

Annual Report November 2024

For the Period Ended 30 November 2024

Areca Islamic incomeTRUST Fund

Management Company



200601021087(740840-D)

ANNUAL REPORT NOVEMBER 2024

✧ ARECA Islamic incomeTRUST 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, Menara TH 1 Sentral
Jalan Rakyat, Kuala Lumpur Sentral
P O Box 10192
50706 Kuala Lumpur
Tel: 03-2173 1188, Fax: 03-2173 1288

SHARIAH ADVISER

Amanie Advisors Sdn Bhd
Company No: 200501007003 (684050-H)
Level 13A-2, Menara Tokio Marine Life
189, Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03-2161 0260, Fax: 03-2161 0262

MANAGER'S OFFICE AND BRANCHES

HEAD OFFICE

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

PENANG BRANCH

368-2-02 Bellisa Row
Jalan Burma, Georgetown
10350 Pulau Pinang
Tel : 604-210 2011
Fax: 604-210 2013

IPOH BRANCH

11, Persiaran Greentown 5
Greentown Business Centre
30450 Ipoh, Perak
Tel : 605-249 6697
Fax: 605-249 6696

MALACCA BRANCH

95A, Jalan Melaka Raya 24
Taman Melaka Raya
75000 Melaka
Tel : 606-282 9111
Fax: 606-283 9112

KUCHING BRANCH

1st Floor, Sublot 3
Lot 7998, Block 16
KCLD, Cha Yi Goldland
Jalan Tun Jugah/Stutong
93350 Kuching, Sarawak
Tel : 6082-572 472

JOHOR BRANCH

No 105, Jalan Meranti Merah
Taman Melodies
80250 Johor Bahru
Tel : 607-336 3689

KOTA KINABALU BRANCH

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

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ARECA Islamic incomeTRUST FUND

FUND INFORMATION

Name of the Fund	Areca Islamic incomeTRUST Fund
Fund Category/ Type	Fixed Income (Islamic)/Income
Objective of the Fund	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 Islamic 6-month fixed deposit rate
Distribution Policy of the Fund	Yearly, subject to the availability of realised 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	15 March 2023
Financial Year End	30 November

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FUND PERFORMANCE

	2024	15.03.2023 (launch date) to 30.11.2023	
NET ASSET VALUE ("NAV")			
Net Asset Value (RM million)	11.51	5.20	
Units in circulation (million units)	21.93	10.22	
NAV per unit (RM)	0.5250	0.5094	
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)	0.5250	0.5094	
Lowest NAV per unit (RM)	0.5094	0.5000	
ASSET ALLOCATION % of NAV			
Unquoted Islamic fixed income securities			
Islamic Commercial Paper	8.64	9.58	
Unquoted Sukuk	67.87	69.31	
Liquid assets and other net current assets	23.49	21.11	
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) (%)	1.43	1.24	
<i>Please refer to Note 2 for further information</i>			
Portfolio turnover ratio (PTR) (times)	0.68	1.40	
<i>Please refer to Note 3 for further information</i>			
TOTAL RETURN			
<i>Please refer to Note 4 for further information</i>			
Total Return (%)	3.06	1.88	
- Capital growth (%)	3.06	1.88	
- Income distribution (%)	-	-	
Annual Total Return (%)	3.06	2.65*	
Performance Benchmark (%): Maybank's Islamic 6-month fixed deposit rate	2.84	0.87*	
<i>* Annualised for comparison purpose only</i>			
Total Return since launch (%)	5.00	1.88	
Average Total Return per annum (%)	1-yr 3.06	3-yrs N/A	5-yrs N/A

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ARECA Islamic 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 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 year ended 30th November 2024, the Fund posted an annualised return of 3.06% versus 2.84% for the benchmark, Maybank’s Islamic 6-month fixed deposit rate. The Fund met the objective of short to medium-term preservation of capital, but did not distribute any income in this year.

The Fund has been diversified with a good spread of credit names across various industries, the largest being financials constituting 24.38% of our holdings, followed by cash, 23.70%. From rating perspective, 59.99% of the portfolio is in corporate bonds that are rated AA or better while 32.34% is in short term commercial papers or cash.

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 no 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 Islamic Money Market Instruments with a minimum of 2% of its NAV in Islamic Liquid Assets. The minimum credit rating for Islamic Money Market Instruments and other Fixed Income Securities (other than government and government related securities) that the Fund shall invest in is the credit rating of ‘A3’ by RAM or such equivalent rating by other rating agencies. Notwithstanding the above and subject to the person(s) or members undertaking the oversight function unanimous approval, the Fund may invest up to 25% of its NAV in Fixed Income Securities and Islamic Money Market Instruments 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.

The Fund may take a temporary defensive position, which may be inconsistent with the Fund’s investment strategies and asset allocation, to respond to adverse economic, political or other market conditions by holding up to 100% of the Fund’s NAV in Islamic Liquid Assets.

In general, the temporary defensive positions shall be taken for a period of not more than six (6) months. However, the position could be held for a longer period with the approval from the person(s) or members undertaking the oversight function of the Fund during prolonged adverse market conditions. We will re-align the Fund to its principal investment strategies when market conditions turn for the better.

NAV per unit as at 30 November 2024

RM0.5250

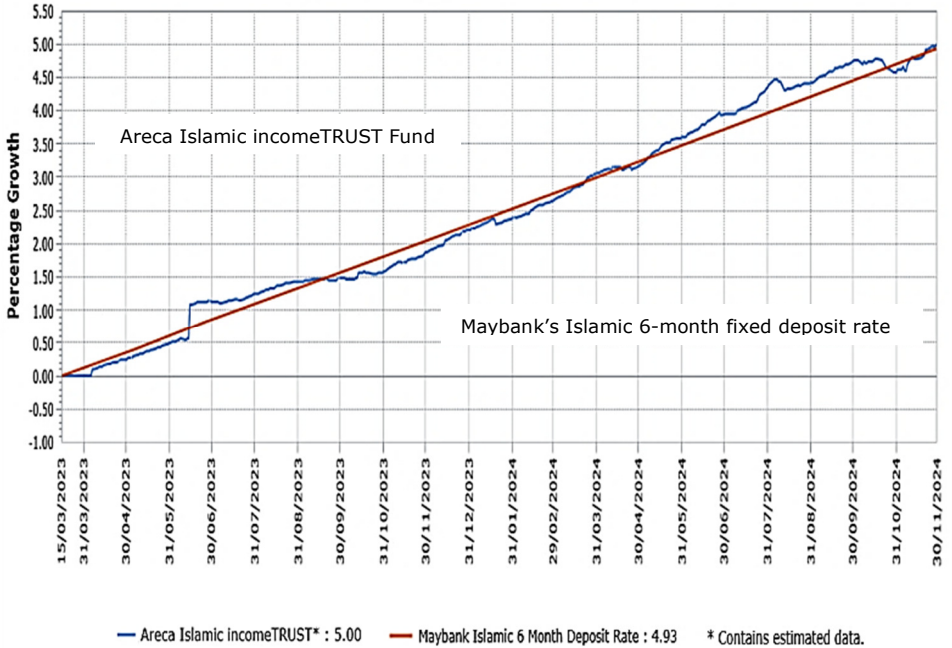
Asset Allocation/Portfolio Composition

	2024	2023
Unquoted Islamic fixed income securities	76.51%	78.89%
Liquid assets and other net current assets	23.49%	21.11%

FUND REVIEW

Performance of Areca Islamic incomeTRUST Fund
for the period since inception to 30 November 2024

Total Return of Areca Islamic incomeTRUST Fund vs Benchmark



Source Lipper

GLOBAL FIXED INCOME MARKET REVIEW AND OUTLOOK

During the financial period under review, the market was volatile again following stronger-than-expected consumer spending and Producer Price Index ("PPI") in January amid sticky inflation numbers and strong job data. The Federal Reserve ("Fed") remained concerned over the lack of progress on inflation and held the view to hold rates steady until there is greater confidence that United States ("US") inflation was moving sustainably towards 2.00%. The 2-Year and 10-Year US Treasuries ("UST") yields spiked up from January to April and declined further to 4.26% and 4.03% respectively in end-July 2024.

In August, UST were stronger across the curve in trading ahead of Fed Chair Powell's speech at the Jackson Hole Symposium, amidst some concerns that the annual payroll figures scheduled for release may see a large downward revision and reignite fears about the general health of the labour market. The Fed cut its Fed funds rate by a massive 50 basis points ("bps") in September followed by another 25 bps in November citing progress on inflation reduction and a balanced assessment of risk as the rationale for the move. However, the UST yield curves experienced a bearish start in an immediate aftermath of the US elections in November. The 10-year UST yield hit its highest level in November at 4.42% but normalised across most tenures as markets recalibrated their expectations. As the Fed continues its easing monetary policy, markets however are now pricing in a slower pace of rate cuts amidst a strong economic backdrop.

Across the globe, central banks continued to lower rates with Bank of England cutting its policy rate by 25 bps in November to 4.75% marking the second decrease since its cutting cycle in August. In United Kingdom ("UK"), headline inflation rose from 1.70% to 2.30% and core inflation was up from 3.20% to 3.30% year-on-year in October. Eurozone's inflation rate accelerated to 2.30% in November (October: 2.00%) with energy and food inflation being the main contributor. However, core inflation was stable keeping rate cut market expectations in line. Despite resilient inflation numbers, investors continue to expect that weak demand in France and Germany will give the European Central Bank enough justification for further rate cuts.

MALAYSIA FIXED INCOME MARKET REVIEW AND OUTLOOK

On the domestic front, Malaysia's headline inflation rate rose to a 10-Month high of 2.00% in May, due largely to higher Housing, Water, Electricity, Gas and Other Fuels ("HWEG") at 3.20%. HWEG inflation has increased to the highest level since September 2022, attributable to higher housing costs and water tariff hikes in several states. In July, the headline inflation remained steady at 2.00%, slightly below consensus forecasts of 2.10%. Core inflation also held steady at 1.90%, the same pace as in June. We expect Malaysia to meet the deficit goal of 4.30% of Gross Domestic Product ("GDP") for 2024, but it is unclear whether it will stick to the medium-term fiscal path of lowering the deficit ratio to below 3.50% in 2025 due to uncertainty on RON95 subsidy rationalisation, higher operating expenditure on civil servant salary increase and whether there are any offsetting revenue measures.

The Budget 2025 which was announced in October continues to set the stage for fiscal consolidation while striking a balance with expansionary policies. The fiscal deficit is expected to narrow to 3.80% of GDP in 2025, down from 4.30% in 2024. From a fixed income perspective, the Budget is also neutral with no major surprises on inflation. We expect no change in the Overnight Policy Rate ("OPR") at 3.00% and on the Monetary Policy Committee ("MPC") statement on policy stance.

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CROSS TRADE

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

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

SECURITIES FINANCING TRANSACTIONS

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

TRUSTEE'S REPORT

To the Unitholders of Areca Islamic incomeTRUST Fund ("Fund")

We have acted as Trustee of the Fund for the financial year ended 30 November 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 deed, securities laws and the Guidelines on Unit Trust Funds;
2. Valuation and pricing is carried out in accordance with the deed; and
3. Any creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement.

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

NORHAZLIANA BINTI MOHAMMED HASHIM
HEAD, UNIT TRUST & CORPORATE OPERATIONS

Kuala Lumpur
21 January 2025

STATEMENT BY MANAGER

To the Unitholders of Areca Islamic incomeTRUST 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 30 November 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
21 January 2025

SHARIAH ADVISER'S REPORT

To the Unitholders of Areca Islamic incomeTRUST Fund ("Fund")

We hereby confirm the following:

1. 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 Shariah principles and requirements and complied with the applicable guidelines, rulings or decisions issued by the Securities Commission Malaysia pertaining to Shariah matters; and
2. The asset of the Fund comprises of instruments that have been classified as Shariah-compliant.

For Amanie Advisors Sdn Bhd

TAN SRI DR MOHD DAUD BAKAR
EXECUTIVE CHAIRMAN

Kuala Lumpur
21 January 2025

**INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF ARECA Islamic incomeTRUST FUND**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **ARECA Islamic incomeTRUST FUND** ("the Fund"), which comprise the statement of financial position as at 30 November 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 15 to 33.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 November 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 report, 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 30 November 2023 were audited by another firm of auditors whose report thereon dated 22 January 2024 expressed an unmodified opinion on those financial statements.

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

MAK WAI KIT
Partner - 03546/12/2026 J
Chartered Accountant

21 January 2025

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ARECA Islamic incomeTRUST FUND

STATEMENT OF FINANCIAL POSITION*As At 30 November 2024*

	Note	2024 RM	2023 RM
Assets			
Investments	5	8,807,897	4,106,311
Cash and cash equivalents	6	<u>2,728,046</u>	<u>1,123,404</u>
Total Assets		<u><u>11,535,943</u></u>	<u><u>5,229,715</u></u>
Unitholders' Fund and Liabilities			
Liabilities			
Other payables and accrued expenses	7	<u>23,425</u>	<u>24,759</u>
Total Liabilities		<u><u>23,425</u></u>	<u><u>24,759</u></u>
Unitholders' Fund			
Unitholders' capital		11,262,314	5,151,000
Retained earnings		<u>250,204</u>	<u>53,956</u>
Net Asset Value Attributable To Unitholders		<u><u>11,512,518</u></u>	<u><u>5,204,956</u></u>
Total Unitholders' Fund And Liabilities		<u><u>11,535,943</u></u>	<u><u>5,229,715</u></u>
Number Of Units In Circulation	8	<u>21,929,869</u>	<u>10,217,390</u>
Net Asset Value Per Unit (RM)		<u><u>0.5250</u></u>	<u><u>0.5094</u></u>

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

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ARECA Islamic incomeTRUST FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*For The Financial Year Ended 30 November 2024*

		2024	Financial period
	Note	RM	from 15.03.2023
			(launch date)
			to 30.11.2023
			RM
Investments Income			
Profit Income		232,790	67,607
Net gain on investments at fair value through profit or loss ("FVTPL")	5	61,637	24,936
Total Investments Income		<u>294,427</u>	<u>92,543</u>
Expenditure			
Management fee	9	68,958	17,402
Trustee's fee	10	6,000	885
Audit fee		9,000	9,000
Tax agent's fee		3,300	3,300
Other expenses		10,921	8,000
Total Expenditure		<u>98,179</u>	<u>38,587</u>
Net Income Before Tax		196,248	53,956
Income Tax Expense	11	-	-
Net Income After Tax And Total Comprehensive Income For The Financial Year/Period		<u>196,248</u>	<u>53,956</u>
Net Income After Tax Is Made Up Of:			
Realised gain		167,071	36,851
Unrealised gain		29,177	17,105
		<u>196,248</u>	<u>53,956</u>

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

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ARECA Islamic income TRUST FUND

STATEMENT OF CHANGES IN NET ASSET VALUE*For The Financial Year Ended 30 November 2024*

	Unitholders' capital RM	Retained earnings RM	Total net asset value RM
Balance as at 15 March 2023 (launch date)	-	-	-
Amounts received from units created	5,151,000	-	5,151,000
Total comprehensive income for the financial period	-	53,956	53,956
Balance as at 30 November 2023	<u>5,151,000</u>	<u>53,956</u>	<u>5,204,956</u>
Balance as at 1 December 2023	5,151,000	53,956	5,204,956
Amounts received from units created	6,361,314	-	6,361,314
Amounts paid for units cancelled	(250,000)	-	(250,000)
Total comprehensive income for the financial year	-	196,248	196,248
Balance as at 30 November 2024	<u>11,262,314</u>	<u>250,204</u>	<u>11,512,518</u>

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

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ARECA Islamic incomeTRUST FUND

STATEMENT OF CASH FLOWS*For The Financial Year Ended 30 November 2024*

		Financial period from 15.03.2023 (launch date) to 30.11.2023	
	Note	2024 RM	RM
Cash Flows From Operating Activities			
Proceeds from maturity of investments		2,400,000	2,341,500
Purchase of investments		(7,013,847)	(6,402,917)
Profit income received		206,688	47,649
Management fee paid		(65,040)	(13,155)
Trustee's fee paid		(3,252)	(673)
Payment for other fees and expenses		(31,221)	-
Net Cash Used In Operating Activities		<u>(4,506,672)</u>	<u>(4,027,596)</u>
Cash Flows From Financing Activities			
Cash proceeds from units created		6,361,314	5,151,000
Payment for cancellation of units		(250,000)	-
Net Cash Generated From Financing Activities		<u>6,111,314</u>	<u>5,151,000</u>
Net Increase In Cash And Cash Equivalents Cash And Cash Equivalents At Beginning Of Year/Launch Date		1,604,642	1,123,404
		<u>1,123,404</u>	-
Cash And Cash Equivalents At The End Of Year/Period		<u><u>2,728,046</u></u>	<u><u>1,123,404</u></u>
Cash And Cash Equivalents Comprise:			
Cash at bank	6	5,893	282
Short-term Islamic deposits	6	2,722,153	1,123,122
		<u><u>2,728,046</u></u>	<u><u>1,123,404</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Areca Islamic incomeTRUST Fund ("the Fund") was established pursuant to the Trust Deed dated 5 September 2022 ("the Deed") 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 Deed, which include Shariah-compliant fixed income securities, Sukuk, Islamic deposits with financial institutions, units or shares in Islamic collective investment schemes and any other form of Shariah-compliant investment as may be agreed upon by the Manager and the Trustee from time to time. The Fund was launched on 15 March 2023 and will continue its operations until terminated by the Trustee in accordance with Part 12 of the Deed.

The investment objective of the Fund is to provide investors with short to medium-term capital preservation and a regular income (income could be in the form of units or cash). 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 21 January 2025.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Adoption of Amendments to MFRSs

The Fund has applied the following relevant Amendments for the first time for the financial year beginning on 1 December 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.

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

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

	Effective for annual periods beginning on or after
MFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 9 <i>Financial Instruments</i> and MFRS 7 <i>Financial Instruments: Disclosures</i>	1 January 2026

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

3 MATERIAL ACCOUNTING POLICIES

Basis of Accounting

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

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

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

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

The principal accounting policies adopted are set out below.

Income Recognition

Profit income from short-term Islamic 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 investment will be reversed and classified as realised gain or loss during the financial year/period.

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

Income Tax

Pursuant to Paragraph 35 and 35A, Schedule 6 of the Income Tax Act 1967, profit 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 year/period following the change of the business model.

Financial Assets

(i) Classification

The Fund classified its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the Fund can make an irrevocable election at the time of initial recognition to account for the equity investment either at fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL").

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Fund commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Impairment of Financial Assets

The Fund assesses at the end of each reporting year/period whether there is any objective evidence that a financial asset is impaired.

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

Derecognition of Financial Assets

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

The effective profit method is a method of calculating the amortised cost of a financial liability and of allocating profit expense over the relevant years. The effective profit 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 profit 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 Islamic fixed income securities are valued at FVTPL and are generally valued by reference to published prices of an approved bond pricing agency ("BPA").

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 year/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.

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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.

5 INVESTMENTS

	2024 RM	2023 RM
Financial assets at FVTPL:		
Unquoted Islamic fixed income securities	8,807,897	4,106,311
		Financial period from 15.03.2023 (launch date) to 30.11.2023
	2024 RM	RM
Net gain on investments at FVTPL comprise:		
Realised gain on disposals	32,460	7,831
Unrealised gain on changes in fair values	29,177	17,105
	<u>61,637</u>	<u>24,936</u>

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Financial assets at fair value through profit or loss as at 30 November 2024 are as follows:

Issuer coupon (%) maturity rating	Nominal value RM	Adjusted Cost RM	Fair Value RM	Fair Value as a % of Net Asset Value %
UNQUOTED ISLAMIC FIXED INCOME SECURITIES				
Islamic Commercial Paper				
Gabungan AQRS Bhd				
30/12/2024 MARC-1 IS	1,000,000	972,575	994,479	8.64
Total Islamic commercial paper		<u>972,575</u>	<u>994,479</u>	8.64
Unquoted Sukuk				
Amanat Lebuhraya Rakyat Bhd				
5.09% 11/10/2030 AAA IS	1,000,000	1,072,754	1,062,764	9.23
Bank Pembangunan Malaysia Bhd				
2.80% 10/10/2025 AAA IS	1,000,000	981,206	996,636	8.66
Bank Simpanan Nasional				
3.82% 05/11/2027 AAA	1,000,000	1,002,407	1,003,047	8.71
GII Murabahah				
4.193% 07/10/2032 NR (LT)	2,000,000	2,071,373	2,065,373	17.94
Hong Leong Islamic Bank Bhd				
4.07% 03/11/2026 AAA	800,000	802,319	807,103	7.01
Korsortium KAJV Sdn Bhd				
5.90% 11/05/2029 AA- IS	400,000	402,059	412,207	3.58
Lebuhraya Duke Fasa 3 Sdn Bhd				
6.23% 21/08/2037 AA- IS	500,000	562,249	559,069	4.86
TG Excellence Bhd				
3.95% 27/02/2120 A IS (CG)	900,000	894,673	907,219	7.88
Total unquoted Sukuk		<u>7,789,040</u>	<u>7,813,418</u>	67.87
Total investments		<u>8,761,615</u>	<u>8,807,897</u>	76.51
Unrealised gain on investments			<u>46,282</u>	

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Financial assets at fair value through profit or loss as at 30 November 2023 are as follows:

Issuer coupon (%) maturity rating	Nominal value RM	Adjusted Cost RM	Fair Value RM	Fair Value as a % of Net Asset Value %
UNQUOTED ISLAMIC FIXED INCOME SECURITIES				
Islamic Commercial Paper				
Gabungan AQRS Bhd 18/12/2023 MARC-1 IS	500,000	497,771	498,706	9.58
Total Islamic commercial paper		<u>497,771</u>	<u>498,706</u>	<u>9.58</u>
Unquoted Sukuk				
Bank Pembangunan Malaysia Bhd 2.80% 10/10/2025 AAA IS	1,000,000	981,435	986,585	18.95
Hong Leong Islamic Bank Bhd 4.07% 03/11/2026 AAA	800,000	802,498	806,314	15.49
Korsortium KAJV Sdn Bhd 5.90% 11/05/2029 AA- IS	400,000	402,059	409,455	7.87
PLUS Malaysia Bhd - Sukuk 4.56% 12/01/2024 AAA IS (S)	500,000	510,770	509,345	9.79
TG Excellence Bhd 3.95% 27/02/2120 A+ IS (CG)	900,000	894,673	895,906	17.21
Total unquoted sukuk		<u>3,591,435</u>	<u>3,607,605</u>	<u>69.31</u>
Total investments		<u>4,089,206</u>	<u>4,106,311</u>	<u>78.89</u>
Unrealised gain on investments			<u>17,105</u>	

6 CASH AND CASH EQUIVALENTS

	2024 RM	2023 RM
Cash at bank	5,893	282
Short-term Islamic deposits	<u>2,722,153</u>	<u>1,123,122</u>
	<u>2,728,046</u>	<u>1,123,404</u>

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

The effective average profit rate for short-term Islamic deposits is 2.90% (2023: 3.00%) per annum and the average maturity period is 6 days (2023: 7 days).

7 OTHER PAYABLES AND ACCRUED EXPENSES

	2024 RM	2023 RM
Accrued expenses:		
Management fee	8,165	4,247
Trustee's fee	2,960	212
Audit fee	9,000	9,000
Tax agent's fee	3,300	3,300
Shariah adviser's fee	-	8,000
	<u>23,425</u>	<u>24,759</u>

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8 NUMBER OF UNITS IN CIRCULATION

	2024	2023
	Units	Units
At beginning of the year/launch date	10,217,390	-
Created during the year/period	12,191,223	10,217,390
Cancelled during the year/period	(478,744)	-
At end of the year/period	<u>21,929,869</u>	<u>10,217,390</u>

9 MANAGEMENT FEE

The Schedule 8 of the Deed 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 1.00% per annum for the financial year.

For the previous period, the management fee provided in the financial statements was 0.50% for the period from 13 June 2023 to 22 June 2023 and 1.00% for the period from 23 June 2023 to 30 November 2023. There was no management fee provided in the financial statements for the period from 15 March 2023 (launch date) to 12 June 2023.

10 TRUSTEE'S FEE

The Schedule 9 of the Deed provides that the Trustee is entitled to an annual Trustee's fee up to 0.05% 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 with minimum fee of RM6,000 per annum for the financial year.

For the previous period, the Trustee's fee provided in the financial statements was 0.05% for the period from 13 June 2023 to 30 November 2023. There was no Trustee's fee provided in the financial statements for the period from 15 March 2023 (launch date) to 12 June 2023.

11 INCOME TAX EXPENSE

There is no income tax expenses for the year/period as profit income derived by the Fund is exempted from tax pursuant to Paragraph 35 and 35A, Schedule 6 of the Income Tax Act 1967. Gains arising from realisation of investments are not treated as income pursuant to Paragraph 61(1)(b) of the Income Tax Act 1967.

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12 TOTAL EXPENSE RATIO AND PORTFOLIO TURNOVER RATIO

Total Expense Ratio (TER)

Total expense ratio for the Fund is 1.43% (2023: 1.24%) for the financial year ended 30 November 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/period is RM6,876,737 (2023: RM3,114,226).

Portfolio Turnover Ratio (PTR)

The portfolio turnover ratio for the Fund is 0.68 times (2023: 1.40 times) for the financial year ended 30 November 2024. The portfolio turnover ratio is derived from the following calculation:

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

where: total acquisition for the financial year/period = RM7,013,847 (2023: RM6,402,917)
total disposal for the financial year/period = RM2,400,000 (2023: RM2,341,500)

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

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

	←-----2024-----→	←-----2023-----→	
	No. of units	RM	No. of units RM
The Manager (The above units are held legally and beneficially)	2,000	1,050	2,000 1,019

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 %
2024		
Hong Leong Bank Bhd	2,091,765	29.61
Malayan Banking Bhd	2,033,088	28.78
Kenanga Investment Bank Bhd	1,940,164	27.46
CIMB Bank Bhd	1,000,000	14.15
	<u>7,065,017</u>	<u>100.00</u>
2023		
Hong Leong Bank Bhd	2,489,134	33.32
Malayan Banking Bhd	2,284,469	30.58
Affin Hwang Investment Bank Bhd	904,172	12.11
Hong Leong Investment Bank Bhd	800,000	10.71
Kenanga Investment Bank Bhd	497,771	6.66
CIMB Bank Bhd	494,329	6.62
	<u>7,469,875</u>	<u>100.00</u>

15 RISK MANAGEMENT POLICIES**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Fund seeks to provide sophisticated investors with a stable stream of consistent income while maintaining capital stability by investing in unquoted Islamic fixed income securities with medium to long-term investment horizon. 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 profit rate risk and price risk) primarily on its investments, capital risk and reclassification of Shariah status risk.

Categories of Financial Instruments

	2024 RM	2023 RM
Financial assets		
Carried at FVTPL:		
Investments	<u>8,807,897</u>	<u>4,106,311</u>
Amortised cost:		
Cash and cash equivalents	<u>2,728,046</u>	<u>1,123,404</u>
Financial liabilities		
Amortised cost:		
Other payables and accrued expenses	<u>23,425</u>	<u>24,759</u>

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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 profit, principal and proceeds from realisation of Shariah-compliant 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 30 November 2024.

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

The Fund invests only in unquoted Islamic 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 Islamic fixed income securities by rating categories:

Credit Rating	Fair Value RM	As a % of unquoted Islamic fixed income securities %	As a % of NAV %
2024			
Unquoted Islamic fixed income securities			
AAA IS	2,059,400	23.38	17.89
AAA	1,810,150	20.55	15.72
AA- IS	971,276	11.03	8.44
A IS (CG)	907,219	10.30	7.88
MARC-1 IS	994,479	11.29	8.64
NR (LT)	2,065,373	23.45	17.94
	<u>8,807,897</u>	<u>100.00</u>	<u>76.51</u>
2023			
Unquoted Islamic fixed income securities			
AAA IS	986,585	24.03	18.95
AAA IS (S)	509,345	12.40	9.79
AAA	806,314	19.64	15.49
AA- IS	409,455	9.97	7.87
A+ IS (CG)	895,906	21.82	17.21
MARC-1 IS	498,706	12.14	9.58
	<u>4,106,311</u>	<u>100.00</u>	<u>78.89</u>

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

	Short-term Islamic deposits RM	Unquoted Islamic fixed income securities RM
2024		
Industry		
Civil/Engineering	-	412,207
Construction and property development	-	2,616,312
Financial, insurance and business services	2,722,153	3,714,005
Government and other services	-	2,065,373
	<u>2,722,153</u>	<u>8,807,897</u>
2023		
Industry		
Civil/Engineering	-	409,455
Construction and property development	-	1,008,051
Financial, insurance and business services	1,123,122	2,688,805
	<u>1,123,122</u>	<u>4,106,311</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 Shariah-compliant 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 profit rates and market prices.

During the financial year/period, as the Fund invests in unquoted Islamic fixed income securities, the performance of the Fund might go up or down in accordance with the prevailing market risk of Malaysia.

Profit rate risk management

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rate. The Fund is not exposed to profit rate risk through the impact of market profit rate changes as the profit rate on unquoted Islamic fixed income securities are fixed on the inception. The Fund is not exposed to any significant profit rate risk as the Fund's short-term Islamic deposits and cash at bank have fixed profit rates.

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

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Price risk management

Price risk is the risk of unfavourable changes in the fair value of unquoted Islamic fixed income securities as the result of changes in the levels of the equity indices and the value of individual securities. The price risk exposure arises from the Fund's investment in unquoted Islamic fixed income 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) RM
2024		
Investments	+5/-5%	<u>440,395/(440,395)</u>
2023		
Investments	+5/-5%	<u>205,316/(205,316)</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 Shariah-compliant investment activities of the Fund.

Reclassification of Shariah status risk

This risk refers to the risk that the currently held Shariah-compliant investments in the portfolio of Shariah-compliant funds may be reclassified to be Shariah non-compliant in the periodic review of the securities by the Shariah Advisory Council of the Securities Commission Malaysia, the Shariah Advisory Council of Bank Negara Malaysia or the relevant Shariah Supervisory Board of an approved Islamic Index. If this occurs, the Manager will take the necessary steps to dispose of such Shariah-compliant securities.

There may be opportunity loss to the Fund due to the Fund not being allowed to retain the excess capital gains derived from the disposal of the Shariah non-compliant securities. The value of the Fund may also adversely affected in the event of a disposal of Shariah-non compliant securities at a price lower than the investment cost.

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 Islamic fixed income securities are valued using fair value prices quoted by a bond pricing agency ("BPA"). When no market price is available or during abnormal market or when the Manager is of the view that the price quoted by BPA for a specific bond differs from the market price by more than 20 basis points, the Manager will separately assess the security to determine the price valuation, and the Manager will record the valuation basis and obtain the necessary internal approvals for using the non-BPA price.

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For deposits and placements with financial institutions with maturities of less than twelve months, the carrying value is 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 RM	Level 2 RM	Level 3 RM	Total RM
2024				
Financial assets at FVTPL				
Unquoted Islamic fixed income securities	-	8,807,897	-	8,807,897
2023				
Financial assets at FVTPL				
Unquoted Islamic fixed income securities	-	4,106,311	-	4,106,311

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

18 COMPARATIVE FIGURES

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

	2023 RM	Reclassification RM	2023 RM
Statement of financial position			
Assets			
Financial assets at fair value through profit or loss	4,106,311	(4,106,311)	-
Investments	-	4,106,311	4,106,311
Liabilities			
Amount due to Manager – Management fee	4,247	(4,247)	-
Amount due to Trustee	212	(212)	-
Other payables and accruals	20,300	(20,300)	-
Other payables and accrued expenses	-	24,759	24,759



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