

Hong Leong Dividend Fund

Annual Report

Financial Year Ended 31 August 2023

2022/2023

Audited



Hong Leong Dividend Fund

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Manager's Review and Report

I. FUND INFORMATION

Fund Name

Hong Leong Dividend Fund

Fund Category

Equity

Fund Type

Income & Growth

Investment Objective

To provide investors with a steady recurring income* that is potentially higher than prevailing fixed deposit rates. At the same time, the Fund also attempts to attain medium to long-term capital appreciation.

Duration of the Fund and its termination date, where applicable

Not Applicable

Benchmark

FTSE Bursa Malaysia KLCI (70%) and 12 Months KLIBOR Rate (30%)

Distribution Policy

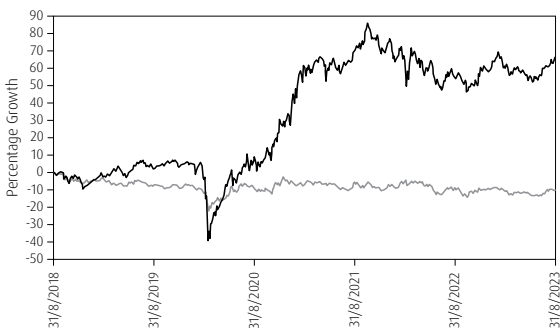
The Fund intends to provide regular income* and potentially, consistent long-term capital appreciation. Regular income returns will be declared depending on interest rates, market conditions and performance of the Fund. As such, the Fund will strive to declare distributions annually, if any, in the form of either cash or additional Units to the Unit holders.

Note:

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

II. FUND PERFORMANCE

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



From 31/8/2018 to 31/8/2023

— Hong Leong Dividend Fund (HLDF) : 66.89
— FTSE BM KLCI/12 Months KLIBOR(70:30) : -9.92

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 HLDF 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 September 2022 to 31 August 2023.

The Fund posted a return of 7.17% (based on NAV Per Unit-to-NAV Per Unit basis with gross income (if any) from the Fund reinvested) in the past twelve months while its benchmark the FTSE Bursa Malaysia KLCI+12 Months KLIBOR Index (70:30) registered a return of -1.57%. During the financial year under review, the Fund had distributed gross income distributions of 1.10 sen per unit (net income distribution 1.10 sen per unit) on 17 October 2022, 13 January 2023, 17 April 2023 and 17 July 2023. Prior to the income

distributions, the cum-distribution Net Asset Value (NAV) per unit of the Fund were RM0.6506, RM0.7139, RM0.6873 and RM0.6729 while the ex-distribution NAV per unit were RM0.6396, RM0.7029, RM0.6763 and RM0.6619 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 31 August 2023, the Fund registered a return of 66.89% compared to the benchmark's return of -9.92% while distributing a total gross income of 18.8500 sen per unit (net income of 18.7087 sen per unit).

Table 1: Performance of the Fund for the following periods as at 31 August 2023 (Source: Lipper for Investment Management)

	31/05/23- 31/08/23	28/02/23- 31/08/23	31/08/22- 31/08/23	31/08/20- 31/08/23	31/08/18- 31/08/23	31/08/13- 31/08/23	06/01/05- 31/08/23 Since Launch
	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	
HLDF (%)	7.18	4.08	7.17	56.81	66.89	151.71	377.63
Benchmark (%)	3.58	0.51	-1.57	-0.49	-9.92	-0.86	71.77

Table 2: Return of the Fund based on NAV Per Unit-to-NAV Per Unit basis for the period 31 August 2022 to 31 August 2023 (Source: Lipper for Investment Management)

	31-Aug-23	31-Aug-22	Return (%)
NAV Per Unit	RM0.6913*	RM0.6885	7.17#
Benchmark	1,872.97	1,902.92	-1.57
vs Benchmark (%)	-	-	8.74

* Based on NAV Per Unit on 30 August 2023 as the above-mentioned reporting date fell on a public holiday.

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

Table 3: Financial Highlights

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

	31-Aug-23 (RM)	31-Aug-22 (RM)	Change (%)
Unit holders' Capital	268,718,078	169,159,447	58.85
Retained Earnings	40,733,360	37,659,221	8.16
Net Asset Value	309,451,438	206,818,668	49.62
Units in Circulation	447,683,917	300,397,696	49.03

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

	Financial Year 31/08/22– 31/08/23	Financial Year 31/08/21– 31/08/22	Financial Year 31/08/20– 31/08/21
Highest NAV Per Unit (RM)	0.7257	0.8694	0.7970
Lowest NAV Per Unit (RM)	0.6395	0.6612	0.4974
Capital Growth (%)	0.41	-13.61	52.45
Income Distribution (%)	6.76	4.89	7.84
Total Return (%)	7.17	-8.72	60.29

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 HLDF reinvested.

Table 5: Average Total Return of the Fund

	31/08/22– 31/08/23 1 Year	31/08/20– 31/08/23 3 Years	31/08/18– 31/08/23 5 Years
Average Total Return (%)	7.17	18.94	13.38

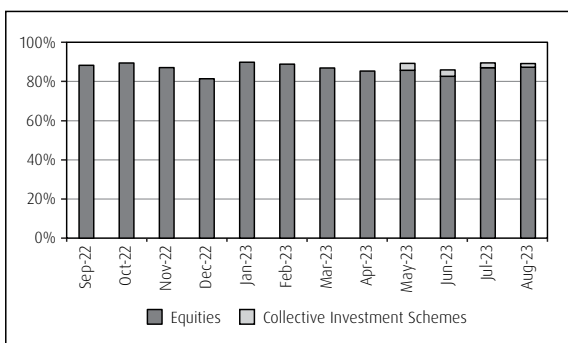
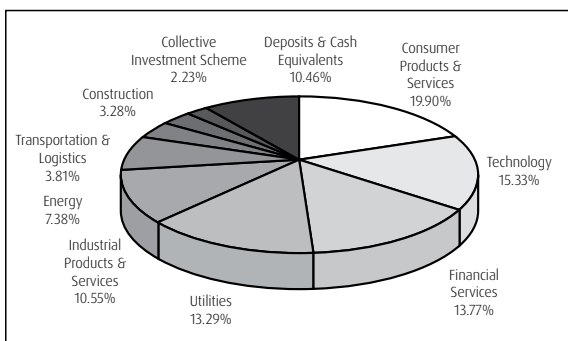
Source: Lipper for Investment Management, In Malaysian Ringgit terms, ex-distribution, NAV Per Unit-to-NAV Per Unit basis with gross income (if any) from HLDF reinvested.

Table 6: Annual Total Return of the Fund

Financial Year	31/08/22- 31/08/23	31/08/21- 31/08/22	31/08/20- 31/08/21	31/08/19- 31/08/20	31/08/18- 31/08/19
Annual Total Return (%)	7.17	-8.72	60.29	3.44	2.89

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 HLDF reinvested.

III. INVESTMENT PORTFOLIO

Chart 2: Asset Allocation – September 2022 to August 2023**Chart 3: Sector Allocation as at 31 August 2023**

Strategies employed by the Fund during the period under review

During the financial year under review, the Fund managed to outperformed the Benchmark and registered positive return despite the market sentiment was affected by the rising risk of a global recession due to high interest rate environment and the risk of an uncontrolled collapse of the China property sector. The Fund has lowered down exposure of export stocks due to sluggish global demand and switched into domestic driven companies.

An explanation on the differences in portfolio composition

During the financial year under review, there was an increase in allocation to energy, utilities, transportation and construction due to brighter outlook as these sectors are benefiting from economic reopening and sustaining domestic demand.

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

During the financial year under review, the MSCI AC Asia Pacific ex Japan Index declined 2.4%. The best performing markets were Taiwan and India while the laggards were Hong Kong and Thailand. In the local market, the FTSE Bursa Malaysia KLCI declined 4.0%. Small caps outperformed as the FTSE Bursa Malaysia Small Cap Index rose 11.8%.

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 'Fed 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 BM 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.

V. FUTURE PROSPECTS AND PROPOSED STRATEGIES

To the surprise of many, the highly anticipated recession has yet to occur despite a much tighter monetary policy environment and a much weaker-than-expected China economy. Nevertheless, multiple challenges remain for the global economic outlook. Inflation has moderated but still at a level that global central bankers are far from being comfortable with. Apart from the labour market, global economic activity has declined while the full effects of high interest rates have yet to be seen. On a positive note, China policy makers are expected to roll out more economic stimulus measures with greater urgency in the face of the current economic slowdown.

On the local front, due to the diversified nature of the economy, we expect the local economy to remain resilient in the face of deteriorating external demand. We also expect the economy to be supported by direct foreign investments as the government has been putting in more effort to attract foreign investors to the country.

Due to the uncertain economic outlook and global monetary policy, we expect market volatility to persist in the near term. Corporate earnings growth are also at risk of downgrades due to the softening global economy. We opine that the best strategy to navigate through this challenging environment is staying invested in high quality companies with solid fundamentals.

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

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 16 to 49 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 31 August 2023 and of its financial performance, changes in equity and cash flows for the financial year ended 31 August 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

18 October 2023

TRUSTEE'S REPORT

TO THE UNIT HOLDERS OF HONG LEONG DIVIDEND FUND ("Fund")

We have acted as Trustee of the Fund for the financial year ended 31 August 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, 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
18 October 2023

INDEPENDENT AUDITORS' REPORT

TO THE UNIT HOLDERS OF HONG LEONG DIVIDEND FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our Opinion

In our opinion, the financial statements of Hong Leong Dividend Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 31 August 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 31 August 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 16 to 49.

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 are responsible for the other information. The other information comprises Manager's Review & 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 are 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 are 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 terminate the Fund, 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 unitholders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
(LLP0014401-LCA & AF 1146)
Chartered Accountants

Kuala Lumpur
18 October 2023

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2023

	Note	2023 RM	2022 RM
INVESTMENT INCOME/(LOSS)			
Interest income from financial assets measured at fair value through profit or loss ("FVTPL")		834,548	321,427
Dividend income		6,947,257	5,390,048
Net gain/(loss) on financial assets at fair value through profit or loss ("FVTPL")	8	18,133,188	(18,580,980)
		<u>25,914,993</u>	<u>(12,869,505)</u>
EXPENDITURE			
Management fee	4	(5,072,364)	(3,577,653)
Trustee's fee	5	(177,533)	(125,218)
Auditors' remuneration		(7,500)	(7,500)
Tax agent's fee		(4,100)	(2,950)
Transaction costs		(1,050,502)	(904,992)
Other expenses		(61,681)	(61,482)
		<u>(6,373,680)</u>	<u>(4,679,795)</u>
PROFIT/(LOSS) BEFORE TAXATION		19,541,313	(17,549,300)
Taxation	6	-	-
PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR		<u>19,541,313</u>	<u>(17,549,300)</u>
Profit/(loss) after taxation is made up as follows:			
Realised amount		1,250,076	21,913,132
Unrealised amount		18,291,237	(39,462,432)
		<u>19,541,313</u>	<u>(17,549,300)</u>
Distributions for the financial year:			
Net distributions	7	16,467,174	10,092,538
Net distributions per unit (sen)	7	<u>4.4000</u>	<u>4.1500</u>
Gross distributions per unit (sen)	7	<u>4.4000</u>	<u>4.1500</u>

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2023

	Note	2023 RM	2022 RM
ASSETS			
Cash and cash equivalents		26,933,483	29,387,243
Amount due from brokers/dealers		5,806,410	-
Amount due from the Manager			
-creation of units		1,101,661	2,217,881
Dividends receivable		46,716	77,250
Financial assets at fair value through profit or loss ("FVTPL")	8	277,081,422	175,511,887
TOTAL ASSETS		<u>310,969,692</u>	<u>207,194,261</u>
LIABILITIES			
Amount due to brokers/dealers		979,629	-
Amount due to the Manager			
-management fee		509,657	349,770
Amount due to the Trustee		17,838	12,242
Distribution payable		-	119
Other payables and accruals		11,130	13,462
TOTAL LIABILITIES		<u>1,518,254</u>	<u>375,593</u>
NET ASSET VALUE OF THE FUND		<u>309,451,438</u>	<u>206,818,668</u>
EQUITY			
Unit holders' capital		268,718,078	169,159,447
Retained earnings		40,733,360	37,659,221
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>309,451,438</u>	<u>206,818,668</u>
UNITS IN CIRCULATION (UNITS)	9	<u>447,683,917</u>	<u>300,397,696</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.6912</u>	<u>0.6885</u>

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 31 AUGUST 2023

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 September 2022		169,159,447	37,659,221	206,818,668
Movement in net asset value:				
Creation of units from applications		97,418,258	-	97,418,258
Creation of units from distributions		8,711,393	-	8,711,393
Cancellation of units		(6,571,020)	-	(6,571,020)
Total comprehensive income for the financial year		-	19,541,313	19,541,313
Distributions for the financial year	7	-	(16,467,174)	(16,467,174)
Balance as at 31 August 2023		<u>268,718,078</u>	<u>40,733,360</u>	<u>309,451,438</u>
Balance as at 1 September 2021		74,945,018	65,301,059	140,246,077
Movement in net asset value:				
Creation of units from applications		102,969,232	-	102,969,232
Creation of units from distributions		7,614,482	-	7,614,482
Cancellation of units		(16,369,285)	-	(16,369,285)
Total comprehensive loss for the financial year		-	(17,549,300)	(17,549,300)
Distributions for the financial year	7	-	(10,092,538)	(10,092,538)
Balance as at 31 August 2022		<u>169,159,447</u>	<u>37,659,221</u>	<u>206,818,668</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 31 AUGUST 2023

	2023 RM	2022 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sales of financial assets at FVTPL	95,639,847	93,599,010
Purchase of financial assets at FVTPL	(184,785,461)	(152,776,239)
Interest income received from financial assets measured at amortised cost	834,548	321,427
Dividend income received	6,804,811	4,941,460
Management fee paid	(4,912,477)	(3,463,481)
Trustee's fee paid	(171,937)	(121,222)
Payment for other fees and expenses	(70,649)	(71,951)
Net cash used in operating activities	(86,661,318)	(57,570,996)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	98,534,478	100,918,055
Payments for cancellation of units	(6,571,020)	(16,850,660)
Payments for distributions	(7,755,900)	(2,477,937)
Net cash generated from financing activities	84,207,558	81,589,458
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,453,760)	24,018,462
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	29,387,243	5,368,781
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	26,933,483	29,387,243

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 31 AUGUST 2023

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

Hong Leong Dividend Fund ("the Fund") was constituted pursuant to the execution of a Deed dated 22 December 2004 and Supplemental Deeds dated 11 December 2007 and 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, 28 April 2022 and 23 March 2023 to effect the change ("the Deeds").

The Fund aims to provide investors with a steady recurring income that is potentially higher than prevailing fixed deposit rates. At the same time, the Fund also attempts to attain medium to long-term capital appreciation.

The Fund will invest in stocks which have good dividend payout policies and reasonable Medium-To-Long Term capital appreciation opportunities. Stocks with good dividend payout policies are those that have been consistently paying high dividends (i.e. dividend yields at and/or above market average) over the last three to five years, and are able to sustain the dividend payments at least over the next one year. The Fund will invest primarily in equity securities that will generate good income yields, i.e. having paid dividends three out of the last five years, historical track record of awarding good dividends, or potential to provide high dividends within the next 12 months. At the same time, the Fund also invests in fixed income securities with good credit qualities and yield enhancement opportunities. Fixed income securities with good credit qualities generally are investment-grade securities that have relatively low risk of a default. The Fund commenced operations on 6 January 2005 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, private retirement schemes 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.

The financial statements were authorised for issue by the Manager on 18 October 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) Amendments to published standard and interpretations that are relevant and effective 1 September 2022

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

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 September 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 September 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 as fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are solely principal and interest, 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.

The Fund classifies amount due to brokers/dealers, amount due to the Manager, amount due to the Trustee, distribution payable 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. 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 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 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.

If a valuation based on the market price does not represent the fair value of the quoted 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 securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the quoted 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.

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

Interest income from deposits with licensed financial institutions and auto-sweep facility bank account are recognised on the effective interest rate method on an accrual basis.

Interest income is calculated by applying the effective interest 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 interest 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 investments is accounted for as the difference between the net disposal proceeds and the carrying amount of quoted investments, determined on a weighted average cost basis.

(e) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash at banks and deposits held in highly liquid 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 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 interest 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, interest income is recognised using the rate of interest 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 and capital 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:

	Financial assets at FVTPL RM	Financial assets/ liabilities at amortised cost RM	Total RM
2023			
<u>Financial assets</u>			
Cash and cash equivalents	-	26,933,483	26,933,483
Amount due from brokers/dealers	-	5,806,410	5,806,410
Amount due from the Manager			
-creation of units	-	1,101,661	1,101,661
Dividends receivable	-	46,716	46,716
Financial assets at FVTPL (Note 8)	277,081,422	-	277,081,422
	<u>277,081,422</u>	<u>33,888,270</u>	<u>310,969,692</u>
<u>Financial liabilities</u>			
Amount due to brokers/dealers	-	979,629	979,629
Amount due to the Manager			
-management fee	-	509,657	509,657
Amount due to the Trustee	-	17,838	17,838
Other payables and accruals	-	11,130	11,130
	-	<u>1,518,254</u>	<u>1,518,254</u>
2022			
<u>Financial assets</u>			
Cash and cash equivalents	-	29,387,243	29,387,243
Amount due from the Manager			
-creation of units	-	2,217,881	2,217,881
Dividends receivable	-	77,250	77,250
Financial assets at FVTPL (Note 8)	175,511,887	-	175,511,887
	<u>175,511,887</u>	<u>31,682,374</u>	<u>207,194,261</u>
<u>Financial liabilities</u>			
Amount due to the Manager			
-management fee	-	349,770	349,770
Amount due to the Trustee	-	12,242	12,242
Distribution payable	-	119	119
Other payables and accruals	-	13,462	13,462
	-	<u>375,593</u>	<u>375,593</u>

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 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 investment portfolio.

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

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

	2023 RM	2022 RM
Financial assets at FVTPL:		
- Quoted equity securities	270,168,170	175,511,887
- Quoted collective investment scheme	6,913,252	-
	<u>277,081,422</u>	<u>175,511,887</u>

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

% Change in price of financial assets at FVTPL	Market value RM	Impact on profit/(loss) after taxation/net asset value RM
2023		
-5%	263,227,351	(13,854,071)
0%	277,081,422	-
5%	290,935,493	13,854,071
2022		
-5%	166,736,293	(8,775,594)
0%	175,511,887	-
5%	184,287,481	8,775,594

(ii) Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments and its return will fluctuate because of changes in market interest rates.

Interest rate is a general economic indicator that will have an impact on the management of the Fund. The Fund's exposure to the interest rate risk is mainly confined to short term placements with licensed financial institutions. The Manager overcomes the exposure by way of maintaining deposits on a short term basis.

As at end of each reporting year, the Fund is not exposed to a material level of interest rate risk as the 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.

The credit risk arising from placements of deposits with licensed financial institutions is managed by ensuring that the Fund will only place 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 investments 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	Total RM
2023					
- AAA	26,880,089	2,992,893	-	-	29,872,982
- AA1	53,394	-	-	-	53,394
- NR	-	2,813,517	1,101,661	46,716	3,961,894
	<u>26,933,483</u>	<u>5,806,410</u>	<u>1,101,661</u>	<u>46,716</u>	<u>33,888,270</u>
2022					
- AAA	29,149,385	-	-	-	29,149,385
- AA1	237,858	-	-	-	237,858
- NR	-	-	2,217,881	77,250	2,295,131
	<u>29,387,243</u>	<u>-</u>	<u>2,217,881</u>	<u>77,250</u>	<u>31,682,374</u>

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

(c) Liquidity risk

Liquidity risk is the risk that 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 liquid assets to meet anticipated payments and cancellations of the units by unit holders. Liquid assets comprise cash at banks, deposits with licensed financial institutions and other 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
2023			
<u>Financial liabilities</u>			
Amount due to brokers/dealers	979,629	-	979,629
Amount due to the Manager			
-management fee	509,657	-	509,657
Amount due to the Trustee	17,838	-	17,838
Other payables and accruals	-	11,130	11,130
Contractual cash out flows	<u>1,507,124</u>	<u>11,130</u>	<u>1,518,254</u>
2022			
<u>Financial liabilities</u>			
Amount due to the Manager			
-management fee	349,770	-	349,770
Amount due to the Trustee	12,242	-	12,242
Distribution payable	119	-	119
Other payables and accruals	-	13,462	13,462
Contractual cash out flows	<u>362,131</u>	<u>13,462</u>	<u>375,593</u>

(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 investment activities of the Fund.

(e) 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 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 options, currency swaps and other over-the-counter 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 equity, debt securities and other debt 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 the Fund's financial assets (by class) measured at fair value:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2023				
<u>Financial assets</u>				
<u>at FVTPL:</u>				
- Quoted equity securities	270,168,170	-	-	270,168,170
- Quoted collective investment scheme	6,913,252	-	-	6,913,252
	<u>277,081,422</u>	<u>-</u>	<u>-</u>	<u>277,081,422</u>
2022				
<u>Financial assets</u>				
<u>at FVTPL:</u>				
- Quoted equity securities	175,511,887	-	-	175,511,887

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities and collective investment scheme. The Fund does not adjust the quoted prices for these instruments. 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. MANAGEMENT FEE

In accordance with Division 13.1 of the Deed, the Manager is entitled to a management fee of up to 2.50% per annum calculated daily based on the net asset value of the Fund.

For the financial year ended 31 August 2023, the management fee is recognised at a rate of 2.00% (2022: 2.00%) per annum.

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

5. TRUSTEE'S FEE

In accordance with Division 13.2 of the Deed, the Trustee is entitled to a fee not exceeding 1.00% 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 31 August 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.

6. TAXATION

	2023 RM	2022 RM
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:

	2023 RM	2022 RM
Profit/(loss) before taxation	19,541,313	(17,549,300)
Taxation at Malaysian statutory rate of 24% (2022: 24%)	4,689,915	(4,211,832)
Tax effects of:		
(Investment income not subject to tax)/ investment loss disallowed from tax	(6,219,598)	3,088,681
Expenses not deductible for tax purposes	297,836	251,242
Restriction on tax deductible expenses for unit trust fund	1,231,847	871,909
Taxation	-	-

7. DISTRIBUTIONS

	2023 RM	2022 RM
Prior financial years' realised income	14,557,356	8,898,999
Interest income	737,626	243,447
Dividend income	6,620,577	5,115,298
Less: Expenses	(5,448,385)	(4,165,206)
Net distribution amount	16,467,174	10,092,538
Net distributions per unit (sen)	4.4000	4.1500
Gross distributions per unit (sen)	4.4000	4.1500

Date of Declaration

Distribution on 17/21 October

Net distribution per unit (sen)	1.1000	0.8500
Gross distribution per unit (sen)	1.1000	0.8500

Distribution on 13/20 January

Net distribution per unit (sen)	1.1000	1.1000
Gross distribution per unit (sen)	1.1000	1.1000

Distribution on 17/21 April

Net distribution per unit (sen)	1.1000	1.1000
Gross distribution per unit (sen)	1.1000	1.1000

Distribution on 17/21 July

Net distribution per unit (sen)	1.1000	1.1000
Gross distribution per unit (sen)	1.1000	1.1000

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.

The above distribution have been proposed before taking into account the unrealised gain of RM18,291,237 (2022: unrealised loss of RM39,462,432) which is carried forward to the next financial year.

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

	2023 RM	2022 RM
<u>Financial assets at FVTPL:</u>		
Quoted equity securities	270,168,170	175,511,887
Quoted collective investment scheme	6,913,252	-
	<u>277,081,422</u>	<u>175,511,887</u>
<u>Net gain/(loss) on financial assets at FVTPL:</u>		
Realised (loss)/gain on disposals	(158,049)	20,881,452
Changes in unrealised fair values	18,291,237	(39,462,432)
	<u>18,133,188</u>	<u>(18,580,980)</u>

Financial assets at FVTPL as at 31 August 2023 are as detailed below:

	Quantity Units	Aggregate cost RM	Fair value RM	Percentage of net asset value %
QUOTED EQUITY SECURITIES				
<u>Main Market</u>				
<u>Construction</u>				
Ekovest Berhad	18,823,000	7,657,064	10,164,420	3.28
<u>Consumer Products & Services</u>				
Berjaya Food Berhad	10,400,000	9,088,697	7,072,000	2.28
Bermaz Auto Berhad	2,500,000	4,347,714	5,600,000	1.81
Carlsberg Brewery Malaysia Berhad	555,000	12,635,023	11,211,000	3.62
Focus Point Holdings Berhad*	9,520,000	2,610,050	7,330,400	2.37
Genting Berhad	2,000,000	8,883,440	8,740,000	2.82
Genting Malaysia Berhad	3,800,000	10,931,995	9,766,000	3.16
Heineken Malaysia Berhad	500,000	12,651,857	11,900,000	3.84
	29,275,000	61,148,776	61,619,400	19.90
<u>Energy</u>				
Bumi Armada Berhad	18,000,000	7,357,560	9,180,000	2.97
Dayang Enterprise Holdings Berhad	7,850,000	9,406,273	13,659,000	4.41
	25,850,000	16,763,833	22,839,000	7.38
<u>Financial Services</u>				
Aeon Credit Services (M) Berhad	710,000	9,269,590	7,810,000	2.52
Alliance Bank Malaysia Berhad	4,100,000	14,687,629	14,145,000	4.57
AMMB Holdings Berhad	3,100,000	10,687,884	11,563,000	3.74
Hong Leong Financial Group Berhad	500,000	9,653,661	9,110,000	2.94
	8,410,000	44,298,764	42,628,000	13.77
<u>Industrial Products & Services</u>				
Kelington Group Berhad	6,400,000	9,048,430	9,600,000	3.10
Samchem Holdings Berhad	6,400,000	6,161,130	3,360,000	1.09
Sam Engineering & Equipment (M) Berhad	2,000,000	9,000,000	9,400,000	3.04
Thong Guan Industries Berhad	3,000,000	6,845,028	6,030,000	1.95
	17,800,000	31,054,588	28,390,000	9.18
<u>Technology</u>				
Inari Amertron Berhad	3,300,000	9,947,561	10,395,000	3.36
Malaysian Pacific Industries Berhad	350,000	10,884,102	10,080,000	3.26
Pentamaster Corporation Berhad	2,100,000	8,549,157	11,109,000	3.59
UWC Berhad	1,800,000	6,634,735	6,300,000	2.04
	7,550,000	36,015,555	37,884,000	12.25
<u>Transportation & Logistics</u>				
Malaysia Airports Holdings Berhad	1,600,000	11,115,620	11,792,000	3.81
<u>Utilities</u>				
Tenaga Nasional Berhad	2,100,000	19,650,935	20,664,000	6.68
YTL Power International Berhad	9,552,500	11,371,039	20,442,350	6.61
	11,652,500	31,021,974	41,106,350	13.29

	Quantity Units	Aggregate cost RM	Fair value RM	Percentage of net asset value %
<u>ACE Market</u>				
<u>Industrial Products & Services</u>				
Econframe Berhad	5,000,000	5,000,000	4,225,000	1.37
<u>Technology</u>				
Genetec Technology Berhad	4,000,000	9,491,594	9,520,000	3.08
TOTAL QUOTED EQUITY SECURITIES	129,960,500	253,567,768	270,168,170	87.31
QUOTED COLLECTIVE INVESTMENT SCHEME				
Pavilion Real Estate Investment Trust	5,666,600	6,913,252	6,913,252	2.23
TOTAL QUOTED COLLECTIVE INVESTMENT SCHEME	5,666,600	6,913,252	6,913,252	2.23
TOTAL INVESTMENTS	135,627,100	260,481,020	277,081,422	89.54
UNREALISED GAIN ON FINANCIAL ASSETS AT FVTPL		16,600,402		
TOTAL FAIR VALUE OF FINANCIAL ASSETS AT FVTPL		277,081,422		

Financial assets at FVTPL as at 31 August 2022 are as detailed below:

	Quantity Units	Aggregate cost RM	Fair value RM	Percentage of net asset value %
QUOTED EQUITY SECURITIES				
<u>Main Market</u>				
<u>Consumer Products & Services</u>				
Berjaya Food Berhad	1,300,000	5,509,637	5,408,000	2.62
Bermaz Auto Berhad	2,500,000	4,347,714	4,550,000	2.20
British American Tobacco (Malaysia) Berhad	550,000	8,000,526	5,665,000	2.74
Carlsberg Brewery Malaysia Berhad	300,000	6,688,850	6,948,000	3.36
Genting Berhad	2,000,000	8,883,440	9,400,000	4.55
Genting Malaysia Berhad	3,500,000	10,085,575	10,465,000	5.06
Heineken Malaysia Berhad	285,000	6,813,847	6,720,300	3.25
	10,435,000	50,329,589	49,156,300	23.78
<u>Financial Services</u>				
Aeon Credit Services (M) Berhad	520,000	7,050,408	7,332,000	3.55
Alliance Bank Malaysia Berhad	3,000,000	10,972,432	10,590,000	5.12
AMMB Holdings Berhad	2,600,000	8,613,049	10,868,000	5.25
Hong Leong Financial Group Berhad	410,000	8,014,269	7,962,200	3.85
Malaysia Building Society Berhad	10,003,571	6,691,380	5,802,071	2.81
RHB Bank Berhad	1,715,386	9,422,285	9,846,316	4.76
	18,248,957	50,763,823	52,400,587	25.34
<u>Industrial Products & Services</u>				
Cahaya Mata Sarawak Bhd	4,400,000	5,897,605	4,158,000	2.01
Kobay Technology Bhd	2,400,000	10,870,609	6,648,000	3.21
Samchem Holdings Berhad	6,400,000	6,161,130	4,992,000	2.41
	13,200,000	22,929,344	15,798,000	7.63
<u>Technology</u>				
D & O Green Technologies Berhad	2,500,000	2,143,631	9,775,000	4.73
Inari Amertron Berhad	3,300,000	9,947,561	8,943,000	4.32
JHM Consolidation Berhad	3,350,000	4,340,545	3,953,000	1.91
Malaysian Pacific Industries Bhd	250,000	7,803,902	7,690,000	3.72
MY E.G. Services Berhad	7,500,000	6,483,075	6,000,000	2.90
Pentamaster Corporation Berhad	2,100,000	8,549,157	8,484,000	4.10
Unisem (M) Berhad	3,000,000	11,302,045	8,280,000	4.00
	22,000,000	50,569,916	53,125,000	25.68
<u>ACE Market</u>				
<u>Consumer Products & Services</u>				
Focus Point Holdings Berhad	6,800,000	2,610,050	5,032,000	2.43
TOTAL QUOTED EQUITY SECURITIES	70,683,957	177,202,722	175,511,887	84.86
UNREALISED LOSS ON FINANCIAL ASSETS AT FVTPL		(1,690,835)		
TOTAL FAIR VALUE OF FINANCIAL ASSETS AT FVTPL		175,511,887		

* Focus Point Holdings Berhad had transfer of listing from ACE market to main market of Bursa Malaysia Securities Berhad on 5 January 2023.

9. UNITS IN CIRCULATION

	2023 No. of units	2022 No. of units
At the beginning of the financial year	300,397,696	175,987,324
Add: Creation of units during the financial year		
- Arising from applications	144,238,024	135,429,133
- Arising from distributions	12,967,255	10,255,666
Less: Cancellation of units during the financial year	(9,919,058)	(21,274,427)
At the end of the financial year	<u>447,683,917</u>	<u>300,397,696</u>

10. TOTAL EXPENSE RATIO ("TER")

	2023 %	2022 %
TER	<u>2.09</u>	<u>2.10</u>

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 and withholding tax
- 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 RM253,876,773 (2022: RM179,130,662).

11. PORTFOLIO TURNOVER RATIO ("PTR")

	2023 Times	2022 Times
PTR	0.57	0.63

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
= RM185,082,559 (2022: RM151,867,023)
total disposals for the financial year
= RM101,972,278 (2022: RM72,513,655)

12. 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 31 August 2023 and 31 August 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 Bank Berhad	26,880,088	29,149,385
Amount due from brokers/dealers		
- Hong Leong Investment Bank Berhad	2,992,894	-
Amount due to brokers/dealers		
- Hong Leong Investment Bank Berhad	(251,954)	-
	<u>29,621,028</u>	<u>29,149,385</u>
<u>Related party transactions</u>		
Dividend income from quoted equity security:		
- Hong Leong Financial Group Berhad	<u>211,500</u>	<u>52,500</u>
Interest income from auto-sweep facility bank account:		
- Hong Leong Bank Berhad	<u>829,533</u>	<u>316,415</u>
Purchase of quoted equities securities:		
- Hong Leong Investment Bank Berhad	<u>72,451,571</u>	<u>69,290,975</u>
Disposal of quoted equity securities:		
- Hong Leong Investment Bank Berhad	<u>41,710,750</u>	<u>43,122,639</u>

13. 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 %
2023				
Hong Leong Investment Bank Berhad*	114,162,321	39.75	280,346	37.98
CLSA Securities Malaysia Sdn Bhd	24,833,591	8.65	62,132	8.42
Nomura Securities Malaysia Sdn Bhd	22,863,481	7.96	57,021	7.72
Public Investment Bank Berhad	21,837,090	7.60	54,635	7.40
JPMorgan Securities (Malaysia) Sdn Bhd	21,598,937	7.52	53,877	7.30
Maybank Investment Bank Berhad	19,543,238	6.80	72,330	9.80
CGS-CIMB Securities Sdn Bhd	12,005,836	4.18	29,974	4.06
RHB Investment Bank Berhad	11,559,604	4.02	33,077	4.48
Kenanga Investment Bank Berhad	10,679,234	3.72	26,609	3.60
Affin Hwang Investment Bank Berhad	9,262,507	3.23	23,154	3.14
Others	18,865,509	6.57	45,033	6.10
	<u>287,211,348</u>	<u>100.00</u>	<u>738,188</u>	<u>100.00</u>
2022				
Hong Leong Investment Bank Berhad*	112,413,614	45.87	272,711	42.75
CLSA Securities Malaysia Sdn Bhd	23,533,085	9.60	58,879	9.23
Macquarie Capital Securities (Malaysia) Sdn Bhd	20,084,925	8.20	50,096	7.85
Credit Suisse Securities (Malaysia) Sdn Bhd	18,986,099	7.75	47,428	7.43
JPMorgan Securities (Malaysia) Sdn Bhd	14,235,863	5.81	35,562	5.57
Affin Hwang Investment Bank Berhad	13,878,020	5.66	34,437	5.40
Nomura Securities Malaysia Sdn Bhd	13,631,470	5.56	33,987	5.33
RHB Investment Bank Berhad	10,156,939	4.15	38,995	6.11
UOB Kay Hian Securities (M) Sdn Bhd	5,839,911	2.38	14,579	2.29
Maybank Investment Bank Berhad	5,736,913	2.34	34,998	5.49
Others	6,556,494	2.68	16,277	2.55
	<u>245,053,333</u>	<u>100.00</u>	<u>637,949</u>	<u>100.00</u>

* Transactions with brokers/dealers related to the Manager.

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

Performance Data

A (i) Portfolio Compositions:

Construction
Consumer Products & Services
Energy
Financial Services
Industrial Products & Services
Technology
Transportation & Logistics
Utilities

Collective Investment Scheme

Deposits & Cash Equivalents

(ii) Total Net Asset Value	(ex-distribution)
(iii) Net Asset Value Per Unit	(ex-distribution)
Units in Circulation	(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 Distributions (Gross) Distributions (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

	Financial Year 31/08/2022- 31/08/2023 %	Financial Year 31/08/2021- 31/08/2022 %	Financial Year 31/08/2020- 31/08/2021 %
	3.28	-	-
	19.90	26.21	22.22
	7.38	-	6.48
	13.77	25.34	14.67
	10.55	7.63	29.02
	15.33	25.68	21.73
	3.81	-	2.58
	13.29	-	-
	2.23	-	-
	10.46	15.14	3.30
	RM309,451,438	RM206,818,668	RM140,246,077
	RM0.6912	RM0.6885	RM0.7970
	447,683,917	300,397,696	175,987,324
	RM0.7257	RM0.8694	RM0.7970
	RM0.6395	RM0.6612	RM0.4974
	7.17%	-8.72%	60.29%
	0.41%	-13.61%	52.45%
	6.76%	4.89%	7.84%
	0.0000 sen/unit	4.1500 sen/unit	0.0000 sen/unit
	4.4000 sen/unit	0.0000 sen/unit	3.4000 sen/unit
	4.4000 sen/unit	4.1500 sen/unit	3.4000 sen/unit
	0%	100%	0%
	100%	0%	100%
	-	-	-
	1.1000 sen/unit	0.8500 sen/unit	0.8500 sen/unit
	1.1000 sen/unit	0.8500 sen/unit	0.8439 sen/unit
	17/10/2022	21/10/2021	21/10/2020
	RM0.6506	RM0.8609	RM0.5480
	RM0.6396	RM0.8524	RM0.5396
	-	-	-
	1.1000 sen/unit	1.1000 sen/unit	0.8500 sen/unit
	1.1000 sen/unit	1.1000 sen/unit	0.8420 sen/unit
	13/01/2023	20/01/2022	19/01/2021
	RM0.7139	RM0.7754	RM0.6852
	RM0.7029	RM0.7644	RM0.6768
	-	-	-
	1.1000 sen/unit	1.1000 sen/unit	0.8500 sen/unit
	1.1000 sen/unit	1.1000 sen/unit	0.8468 sen/unit
	17/04/2023	21/04/2022	21/04/2021
	RM0.6873	RM0.7554	RM0.7809
	RM0.6763	RM0.7444	RM0.7724

Performance Data

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 31/08/2023)*

- (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 0.06 times (9.52%) to 0.57 times for the financial year ended 31 August 2023 versus 0.63 times for the financial year ended 31 August 2022 mainly due to lower level of rebalancing activities undertaken by the Fund.

Financial Year 31/08/2022– 31/08/2023 %	Financial Year 31/08/2021– 31/08/2022 %	Financial Year 31/08/2020– 31/08/2021 %
–	–	–
1.1000 sen/unit	1.1000 sen/unit	0.8500 sen/unit
1.1000 sen/unit	1.1000 sen/unit	0.7914 sen/unit
17/07/2023	21/07/2022	26/07/2021
RM0.6729	RM0.6822	RM0.7688
RM0.6619	RM0.6712	RM0.7609
2.09%	2.10%	1.83%
0.57#	0.63	1.04
7.17%		
18.94%		
13.38%		

Corporate Information

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

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Board of Directors

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

Executive Director / Chief Executive Officer

Mr. Hoo See Kheng

Trustee

Deutsche Trustees Malaysia Berhad

Auditor

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146)

Distributors

Hong Leong Bank Berhad
Affin Bank Berhad
Areca Capital Sdn Bhd
CIMB Investment Bank Berhad
HSBC Bank (Malaysia) Berhad
OCBC Bank (Malaysia) Berhad
United Overseas Bank (Malaysia) Berhad
Registered Independent Tied Agents with FiMM

Corporate Directory

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