

Semi-Annual Report May 2024

For the Period Ended 31 May 2024

Areca Islamic incomeTRUST Fund

Management Company



200601021087(740840-D)

SEMI-ANNUAL REPORT MAY 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, 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 Belissa Row
Jalan Burma, Georgetown
10350 Pulau Pinang
Tel : 604-210 2011
Fax: 604-210 2013

IPOH BRANCH

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

MALACCA BRANCH

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

KUCHING BRANCH

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

JOHOR BRANCH

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

KOTA KINABALU BRANCH

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

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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>We 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 shall not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commissions. <p>The soft commissions may be in the form of goods and services such as data and quotation services, computer software incidental to the management of the Fund and investment related publications. Cash rebates, if any, will be directed to the account of the Fund. During the period under review, the Manager had not received any soft commissions.</p>
Inception Date	15 March 2023
Initial Offer Price	RM0.5000 per unit during the initial offer period of 21 days from the date of the Prospectus.
Pricing Policy	Single Pricing – Selling and repurchase of units by Manager are at Net Asset Value per unit
Financial Year End	30 November

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FUND PERFORMANCE

**01.12.2023
to 31.05.2024**

NET ASSET VALUE ("NAV")

Net Asset Value (RM million)	6.30
Units in circulation (million units)	12.16
NAV per unit (RM)	0.5180

HIGHEST & LOWEST NAV per unit

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

Highest NAV per unit (RM)	0.5180
Lowest NAV per unit (RM)	0.5094

ASSET ALLOCATION % of NAV

Unquoted fixed income securities

Islamic Commercial Paper	15.71
Unquoted Sukuk	74.95

Liquid assets and other net current assets

9.34

DISTRIBUTION

There was no distribution for the financial period under review.

UNIT SPLIT

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

EXPENSE/TURNOVER

Total expense ratio (TER) (%)	0.71
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*Please refer to **Note 2** for further information*

Portfolio turnover ratio (PTR) (times)	0.39
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*Please refer to **Note 3** for further information*

TOTAL RETURN

*Please refer to **Note 4** for further information*

Total Return (%)	1.69
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- Capital growth (%)	1.69
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- Income distribution (%)	-
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Annual Total Return (%)	3.40*
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Performance Benchmark: Maybank's Islamic 6-month fixed deposit rate	2.83*
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* Annualised for comparison purpose only

Total Return since launch (%)	3.60
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	1-yr	3-yrs	5-yrs
Average Total Return per annum	3.08	N/A	N/A

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NOTES:

Note 1: *Selling of units by the Management Company (i.e. when you purchase units and invests in the Fund) and redemption of units by the Management Company (i.e. when you redeem your units and liquidate your investments) will be carried out at NAV per unit (the actual value of a unit). The entry/exit fee (if any) would be computed separately based on your net investment/liquidation amount.*

Note 2: *TER is calculated based on the total fees and expenses incurred by the Fund, divided by the average net asset value calculated on a daily basis.*

Note 3: *PTR is computed based on the average of the total acquisitions and total disposals of the investment securities of the Fund, divided by the average net asset value calculated on a daily basis.*

Note 4: *Fund performance figures are calculated based on NAV to NAV and assume reinvestment of distributions (if any) at NAV. The total return and the benchmark data are sourced from Lipper.*

The abovementioned performance computations have been adjusted to reflect distribution payments and unit splits wherever applicable.

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

FUND REVIEW

For the period ended 31st May 2024, the Fund posted an annualised return of 3.40% versus 2.83% annualised 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 period.

The Fund has been diversified with a good spread of credit names across various industries, the largest being industrials constituting 29.90% of our holdings, followed by financial, 28.40%. From rating perspective, 76.40% of the portfolio is in corporate bonds that are rated AA or better.

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

Investment Policy and Strategy

The Fund may invest up to 98% of its NAV in Fixed Income Securities and 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 31 May 2024

RM0.5180

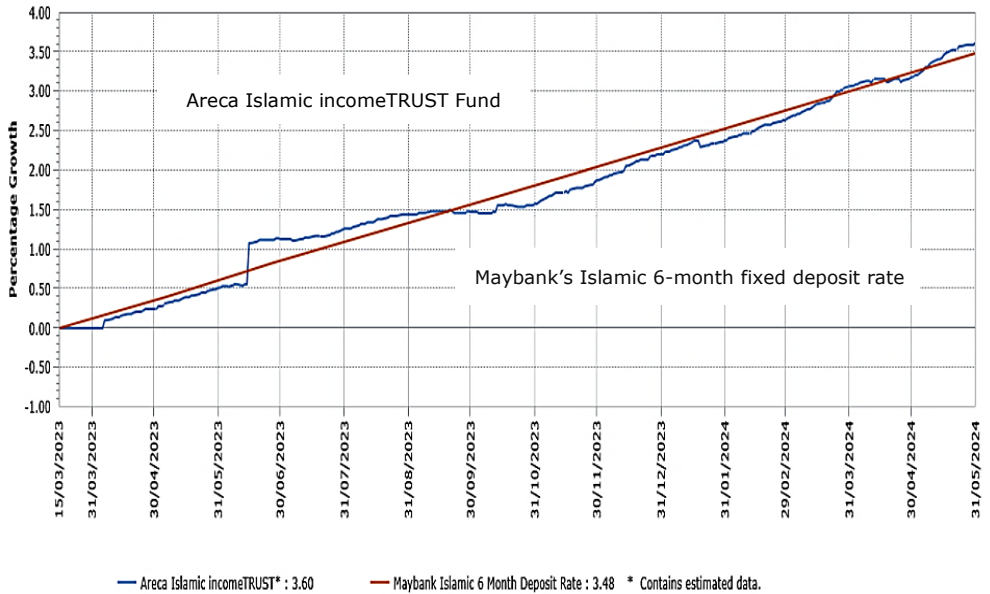
Asset Allocation/Portfolio Composition

	2024
Unquoted fixed income securities	90.66%
Liquid assets and other net current assets	9.34%

FUND REVIEW

Performance of Areca Islamic incomeTRUST Fund
for the period since inception to 31 May 2024

Total Return of Areca Islamic incomeTRUST Fund vs Benchmark



Source Lipper

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GLOBAL FIXED INCOME MARKET REVIEW AND OUTLOOK

Concerns for persistent inflation and reversal of monetary policy had been the key dominating impacts driving global market sentiment. During the review period, the United States ("US") Federal Reserve ("Fed") continued to hold interest rate steady after its last hike in July 2023 raising rate to 5.25%-5.50%. Nonetheless, the US Fed maintained its overall guidance for the US economic outlook on the soft-landing course with projected interest rate cut of approximately 75 basis points ("bps") by the end of 2024. The US Treasury yields rose consistently across the curve; 2-year, 10-year, and 30-year Treasury yields shifted 15-18 bps higher to 4.88%, 4.50%, and 4.65% respectively, whereas 5-year edged 26 bps to 4.51%. The inversion of yield curve over the 10y versus 2y stayed within range of 30-40 bps.

Benchmark	30-Nov-23	31-May-24	Changes (bps)
UST 2y	4.70%	4.88%	18
UST 5y	4.25%	4.51%	26
UST 10y	4.32%	4.50%	18
UST 30y	4.50%	4.65%	15

In May 2024, the US' headline inflation eased marginally to 3.30% Year-on-Year ("Y-o-Y") (April 2024: 3.40% Y-o-Y) over the year after easing from the peak of 9.10% Y-o-Y in June 2022. With disinflation trend likely gaining dominance as a theme of 2024, some major central banks including the US Fed are expected to tilt into a rate cutting policy as growth softens moderately. Moving forward, the policymakers anticipated a lower interest rate range of 4.50%-4.75% for 2024 amidst growing economic risks.

During the review period, the European Central Bank ("ECB") maintained its interest rate at 4.50%. In May 2024, Eurozone's headline inflation rose to 2.60% Y-o-Y, up from 2.40% Y-o-Y in April, whereas core inflation rebounded to 2.90% Y-o-Y from 2.70% Y-o-Y previously. Despite the modest increase in services sector, Eurozone's inflation risk remains tilted to the downside with pressures from geopolitical tensions being contained so far. ECB's rate cuts remain in view amidst the inflation progress. Meanwhile, the Bank of England ("BOE") continued to keep its key interest rates unchanged at 5.25% during the period. In May 2024, Britain's headline inflation fell to 2.00% Y-o-Y from 2.30% Y-o-Y in April. Meanwhile, core inflation declined to 3.50% Y-o-Y in May from 3.90% Y-o-Y.

MALAYSIA FIXED INCOME MARKET REVIEW AND OUTLOOK

During the review period, Bank Negara Malaysia ("BNM") maintained its Overnight Policy Rate ("OPR") at 3.00% on the back of moderating inflation trend and resilient growth. Looking ahead, Malaysian inflation outlook is expected to stay manageable. While rising inflation risks could stem from renewed pressures from the implementation of subsidy reforms, we do not expect inflation to be substantially derailed from the long-run annual forecast of 2.00%-3.50% Y-o-Y. We expect Bank Negara Malaysia to keep interest rate steady at 3.00% throughout 2024.

The Malaysian Government Securities ("MGS") yields ended mixed between -9 bps to +9 bps as 3-year, 5-year, 7-year, 10-year, and 30-year MGS benchmark yields ended at 3.58%, 3.69%, 3.85%, 3.91%, and 4.21% respectively.

Benchmark	30-Nov-23	31-May-24	Changes (bps)
MGS 3y	3.51%	3.58%	7
MGS 5y	3.67%	3.69%	2
MGS 7y	3.83%	3.85%	2
MGS 10y	3.82%	3.91%	9
MGS 20y	4.18%	4.13%	-5
MGS 30y	4.30%	4.21%	-9

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For the first quarter of 2024, Malaysian Gross Domestic Product ("GDP") growth accelerated to 4.20% Y-o-Y from the previous quarter of 2.90% Y-o-Y. The faster pace of growth was mainly underpinned by improvement in domestic demand and smaller drag from net exports. Malaysian economy is expected to gain further traction for the remaining of the year premised on stable domestic demand coupled with continuous recovery in external demand.

The headline Consumer Price Index ("CPI") was printed at 1.80% Y-o-Y in April 2024, unchanged since February 2024. However, core inflation rose to 1.90% Y-o-Y in April 2024 from 1.70% Y-o-Y previous month, mainly driven by services sectors. Nonetheless, we do not view the recent rise in core CPI as any cause for concern where inflation outlook is expected to stay contained in the region of 2.00%-3.50% Y-o-Y with the impacts from the roll-out of subsidy reforms anticipated to be manageable going forward.

We expect stable economic growth coupled with moderate inflation risks despite the ongoing subsidy rationalisation programme to be supportive of our view for Overnight Policy Rate to remain unchanged at 3.00% for the year.

CROSS TRADE

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

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

SECURITIES FINANCING TRANSACTIONS

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

STATE OF AFFAIRS

There has been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unitholders during the financial period under review.

TRUSTEE'S REPORT

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

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

1. Limitations imposed on the investment powers of the management company under the deed, securities laws and 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
[Company No: 196301000109 (5004-P)]

NORHAZLIANA BINTI MOHAMMED HASHIM
HEAD, UNIT TRUST & CORPORATE OPERATIONS

Kuala Lumpur
25 July 2024

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 unaudited financial statements are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Fund as at 31 May 2024 and the financial performance and the cash flows of the Fund for the financial period ended on that date.

For and on behalf of the Manager
Areca Capital Sdn Bhd

WONG TECK MENG
CEO/EXECUTIVE DIRECTOR

EDWARD ISKANDAR TOH BIN ABDULLAH
CIO/EXECUTIVE DIRECTOR

Kuala Lumpur
25 July 2024

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 period covered by these unaudited 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
25 July 2024

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UNAUDITED STATEMENT OF FINANCIAL POSITION

As At 31 May 2024

	Note	31.05.2024 RM
Assets		
Investments	5	5,710,282
Cash and cash equivalents	6	592,108
Profit receivables		<u>31,907</u>
Total Assets		<u>6,334,297</u>
 Unitholders' Fund And Liabilities		
Liabilities		
Other payables and accrued expenses	7	<u>36,053</u>
Total Liabilities		<u>36,053</u>
 Unitholders' Fund		
Unitholders' capital		6,151,000
Retained earnings		<u>147,244</u>
Net Asset Value Attributable To Unitholders		<u>6,298,244</u>
 Total Unitholders' Fund And Liabilities		<u>6,334,297</u>
 Number Of Units In Circulation	 8	 <u><u>12,157,630</u></u>
Net Asset Value Per Unit (RM)		<u><u>0.5180</u></u>

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

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UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Period Ended 31 May 2024

	Note	01.12.2023 to 31.05.2024 RM
Investments Income		
Profit income		91,150
Net gain on investments at fair value through profit or loss ("FVTPL")	5	<u>41,657</u>
Total Investments Income		<u>132,807</u>
Expenditure		
Management fee	9	27,901
Trustee's fee	10	1,395
Audit fee		4,500
Tax agent's fee		1,650
Other expenses		<u>4,073</u>
Total Expenditure		<u>39,519</u>
Net Income Before Tax		93,288
Income Tax Expense	11	<u>-</u>
Net Income After Tax And Total Comprehensive Income For The Financial Period		<u><u>93,288</u></u>
Net Income After Tax Is Made Up Of:		
Realised gain		51,680
Unrealised gain		<u>41,608</u>
		<u>93,288</u>

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

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UNAUDITED STATEMENT OF CHANGES IN NET ASSET VALUE

For The Financial Period Ended 31 May 2024

	Unitholders' capital RM	Retained earnings RM	Total net asset value RM
Balance as at 1 December 2023	5,151,000	53,956	5,204,956
Amounts received from units created	1,000,000	-	1,000,000
Total comprehensive income for the financial period	-	93,288	93,288
Balance as at 31 May 2024	<u>6,151,000</u>	<u>147,244</u>	<u>6,298,244</u>

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

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UNAUDITED STATEMENT OF CASH FLOWS

For The Financial Period Ended 31 May 2024

	Note	01.12.2023 to 31.05.2024 RM
Cash Flows From Operating Activities		
Proceeds from maturity of investments		1,400,000
Purchase of investments		(2,987,384)
Profit income received		84,313
Management fee paid		(26,808)
Trustee's fee paid		(1,340)
Payment for other fees and expenses		(77)
Net Cash Used In Operating Activities		<u>(1,531,296)</u>
Cash Flows From Financing Activities		
Cash proceeds from units created		<u>1,000,000</u>
Net Cash Generated From Financing Activities		<u>1,000,000</u>
Net Decrease In Cash And Cash Equivalents		(531,296)
Cash And Cash Equivalents At Beginning Of Period		<u>1,123,404</u>
Cash And Cash Equivalents At End Of Period		<u><u>592,108</u></u>
Cash And Cash Equivalents Comprise:		
Cash at bank	6	4,244
Short-term Islamic deposits	6	587,864
		<u><u>592,108</u></u>

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

NOTES TO THE UNAUDITED 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 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 commenced operations on 15 March 2023 and will continue its operations until terminated by the Trustee in accordance with Part 12 of the Deed.

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

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

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

Adoption of Amendments to MFRSs

The Fund has applied the following relevant Amendments for the first time for the financial period 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.

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

At the date of authorisation for issue of these financial statements, relevant new MFRSs and revised 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
MFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027

The Manager of the Fund anticipates that the abovementioned new MFRSs and Amendments to MFRSs will be adopted in the annual financial statements of the Fund when they become effective and that the adoption of this 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. 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 and unquoted fixed income securities are recognised on an accrual basis based on the effective yield of the asset.

Realised gain and loss on disposal of investments is arrived based on net sales proceeds less carrying value. Any unrealised gain and loss previously charged to profit and loss in relation to the disposal of this investment will be reversed and classified as realised gain or loss during the financial period.

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

Income Tax

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

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

Functional and Presentation Currency

The financial statements are measured using the currency of the primary economic environment in which the Fund operates ("functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also its functional currency.

Unitholders' Capital

The unitholders' contributions to the Fund meet the definition of puttable instruments classified as equity instruments.

The units in the Fund are puttable instruments which entitle the unitholders to a pro-rata share of the net asset value of the Fund. The units are subordinated and have identical features. There is no contractual obligation to deliver cash or another financial asset other than the obligation on the Fund to repurchase the units. The total expected cash flows from the units in the Fund over the life of the units are based on the change in the net asset value of the Fund.

Creation and Cancellation of Units

The Fund issues cancellable units, which are cancelled at the unitholders' option and are classified as equity. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The outstanding units are carried at the redemption amount that is payable at the net asset value if the holder exercises the right to put the units back to the Fund.

Units are created and cancelled at the unitholders' option at prices based on the Fund's net asset value per unit at the time of creation or cancellation. The Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units.

Financial Instruments

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Fund changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Financial Assets

(i) Classification

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

Impairment of Financial Assets

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

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

Derecognition of Financial Assets

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

Equity Instruments

The Fund measures its equity investments at fair value with gains or losses on valuation recognised in profit or loss unless 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.

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

Investments

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

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 and loss.

Gains or losses arising from the changes in the valuation of financial instruments at the end of the reporting period are recognised as unrealised gains or losses in the profit or loss.

Provisions

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

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

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

** For the purposes of this Fund, the term 'interest' refers to 'profits' and/or earnings derived from Shariah-compliant investments and does not imply that the Fund is investing in Shariah Non-Compliant securities or activities.*

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.

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(ii) **Key sources of estimation uncertainty**

The Manager believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

5 INVESTMENTS

	2024 RM
Financial assets at FVTPL:	
Unquoted fixed income securities	<u>5,710,282</u>
	<u>5,710,282</u>
Net gain on investments at FVTPL comprise:	
Realised gain on disposals	49
Unrealised gain on changes in fair value	<u>41,608</u>
	<u>41,657</u>

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

Issuer coupon (%) maturity rating	Nominal value RM	Aggregate Cost RM	Fair Value RM	Fair Value as a % of Net Asset Value %
UNQUOTED FIXED INCOME SECURITIES				
Islamic Commercial Paper				
Gabungan AQRS Bhd				
19/07/2024 MARC-1 IS	1,000,000	967,589	989,493	15.71
Total Islamic commercial papers		<u>967,589</u>	<u>989,493</u>	<u>15.71</u>
Unquoted Sukuk				
Amanat Lebuhraya Rakyat Bhd				
5.09% 11/10/2030 AAA IS	1,000,000	1,066,200	1,063,960	16.89
Bank Pembangunan Malaysia Bhd				
2.80% 10/10/2025 AAA IS	1,000,000	977,600	988,300	15.69
Hong Leong Islamic Bank Bhd				
4.07% 03/11/2026 AAA	800,000	800,000	806,752	12.81
Korsortium KAJV Sdn Bhd				
5.90% 11/05/2029 AA- IS	400,000	400,960	410,448	6.52
Lebuhraya Duke Fasa 3 Sdn Bhd				
6.23% 21/08/2037 AA- IS	500,000	553,800	557,935	8.86
TG Excellence Bhd				
3.95% 27/02/2120 A IS (CG)	900,000	885,420	893,394	14.18
Total unquoted Sukuk		<u>4,683,980</u>	<u>4,720,789</u>	<u>74.95</u>
Total unquoted fixed income securities		<u>5,651,569</u>	<u>5,710,282</u>	<u>90.66</u>
Unrealised gain on unquoted fixed income securities			<u>58,713</u>	

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6 CASH AND CASH EQUIVALENTS

	2024
	RM
Cash at bank	4,244
Short-term Islamic deposits	<u>587,864</u>
	<u><u>592,108</u></u>

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

The effective average profit rate for short-term Islamic deposits is 2.78% per annum and the average maturity period is 4 days.

7 OTHER PAYABLES AND ACCRUED EXPENSES

	2024
	RM
Accrued expenses:	
Management fee	5,340
Trustee's fee	267
Audit fee	13,500
Tax agent's fee	4,950
Shariah adviser's fee	<u>11,996</u>
	<u><u>36,053</u></u>

8 NUMBER OF UNITS IN CIRCULATION

	2024
	Units
At the beginning of the period	10,217,390
Created during the period	<u>1,940,240</u>
At end of the period	<u><u>12,157,630</u></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 period.

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 is 0.05% per annum for the financial period.

11 INCOME TAX EXPENSE

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

12 TOTAL EXPENSE RATIO AND PORTFOLIO TURNOVER RATIO

Total Expense Ratio (TER)

Total expense ratio for the Fund is 0.71% for the financial period ended 31 May 2024. The total expense ratio which includes management fee, trustee's fee, audit fee, tax agent's fee and other expenses, is calculated as follows:

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

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

The average net asset value of the Fund for the financial period is RM5,564,757.

Portfolio Turnover Ratio (PTR)

The portfolio turnover ratio for the Fund is 0.39 times for the financial period ended 31 May 2024. The portfolio turnover ratio is derived from the following calculation:

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

Where:	total acquisition for the financial period	=	RM2,987,384
	total disposal for the financial period	=	RM1,400,000

13 UNITS HELD BY THE MANAGER AND RELATED PARTIES

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

	←-----2024-----→	
	No. of units	RM
The Manager	<u>2,000</u>	<u>1,036</u>
	<u>2,000</u>	<u>1,036</u>

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.

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14 TRADE WITH BROKERS/DEALERS

Details of transactions with brokers/dealers are as follows:

Brokers/Dealers	Value of Trades RM	% of Total Trades %	Fees RM	% of Total Brokerage Fee %
2024				
Malayan Banking Bhd	2,433,088	55.29	-	-
Kenanga Investment Bank Bhd	1,467,589	33.35	-	-
Affin Hwang Investment Bank Bhd	500,000	11.36	-	-
	<u>4,400,677</u>	<u>100.00</u>	<u>-</u>	<u>-</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 fixed income investments 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 interest rate risk and price risk) primarily on its investments, capital risk and reclassification of Shariah status risk.

Categories of Financial Instruments

	2024 RM
Financial assets	
Carried at FVTPL:	
Investments	<u>5,710,282</u>
Financial assets	
Amortised costs:	
Cash and cash equivalents	592,108
Profit receivables	<u>31,907</u>
Financial liabilities	
Amortised cost:	
Other payables and accrued expenses	<u>36,053</u>

Credit risk management

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

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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 May 2024.

The Fund invests only in unquoted fixed income securities of at least investment grade as rated by a credit rating agency at inception. The following table set out the Fund's portfolio of unquoted fixed income securities by rating categories:

Credit Rating	Fair Value RM	As a % of unquoted fixed income securities %	As a % of NAV %
2024			
Unquoted Sukuk			
AAA IS	2,052,260	35.94	32.58
AAA	806,752	14.13	12.81
AA- IS	968,383	16.96	15.38
A IS (CG)	893,394	15.64	14.18
Islamic Commercial Paper			
MARC-1 IS	989,493	17.33	15.71
	5,710,282	100.00	90.66

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

Industry	Short-term Islamic deposits RM	Unquoted fixed income securities RM
2024		
Industry		
Civil/Engineering	-	410,448
Construction and property development	-	2,611,388
Finance, insurance and business services	587,864	2,688,446
	587,864	5,710,282

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 maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of unit by unitholders. Liquid assets comprise cash at bank and short-term Islamic deposits which are capable of being converted into cash within 7 days.

All financial liabilities of the Fund are expected to due within one year from the date of the statement of financial position and do not carry interest rate risk

Market risk management

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

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

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Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Fund is not exposed to interest rate risk through the impact of market interest rate changes as the interest rates on unquoted fixed income securities are fixed on the inception. The Fund's short-term Islamic deposits and cash at bank earn profit at floating rates but is not exposed to any significant interest rate risk as the floating rates, represented by overnight cash rates, do not fluctuate significantly period-on-period.

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

Price risk management

Price risk is the risk of unfavourable changes in the fair value of unquoted fixed income securities 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 fixed income securities.

Price risk sensitivity

The Manager's best estimate of the effect on the income for the period due to a reasonably possible change in price, with all other variables held constant is indicated in the table below:

	Changes in price %	Effect on profit or loss Increase/(Decrease) RM
2024		
Investments	+5/-5%	<u>285,514/(285,514)</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.

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16 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions.

Unquoted fixed income securities are valued using fair value prices quoted by a bond pricing agency ("BPA"). When no market prices are available or during abnormal market or when the Manager is of the view that the price quoted by BPA for a specific bond differs from the market price by more than 20 basis points. The Manager may use the market price, provided that the Manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price, and keeps an audit trail of all decisions and basis for adopting the use of non-BPA price.

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 RM	Level 2 RM	Level 3 RM	Total RM
2024				
Financial assets at FVTPL				
Unquoted fixed income securities	-	5,710,282	-	5,710,282

There were no transfer between Level 1, 2 and 3 during the financial period.

17 COMPARATIVE FIGURE

There are no comparative figures as this is the Fund's first set of semi-annual financial statements.



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