

# Hong Leong Dana Maa'rof

**Annual Report**

Financial Year Ended 30 June 2023

**2022/2023**

Audited



# Hong Leong Dana Ma'rof

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# Manager's Review and Report

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## I. FUND INFORMATION

### **Fund Name**

Hong Leong Dana Maa'rof

### **Fund Category**

Islamic Balanced

### **Fund Type**

Growth & Income

### **Investment Objective**

The Fund is primarily\* an Islamic balanced fund which seeks to achieve not only regular income\*\* but also meaningful\*\*\* Medium-To-Long Term^ capital growth. The Fund provides the public an affordable access into a diversified investment portfolio containing a 'balanced' mixture of equities and fixed income securities that comply with the Shariah requirements.

### **Duration of the Fund and its termination date, where applicable**

Not Applicable

### **Benchmark**

3-Month KLIBOR (40% weightage) and the FTSE Bursa Malaysia Emas Shariah Index (60% weightage)

### **Distribution Policy**

The Fund intends to provide regular income\*\* and consistent Long-Term^ capital growth. As such, regular income returns will be declared on a best effort basis, depending on market conditions and the performance of the Fund.

Notes:

\* The Fund will generally maintain its asset allocation as an Islamic balanced fund at all times.

\*\* Income may be distributed in the form of cash and/or units.

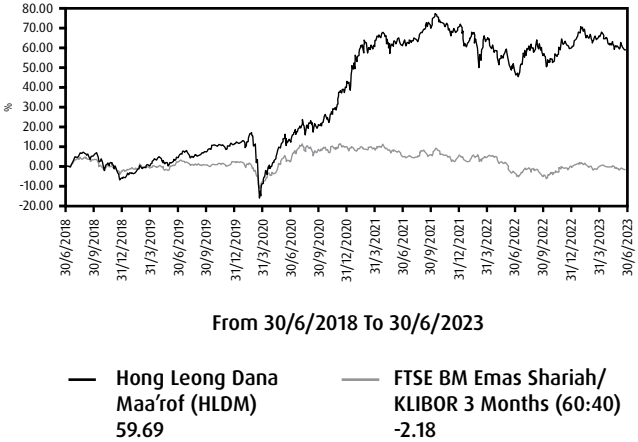
\*\*\* Please take note that the Fund aims to provide sustainable risk-adjusted returns in the form of capital growth and income in accordance with the performance benchmark and distribution policy of the Fund, although this is not guaranteed.

^ Medium-To-Long Term refers to a period of 3 to 5 years.

α Long-Term refers to a period of above 5 years.

## II. FUND PERFORMANCE

**Chart 1: Performance of the Fund versus the benchmark covering the last five financial years**



Source: Lipper for Investment Management, In Malaysian Ringgit terms, ex-distribution, NAV Per Unit-to-NAV Per Unit basis with gross income (if any) from HLDLM2 reinvested.

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

### Performance Review

This Annual Report covers the twelve-month financial year from 1 July 2022 to 30 June 2023.

For the financial year under review, the Fund posted a return of 6.42% per annum (p.a.) (based on NAV-to-NAV Per Unit basis with gross income (if any) reinvested) in the past twelve months while its benchmark the FTSE BM Emas Shariah/KLIBOR 3-Month Index (60:40) registered a return of 0.95% p.a. During the financial year under review, the Fund had distributed gross income distributions of 0.80 sen per unit (net income distribution of 0.80 sen per unit) on 21 July 2022, 0.70 sen

per unit (net income distribution of 0.70 sen per unit) on 17 October 2022, 0.70 sen per unit (net income distribution of 0.70 sen per unit) on 13 January 2023 and 0.70 sen per unit (net income distribution of 0.70 sen per unit) on 17 April 2023. Prior to the income distributions, the cum-distribution net asset values (NAV) per unit of the Fund were RM0.5212, RM0.5132, RM0.5499 and RM0.5528 while the ex-distribution NAV per unit were RM0.5132, RM0.5062, RM0.5429 and RM0.5458 respectively. Unit holders should note that income distributions have the effect of reducing the NAV per unit of the Fund after distributions.

For the five financial years ended 30 June 2023, the Fund registered cumulative returns of 59.69% compared to the benchmark's cumulative return of -2.18%. The Fund had distributed a cumulative total gross income of 14.60 sen per unit (net income of 14.60 sen per unit).

**Table 1: Performance of the Fund for the following periods as at 30 June 2023 (Source: Lipper for Investment Management)**

	31/03/23- 30/06/23	31/12/22- 30/06/23	30/06/22- 30/06/23	30/06/20- 30/06/23	30/06/18- 30/06/23	30/06/13- 30/06/23	25/03/03- 30/06/23 Since Launch
	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	
HLDM2 (%)	-3.26	-0.26	6.42	42.54	59.69	85.41	340.91
Benchmark (%)	-1.35	-2.19	0.95	-5.01	-2.18	4.35	121.54

**Table 2: Return of the Fund based on NAV Per Unit-to-NAV Per Unit basis for the period 30 June 2022 to 30 June 2023 (Source: Lipper for Investment Management)**

	30-Jun-23	30-Jun-22	Return (%)
NAV Per Unit	RM0.5217	RM0.5178	6.42#
Benchmark	199.58	197.70	0.95
<b>vs Benchmark (%)</b>	-	-	5.47

# Return is calculated after adjusting for income distributions during the period under review.

**Table 3: Financial Highlights**

The Net Asset Value attributable to unit holders is represented by:

	<b>30-Jun-23</b> <b>(RM)</b>	<b>30-Jun-22</b> <b>(RM)</b>	<b>Change</b> <b>(%)</b>
Unit Holders' Capital	<b>69,665,327</b>	35,454,815	96.49
Retained Earnings	<b>6,902,346</b>	6,639,476	3.96
<b>Net Asset Value</b>	<b>76,567,673</b>	42,094,291	81.90
<b>Units in Circulation</b>	<b>146,753,379</b>	81,296,038	80.52

**Table 4: The Highest and Lowest NAV Per Unit, Total Return of the Fund and the breakdown into Capital Growth and Income Distribution for the financial years**

	<b>Financial Year</b> <b>30/06/22-</b> <b>30/06/23</b>	<b>Financial Year</b> <b>30/06/21-</b> <b>30/06/22</b>	<b>Financial Year</b> <b>30/06/20-</b> <b>30/06/21</b>
Highest NAV Per Unit (RM)	0.5665	0.6383	0.6137
Lowest NAV Per Unit (RM)	0.5008	0.5138	0.4323
Capital Growth (%)	0.75	-11.61	36.36
Income Distribution (%)	5.67	4.63	7.63
<b>Total Return (%)</b>	<b>6.42</b>	<b>-6.98</b>	<b>43.99</b>

Source: Lipper for Investment Management, In Malaysian Ringgit terms, ex-distribution, NAV Per Unit-to-NAV Per Unit basis with gross income (if any) from HLDM2 reinvested.

**Table 5: Average Total Return of the Fund**

	<b>30/06/22-</b> <b>30/06/23</b> <b>1 Year</b>	<b>30/06/20-</b> <b>30/06/23</b> <b>3 Years</b>	<b>30/06/18-</b> <b>30/06/23</b> <b>5 Years</b>
Average Total Return (%)	6.42	14.18	11.94

Source: Lipper for Investment Management, In Malaysian Ringgit terms, ex-distribution, NAV Per Unit-to-NAV Per Unit basis with gross income (if any) from HLDM2 reinvested.

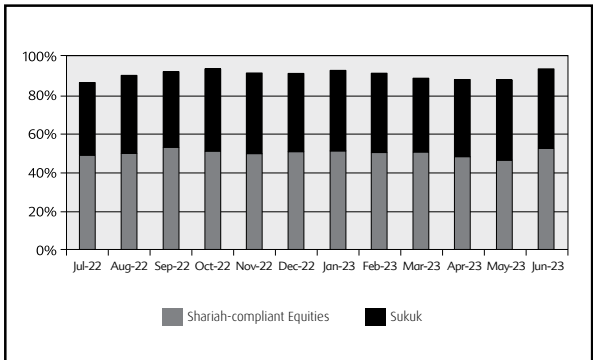
**Table 6: Annual Total Return of the Fund**

Financial Year	30/06/22- 30/06/23	30/06/21- 30/06/22	30/06/20- 30/06/21	30/06/19- 30/06/20	30/06/18- 30/06/19
Annual Total Return (%)	6.42	-6.98	43.99	7.12	4.59

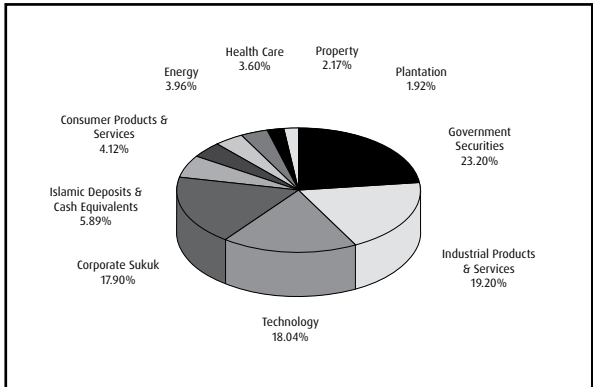
Source: Lipper for Investment Management, In Malaysian Ringgit terms, ex-distribution, NAV Per Unit-to-NAV Per Unit basis with gross income (if any) from HLDM2 reinvested.

**III. INVESTMENT PORTFOLIO**

**Chart 2: Asset Allocation - July 2022 to June 2023**



**Chart 3: Sector Allocation as at 30 June 2023**



### **Strategies employed by the Fund during the period under review**

During the period under review, the Fund's Shariah-compliant equity portion remains fully invested. The Fund took advantage of the market correction to increase its exposure to the technology sector as the sector was particularly hit hard by weak market sentiment and gloomy market outlook. Another notable change in sector allocation was the increase in exposure of the Fund to the energy sector. Commodity prices was under tremendous pressure in the midst of recession fears and the Fund took the opportunity to buy selected Shariah-compliant energy stocks at attractive valuation.

On the sukuk front, the Fund remained invested in high-grade corporate sukuk to benefit from the higher all-in-yields and attractive relative value against government Islamic papers and government-guaranteed sukuk. The Fund's sukuk holdings duration remained relatively defensive given the expected volatility in global rates and progressive policy rate tightening across developed central banks in tackling elevated inflationary pressures.

The Fund continues to remain tactical in terms of the maturity profile of the Fund and selective on the types of private sukuk, credit strengths and relative value against comparable government sukuk. To mitigate downside risks from potential recessionary scenarios, the Fund focuses on investment grade corporate sukuk with strong cash flow visibility, low gearing and sufficient cash surplus to meet debt servicing obligations.

### **An explanation on the differences in portfolio composition**

There was an increase in allocation to industrial products, property and plantation due to improving outlook and attractive valuations.

For sukuk segment, the Fund increased its exposure to government sukuk to reduce the carrying costs of its existing holdings and improve the overall yield of the fund. The Fund remained invested in government sukuk given yields is at near-peaked level and to improve the liquidity profile of the Fund.



## **Operational review of the Fund**

For the financial year under review, there were no significant changes in the state of affairs of the Fund or circumstances that would materially affect the interest of unit holders up to the date of this Manager's report.

## **IV. MARKET REVIEW**

### Shariah-compliant Equities

During the period under review, the MSCI AC Asia Pacific Ex Japan Index declined 2.0%. The best performing markets were Japan and India while the laggards were Hong Kong and China. In the local market, the FTSE Bursa Malaysia KLCI declined 4.7%. Small caps outperformed as the FTSE Bursa Malaysia Small Cap Index rose 4.3%.

After a brief respite in July, equity markets resumed its march to the abyss for the rest of the third quarter of 2022. It appears investors only had themselves to blame as the equity markets appeared to have gotten ahead of itself on hopes that the end of the monetary tightening cycle is just around the corner, only for Jerome Powell's hawkish statements and stubborn United States (US) inflation data to put to rest any lingering wishful thinking of a 'Federal Pivot'.

The equity markets recovered some lost ground in October as corporate earnings remained resilient in the face of tighter monetary policy and weakening economic data. The rally gathered more momentum following the release of US inflation data that suggests that inflation might have finally turned the corner. Meanwhile, China's decision to ease COVID-19 restrictions by end of the year also boosted investors' sentiment on expectations that the economy will finally see a sustainable recovery as the country reopens.

Global equity markets started the new year of 2023 with much gusto and optimism as investors could not wait to put a harrowing 2022 behind them. However, volatility in the equity markets continued to prevail throughout the first quarter of 2023 as stubborn inflation data resulted in bond yields trending higher on the possibility of higher-than-expected rate hikes. March also saw the collapse of Silicon Valley

Bank and the shock takeover of Credit Suisse, among other things keeping investors on the edge of their seats.

The market volatility carried over to the second quarter although the global equity markets did end the first half of 2023 on a generally positive note. Tensions surrounding the US debt ceiling negotiations caused some jitters in the middle of the quarter. However, a pause in interest-rate hikes by the US Federal Reserve (Fed) in June after more than a year of consecutive rate increases, resolution of the debt ceiling negotiations and healthy job data in the US pushed global markets higher.

The local market declined in the third quarter along with the sell-off in global equity markets, albeit to a much lesser degree due to its inherent defensive nature. Foreign investors, who were net buyers of the local market in July and August, started selling in September as risk-off sentiment accelerated in expectations of a gloomy global economic outlook.

The domestic market reversed its declining trend and rallied in the final quarter of 2022, in tandem with the global equity market as the sentiment was boosted by the formation of the Unity government.

As it often happens, the global equity market exuberance that was witnessed in the first quarter of 2023 appear to have lost its way in the local market. Not only was the FTSE Bursa Malaysia KLCI one of the laggards but it was also in the red, going against the tide among the regional equity markets. The main local index was dragged down by the banking sector as investors took profit after the sector outperformance last year.

It was a relatively quiet and muted second quarter for the local bourse, probably due to several factors such as a poor corporate results season, Ramadhan holidays and concerns about possible spillover effect from poor macro data from China. With state elections drawing near, investors also lack conviction due to rising political uncertainty.

### Sukuk

The US Fed has hiked the Fed Funds Rate (FFR) corridor by 325 basis points (bps) (3.25%) to 5.00%–5.25% during the period under review to tackle

rising inflationary pressures which peaked at 9.0% year-on-year (YoY) and core inflation hitting multidecade highs of 6.6% YoY in September 2022. US employment and labour market continues to reflect resiliency as non-farm payrolls are above historical average of 175,000 and unemployment rate continues to be stable at 6.5%–7.0% YoY. US 10-Year Treasury yields continued to trend upwards hitting a high of 4.05% before stabilizing to 3.84% as yield curve remained inverted.

Other regional banks also follow suits taking cues from US FFR tightening with Reserve Bank of Australia tightening its overnight cash target rate by 3.25% to 4.10%, Bank of Thailand hiked its repurchase rate by 150 bps or 1.50% to 2.00% and Bank Indonesia tightened its money supply from 3.50% to 5.75%. Given the lacklustre in China's re-opening story, weak domestic property market, high youths unemployment and overcapacity in manufacturing sector, the People's Bank of China (PBOC) had resorted to reduce its 1-Year medium term lending facility from 2.85% to 2.65% and its short-term funding rate from 2.10% to 1.90%.

The local market also experienced volatility ahead of the national election that was held on November 2022. Local benchmark rates surged with 10-Year Malaysia Government Securities (MGS) rose to a high of 4.407% in September in tandem Bank Negara Malaysia (BNM) Overnight Policy Rate (OPR) hiked from 2.00% to 3.00% during the reporting period before settling down at 3.853% at end-reporting period. The interest rate swaps were peaked at 4.44% in October before inching towards 3.90% reflecting end-of-rate hike expectations for BNM. The monetary policy tightening pace underpinned the downtrend headline inflationary pressure from peak of 4.7% YoY to 2.4% YoY as of June 2023. Excluding volatile food and administered good prices, core inflation continued to decelerate from a peak of 4.20% YoY to 3.1% YoY.

The 10-Year MGS benchmark has yielded a 1-Year total return of 6.6% p.a. reversing previous financial negative returns of -7.7% on expectations of slower pace of rate hikes in 2023 with central banks hinting a near-end tightening cycle as inflationary pressures decelerated. The Malaysia ringgit underperformed its regional currency peers, depreciating by -5.5% to 4.6665 behind Taiwanese Dollar, Korean Won and Indonesian Rupiah but outperforming relative to Japanese Yen and Chinese Renminbi.

## V. FUTURE PROSPECTS AND PROPOSED STRATEGIES

### Shariah-compliant Equities

The global economy has clearly weakened substantially in the midst of central banks' fight against raging global inflation. A multitude of global macro shocks such as the Ukraine crisis, China lockdown and elevated inflation prove to be more than just a handful of economic inconveniences that the global economy had to deal with, ultimately leading to the inevitable slowdown. Nevertheless, there are encouraging signs that inflation has started to moderate. China's effort to reopen the economy is also expected to alleviate some downward pressure on the global economy.

On the local front, the formation of a Unity government is a positive step towards alleviating some of the political uncertainty plaguing the country in the past few years. Notwithstanding the deteriorating external economic environment, the local economy is expected to remain resilient due to its diversified structure.

We expect market volatility to persist due the uncertain outcomes of the various macro events happening around the world at the moment. Rather than trying to do the impossible and pre-empt the future, we opine that the best strategy to navigate through this challenging environment is staying invested in high quality companies with solid fundamentals.

### Sukuk

Global rates market continued to remain volatile but with less intensity going forward with visibility on the end of rate-hike tightening cycle by central banks, global slowdown in growth and easing inflationary pressures as central bankers are cognizant of the household debt burden and credit costs on enterprises arising from tight monetary policy.

Trade and geopolitical tensions continued to highlight the heightening of trade fragmentation and perils of US-China decoupling. External headwinds are expected to dominate underpinned by slower global aggregate demand, increasing financing costs and slowdown in

manufacturing sector. With easing commodity prices, the balance of risks remained tilted to the upside with Malaysia's monetary policy remained accommodative and supportive of the levels of domestic economic activities.

For sukuk strategy, the strategy is to reallocate from government sukuk and overweight on investment grade Islamic private debt securities given the additional yield pick-up above similar maturity government sukuk and government guaranteed Islamic papers. The Fund continues to be slightly defensive on duration given the residual rate hike cycle but may opportunistically position on slightly longer duration given the near-end monetary policy tightening cycle.

## **VI. SOFT COMMISSIONS**

The Manager has received soft commissions from brokers/dealers in the form of goods and services such as research materials, data and quotation services incidental to investment management of the Fund and investment related publications. Such soft commissions received are utilised in the investment management of the Fund and are of demonstrable benefit to the Fund and unit holders and there was no churning of trades.

## **VII. SECURITIES LENDING OR REPURCHASE TRANSACTIONS**

No securities lending or repurchase transactions have been carried out during the financial year under review.

## **VIII. CROSS TRADE TRANSACTIONS**

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

## STATEMENT BY THE MANAGER

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I, Hoo See Kheng, as the Director of Hong Leong Asset Management Bhd, do hereby state that, in the opinion of the Manager, the financial statements set out on pages 19 to 59 are drawn up in accordance with the provision of the Deeds and give a true and fair view of the financial position of the Fund as at 30 June 2023 and of its financial performance, changes in equity and cash flows for the financial year ended 30 June 2023 in accordance with the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

For and on behalf of the Manager,

**Hong Leong Asset Management Bhd**  
**(Company No.: 199401033034 (318717-M))**

**HOO SEE KHENG**

Chief Executive Officer/Executive Director

Kuala Lumpur

17 August 2023

## **TRUSTEE'S REPORT**

### **TO THE UNIT HOLDERS OF HONG LEONG DANA MAA'ROF ("Fund")**

We have acted as Trustee of the Fund for the financial year ended 30 June 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Hong Leong Asset Management 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, the 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.

We are of the opinion that the distribution of income by the Fund is appropriate and reflects the investment objective of the Fund.

For Deutsche Trustees Malaysia Berhad

**Ng Hon Leong**

Head, Fund Operations

**Sylvia Beh**

Chief Executive Officer

Kuala Lumpur, Malaysia

17 August 2023

## **SHARIAH ADVISER'S REPORT**

### **TO THE UNIT HOLDERS OF HONG LEONG DANA MAA'ROF ("Fund")**

We hereby confirm the following:

1. To the best of our knowledge, after having made all reasonable enquiries, Hong Leong Asset Management Bhd has operated and managed the Fund for the period covered by these financial statements namely, the year ended 30 June 2023, in accordance with 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 assets of the Fund comprise instruments that have been classified as Shariah compliant.

For and on behalf of the Shariah Adviser,

**BIMB SECURITIES SDN BHD**

**NURUL AQILAH SUFIYAH LOKMAN**

Designated Shariah Officer

Kuala Lumpur

17 August 2023



# **INDEPENDENT AUDITORS' REPORT**

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## **TO THE UNIT HOLDERS OF HONG LEONG DANA MAA'ROF**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our Opinion

In our opinion, the financial statements of Hong Leong Dana Maa'rof ("the Fund") give a true and fair view of the financial position of the Fund as at 30 June 2023 and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

### What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 June 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 19 to 59.

### 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 Review and 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 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 determine is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

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 has 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 judgment and maintain professional scepticism throughout the audit. We also:

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (d) 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 of the Fund 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.

- (e) 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.

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 unit holders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur  
17 August 2023

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

		2023	2022
	Note	RM	RM
<b>INVESTMENT INCOME/(LOSS)</b>			
Profit income from financial assets measured at fair value through profit or loss ("FVTPL")		701,674	441,198
Profit income from financial assets measured at amortised cost	4	124,114	43,267
Dividend income		367,605	315,101
Net gain/(loss) on financial assets at fair value through profit or loss ("FVTPL")	10	2,260,792	(3,791,258)
		<u>3,454,185</u>	<u>(2,991,692)</u>
<b>EXPENDITURE</b>			
Management fee	5	(772,736)	(524,071)
Trustee's fee	6	(36,061)	(24,457)
Auditors' remuneration		(6,400)	(6,400)
Tax agent's fee		(3,750)	(2,950)
Transaction costs		(168,322)	(139,428)
Other expenses		(37,444)	(31,539)
		<u>(1,024,713)</u>	<u>(728,845)</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		2,429,472	(3,720,537)
Taxation	7	-	-
<b>PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR</b>		<u>2,429,472</u>	<u>(3,720,537)</u>
Profit/(loss) after taxation is made up as follows:			
Realised amount		52,276	287,025
Unrealised amount		2,377,196	(4,007,562)
		<u>2,429,472</u>	<u>(3,720,537)</u>
Distributions for the financial year:			
Net distributions	8	<u>2,597,111</u>	<u>1,751,559</u>
Net distributions per unit (sen)	8	<u>2.9000</u>	<u>3.0000</u>
Gross distributions per unit (sen)	8	<u>2.9000</u>	<u>3.0000</u>

The accompanying notes to the financial statements form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	2023 RM	2022 RM
<b>ASSETS</b>			
Cash and cash equivalents	9	2,712,023	7,072,193
Amount due from brokers/dealers		-	224,527
Amount due from the Manager			
-creation of units		2,051,086	1,193,167
Dividends receivable		65,080	12,440
Financial assets at fair value through profit or loss ("FVTPL")	10	72,061,638	33,653,712
Prepayment		1,096	1,569
<b>TOTAL ASSETS</b>		<b>76,890,923</b>	<b>42,157,608</b>
<b>LIABILITIES</b>			
Amount due to brokers/dealers		160,187	-
Amount due to the Manager			
-cancellation of units		59,551	-
-management fee		89,377	51,379
Amount due to the Trustee		4,171	2,398
Other payables and accruals		9,964	9,540
<b>TOTAL LIABILITIES</b>		<b>323,250</b>	<b>63,317</b>
<b>NET ASSET VALUE OF THE FUND</b>		<b>76,567,673</b>	<b>42,094,291</b>
<b>EQUITY</b>			
Unit holders' capital		69,665,327	35,454,815
Retained earnings		6,902,346	6,639,476
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<b>76,567,673</b>	<b>42,094,291</b>
<b>UNITS IN CIRCULATION (UNITS)</b>	12	<b>146,753,379</b>	<b>81,296,038</b>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<b>0.5217</b>	<b>0.5178</b>

The accompanying notes to the financial statements form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	<b>Note</b>	<b>Unit holders' capital RM</b>	<b>Retained earnings RM</b>	<b>Total RM</b>
Balance as at 1 July 2022		35,454,815	6,639,476	42,094,291
Movement in net asset value:				
Creation of units from applications		45,724,244	-	45,724,244
Creation of units from distributions		2,012,260	-	2,012,260
Cancellation of units		(13,095,483)	-	(13,095,483)
Total comprehensive income for the financial year		-	2,429,472	2,429,472
Distributions for the financial year	8	(430,509)	(2,166,602)	(2,597,111)
Balance as at 30 June 2023		<u>69,665,327</u>	<u>6,902,346</u>	<u>76,567,673</u>
Balance as at 1 July 2021		9,511,219	12,111,572	21,622,791
Movement in net asset value:				
Creation of units from applications		27,530,858	-	27,530,858
Creation of units from distributions		1,447,930	-	1,447,930
Cancellation of units		(3,035,192)	-	(3,035,192)
Total comprehensive loss for the financial year		-	(3,720,537)	(3,720,537)
Distributions for the financial year	8	-	(1,751,559)	(1,751,559)
Balance as at 30 June 2022		<u>35,454,815</u>	<u>6,639,476</u>	<u>42,094,291</u>

The accompanying notes to the financial statements form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	Note	2023 RM	2022 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sales of financial assets at FVTPL		14,552,408	18,942,782
Proceeds from redemption of financial assets at FVTPL		1,333,333	333,333
Purchase of financial assets at FVTPL		(51,902,974)	(36,538,746)
Profit income received from financial assets measured at FVTPL and amortised cost		912,279	598,304
Dividend income received		314,965	314,636
Management fee paid		(734,738)	(499,694)
Trustee's fee paid		(34,288)	(27,572)
Payment for other fees and expenses		(46,697)	(41,427)
Net cash used in operating activities		<u>(35,605,712)</u>	<u>(16,918,384)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from creation of units		44,866,325	26,349,861
Payments for cancellation of units		(13,035,932)	(3,107,329)
Payments for distributions		(584,851)	(303,629)
Net cash generated from financing activities		<u>31,245,542</u>	<u>22,938,903</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		(4,360,170)	6,020,519
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>			
		<u>7,072,193</u>	<u>1,051,674</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>			
	9	<u>2,712,023</u>	<u>7,072,193</u>

The accompanying notes to the financial statements form an integral part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

#### 1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

Hong Leong Dana Maa'rof ("the Fund") was constituted pursuant to the execution of a Deed dated 27 February 2003 and Supplemental Deed dated 30 April 2010 between the Manager, Hong Leong Asset Management Bhd and AmTrustee Berhad for the unit holders of the Fund. AmTrustee Berhad has been replaced with Deutsche Trustees Malaysia Berhad ("the Trustee") effective 1 September 2012 and Supplemental Master Deeds were entered into between the Manager and the Trustee for the unit holders of the Fund on 27 July 2012, 25 March 2015, 28 November 2019, 7 February 2020, 21 December 2021 and 28 April 2022 to effect the change ("the Deeds").

The Fund is primarily an Islamic balanced fund which seeks to achieve not only regular income but also meaningful Medium-To-Long Term capital growth. The Fund provides the public an affordable access into a diversified investment portfolio containing a 'balanced' mixture of equities and fixed income securities that comply with the Shariah requirements.

The Fund will invest into Shariah-compliant equities. The Fund follows a strict selection process to ensure only appropriate Shariah-compliant securities are invested. Generally, the Fund selects undervalued companies that have the potential to offer Medium-To-Long Term capital growth. Undervalued companies refer to companies with stock price selling at a price lower than what is believed to be its intrinsic value and can be measured by its price to earnings ratio (PER), price to book ratio (P/B), dividend yield or any other appropriate method as determined by the Manager. The Fund may also invest into Islamic money market instruments and sukuk. The Fund commenced operations on 25 March 2003 and will continue its operations until terminated as provided under Part 12 of the Deed.

The Manager of the Fund is Hong Leong Asset Management Bhd, a company incorporated in Malaysia. The principal activity of the Manager is the management of unit trust funds and private investment mandates. Its holding company is Hong Leong Capital Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

Hong Leong Islamic Asset Management Sdn Bhd (HLISAM) is the external fund manager appointed for Hong Leong Dana Maa'rof. The effective date for the appointment is on 17 April 2020. HLISAM is a wholly own subsidiary of the Manager. On November 2019, HLISAM was issued with an Islamic fund management license by the Securities Commission Malaysia ("SC") to undertake the regulated activity of Islamic fund management.

The financial statements were authorised for issue by the Manager on 17 August 2023.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

### **(a) Basis of preparation**

The financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported financial year. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. The Manager believes that the underlying assumptions are appropriate and the Fund's financial statements therefore present the financial position results fairly. Although these estimates and judgment

are based on the Manager's best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(k).

(i) Standards and amendments to existing standards effective 1 July 2022

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 July 2022 that have a material effect on the financial statements of the Fund.

(ii) New standards, amendment and interpretations effective after 1 July 2022 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for financial year beginning after 1 July 2022. None of these are expected to have a material effect on the financial statements of the Fund, except the following set out below:

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

The amendment is effective for the annual financial reporting period beginning on or after 1 July 2024.

The amendment shall be applied retrospectively.

## **(b) Financial assets and financial liabilities**

### Classification

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

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

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flows characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities<sup>1</sup> as fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities<sup>2</sup> are solely principal and profit, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents, amount due from brokers/dealers, amount due from the Manager and dividends receivable as financial assets measured at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

<sup>1</sup> For the purposes of the investments made by the Fund, equity securities refer to Shariah-compliant equity securities.

<sup>2</sup> For the purposes of the investments made by the Fund, debt securities refer to sukuk.

The Fund classifies amount due to brokers/dealers, amounts due to the Manager, amount due to the Trustee and other payables and accruals as financial liabilities measured at amortised cost.

### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Fund commits to purchase or sell the asset. Shariah-compliant investments are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income.

Financial liabilities, within the scope of MFRS 9, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the Shariah-compliant investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of comprehensive income within net gain or loss on financial assets at fair value through profit or loss in the year which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of dividend income when the Fund's right to receive payments is established.

Quoted Shariah-compliant investments are valued at the last traded market prices quoted on Bursa Malaysia Securities Berhad ("Bursa Securities") at the date of the statement of financial position.

Unquoted Shariah-compliant equity security is valued at the initial public offering (“IPO”) issue price as announced in the Bursa Securities.

If a valuation based on the market price does not represent the fair value of the quoted Shariah-compliant investments, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the quoted Shariah-compliant securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the quoted Shariah-compliant securities are valued as determined in good faith by the Manager, based on the methods or bases approved by the Trustee after appropriate technical consultation.

Unquoted sukuk are revalued on a daily basis based on fair value prices quoted by a bond pricing agency (“BPA”) registered with the Securities Commission Malaysia as per the Securities Commission Malaysia’s Guidelines on Unit Trust Funds. Where such quotation are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted sukuk differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- (i) records its basis for using non-BPA price;
- (ii) obtains necessary internal approvals to use the non-BPA price; and
- (iii) keeps an audit trail of all decisions and basis for adopting the market yield.

Islamic deposits with licensed financial institutions are stated at cost plus accrued profit calculated on the effective profit rate method over the period from the date of placement to the date of maturity of the respective Islamic deposits, which is a close estimate of their fair value due to the short term nature of the Islamic deposits. Financial assets at amortised cost and other financial liabilities are subsequently carried at amortised cost using the effective profit rate method.

### Impairment

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. Management considers the probability of default to be closed to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

### Significant increase in credit risk

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

### Definition of default and credit-impaired financial assets

Any contractual payment which is more than 90 days past due is considered credit impaired.

### Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of obligor's sources of income or assets to generate sufficient future cash flows to pay the amount. The Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial year.

### **(c) Functional and presentation currency**

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). The financial statements are presented in Ringgit Malaysia (“RM”), which is the Fund’s functional and presentation currency.

### **(d) Income recognition**

Dividend income is recognised on the ex-dividend date when the Fund’s right to receive payment is established.

Profit income from cash at bank, Islamic deposits with licensed financial institutions and unquoted sukuk are recognised on the effective profit rate method on an accrual basis.

Profit income is calculated by applying the effective profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective profit rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Realised gain or loss on disposal of quoted Shariah-compliant investments is accounted for as the difference between the net disposal proceeds and the carrying amount of quoted Shariah-compliant investments, determined on a weighted average cost basis.

Realised gain or loss on disposal of unquoted sukuk is accounted for as the difference between the net disposal proceeds and the carrying amount of unquoted sukuk, determined on cost adjusted for accretion of discount or amortisation of premium.



### **(e) Cash and cash equivalents**

For the purpose of statement of cash flows, cash and cash equivalents comprise cash at banks and Islamic deposits held in highly liquid Shariah-compliant investments that are readily convertible to known amounts of cash with an original maturity of three months or lesser which are subject to an insignificant risk of changes in value.

### **(f) Amount due from/to brokers/dealers**

Amount due from/to brokers/dealers represents receivables/payables for Shariah-compliant investments sold/purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective profit rate method, less provision for impairment for amount due from brokers/dealers. A provision for impairment of amount due from a broker/dealer is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker/dealer. Significant financial difficulties of the broker/dealer, probability that the broker/dealer will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers/dealers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, profit income is recognised using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss.

### **(g) Taxation**

Current tax expense is determined according to Malaysian tax laws at the prevailing tax rate based on the taxable profit earned during the financial year. Withholding taxes are not "income tax" in nature and are recognised and measured based on the requirements of MFRS 137. They are presented within other expenses line in the statement of comprehensive income.

## **(h) Distributions**

A distribution to the Fund's unit holders is accounted for as a deduction from realised reserve. A proposed distribution is recognised as a liability in the financial year in which it is approved by the Board of Directors of the Manager.

## **(i) Transaction costs**

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

## **(j) Unit holders' capital**

The unit holders' contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". Those criteria include:

- the units entitle the unit holder to a proportionate share of the Fund's net asset value;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase the units; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss and change in the net asset value of the Fund.

The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if unit holder exercises the right to put the unit back to the Fund.

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

### **(k) Critical accounting estimates and judgments in applying accounting policies**

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgments are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the Securities Commission Malaysia's Guidelines on Unit Trust Funds.

However, the Manager is of the opinion that there are no accounting policies which require significant judgment to be exercised.

## **3. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and interest rate risk), credit risk, liquidity risk, capital risk and Shariah status reclassification risk.

Financial risk management is carried out through internal control process adopted by the Manager and adherence to the investment restrictions as stipulated in the prospectus.

The following table analyses the financial assets and financial liabilities of the Fund in the statement of financial position as at the reporting date:

	<b>Financial assets at FVTPL RM</b>	<b>Financial assets/ liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>2023</b>			
<u>Financial assets</u>			
Cash and cash equivalents (Note 9)	-	2,712,023	2,712,023
Amount due from the Manager			
-creation of units	-	2,051,086	2,051,086
Dividends receivable	-	65,080	65,080
Financial assets at FVTPL (Note 10)	72,061,638	-	72,061,638
	<u>72,061,638</u>	<u>4,828,189</u>	<u>76,889,827</u>
<u>Financial liabilities</u>			
Amount due to brokers/dealers	-	160,187	160,187
Amount due to the Manager			
-cancellation of units	-	59,551	59,551
-management fee	-	89,377	89,377
Amount due to the Trustee	-	4,171	4,171
Other payables and accruals	-	9,964	9,964
	<u>-</u>	<u>323,250</u>	<u>323,250</u>
<b>2022</b>			
<u>Financial assets</u>			
Cash and cash equivalents (Note 9)	-	7,072,193	7,072,193
Amount due from brokers /dealers	-	224,527	224,527
Amount due from the Manager			
-creation of units	-	1,193,167	1,193,167
Dividends receivable	-	12,440	12,440
Financial assets at FVTPL (Note 10)	33,653,712	-	33,653,712
	<u>33,653,712</u>	<u>8,502,327</u>	<u>42,156,039</u>

	<b>Financial assets at FVTPL RM</b>	<b>Financial assets/ liabilities at amortised cost RM</b>	<b>Total RM</b>
<u>Financial liabilities</u>			
Amount due to the Manager			
-management fee	-	51,379	51,379
Amount due to the Trustee	-	2,398	2,398
Other payables and accruals	-	9,540	9,540
	-	63,317	63,317

All liabilities are financial liabilities which are carried at amortised cost.

## (a) Market risk

### (i) Price risk

Price risk arises mainly from the uncertainty about future prices of Shariah-compliant investments. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Manager manages the risk of unfavourable changes in prices by continuous monitoring of the performance and risk profile of the Shariah-compliant investment portfolio.

The price risk is managed through diversification and selection of Shariah-compliant securities and other financial instruments within specified limits according to the Deeds.

The Fund's overall exposure to price risk is as follows:

	<b>2023 RM</b>	<b>2022 RM</b>
Financial assets at FVTPL:		
- Quoted Shariah-compliant equity securities	38,928,916	18,081,747
- Unquoted Shariah-compliant equity security	1,664,000	-
- Unquoted sukuk*	31,468,722	15,571,965
	72,061,638	33,653,712

\* Includes profit receivables of RM308,580 (2022: RM104,123).

The table below summarises the sensitivity of the Fund's net asset value and profit/(loss) after taxation to movements in prices of quoted Shariah-compliant equity securities, unquoted Shariah-compliant equity security and unquoted sukuk at the end of each reporting year. The analysis is based on the assumptions that the market price of the quoted Shariah-compliant equity securities, unquoted Shariah-compliant equity security and unquoted sukuk fluctuated by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the quoted Shariah-compliant equity securities, unquoted Shariah-compliant equity security and unquoted sukuk having regard to the historical volatility of the prices.

<b>% Change in price of financial assets at FVTPL</b>	<b>Market value RM</b>	<b>Impact on profit/(loss) after taxation/ net asset value RM</b>
<b>2023</b>		
-5%	68,165,404	(3,587,654)
0%	71,753,058	-
5%	75,340,711	3,587,654
<b>2022</b>		
-5%	31,872,110	(1,677,479)
0%	33,549,589	-
5%	35,227,068	1,677,479

## **(ii) Interest rate risk**

In general, when interest rates rise, valuation for sukuk will tend to fall and vice versa. Therefore, the net asset value of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund hold a sukuk till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the net asset value shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

This risk is crucial since unquoted sukuk portfolio management depends on forecasting interest rate movements. Valuation of unquoted sukuk move inversely to interest rate movements, therefore as interest rates rise, the valuation of unquoted sukuk decrease and vice versa. Furthermore, unquoted sukuk with longer maturity and lower yield profit rates are more susceptible to interest rate movements.

Investors should note that unquoted sukuk are subject to interest rate fluctuations. Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of profit income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The above interest rate is a general economic indicator that will have an impact on the management of the Fund regardless whether it is an Islamic unit trust fund or otherwise. It does not in any way suggest that the Fund will invest in conventional financial instruments. All the investments carried out for the Fund are in accordance with Shariah requirements.

The table below summarises the sensitivity of the Fund's net asset value and profit/(loss) after taxation to movements in valuation for unquoted sukuk held by the Fund at the end of the reporting period as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate changed by 1% (100 basis points) with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

% Change in interest rate	Impact on profit/(loss) after taxation/net asset value	
	2023 RM	2022 RM
+1%	(711,550)	(513,988)
-1%	711,550	538,965

The Fund's exposure to interest rate risk associated with Islamic deposits with licensed financial institutions is not material as the Islamic deposits with licensed financial institutions are placed on a short term basis.

## **(b) Credit risk**

Credit risk refers to the risk that an issuer or counterparty will default on its contractual obligation resulting in financial loss to the Fund.

Investment in unquoted sukuk may involve a certain degree of credit/default risk with regards to the issuers. Generally, credit risk or default risk is the risk of loss due to the issuer's non-payment or untimely payment of the investment amount as well as the returns on investment. This will cause a decline in value of the defaulted unquoted sukuk and subsequently depress the net asset value of the Fund. Usually credit risk is more apparent for an investment with a longer tenure, i.e. the longer the duration, the higher the credit risk. Credit risk can be managed by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of its issuer. In addition, the Manager imposes a minimum rating requirement as rated by either local and/or foreign rating agencies and manages the duration of the investment in accordance with the objective of the Fund.

The credit risk arising from placements of Islamic deposits with licensed financial institutions is managed by ensuring that the Fund will only place Islamic deposits in reputable licensed financial institutions.

The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the Securities Commission Malaysia's Guidelines on Unit Trust Funds.

For amount due from brokers/dealers, the settlement terms are governed by the relevant rules and regulations as prescribed by Bursa Securities. The credit/default risk is minimal as all transactions in quoted Shariah-compliant investments, unquoted Shariah-compliant equity security and unquoted sukuk are settled/paid upon delivery using approved brokers/dealers.



The following table sets out the credit risk concentration of the Fund at the end of each reporting year:

	Cash and cash equivalents RM	Amount due from brokers/dealers RM	Amount due from the Manager - creation of units RM	Dividends receivable RM	Unquoted sukuk RM	Total RM
<b>2023</b>						
- AAA	2,658,386	-	-	-	2,269,650	4,928,036
- AA1/AA+	53,637	-	-	-	4,157,119	4,210,756
- AA2/AA	-	-	-	-	5,234,792	5,234,792
- NR#	-	-	2,051,086	65,080	19,807,161	21,923,327
Total	2,712,023	-	2,051,086	65,080	31,468,722	36,296,911
<b>2022</b>						
- AAA	7,036,323	-	-	-	-	7,036,323
- AA1/AA+	35,870	-	-	-	5,157,888	5,193,758
- AA3/AA-	-	-	-	-	338,813	338,813
- NR#	-	224,527	1,193,167	12,440	10,075,264	11,505,398
Total	7,072,193	224,527	1,193,167	12,440	15,571,965	24,074,292

# The unquoted sukuk are not rated as the sukuk are guaranteed and issued by the Government of Malaysia.

All financial assets of the Fund are neither past due nor impaired.

### (c) Liquidity risk

Liquidity risk is the risk that Shariah-compliant investments cannot be readily sold at or near its actual value without taking a significant discount. This will result in lower net asset value of the Fund.

The Manager manages this risk by maintaining sufficient level of Islamic liquid assets to meet anticipated payments and cancellations of the units by unit holders. Islamic liquid assets comprise cash at banks, Islamic deposits with licensed financial institutions and other Shariah-compliant instruments.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period as at the end of each reporting year to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month RM	1 month to 1 year RM	Total RM
<b>2023</b>			
<u>Financial liabilities</u>			
Amount due to brokers/dealers	160,187	-	160,187
Amount due to the Manager			
-cancellation of units	59,551	-	59,551
-management fee	89,377	-	89,377
Amount due to the Trustee	4,171	-	4,171
Other payables and accruals	-	9,964	9,964
Contractual cash out flows	313,286	9,964	323,250
<b>2022</b>			
<u>Financial liabilities</u>			
Amount due to the Manager			
-management fee	51,379	-	51,379
Amount due to the Trustee	2,398	-	2,398
Other payables and accruals	-	9,540	9,540
Contractual cash out flows	53,777	9,540	63,317

### (d) Capital risk

The capital of the Fund is represented by equity consisting of unit holders' 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 unit holders. 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 unit holders' 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.

**(e) Shariah status reclassification risk**

- Shariah-compliant equity securities

The risk that the currently held Shariah-compliant equity securities in the portfolio of the Fund may be reclassified as Shariah non-compliant in the periodic review of the securities by the Shariah Advisory Council of the Securities Commission ("SAC of the SC") or the Shariah Adviser. If this occurs, the Manager will take the necessary steps to dispose of such securities.

Opportunity loss could occur due to the restriction on the Fund to retain the excess capital gains derived from the disposal of the reclassified Shariah non-compliant securities. In such an event, the Fund is required:

- (i) to dispose of such securities with immediate effect or within one (1) calendar month if the value of the securities exceeds or is equal to the investment cost on the effective date of reclassification of the list of Shariah-compliant securities ("Reclassification") by the SAC of the SC or date of review ("Review") by the Shariah Adviser. The Fund is allowed to keep dividends received and capital gains from the disposal of the securities up to the effective date of Reclassification or Review. However, any dividends received and excess capital gains from the disposal of the Shariah non-compliant securities after the effective date of Reclassification or Review should be channelled to baitulmal and/or charitable bodies as advised by the Shariah Adviser;

- (ii) to hold such securities if the value of the said securities is below the investment cost on the effective date of Reclassification or Review until the total subsequent dividends received (if any) and the market price of the securities is equal to the cost of investment at which time disposal has to take place within one (1) calendar month, excess capital gains (if any) from the disposal of the securities should be channelled to baitulmal and/or charitable bodies as advised by the Shariah Adviser; or
  - (iii) to dispose of such securities at a price lower than the investment cost which will result in a decrease in the Fund's value.
- Sukuk or Islamic money market instruments or Islamic deposits

This risk refers to the risk of a possibility that the currently held sukuk or Islamic money market instruments or Islamic deposits invested by the Fund may be declared as Shariah non-compliant by the relevant authority or the Shariah Adviser. If this occurs, the Manager will take the necessary steps to dispose of or withdraw such fixed income instruments or money market instruments or deposits.

#### **(f) Fair value estimation**

Financial instruments comprise financial assets and financial liabilities. 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. The information presented herein represents the estimates of fair values as at the date of the statement of financial position.

The Fund's financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortised cost based on the respective classification.

The fair value of financial assets traded in active markets (such as trading Shariah-compliant securities) are based on quoted market prices at the close of trading on the reporting date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each year end date. Valuation techniques used for non-standardised financial instruments such as Islamic options, currency swaps and other over-the-counter Islamic derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

For instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted Shariah-compliant equity and sukuk instruments for which market were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty and valuation techniques employed may not fully reflect all factors relevant to

the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counter party risk.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

(i) Fair value hierarchy

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that requires significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy of the Fund's financial assets (by class) measured at fair value:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>2023</b>				
<u>Financial assets at FVTPL:</u>				
- Quoted Shariah-compliant equity securities	38,928,916	-	-	38,928,916
- Unquoted Shariah-compliant equity security	-	-	1,664,000	1,664,000
- Unquoted sukuk	-	31,468,722	-	31,468,722
	<u>38,928,916</u>	<u>31,468,722</u>	<u>1,664,000</u>	<u>72,061,638</u>
<b>2022</b>				
<u>Financial assets at FVTPL:</u>				
- Quoted Shariah-compliant equity securities	18,081,747	-	-	18,081,747
- Unquoted sukuk	-	15,571,965	-	15,571,965
	<u>18,081,747</u>	<u>15,571,965</u>	<u>-</u>	<u>33,653,712</u>

Shariah-compliant investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed Shariah-compliant equities. The Fund does not adjust the quoted prices for this instrument. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted sukuk. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. Unquoted Shariah-compliant equity security is valued at the initial public offering ("IPO") issue price and classified at Level 3. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

- (ii) The carrying values of financial assets (other than financial assets at FVTPL) and financial liabilities are a reasonable approximation of their fair values due to their short term nature.

#### **4. PROFIT INCOME FROM FINANCIAL ASSETS MEASURED AT AMORTISED COST**

	<b>2023</b>	<b>2022</b>
	<b>RM</b>	<b>RM</b>
Profit income from:		
- Islamic deposits with licensed financial institutions	123,224	43,018
- Cash at bank	890	249
	<u>124,114</u>	<u>43,267</u>

#### **5. MANAGEMENT FEE**

In accordance with Division 13.1 of the Deed, the Manager is entitled to a management fee of up to 1.50% per annum calculated daily based on the net asset value of the Fund.

For the financial year ended 30 June 2023, the management fee is recognised at a rate of 1.50% (2022: 1.50%) per annum.

There is no further liability to the Manager in respect of management fee other than the amount recognised above.

#### **6. TRUSTEE'S FEE**

In accordance with Division 13.2 of the Deed, the Trustee is entitled to a fee not exceeding 0.07% subject to a minimum of RM18,000 per annum calculated daily based on the net asset value of the Fund.

For the financial year ended 30 June 2023, the Trustee's fee is recognised at a rate of 0.07% (2022: 0.07%) per annum.

There is no further liability to the Trustee in respect of Trustee's fee other than the amount recognised above.



## 7. TAXATION

	<b>2023</b> <b>RM</b>	<b>2022</b> <b>RM</b>
Tax charge for the financial year:		
Current taxation	-	-

The numerical reconciliation between profit/(loss) before taxation multiplied by the Malaysian statutory income tax rate and tax expense of the Fund is as follows:

	<b>2023</b> <b>RM</b>	<b>2022</b> <b>RM</b>
Profit/(loss) before taxation	2,429,472	(3,720,537)
Taxation at Malaysian statutory rate of 24% (2022: 24%)	583,073	(892,929)
Tax effects of:		
(Shariah-compliant investment income not subject to tax)/Shariah-compliant investment loss disallowed from tax	(829,004)	718,006
Expenses not deductible for tax purposes	51,712	41,933
Restriction on tax deductible expenses for unit trust fund	194,219	132,990
Taxation	-	-

## 8. DISTRIBUTIONS

	<b>2023</b> <b>RM</b>	<b>2022</b> <b>RM</b>
Prior financial years' realised income	1,956,632	1,608,665
Profit income from financial assets measured at FVTPL	637,130	412,846
Profit income from financial assets measured at amortised cost	86,932	36,445
Dividend income	196,956	237,233
Distribution equalisation	430,509	-
Less: Expenses	(711,048)	(543,630)
Net distributions amount	2,597,111	1,751,559
Net distributions per unit (sen)	2.9000	3.0000
Gross distributions per unit (sen)	2.9000	3.0000

	<b>2023</b>	<b>2022</b>
	<b>RM</b>	<b>RM</b>
<b>Date of Declaration</b>		
<b>Distribution on 21/22 July</b>		
Gross/net distribution per unit (sen)	0.8000	0.7000
<b>Distribution on 17/21 October</b>		
Gross/net distribution per unit (sen)	0.7000	0.7000
<b>Distribution on 13/20 January</b>		
Gross/net distribution per unit (sen)	0.7000	0.8000
<b>Distribution on 17/21 April</b>		
Gross/net distribution per unit (sen)	0.7000	0.8000

Net distributions above are sourced from prior and current financial year's realised income. Gross distributions are derived using total income less total expenses.

Gross distribution per unit is derived from net realised income less expenses divided by units in circulation, while net distribution per unit is derived from net realised income less expenses and taxation divided by units in circulation.

Distribution equalisation represents the average amount of distributable income included in the creation and cancellation prices of units. It is computed as at each date of creation and cancellation of units. For the purpose of determining amount available for distribution, distribution equalisation is included in the computation of distribution available for unit holders.

The above distributions have been proposed before taking into account the unrealised gain of RM2,377,196 (2022: unrealised loss of RM4,007,562) which is carried forward to the next financial year.

## 9. CASH AND CASH EQUIVALENTS

	2023 RM	2022 RM
Islamic deposits with licensed financial institutions	2,658,215	7,026,385
Cash at banks	53,808	45,808
	<u>2,712,023</u>	<u>7,072,193</u>

The weighted average effective rate of return per annum are as follows:

	2023 %	2022 %
Islamic deposits with licensed financial institutions	<u>2.95</u>	<u>2.00</u>

Islamic deposits with licensed financial institutions have an average remaining maturity of 3 days (2022: 1 day).

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	2023 RM	2022 RM
<u>Financial assets at FVTPL:</u>		
Quoted Shariah-compliant equity securities	38,928,916	18,081,747
Unquoted Shariah-compliant equity security	1,664,000	-
Unquoted sukuk	31,468,722	15,571,965
	<u>72,061,638</u>	<u>33,653,712</u>
<u>Net gain/(loss) on financial assets at FVTPL:</u>		
Realised (loss)/gain on disposals	(116,404)	219,879
Changes in unrealised fair values	2,377,196	(4,011,137)
	<u>2,260,792</u>	<u>(3,791,258)</u>

Financial assets at FVTPL as at 30 June 2023 are as detailed below:

	Quantity units	Aggregate cost RM	Fair value RM	Percentage of net asset value %
<b>QUOTED SHARIAH-COMPLIANT EQUITY SECURITIES</b>				
<u>Main Market</u>				
<u>Consumer Products &amp; Services</u>				
DXN Holdings Bhd.	1,874,000	1,311,800	1,368,020	1.79
Focus Point Holdings Berhad	2,244,600	636,825	1,784,457	2.33
	4,118,600	1,948,625	3,152,477	4.12
<u>Energy</u>				
Deleum Berhad	100,000	89,570	90,000	0.12
Uzma Berhad	2,050,000	1,342,690	1,271,000	1.66
Velesto Energy Berhad	7,600,000	1,484,260	1,672,000	2.18
	9,750,000	2,916,520	3,033,000	3.96
<u>Health Care</u>				
Top Glove Corporation Bhd.	2,000,000	1,722,780	1,620,000	2.12
<u>Industrial Products &amp; Services</u>				
Dufu Technology Corp. Berhad	760,000	1,603,910	1,444,000	1.89
Hiap Teck Venture Berhad	3,000,000	1,021,400	900,000	1.17
Kobay Technology Bhd.	855,000	2,156,545	1,624,500	2.12
MCE Holdings Berhad	400,000	620,000	776,000	1.01
QES Group Berhad	2,200,000	1,312,870	1,243,000	1.62
SAM Engineering & Equipment (M) Berhad	350,000	1,607,205	1,606,500	2.10
Seng Fong Holdings Berhad	1,500,000	1,086,850	1,080,000	1.41
SKP Resources Bhd.	1,770,000	1,997,942	1,929,300	2.52
	10,835,000	11,406,722	10,603,300	13.84
<u>Plantation</u>				
Ta Ann Holdings Berhad	440,000	1,472,552	1,469,600	1.92
<u>Technology</u>				
D & O Green Technologies Berhad	455,000	365,675	1,674,400	2.19
Frontken Corporation Berhad	580,000	1,967,733	1,827,000	2.39
Malaysian Pacific Industries Bhd	70,000	1,846,264	1,947,400	2.54
Pentamaster Corporation Berhad	400,000	1,342,744	1,968,000	2.57
UWC Berhad	661,000	2,278,238	1,969,780	2.57
	2,166,000	7,800,654	9,386,580	12.26

	Quantity units	Aggregate cost RM	Fair value RM	Percentage of net asset value %
<u>ACE Market</u>				
<u>Health Care</u>				
Cengild Medical Berhad	2,880,000	1,440,944	1,137,600	1.48
<u>Industrial Products &amp; Services</u>				
Coraza Integrated Technology Berhad	2,440,000	1,820,496	1,830,000	2.39
YBS International Berhad	3,424,300	2,094,833	2,277,159	2.97
	5,864,300	3,915,329	4,107,159	5.36
<u>Technology</u>				
Cnergenz Berhad	1,520,000	1,043,254	1,314,800	1.72
ECA Integrated Solution Berhad	1,590,000	1,302,012	1,399,200	1.83
Genetec Technology Berhad	735,000	1,398,903	1,705,200	2.23
	3,845,000	3,744,169	4,419,200	5.78
<b>TOTAL QUOTED SHARIAH-COMPLIANT EQUITY SECURITIES</b>				
	41,898,900	36,368,295	38,928,916	50.84
<b>UNQUOTED SHARIAH-COMPLIANT EQUITY SECURITY</b>				
<u>Initial Public Offering ("IPO")</u>				
Skyworld Development Berhad <sup>#</sup>	2,080,000	1,664,000	1,664,000	2.17
<b>TOTAL UNQUOTED SHARIAH-COMPLIANT EQUITY SECURITY</b>				
	2,080,000	1,664,000	1,664,000	2.17

	Nominal value RM	Aggregate cost RM	Fair value RM	Percentage of net asset value %
<b>UNQUOTED SUKUK</b>				
<u>Corporate Sukuk</u>				
4.43% Bakun Hydro Power Generation Sdn. Bhd. (AAA) 11/08/2026 - IMTN	2,200,000	2,272,961	2,269,650	2.96
5.25% Kimanis Power Sdn. Bhd. (AA) 08/08/2025 - IMTN Tranche No. 10	5,000,000	5,235,029	5,234,792	6.84
5.35% Samalaju Industrial Port Sdn Bhd (AA1) 28/12/2026 - IMTN Issue No.4	4,000,000	4,210,786	4,157,119	5.43
	<u>11,200,000</u>	<u>11,718,776</u>	<u>11,661,561</u>	<u>15.23</u>
<u>Government Investment Issues</u>				
3.422% Government of Malaysia 30/09/2027	1,000,000	1,025,366	1,000,372	1.31
3.655% Government of Malaysia 15/10/2024	7,000,000	7,127,841	7,080,496	9.25
3.726% Government of Malaysia 31/03/2026	5,000,000	5,093,367	5,079,330	6.63
4.070% Government of Malaysia 30/09/2026	2,500,000	2,573,011	2,569,826	3.36
4.444% Government of Malaysia 22/05/2024	2,000,000	2,029,589	2,031,381	2.65
	<u>17,500,000</u>	<u>17,849,174</u>	<u>17,761,405</u>	<u>23.20</u>
<u>Sukuk Guaranteed by Government of Malaysia</u>				
4.05% Lembaga Pembiayaan Perumahan Sektor Awam 21/09/2026 - IMTN Tranche No 4	2,000,000	2,022,636	2,045,756	2.67
<b>TOTAL UNQUOTED SUKUK</b>	<b><u>30,700,000</u></b>	<b><u>31,590,586</u></b>	<b><u>31,468,722</u></b>	<b><u>41.10</u></b>
<b>TOTAL SHARIAH-COMPLIANT INVESTMENTS</b>		<b>69,622,881</b>	<b><u>72,061,638</u></b>	<b><u>94.11</u></b>
<b>UNREALISED GAIN ON FINANCIAL ASSETS AT FVTPL</b>		<b><u>2,438,757</u></b>		
<b>TOTAL FAIR VALUE OF FINANCIAL ASSETS AT FVTPL</b>			<b><u>72,061,638</u></b>	

Financial assets at FVTPL as at 30 June 2022 are as detailed below:

	Quantity units	Aggregate cost RM	Fair value RM	Percentage of net asset value %
<b>QUOTED SHARIAH-COMPLIANT EQUITY SECURITIES</b>				
<u>Main markets</u>				
<u>Consumer Products &amp; Services</u>				
Berjaya Food Berhad	325,000	1,101,039	1,348,750	3.20
<u>Energy</u>				
Wah Seong Corporation Berhad	800,000	615,743	484,000	1.15
<u>Industrial Products &amp; Services</u>				
Dufu Technology Corp. Berhad	315,000	748,881	885,150	2.10
Hiap Teck Venture Berhad	1,470,000	493,455	441,000	1.05
Kobay Technology Bhd	290,000	1,192,506	858,400	2.04
P.I.E. Industrial Berhad	240,000	762,420	753,600	1.79
	2,315,000	3,197,262	2,938,150	6.98
<u>Technology</u>				
D & O Green Technologies Berhad	455,000	365,675	1,751,750	4.16
Datasonic Group Berhad	1,400,000	811,940	651,000	1.55
Frontken Corporation Berhad	410,000	1,488,064	938,900	2.23
Inari Amertron Berhad	270,000	768,086	712,800	1.69
Malaysian Pacific Industries Bhd	29,000	773,030	812,000	1.93
Pentamaster Corporation Berhad	400,000	1,342,744	1,476,000	3.51
UWC Berhad	251,000	1,037,980	825,790	1.96
	3,215,000	6,587,519	7,168,240	17.03
<u>ACE Market</u>				
<u>Consumer Products &amp; Services</u>				
Focus Point Holdings Berhad	1,500,000	528,780	1,132,500	2.69
<u>Industrial Products &amp; Services</u>				
Coraza Integrated Technology Berhad	1,420,000	1,003,890	837,800	1.99
QES Group Berhad	1,400,000	840,390	714,000	1.70
YBS International Berhad	2,124,300	1,287,843	1,040,907	2.47
	4,944,300	3,132,123	2,592,707	6.16

	Quantity units	Aggregate cost RM	Fair value RM	Percentage of net asset value %
<u>Technology</u>				
Cnergenz Berhad	1,220,000	773,194	695,400	1.65
Genetec Technology Berhad	515,000	955,713	1,004,250	2.39
LGMS Berhad	990,000	765,963	717,750	1.71
	2,725,000	2,494,870	2,417,400	5.75

#### TOTAL QUOTED

##### SHARIAH-COMPLIANT

##### EQUITY SECURITIES

<b>15,824,300</b>	<b>17,657,336</b>	<b>18,081,747</b>	<b>42.96</b>
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	Nominal value RM	Aggregate cost RM	Fair value RM	Percentage of net asset value %
<u>UNQUOTED SUKUK</u>				
<u>Corporate Sukuk</u>				
5.05% Grand Sepadu (NK) Sdn Bhd (AA-) 09/06/2023 - Series 2	333,333	336,707	338,813	0.81
5.35% Samalaju Industrial Port Sdn Bhd (AA1) 28/12/2026 - Issue No.4	4,000,000	4,265,837	4,134,839	9.82
4.70% Sepangar Bay Power Corporation Sdn Bhd (AA1) 01/07/2022 - Series 8	1,000,000	1,023,049	1,023,049	2.43
	5,333,333	5,625,593	5,496,701	13.06
<u>Government Investment Issues</u>				
3.422% Government of Malaysia 30/09/2027	1,000,000	1,029,021	977,102	2.32
3.655% Government of Malaysia 15/10/2024	4,000,000	4,134,508	4,046,758	9.61
3.726% Government of Malaysia 31/03/2026	1,000,000	1,061,106	1,002,366	2.38
4.369% Government of Malaysia 31/10/2028	2,000,000	2,061,951	2,028,722	4.82
	8,000,000	8,286,586	8,054,948	19.13



	Nominal value RM	Aggregate cost RM	Fair value RM	Percentage of net asset value %
Sukuk Guaranteed by Government of Malaysia 4.05% Lembaga Pembiayaan Perumahan Sektor Awam 21/09/2026 - IMTN Tranche No 4	2,000,000	2,022,636	2,020,316	4.80
<b>TOTAL UNQUOTED SUKUK</b>	<b>15,333,333</b>	<b>15,934,815</b>	<b>15,571,965</b>	<b>36.99</b>
<b>TOTAL SHARIAH-COMPLIANT INVESTMENTS</b>		<b>33,592,151</b>	<b>33,653,712</b>	<b>79.95</b>
<b>UNREALISED GAIN ON FINANCIAL ASSETS AT FVTPL</b>		<b>61,561</b>		
<b>TOTAL FAIR VALUE OF FINANCIAL ASSETS AT FVTPL</b>			<b>33,653,712</b>	

# During the financial year, a total of 1,000,000,000 shares for Skyworld Development Berhad were made available for Initial Public Offering ("IPO") at a cost of RM0.80 per share by way of private placement.

Subsequent to the financial year ended 30 June 2023, Skyworld Development Berhad began trading on the main market on 10 July 2023 at a price of RM0.74 per share.

## 11. SHARIAH INFORMATION OF THE FUND

The Shariah Adviser confirmed that the investments portfolio of the Fund is Shariah-compliant, which comprises:

- (a) Equity securities listed on Bursa Malaysia which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission;
- (b) Sukuk as per the list of sukuk available at Bond Info Hub, Fully Automated System for Issuing/Tendering of Bank Negara Malaysia and The Bond and Sukuk Information Exchange; and
- (c) Liquid assets in local market, which are placed in Shariah-compliant investments and/or instruments.

## 12. UNITS IN CIRCULATION

	2023	2022
	No. of units	No. of units
At the beginning of the financial year	81,296,038	36,911,740
Add: Creation of units during the financial year		
- Arising from applications	86,072,584	47,225,523
- Arising from distributions	3,779,311	2,507,964
Less: Cancellation of units during the financial year	(24,394,554)	(5,349,189)
At the end of the financial year	146,753,379	81,296,038

## 13. TOTAL EXPENSE RATIO ("TER")

	2023	2022
	%	%
TER	1.66	1.68

Total expense ratio includes management fee, Trustee's fee, auditors' remuneration, tax agent's fee and other expenses for the financial year divided by the Fund's average net asset value calculated on a daily basis and is calculated as follows:

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

Where;

- A = Management fee
- B = Trustee's fee
- C = Auditors' remuneration
- D = Tax agent's fee
- E = Other expenses excluding Sales and Service Tax ("SST") on transaction costs
- F = Average net asset value of the Fund calculated on a daily basis

The average net asset value of the Fund for the financial year calculated on a daily basis is RM51,612,493 (2022: RM35,007,660).

## 14. PORTFOLIO TURNOVER RATIO (“PTR”)

	2023 Times	2022 Times
PTR	0.64	0.79

PTR is derived from the following calculation:

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

Where:

total acquisitions for the financial year	= RM51,729,104 (2022: RM36,248,113)
total disposals for the financial year	= RM14,416,835 (2022: RM18,875,108)

## 15. UNITS HELD BY THE MANAGER AND RELATED PARTIES TRANSACTIONS AND BALANCES

The related parties and their relationships with the Fund are as follows:

<u>Related parties</u>	<u>Relationships</u>
Hong Leong Asset Management Bhd	The Manager
Hong Leong Islamic Asset Management Sdn Bhd	Subsidiary of the Manager
Hong Leong Capital Berhad	Holding company of the Manager
Hong Leong Financial Group Berhad (“HLFG”)	Ultimate holding company of the Manager
Subsidiaries and associates of HLFG as disclosed in its financial statements	Subsidiaries and associate companies of the ultimate holding company of the Manager

No units were held by the Manager and parties related to the Manager as at 30 June 2023 and 30 June 2022.

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other related party transactions and balances. The Manager is of the opinion that all transactions with the related companies have been entered into at agreed terms between the related parties.

	2023 RM	2022 RM
<u>Related party balances</u>		
Cash at bank:		
- Hong Leong Islamic Bank Berhad	171	9,938
Amount due to brokers/dealers:		
- Hong Leong Investment Bank Berhad	(160,187)	-
	<u>(160,016)</u>	<u>9,938</u>
<u>Related party transactions</u>		
Profit income from Islamic deposits with licensed financial institution:		
- Hong Leong Islamic Bank Berhad	62,771	6,323
Profit income from cash at bank:		
- Hong Leong Islamic Bank Berhad	5	1
Purchase of quoted Shariah-compliant equity securities:		
- Hong Leong Investment Bank Berhad	7,727,215	5,005,509
Purchase of unquoted sukuk:		
- Hong Leong Bank Berhad	2,266,064	-
- Hong Leong Islamic Bank Berhad	2,544,262	4,387,436
	<u>4,810,326</u>	<u>4,387,436</u>
Disposal of quoted Shariah-compliant equity securities:		
- Hong Leong Investment Bank Berhad	2,215,341	4,276,996
Disposal of unquoted sukuk:		
- Hong Leong Islamic Bank Berhad	-	1,105,111

## 16. TRANSACTIONS WITH BROKERS/DEALERS

Detail of transactions with brokers/dealers are as follows:

	Values of trade RM	Percentage of total trade %	Brokerage fees RM	Percentage of total Brokerage fees %
<b>2023</b>				
Hong Leong Investment Bank Berhad*	9,942,556	14.98	24,800	23.18
CLSA Securities Malaysia Sdn Bhd	9,148,316	13.79	22,854	21.36
CIMB Islamic Bank Berhad	6,663,112	10.04	-	-
RHB Investment Bank	5,232,247	7.89	-	-
JPMorgan Securities (Malaysia) Sdn Bhd	5,094,298	7.68	12,696	11.86
J.P. Morgan Chase Bank Berhad	5,023,374	7.57	-	-
Credit Suisse Securities (M) Sdn Bhd	4,713,300	7.10	11,778	11.01
Nomura Securities Malaysia Sdn Bhd	3,338,594	5.03	8,311	7.77

	Values of trade RM	Percentage of total trade %	Brokerage fees RM	Percentage of total Brokerage fees %
CIMB Bank Berhad	2,552,418	3.85	-	-
Hong Leong Islamic Bank Berhad*	2,544,262	3.83	-	-
Others#	12,105,296	18.24	26,555	24.82
	<b>66,357,773</b>	<b>100.00</b>	<b>106,994</b>	<b>100.00</b>

## 2022

Hong Leong Investment Bank Berhad*	9,282,505	16.71	23,201	25.93
CIMB Islamic Bank Berhad	9,279,110	16.69	-	-
J.P. Morgan Chase Bank Berhad	7,023,507	12.63	-	-
Affin Hwang Investment Bank Berhad	6,361,311	11.44	15,875	17.74
Hong Leong Islamic Bank Berhad*	5,492,547	9.88	-	-
Nomura Securities Malaysia Sdn Bhd	4,054,192	7.29	10,119	11.31
Credit Suisse Securities (M) Sdn Bhd	3,933,081	7.07	9,829	10.99
JPMorgan Securities (Malaysia) Sdn Bhd	3,643,956	6.55	9,094	10.16
CLSA Securities Malaysia Sdn Bhd	2,829,413	5.09	7,069	7.90
Maybank Investment Bank Berhad	2,407,551	4.33	11,065	12.37
Others	1,291,620	2.32	3,218	3.60
	<b>55,598,793</b>	<b>100.00</b>	<b>89,470</b>	<b>100.00</b>

\* Transactions with brokers/dealers related to the Manager.

# Included in transactions by the Fund are trades with Hong Leong Bank Berhad, a related company of the Manager, of which the value of trades amounted to RM2,266,064.

The Manager is of the opinion that all transactions with the related companies have been entered into at agreed terms between the related parties.

## 17. SUBSEQUENT EVENT

The Manager proposed for the payment of a net distribution of RM1,071,887 at 0.7000 sen (gross and net) per unit in respect of the month of July 2023, which has been approved by the Board of Directors of the Manager. The distribution will be accrued for in the assets attributable to unit holders as an appropriation of the retained earnings for the financial year ending 30 June 2024.

# Performance Data

## A. (i) Portfolio Compositions:

Consumer Products & Services
Energy
Health Care
Industrial Products & Services
Plantation
Property
Technology
Transportation & Logistics
<b>Corporate Sukuk</b>
<b>Government Securities</b>
<b>Islamic Deposits &amp; Cash Equivalents</b>

(ii)	Total Net Asset Value	(ex-distribution)
(iii)	Net Asset Value Per Unit Units in Circulation	(ex-distribution) (ex-distribution)
(iv)	Highest/Lowest NAV Per Unit (ex-distribution)	Highest NAV Per Unit Lowest NAV Per Unit
(v)	Total Return of the Fund* - Capital Growth - Income Distribution	
(vi)	The distribution (gross) is made out of:- - The Fund's Capital - The Fund's Income - Total Distribution Amount - The Fund's Capital (% of Total Distribution Amount) - The Fund's Income (% of Total Distribution Amount)	
(vii)	Distribution Per Unit	Additional Units Distribution (Gross) Distribution (Net) Distribution Date Cum-Distribution NAV/Unit EX-Distribution NAV/Unit
		Additional Units Distribution (Gross) Distribution (Net) Distribution Date Cum-Distribution NAV/Unit EX-Distribution NAV/Unit
		Additional Units Distribution (Gross) Distribution (Net) Distribution Date Cum-Distribution NAV/Unit EX-Distribution NAV/Unit
		Additional Units Distribution (Gross) Distribution (Net) Distribution Date Cum-Distribution NAV/Unit EX-Distribution NAV/Unit
(viii)	Total Expense Ratio (TER)	
(ix)	Portfolio Turnover Ratio (PTR) (times)	

## B. Average Total Return, NAV Per Unit-to-NAV Per Unit basis (as at 30/06/2023)\*

- (i) One year
- (ii) Three years
- (iii) Five years

\* Source: Lipper for Investment Management  
(Returns are calculated after adjusting for distributions and/or additional units, if any)

# The PTR decreased by 0.15 times (18.99%) to 0.64 times for the financial year ended 30 June 2023 versus 0.79 times for the financial year ended 30 June 2022 mainly due to lower level of rebalancing activities undertaken by the Fund.

Financial Year 30/06/22- 30/06/23 %	Financial Year 30/06/21- 30/06/22 %	Financial Year 30/06/20- 30/06/21 %
4.12	5.89	9.16
3.96	1.15	4.63
3.60	-	-
19.20	13.14	15.15
1.92	-	-
2.17	-	1.55
18.04	22.78	20.67
-	-	2.53
17.90	17.86	23.20
23.20	19.13	18.66
5.89	20.05	4.45
<b>RM76,567,673</b>	<b>RM42,094,291</b>	<b>RM21,622,791</b>
<b>RM0.5217</b>	<b>RM0.5178</b>	<b>RM0.5858</b>
<b>146,753,379</b>	<b>81,296,038</b>	<b>36,911,740</b>
<b>RM0.5665</b>	<b>RM0.6383</b>	<b>RM0.6137</b>
<b>RM0.5008</b>	<b>RM0.5138</b>	<b>RM0.4323</b>
6.42%	-6.98%	43.99%
0.75%	-11.61%	36.36%
5.67%	4.63%	7.63%
0.0000 sen/unit	3.0000 sen/unit	0.0000 sen/unit
2.9000 sen/unit	0.0000 sen/unit	2.8000 sen/unit
2.9000 sen/unit	3.0000 sen/unit	2.8000 sen/unit
0%	100%	0%
100%	0%	100%
-	-	-
0.8000 sen/unit	0.7000 sen/unit	0.7000 sen/unit
0.8000 sen/unit	0.7000 sen/unit	0.7000 sen/unit
21/07/2022	22/07/2021	22/07/2020
RM0.5212	RM0.5955	RM0.4559
RM0.5132	RM0.5885	RM0.4489
-	-	-
0.7000 sen/unit	0.7000 sen/unit	0.7000 sen/unit
0.7000 sen/unit	0.7000 sen/unit	0.7000 sen/unit
17/10/2022	21/10/2021	21/10/2020
RM0.5132	RM0.6356	RM0.4730
RM0.5062	RM0.6286	RM0.4660
-	-	-
0.7000 sen/unit	0.8000 sen/unit	0.7000 sen/unit
0.7000 sen/unit	0.8000 sen/unit	0.7000 sen/unit
13/01/2023	20/01/2022	20/01/2021
RM0.5499	RM0.5793	RM0.5649
RM0.5429	RM0.5713	RM0.5579
-	-	-
0.7000 sen/unit	0.8000 sen/unit	0.7000 sen/unit
0.7000 sen/unit	0.8000 sen/unit	0.7000 sen/unit
17/04/2023	21/04/2022	21/04/2021
RM0.5528	RM0.5675	RM0.6085
RM0.5458	RM0.5595	RM0.6015
1.66%	1.68%	1.78%
0.64#	0.79	1.33
6.42%		
14.18%		
11.94%		

# Corporate Information

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## **Manager**

Hong Leong Asset Management Bhd [199401033034 (318717-M)]

## **Registered Office**

Level 30, Menara Hong Leong  
No. 6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur

## **Business Office**

Level 18, Block B, Plaza Zurich  
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Bukit Damansara  
50490 Kuala Lumpur

## **Board of Directors**

Ms. Lee Jim Leng  
Mr. Hoo See Kheng  
Dato' Abdul Majit Bin Ahmad Khan  
Tunku Dato' Mahmood Fawzy Bin Tunku Muhiyiddin

## **Executive Director / Chief Executive Officer**

Mr. Hoo See Kheng

## **External Fund Manager**

Hong Leong Islamic Asset Management Sdn Bhd [198501008000 (140445-U)]

## **Trustee**

Deutsche Trustees Malaysia Berhad

## **Auditor**

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146)

## **Shariah Adviser**

BIMB Securities Sdn Bhd

## **Distributors**

Hong Leong Bank Berhad  
Hong Leong Islamic Bank Berhad  
Standard Chartered Bank Malaysia Berhad  
OCBC Bank (Malaysia) Berhad  
OCBC Al-Amin Bank Berhad  
CIMB Investment Bank Berhad  
United Overseas Bank (Malaysia) Berhad  
Affin Bank Berhad  
Areca Capital Sdn Bhd  
TA Investment Management Berhad  
Kenanga Investors Berhad  
Phillip Mutual Berhad  
UOB Kay Hian Securities (M) Sdn Bhd  
Registered Independent Tied Agents with FIMM



# Corporate Directory

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