD Class vs Benchmark



FUND REVIEW

**Performance of Areca USD Dynamic Assets Fund - USD Class
for the period since inception to 31 July 2024**



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GLOBAL ECONOMIC REVIEW

US	Current (T)	Previous (T-1)	Previous (T-2)	Previous (T-3)
GDP (QoQ)	2.8% 2Q24	1.4% 1Q24	3.4% 4Q23	4.9% 3Q23
Inflation Rate (Annual)	2.9% Jul 24	3.0% Jun 24	3.4% Dec 23	3.7% Aug 23
Unemployment Rate	4.3% Jul 24	4.1% Jun 24	3.7% Dec 23	3.8% Aug 23

In the evolving landscape of global economies, the United States ("U.S.") demonstrated robust resilience, achieving a 2.50% growth rate in 2023, a slight increase from the 1.90% seen in the previous year. Looking ahead, the International Monetary Fund ("IMF") projects a modest rise to 2.60% growth in 2024. Notably, the U.S. economy marked its eighth consecutive quarter of expansion in the second quarter of 2024, reflecting a significant rebound from the challenges experienced in the first half of year 2022 ("1H22"). The stronger-than-expected Gross Domestic Product ("GDP") figures for the second quarter of year 2024 ("2Q24") underscore the ongoing vitality of the U.S. economic environment.

Inflation in the U.S. has also eased, averaging 3.20% thus far in 2024, a welcome improvement from the 4.10% average in 2023 and a significant drop from the 8.00% peak in 2022. This decline is largely due to lower energy costs, which have helped to temper price pressures across the economy. However, the labor market has shown signs of strain, with the unemployment rate rising to an average of 4.00% in 2024, up from 3.60% in both 2023 and 2022.

The combination of cooling inflation and a softening labor market has set the stage for potential adjustments by the Federal Reserve ("Fed"). The Fed Funds Rate ("FFR"), which has remained at 5.25% - 5.50% since July 2023, could be lowered later this year as the Fed seeks to balance the need for economic stimulus with the risks of inflation resurgence.

In summary, the U.S. economy in 2024 continues to demonstrate resilience, with steady growth and easing inflation. However, the rise in unemployment highlights emerging challenges, suggesting that careful economic management will be crucial in the months ahead.

EU	Current (T)	Previous (T-1)	Previous (T-2)	Previous (T-3)
GDP (QoQ)	0.3% 2Q24	0.3% 1Q24	0.0% 4Q23	0.1% 3Q23
Inflation Rate (Annual)	2.8% Jul 24	2.6% Jun 24	3.4% Dec 23	5.9% Aug 23
Unemployment Rate	6.0% Jun 24	6.0% May 24	6.0% Dec 23	6.0% Aug 23

Across the Atlantic, the European Union ("EU") saw modest growth of 0.40% in 2023, a sharp slowdown from the 3.40% achieved the previous year. Looking ahead, the IMF projects a slight improvement, with the EU economy expected to grow by 0.90% in 2024.

Inflation, which peaked in 2022, has steadily declined, with the average annual rate settling at 2.70% in the first seven months of 2024. This is a significant drop from 6.40% in 2023 and 9.20% in 2022. Meanwhile, the EU labor market has shown a slight improvement, with the unemployment rate averaging 6.00% in both 2024 and 2023, down from 6.10% in 2022.

In response to the declining inflation, the European Central Bank ("ECB") lowered interest rates by 25 basis points ("bps") to 4.25% in June 2024, aiming to support the ongoing economic recovery.

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China	Current (T)	Previous (T-1)	Previous (T-2)	Previous (T-3)
GDP (QoQ)	0.7% 2Q24	1.5% 1Q24	1.0% 4Q23	1.5% 3Q23
Inflation Rate (Annual)	0.5% Jul 24	0.2% Jun 24	-0.3% Dec 23	0.1% Aug 23
Unemployment Rate	5.2% Jul 24	5.0% Jun 24	5.1% Dec 23	5.2% Aug 23

Turning to China, the economy regained momentum with a 5.20% growth in 2023, driven by supportive measures from Beijing. Despite challenges such as a property downturn and deflationary trends, China is aiming for a 5.00% GDP growth target in 2024, buoyed by an eighth consecutive quarter of expansion in 2Q24.

Inflation remained low, with occasional contractions throughout 2023, but saw a rebound in 2024 due to stimulus efforts that boosted consumption. The unemployment rate also improved, averaging 5.10% in 2024, down from 5.20% in 2023 and 5.60% in 2022.

China's policy approach diverged from global trends, with the People's Bank of China ("PBoC") adopting monetary easing to stimulate the economy. The one-year loan prime rate ("LPR") was reduced by 10 bps in June and August 2023, and again in July 2024, bringing it to 3.35%. The five-year LPR was also lowered, with a total reduction of 45 bps, currently standing at 3.85%.

Malaysia	Current (T)	Previous (T-1)	Previous (T-2)	Previous (T-3)
GDP (QoQ)	2.9% 2Q24	1.5% 1Q24	-1.0% 4Q23	2.4% 3Q23
Inflation Rate (Annual)	2.0% Jul 24	2.0% Jun 24	1.5% Dec 23	2.0% Aug 23
Unemployment Rate	3.3% Jun 24	3.3% May 24	3.3% Dec 23	3.4% Aug 23

In Malaysia, economic growth slowed to 3.70% in 2023, down from the robust 8.70% seen the previous year. Bank Negara Malaysia ("BNM") projects a rebound, with growth expected to range between 4.00% and 5.00% in 2024. The Malaysian economy experienced fluctuations throughout 2023, driven by strong domestic demand but tempered by a slowdown in private consumption and declining exports in the fourth quarter. However, the GDP made a strong recovery in the first half of year 2024 ("1H24").

Inflation in Malaysia eased to an average of 1.80% over the first seven months of 2024, down from 2.50% in 2023 and 3.40% in 2022. The unemployment rate also improved, averaging 3.30% in 2024, compared to 3.40% in 2023 and 3.80% in 2022.

In response to global economic conditions, BNM has maintained the Overnight Policy Rate ("OPR") at 3.00% since May 2023, aiming to balance growth and stability.

US EQUITY MARKET REVIEW

During the year under review, the Dow Jones Industrial Average, which is the barometer of the U.S. equity market gained 14.90% to 40,843 points. Similarly, the Standard & Poor's 500 ("S&P 500") rose by 20.30% to 5,522 points while Nasdaq Composite surged by 22.70% to 17,599 points.

Despite concerns over inflation and rising interest rates, an unexpected banking crisis as well as geopolitical tensions around the world, the U.S. economy remains resilient with corporate earnings on the rise. Much of the market strength in 2023 was essentially attributable to the 'Magnificent 7' mega tech stocks, led by Nvidia amid strong sales in computer chips as interest in the artificial intelligence theme continues to build.

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U.S. equities fell for the third consecutive month, entering correction territory after declining around 10.00% from July 2023 highs. Initially, the drop in inflation prints had boosted market confidence that inflation could return to the target range without the need for additional hikes. However, the prospect of 'higher for longer' came in, with the Fed's hawkish narrative of keeping rates higher.

Geopolitical risks also came to light following the ongoing conflict between Israeli military forces and Hamas-led Palestinian militant groups in early October. However, indices rebounded strongly thereafter, supported by encouraging inflation data which raised hopes that inflation is on course to fall back to the Fed's 2.00% target.

The overall market direction skewed higher, despite starting the year with a cautious tone after Fed Chair Jerome Powell made it clear that a rate cut was unlikely in March, stopping equities in their tracks. Nevertheless, U.S. equities continued its uptrend, touching fresh highs in mid-July, fuelled by optimism around artificial intelligence as large-cap growth stocks in the technology sector outperformed. Inflation and labour market data also appeared favourable, boosting investor sentiment.

However, indices pulled back towards the end of the period as major tech stocks were pressured by the prospect of tighter U.S. trade curbs and worrisome earnings reports from the Magnificent Seven. The so-called 'Great Rotation' saw a rotational shift from the crowded mega-cap tech stocks into small-cap stocks. The flow into smaller companies was led by the narrative of cooling inflation, a weakening labour market, steady economic growth and an increasing likelihood of an economic soft landing.

Sector-wise, communication services and financials were the outperformers while consumer staples and energy were the laggards of the market. The top three gainers within the Dow Jones Industrial Average were American Express (+52.00%), Goldman Sachs (+47.00%), and Amgen (+46.00%). On the other hand, the worst-performing stocks were Nike (-31.00%), Boeing (-20.00%), and Intel (-13.00%).

EQUITY MARKET OUTLOOK

Inflation figures and interest rates will continue to play a pivotal role in shaping market sentiment throughout this year. Recent U.S. economic indicators, which suggest a moderation in inflation and a softening labor market, set the stage for the Federal Reserve ("Fed") to begin a gradual shift towards easing monetary policy. This perspective is reinforced by Fed Chairman Jerome Powell's recent remarks at the Jackson Hole Economic Policy Symposium, where he stated, "The time has come for policy to adjust." However, Powell also emphasized that any policy adjustments will be data-driven, taking into account the evolving economic outlook and the balance of risks.

Given this context, we anticipate a measured and deliberate approach from the Fed, rather than a swift or abrupt policy change. This gradual pivot is expected to guide the U.S. economy towards a "soft landing," where growth slows without tipping into recession. As monetary policy eases, growth stocks are likely to benefit from a lower discount rate, which traditionally supports higher valuations.

The Fund's strategy, which includes investments in Innovation-themed ETFs, primarily composed of growth stocks, is well-positioned to capitalize on this potential shift in policy. We remain confident in the long-term prospects of Innovation and Sustainability as megatrends that are poised to drive outsized returns over the mid- to long-term. Consequently, the Fund will continue to focus on these themes, which we believe are critical drivers of future growth and value creation.

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CROSS TRADE

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

SECURITIES FINANCING TRANSACTIONS

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

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TRUSTEE'S REPORT

To the Unitholders of Areca USD Dynamic Assets Fund ("Fund")

We have acted as Trustee of the Fund for the financial year ended 31 July 2024 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Areca Capital Sdn Bhd has operated and managed the Fund during the year covered by these financial statements in accordance with the following:

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

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

NOR FAZLINA BINTI MOHD GHOUSE
CHIEF EXECUTIVE OFFICER

Kuala Lumpur
23 September 2024

STATEMENT BY MANAGER

To the Unitholders of Areca USD Dynamic Assets 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 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 July 2024 and the financial performance and the cash flows of the Fund for the financial year 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
23 September 2024

**INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF ARECA USD DYNAMIC ASSETS FUND**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **ARECA USD DYNAMIC ASSETS FUND** ("the Fund"), which comprise the statement of financial position as at 31 July 2024, and the statement of profit or loss and other comprehensive income, statement of changes in net asset value and statement of cash flows for the year then ended, and notes to the financial statements including material accounting policy information, as set out on pages 19 to 37.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 July 2024, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Fund in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's and Trustee's reports, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager and Trustee for the Financial Statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error. The Trustee is responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable the fair presentation of these financial statements.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matters

This report is made solely to the unitholders of the Fund, as a body, and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

The financial statements of the Fund for the preceding financial year ended 31 July 2023 were audited by another firm of auditors whose report thereon dated 26 September 2023 expressed an unmodified opinion on those financial statements.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

MAK WAI KIT
Partner - 03546/12/2024 J
Chartered Accountant

23 September 2024

ANNUAL REPORT JULY 2024
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STATEMENT OF FINANCIAL POSITION

As At 31 July 2024

	Note	2024 USD	2023 USD
Assets			
Investments	5	516,234	128,328
Cash and cash equivalents	6	97,802	2,373
Amount due from Manager		261,240	-
Dividend receivables		-	12
Total Other Assets		<u>875,276</u>	<u>130,713</u>
Unitholders' Fund And Liabilities			
Liabilities			
Other payables and accrued expenses	7	5,560	468
Total Liabilities		<u>5,560</u>	<u>468</u>
Unitholders' Fund			
Unitholders' capital		823,316	112,398
Retained earnings		46,400	17,847
Net Asset Value Attributable To Unitholders		<u>869,716</u>	<u>130,245</u>
Total Unitholders' Fund And Liabilities		<u>875,276</u>	<u>130,713</u>
Net Asset Value Attributable To Unitholders			
- MYR Class		867,968	93,797
- SGD Class		748	753
- USD Class		1,000	35,695
		<u>869,716</u>	<u>130,245</u>
Number Of Units In Circulation			
- MYR Class (Units)	8	2,910,259	348,066
- SGD Class (Units)	8	1,000	1,000
- USD Class (Units)	8	1,000	30,988
Net Asset Value Per Unit			
- MYR Class (USD)		0.2982	0.2695
- SGD Class (USD)		0.7477	0.7531
- USD Class (USD)		1.0000	1.1519
Net Asset Value Per Unit In Respective Currencies			
- MYR Class (RM)		1.3678	1.2101
- SGD Class (SGD)		1.0000	1.0000
- USD Class (USD)		1.0000	1.1519

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

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 July 2024

	Note	2024 USD	2023 USD
Investments Income			
Dividend income		2,556	692
Interest income		2,220	162
Net gain on investments at fair value through profit or loss ("FVTPL")	5	41,922	23,755
Net loss on foreign exchange		(3,427)	(2,033)
Total Investments Income		43,271	22,576
Expenditure			
Management fee	9	4,790	1,608
Trustee's fee	10	1,312	59
Audit fee		2,654	-
Tax agent's fee		955	393
Transaction costs		160	52
Other expenses		4,826	2,617
Total Expenditure		14,697	4,729
Net Income Before Tax		28,574	17,847
Income Tax Expense	11	21	-
Net Income After Tax And Total Comprehensive Income For The Financial Year		28,553	17,847
Net Income After Tax Is Made Up Of:			
Realised loss		(13,369)	(3,921)
Unrealised gain		41,922	21,768
		28,553	17,847

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

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ARECA USD DYNAMIC ASSETS FUND

STATEMENT OF CHANGES IN NET ASSET VALUE

For The Financial Year Ended 31 July 2024

	Unitholders’ capital USD	Retained earnings USD	Total net asset value USD
Balance as at 1 August 2022	108,423	-	108,423
Amounts received from units created			
- MYR Class	6,362	-	6,362
Amounts paid for units cancelled			
- MYR Class	(2,387)	-	(2,387)
Total comprehensive income for the financial year	-	17,847	17,847
Balance as at 31 July 2023	112,398	17,847	130,245
Balance as at 1 August 2023	112,398	17,847	130,245
Amounts received from units created			
- MYR Class	800,099	-	800,099
Amounts paid for units cancelled			
- MYR Class	(55,250)	-	(55,250)
- USD Class	(33,931)	-	(33,931)
Total comprehensive income for the financial year	-	28,553	28,553
Balance as at 31 July 2024	823,316	46,400	869,716

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

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ARECA USD DYNAMIC ASSETS FUND

STATEMENT OF CASH FLOWS

For The Financial Year Ended 31 July 2024

	Note	2024 USD	2023 USD
Cash Flows From Operating Activities			
Purchase of investments		(345,984)	(104,573)
Dividend income received		2,039	680
Interest received		2,220	162
Management fee paid		(4,167)	(1,445)
Trustee's fee paid		(153)	(53)
Transaction costs paid		(160)	(52)
Payment for other fees and expenses		(4,596)	(2,711)
Tax paid		(21)	-
Net Cash Used In Operating Activities		(350,822)	(107,992)
Cash Flows From Financing Activities			
Cash proceeds from units created		538,859	6,362
Payment for cancellation of units		(89,181)	(2,387)
Net Cash Generated From Financing Activities		449,678	3,975
Net Increase/(Decrease) In Cash And Cash Equivalents			
		98,856	(104,017)
Effects Of Foreign Currency Exchange			
		(3,427)	112
Cash And Cash Equivalents At Beginning Of Year			
		2,373	106,278
Cash And Cash Equivalents At The End Of Year			
		97,802	2,373
Cash And Cash Equivalents Comprise:			
Cash at bank	6	5,391	2,373
Short-term deposits	6	92,411	-
		97,802	2,373

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Areca USD Dynamic Assets Fund ("the Fund") was established pursuant to the Trust Deed dated 10 March 2020 as modified by the First Supplemental Deed dated 25 July 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 investments as defined under Schedule 7 of the Deeds, which include listed and unlisted securities, deposits with financial institutions, derivatives such as futures contracts for hedging purpose only, debentures (including bonds, sukuk and instruments that function similar of a debt), collective investment schemes, preference shares and any other form of investment as may be agreed upon by the Manager and the Trustee from time to time. The Fund was launched on 23 December 2021 and will continue its operations until terminated by the Trustee in accordance with Part 12 of the Deeds.

The investment objective of the Fund is to provide medium to long term capital growth to investors through investments in a diversified portfolio of mixed assets. Any material changes to the Fund's objective would require unitholders' approval.

The Manager of the Fund is Areca Capital Sdn Bhd, a company incorporated in Malaysia. It is engaged in managing, administering, marketing and distributing unit trust funds, managing and administering funds under private mandates and the regulated activities of financial planning and providing investment advice.

The financial statements were authorised for issue by the Board of Directors of the Manager on 23 September 2024.

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 Standards 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 relevant Amendments for the first time for the financial year beginning on 1 August 2023:

Amendments to MFRS 101 *Disclosure of Accounting Policies*
Amendments to MFRS 108 *Definition of Accounting Estimates*
Amendments to MFRS 112 *International Tax Reform - Pillar Two Model Rules*

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

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

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

	Effective for annual periods beginning on or after
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 121 <i>Lack of Exchangeability</i>	1 January 2025
MFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027

The Manager of the Fund anticipates that the abovementioned new MFRS and Amendments to MFRSs will be adopted in the annual financial statements of the Fund when they become effective and that the adoption of these Amendments will have no material impact on the financial statements of the Fund in the period of initial application.

3 MATERIAL ACCOUNTING POLICIES

Basis of Accounting

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

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

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

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

The principal accounting policies adopted are set out below.

Income Recognition

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

Interest income from short-term deposits is 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 investments will be reversed and classified as realised gain or loss during the financial year.

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

Transaction Costs

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

Income Tax

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

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

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 ("the functional currency"). The financial statements are presented in United States Dollar ("USD"), which is also the Fund's functional currency.

Foreign Currency Translation

Foreign currency transactions in the Fund are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing as at the date of the statement of financial position. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the statement of comprehensive income.

Translation differences on non-monetary financial assets such as foreign quoted equity securities classified as investments at fair value through profit and loss are recognised in profit or loss as part of the fair value gain or loss.

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 year 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 year whether there is any objective evidence that a financial asset is impaired.

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

Derecognition of Financial Assets

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

Equity Instruments

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

Financial Liabilities

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

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

Financial Liabilities Measured Subsequently at Amortised Cost

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

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

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

Investments

Investments in quoted equity securities are classified as FVTPL and valued at the last market price quoted on London Stock Exchange, New York Stock Exchange and NASDAQ at the end of the reporting year.

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.

Gain or losses arising from the changes in the valuation of financial instruments at the end of the reporting year 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 year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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5 INVESTMENTS

	2024 USD	2023 USD
Financial assets at FVTPL:		
Quoted equity securities - foreign	516,234	128,328
	516,234	128,328
Net gain on investments at FVTPL comprise:		
Unrealised gain on changes in fair values	41,922	23,755
	41,922	23,755

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

	No. of Shares Units	Aggregate Cost USD	Fair Value USD	Fair Value as a % of Net Asset Value %
QUOTED EQUITY SECURITIES - FOREIGN				
United Kingdom				
Exchange Traded Fund				
iShares Dow Jones Global				
Sustainability Screened UCITS ETF	746	48,453	54,266	6.24
		48,453	54,266	6.24
United States				
Exchange Traded Fund				
Global X Cybersecurity ETF	1,401	39,746	41,680	4.79
Invesco QQQ Trust Series 1	114	45,292	53,702	6.18
iShares ESG Aware US Aggregate Bond ETF	1,088	51,091	51,745	5.95
iShares ESG Aware 1-5 Year USD Corporate Bond ETF	2,100	50,942	52,059	5.99
iShares Expanded Tech-Software Sector ETF	586	44,538	49,587	5.70
iShares Global Tech ETF	680	44,476	54,883	6.31
iShares Semiconductor ETF	221	39,857	52,019	5.98
iShares U.S. Technology ETF	378	44,047	55,313	6.36
Technology Select Sector SPDR Fund	233	42,115	50,980	5.86
		402,104	461,968	53.12
Total investments		450,557	516,234	59.36
Unrealised gain on investments			65,677	

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

	No. of Shares Units	Aggregate Cost USD	Fair Value USD	Fair Value as a % of Net Asset Value %
QUOTED EQUITY SECURITIES - FOREIGN				
United Kingdom				
Exchange Traded Fund				
iShares Dow Jones Global Sustainability Screened UCITS ETF	198	10,494	12,474	9.58
		<u>10,494</u>	<u>12,474</u>	<u>9.58</u>
United States				
Exchange Traded Fund				
Global X Cybersecurity ETF	358	8,688	9,095	6.98
Invesco QQQ Trust Series 1	33	9,669	12,662	9.72
iShares ESG Aware US Aggregate Bond ETF	242	11,615	11,381	8.74
iShares ESG Aware 1-5 Year USD Corporate Bond ETF	484	11,580	11,616	8.92
iShares Expanded Tech-Software Sector ETF	33	9,050	12,023	9.23
iShares Global Tech ETF	223	10,806	14,120	10.84
iShares Semiconductor ETF	30	11,357	16,059	12.33
iShares U.S. Technology ETF	124	10,115	14,095	10.82
Technology Select Sector SPDR Fund	83	11,199	14,803	11.37
		<u>94,079</u>	<u>115,854</u>	<u>88.95</u>
Total investments		104,573	128,328	98.53
Unrealised gain on investments			<u>23,755</u>	

6 CASH AND CASH EQUIVALENTS

	2024 USD	2023 USD
Cash at bank	5,391	2,373
Short-term deposits	92,411	-
	<u>97,802</u>	<u>2,373</u>

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

The effective average interest rate for short-term deposits is 5.23% (2023: Nil) per annum and the average maturity period is 1 day (2023: Nil).

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7 OTHER PAYABLES AND ACCRUED EXPENSES

	2024	2023
	USD	USD
Accrued expenses:		
Management fee	786	163
Trustee's fee	1,165	6
Audit fee	2,654	-
Tax agent's fee	955	-
Custody fee	-	299
	<u>5,560</u>	<u>468</u>

8 NUMBER OF UNITS IN CIRCULATION

	2024	2023
	Units	Units
MYR Class		
At beginning of the year	348,066	330,183
Created during the year	2,748,973	27,687
Cancelled during the year	(186,780)	(9,804)
At end of the year	<u>2,910,259</u>	<u>348,066</u>
SGD Class		
At beginning/end of the year	<u>1,000</u>	<u>1,000</u>
USD Class		
At beginning of the year	30,988	30,988
Cancelled during the year	(29,988)	-
At end of the year	<u>1,000</u>	<u>30,988</u>

9 MANAGEMENT FEE

The Schedule 8 of the Deeds provides that the Manager is entitled to an annual management fee up to 2.00% per annum computed daily on the net asset value of the Fund before the deduction of the management fee and Trustee's fee for the relevant day.

The management fee provided in the financial statements is 1.50% per annum for the current financial year. For the previous financial year, the management fee provided was 1.50% per annum for the period from 16 August 2022 to 31 July 2023. There was no management fee provided for the period from 1 August 2022 to 15 August 2022.

10 TRUSTEE'S FEE

The Schedule 9 of the Deeds provides that the Trustee is entitled to an annual Trustee's fee up to 0.055% 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, subject to a minimum fee of RM6,000 per annum.

The Trustee's fee provided in the financial statements is 0.055% per annum for the current financial year. For the previous financial year, the Trustee's fee provided was 0.055% per annum for the period from 16 August 2022 to 31 July 2023. There was no Trustee's fee provided for the period from 1 August 2022 to 15 August 2023 as the fee was borne by the Manager.

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11 INCOME TAX EXPENSE

- (a) Tax charge for the financial year

	2024 USD	2023 USD
Current taxation	-	-
Under provision of tax in prior year	21	-
	21	-

- (b) Numerical reconciliation of income tax expenses

The numerical reconciliation between net income before tax multiplied by the Malaysian statutory income tax rate and the expenses of the Fund is as follows:

	2024 USD	2023 USD
Net income before tax	28,574	17,847
Tax calculated at a tax rate of 24% (2023: 24%)	6,858	4,283
Tax effects of:		
- Income not subject to tax	(11,207)	(5,906)
- Loss not subject to tax	822	488
- Expenses not deductible for tax purposes	1,737	745
- Restriction on tax deductible expenses	1,790	390
Under provision of tax in prior year due to foreign-sourced income tax	21	-
Income tax expense	21	-

12 TOTAL EXPENSE RATIO AND PORTFOLIO TURNOVER RATIO

Total Expense Ratio (TER)

Total expense ratio for the Fund is 4.40% (2023: 4.19%) for the financial year ended 31 July 2024. The total expense ratio which includes management fee, trustee's fee, audit fee, tax agent's fee and other expenses, is calculated as follows:

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

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

The average net asset value of the Fund for the financial year is USD318,419 (2023: USD111,632).

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Portfolio Turnover Ratio (PTR)

The portfolio turnover ratio for the Fund is 0.54 times (2023: 0.47 times) for the financial year ended 31 July 2024. The portfolio turnover ratio is derived from the following calculation:

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

Where: total acquisition for the financial year = USD345,984 (2023: USD104,573)
total disposal for the financial year = Nil (2023: Nil)

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

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

	←-----2024-----→	←-----2023-----→		
	No. of units	USD	No. of units	USD
The Manager (The above units are held legally and beneficially)	2,090	2,688	1,974	2,284
	2,090	2,688	1,974	2,284

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.

14 TRADE WITH BROKERS/DEALERS

Details of transactions with brokers/dealers are as follow:

	Value of Trades USD	% of Total Trades %	Fees USD	% of Total Brokerage Fee %
2024				
CLSA Securities Malaysia Sdn Bhd	345,984	100.00	160	100.00
2023				
CLSA Securities Malaysia Sdn Bhd	104,573	100.00	52	100.00

15 RISK MANAGEMENT POLICIES

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund seeks to preserve capital as well as to provide investors with medium to long term capital growth by investing in securities that have potential for capital growth. In order to meet its stated investment objectives, the Fund utilises risk management for both defensive and proactive purposes. Rigorous analysis of sources of risk in the portfolio is carried out and the following policies are implemented to provide effective ways to reduce future risk and enhance future returns within the Fund's mandate.

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

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Categories of Financial Instruments

	2024	2023
	USD	USD
Financial assets		
Carried at FVTPL:		
Investments	516,234	128,328
	<hr/>	<hr/>
	2024	2023
	USD	USD
Amortised cost:		
Cash and cash equivalents	97,802	2,373
Amount due from Manager	261,240	-
Dividend receivables	-	12
	<hr/>	<hr/>
Financial liabilities		
Amortised cost:		
Other payables and accrued expenses	5,560	468
	<hr/>	<hr/>

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 July 2024.

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

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

	Short-term	Quoted equity
	deposits	securities -
	USD	foreign
	USD	USD
2024		
Industry		
Exchange Traded Fund	-	516,234
Financial Services	92,411	-
	<hr/>	<hr/>
2023		
Industry		
Exchange Traded Fund	-	128,328
	<hr/>	<hr/>

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Liquidity risk management

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

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

Market risk management

This is a class of risk that inherently exists in an economy and cannot be avoided by any business or Fund. It is usually due to changes in market variables such as interest rates and markets prices. This risk cannot be removed from an investment portfolio, which is solely invested within that particular market, by diversification.

The Fund's principal exposure to market risk arises primarily due to changes in the market environment, global economic and geo-political developments. The Fund's activities expose it primarily to the financial risks of changes in foreign currency exchange rate, interest rate and price.

Foreign Currency Risk Management

The Fund undertake transactions in foreign currencies, consequently, exposure to exchange rate fluctuations arise.

The carrying amounts of the Fund's foreign currency denominated monetary assets and liabilities at the end of the reporting year are as disclosed below.

Foreign Currency Sensitivity

5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only major foreign currency denominated monetary items and adjusts its translation at the end of the reporting year for a 5% change in foreign currency rates.

	Denominated in GBP USD	Denominated in RM USD	Denominated in SGD USD
2024			
Financial assets			
Quoted equity securities - foreign	54,266	-	-
Cash at bank	-	5,310	-
Amount due from Manager	-	261,240	-
Currency exposure	<u>54,266</u>	<u>266,550</u>	-
2023			
Financial assets			
Quoted equity securities - foreign	12,474	-	-
Cash at bank	-	24	748
Currency exposure	<u>12,474</u>	<u>24</u>	<u>748</u>

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If foreign currencies strengthens against United States Dollar by 5%, with all other variables held constant, the Fund's net income/loss before tax for the financial year will increase and weakening of the currencies will result in a decrease of the same as shown below.

	2024 USD	2023 USD
Great Britain Pound	2,713	624
Ringgit Malaysia	13,328	1
Singapore Dollar	-	37
	16,041	662

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'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 fluctuate significantly year-on-year.

Price risk management

Price risk is the risk of unfavourable changes in the value of quoted equity securities as the result of changes in the levels of the equity indices. The price risk exposure arises from the Fund's investments in quoted equity securities. The Manager manages the risk of 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 year 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) USD
2024		
Investments	+5/-5%	25,812/(25,812)
2023		
Investments	+5/-5%	6,416/(6,416)

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.

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For quoted equity securities in general, fair values have been estimated by reference to last done market price quoted on London Stock Exchange, New York Stock Exchange and NASDAQ at end of reporting year.

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.

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 USD	Level 2 USD	Level 3 USD	Total USD
2024				
Financial assets at FVTPL				
Quoted equity securities - foreign	516,234	-	-	516,234
2023				
Financial assets at FVTPL				
Quoted equity securities - foreign	128,328	-	-	128,328

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



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