

# Hong Leong Dividend Fund

**Annual Report**

Financial Year Ended 31 August 2022

**2021/2022**

Audited



**Hong Leong Dividend Fund**

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# Manager’s Review and Report

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## I. FUND INFORMATION

**Fund Name**

Hong Leong Dividend Fund

**Fund Category**

Equity

**Fund Type**

Income

**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+12 Months KLIBOR Rate(70:30 weightage)

**Distribution Policy**

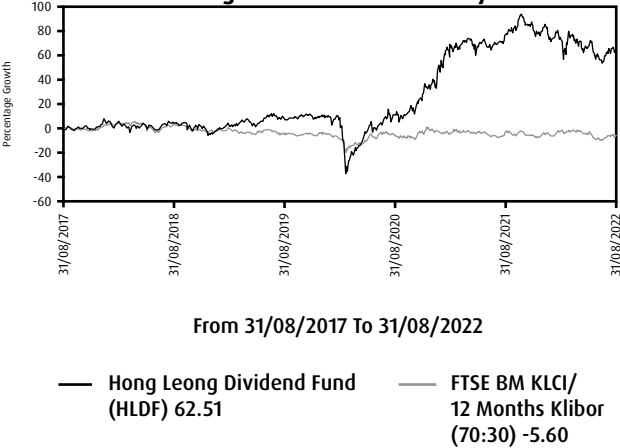
The Fund intends to provide regular income\* and potentially, consistent Long-Term\*\*\* capital appreciation. Regular income returns will be declared on a best effort basis depending on interest rates, market conditions and performance of the Fund. As such, the Fund will strive to declare distributions annually, if any, in the form of either cash or additional Units to the Unitholders.

Notes:

- \* Income may be distributed in the form of cash and/or units.
- \*\* Medium-To-Long Term refers to a period of 3 to 5 years.
- \*\*\* 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 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 2021 to 31 August 2022.

The Fund posted a return of -8.72% (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 -3.08%. During the financial year under review, the Fund had distributed gross income distributions of 0.85 sen per unit (net income distribution of 0.85 sen per unit) on 21 October 2021, 1.10 sen per unit (net income distribution of 1.10 sen per unit) on 20 January 2022, 1.10 sen per unit (net income distribution of 1.10 sen per unit) on 21 April 2022 and 1.10 sen per unit (net income distribution of 1.10 sen per unit) on 21 July 2022. Prior to the income distributions, the cum-distribution net asset values (NAV) per unit of the Fund were RM0.8609, RM0.7754, RM0.7554 and RM0.6822 while the ex-distribution NAV per unit were RM0.8524, RM0.7644, RM0.7444 and RM0.6712 respectively. Unitholders 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 2022, the Fund registered a return of 62.51% compared to the benchmark's return of -5.60% while distributing a total gross income of 18.50 sen per unit (net income of 18.2888 sen per unit).

**Table 1: Performance of the Fund for the following periods as at 31 August 2022 (Source: Lipper For Investment Management)**

	31/05/21- 31/08/22	28/02/22- 31/08/22	31/08/21- 31/08/22	31/08/19- 31/08/22	31/08/17- 31/08/22	31/08/12- 31/08/22	06/01/05- 31/08/22
	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	Since Inception
HLDF (%)	-3.89	--6.69	-8.72	51.35	62.51	154.24	345.67
Benchmark (%)	-2.31	-3.77	-3.08	-1.59	-5.60	5.34	74.51

**Table 2: Return of the Fund based on NAV Per Unit-to-NAV Per Unit basis for the period 31 August 2021 to 31 August 2022 (Source: Lipper For Investment Management)**

	31-Aug-22	31-Aug-21	Return (%)
NAV Per Unit	RM0.6885	RM0.7970*	-8.72#
Benchmark	1,902.92	1,963.33	-3.08
<b>vs Benchmark (%)</b>	-	-	-5.64

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

\* Based on NAV Per Unit on 30 August 2021 as the above mentioned date fell on a public holiday.

**Table 3: Financial Highlights**

The Net Asset Value attributable to Unitholders is represented by:

	31-Aug-22 (RM)	31-Aug-21 (RM)	Change (%)
Unitholders' Capital	<b>169,159,447</b>	74,945,018	125.71
Retained Earnings	<b>37,659,221</b>	65,301,059	(42.33)
<b>Net Asset Value</b>	<b>206,818,668</b>	140,246,077	47.47
<b>Units in Circulation</b>	<b>300,397,696</b>	175,987,324	70.69

**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 31/08/21- 31/08/22	Financial Year 31/08/20- 31/08/21	Financial Year 31/08/19- 31/08/20
Highest NAV Per Unit (RM)	0.8694	0.7970	0.5557
Lowest NAV Per Unit (RM)	0.6612	0.4974	0.3084
Capital Growth (%)	-13.61	52.45	-3.44
Income Distribution (%)	4.89	7.84	6.88
<b>Total Return (%)</b>	<b>-8.72</b>	<b>60.29</b>	<b>3.44</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 HLDF reinvested.

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

	31/08/21- 31/08/22 1 Year	31/08/19- 31/08/22 3 Years	31/08/17- 31/08/22 5 Years
Average Total Return (%)	-8.72	17.12	12.50

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.

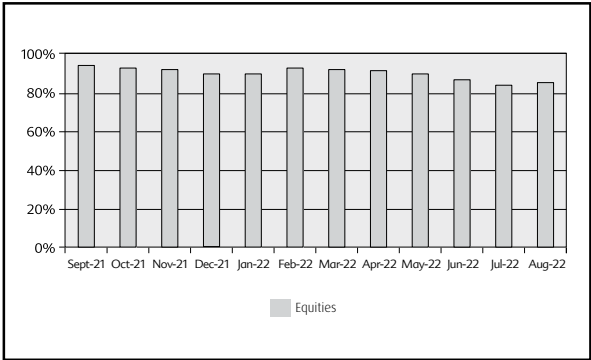
**Table 6: Annual Total Return of the Fund**

Financial Year	31/08/21- 31/08/22	31/08/20- 31/08/21	31/08/19- 31/08/20	31/08/18- 31/08/19	31/08/17- 31/08/18
Annual Total Return (%)	-8.72	60.29	3.44	2.89	4.36

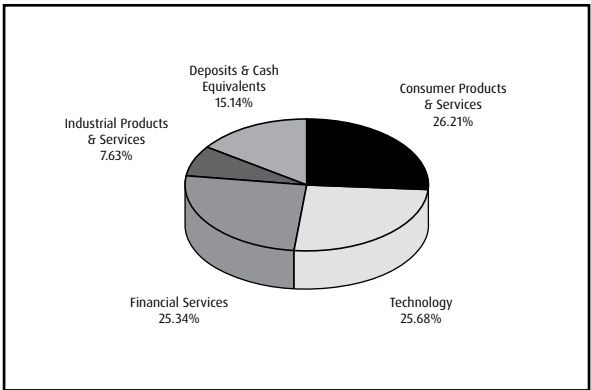
Source: Lipper For Investment Management, In Malaysian Ringgit terms, ex-distribution, NAV Per Unit-to-NAV Per Unit basis with gross income (if any) from HLDF reinvested.

III. INVESTMENT PORTFOLIO

**Chart 2: Asset Allocation – September 2021 to August 2022**



**Chart 3: Sector Allocation as at 31 August 2022**



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

During the financial year under review, the Fund performance was affected by several macroeconomic and geopolitical shocks. The high inflation, accelerated global monetary tightening, Ukraine crisis, China lockdowns and the Euro gas crisis are just some of the events that the equity market had to deal with.

The sector that was the main drag to the Fund's performance was the export sector. The Fund will maintain its focus on stocks with sound fundamentals as these are expected to outperform should market sentiment improve.

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

During the financial year under review, there was an increase in allocation to financial services, technology and consumer products & services due to brighter outlook as these sectors are benefiting from economic reopening.

### **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 Unitholders 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 ended lower. The best performing markets were Indonesia and Singapore while the laggards were Hong Kong and Korea. In the local market, the FTSE Bursa Malaysia KLCI declined 5.6%. Small caps underperformed as the FTSE Bursa Malaysia Small Cap Index declined 9.8%.

Global markets experienced higher degree of volatility in the third quarter of 2021 after a solid performance in the first half of the year 2021. Although rising commodity prices and hiring difficulties were usually associated with a strong economy, investors were beginning to fear that severe supply-chain constraints and operational disruptions might hamper economic growth.

Global equity markets finished 2021 very strongly, primarily led by the United States (US) and Europe markets. This was despite the US Federal Reserve (Fed) turning more hawkish, rising inflation and potential interest rate hikes in the horizon. The renewed vigour in equity markets could be attributed to the strong corporate earnings and the ability of the corporates to seemingly overcome supply chain problems and rising raw material costs.

The wave of negative news came in thick and fast in the first quarter of 2022. It started with the US Fed Chairman Jerome Powell making clear his intention to tame inflation, striking a much more hawkish tone than anticipated by the market. This was followed by the shock invasion of Ukraine by Russia. 'Profitless' technology stocks saw a fierce sell-off as investors came to realise that the era of low interest rates may have come to an end.

The second quarter of 2022 was a torrid quarter for global equities. Bond yields soared as sanctions on Russia and the disruption in the global commodity supply chain ultimately led to higher global inflation. Without a near-term resolution to the Ukraine crisis in sight, investor sentiment remained firmly in the negative. Parts of China was in full lockdown as COVID-19 cases rose, exacerbating the global supply chain problems and stoking fears of economic slowdown.

The third quarter of 2021 saw the FTSE BM KLCI hit a new low for the year at just slightly below 1,500 points in July due to a combination of political uncertainty and high number of COVID-19 cases. However, the market staged a dramatic rebound in August as the economy started to gradually reopen following a successful vaccine rollout and the appointment of a new Prime Minister appeared to have improved investors' sentiment.

The local market continued to trend sideways for much of the fourth quarter of 2021 due to lack of catalysts. Market declined following the announcement of 'Cukai Makmur' in Budget 2022 and changes to the stock market stamp duty charges. However, the local main index rebounded in December, led by recovery in the share prices of telecommunication and healthcare stocks.

The FTSE BM KLCI had a stellar performance in the first quarter of 2022 relative to global markets. The local economy was expected to benefit from the uplift in commodity prices and hence relatively more resilient to the spillover economic effects from the Ukraine crisis. The plantation, energy and banking sectors led the local equity market while the technology sector was under intense selling pressure.

However, the FTSE BM KLCI succumbed to selling pressure towards the end of second quarter 2022. Foreign investor outflows from the local equity market increased in tandem with the decline in commodity prices as inflation worries gave way to fears about an impending economic recession.

## **V. FUTURE PROSPECTS AND PROPOSED STRATEGIES**

Economic recession looms large in many investors' mind as recent economic data clearly point towards a cooling of the global economy. Abnormally high inflation, Ukraine crisis, consecutive jumbo rate hikes by the US Fed and the flare up of COVID-19 cases in China are just some of the macro shocks that have pummelled the global economy.

The Malaysian economy appears to have weathered the recent macro shocks much better than the rest of the world, partly because the re-opening of the economy in most ASEAN countries lagged the rest of the world by about a year. However, we expect sentiment in the equity market to remain weak as concerns rise about the possible spillover effects of the cooling global economy hitting local shores.

We are positive on the outlook of the equity market despite the challenging macro environment. The recent sell-off in the equity market offers a good opportunity for the Fund to accumulate quality companies at attractive valuation. We are confident companies with strong fundamentals will outperform should investors' sentiment improve.

## **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 Unitholders 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 17 to 51 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 2022 and of its financial performance, changes in equity and cash flows for the financial year ended 31 August 2022 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 2022

## **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 2022 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:-

- (a) limitations imposed on the investment powers of the management company under the deed, the securities laws and the Guidelines on Unit Trust Funds;
- (b) valuation and pricing is carried out in accordance with the deed; and
- (c) 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 distributions of income by the Fund are appropriate and reflects the investment objective of the Fund.

For Deutsche Trustees Malaysia Berhad

**Soon Lai Ching**

Senior Manager, Trustee Operations

**Gerard Ang**

Chief Executive Officer

Kuala Lumpur

18 October 2022

# **INDEPENDENT AUDITORS' REPORT**

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## **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 2022 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 2022, 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 17 to 51.

#### 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 are 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 2022

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2022

	Note	2022 RM	2021 RM
<b>INVESTMENT (LOSS)/INCOME</b>			
Interest income from financial assets			
measured at amortised cost		321,427	145,972
Dividend income		5,390,048	2,349,860
Net (loss)/gain on financial assets at			
fair value through profit or loss ("FVTPL")	8	(18,580,980)	55,224,642
		(12,869,505)	57,720,474
<b>EXPENDITURE</b>			
Management fee	4	(3,577,653)	(2,120,374)
Trustee's fee	5	(125,218)	(86,233)
Auditors' remuneration		(7,500)	(7,500)
Tax agent's fee		(2,950)	(2,600)
Transaction costs		(904,992)	(859,260)
Other expenses		(61,482)	(76,515)
		(4,679,795)	(3,152,482)
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		(17,549,300)	54,567,992
Taxation	6	-	-
<b>(LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR</b>		(17,549,300)	54,567,992
(Loss)/profit after taxation is made up as follows:			
Realised amount		21,913,132	17,003,776
Unrealised amount		(39,462,432)	37,564,216
		(17,549,300)	54,567,992
Distributions for the financial year:			
Net distributions	7	10,092,538	5,845,450
Net distributions per unit (sen)	7	4.1500	3.3241
Gross distributions per unit (sen)	7	4.1500	3.4000

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

# STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2022

	Note	2022 RM	2021 RM
<b>ASSETS</b>			
Cash and cash equivalents		29,387,243	5,368,781
Amount due from brokers/dealers		-	533,979
Amount due from the Manager			
-creation of units		2,217,881	166,704
Dividends receivable		77,250	82,300
Financial assets at fair value through profit or loss ("FVTPL")	8	175,511,887	135,620,949
<b>TOTAL ASSETS</b>		<u>207,194,261</u>	<u>141,772,713</u>
<b>LIABILITIES</b>			
Amount due to brokers/dealers		-	787,936
Amount due to the Manager			
-cancellation of units		-	481,375
-management fee		349,770	235,598
-expenses		-	19
Amount due to the Trustee		12,242	8,246
Distribution payable		119	-
Other payables and accruals		13,462	13,462
<b>TOTAL LIABILITIES</b>		<u>375,593</u>	<u>1,526,636</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>206,818,668</u>	<u>140,246,077</u>
<b>EQUITY</b>			
Unit holders' capital		169,159,447	74,945,018
Retained earnings		37,659,221	65,301,059
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>206,818,668</u>	<u>140,246,077</u>
<b>UNITS IN CIRCULATION (UNITS)</b>	9	<u>300,397,696</u>	<u>175,987,324</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.6885</u>	<u>0.7969</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 2022

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
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		169,159,447	37,659,221	206,818,668
Balance as at 1 September 2020		103,371,435	16,208,760	119,580,195
Movement in net asset value:				
Creation of units from applications		48,873,577	-	48,873,577
Creation of units from distributions		5,574,651	-	5,574,651
Cancellation of units		(82,504,888)	-	(82,504,888)
Total comprehensive income for the financial year		-	54,567,992	54,567,992
Distributions for the financial year	7	(369,757)	(5,475,693)	(5,845,450)
Balance as at 31 August 2021		74,945,018	65,301,059	140,246,077

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 2022

	2022 RM	2021 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from sales of financial assets at FVTPL	93,599,010	160,403,012
Purchase of financial assets at FVTPL	(152,776,239)	(127,090,843)
Interest income received from financial assets measured at amortised cost	321,427	145,972
Dividend income received	4,941,460	2,056,403
Management fee paid	(3,463,481)	(2,039,870)
Trustee's fee paid	(121,222)	(85,225)
Payment for other fees and expenses	(71,951)	(85,352)
Net cash (used in)/generated from operating activities	(57,570,996)	33,304,097
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from creation of units	100,918,055	48,706,873
Payments for cancellation of units	(16,850,660)	(83,013,428)
Payments for distributions	(2,477,937)	(270,799)
Net cash generated from/(used in) financing activities	81,589,458	(34,577,354)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	24,018,462	(1,273,257)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	5,368,781	6,642,038
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	29,387,243	5,368,781

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

# NOTES TO THE FINANCIAL STATEMENTS

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## FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2022

### 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 and 28 April 2022 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 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 2022.

## **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 2021.

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 September 2021 that have a material effect on the financial statements of the Fund.

- (ii) New standards, amendment and interpretations effective after 1 September 2021 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 2021, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

## **(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, amounts 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 MFRS137. 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 Funds' 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
<b>2022</b>			
<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
Dividend 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>
<b>2021</b>			
<u>Financial assets</u>			
Cash and cash equivalents	-	5,368,781	5,368,781
Amount due from brokers/dealers	-	533,979	533,979
Amount due from the Manager			
-creation of units	-	166,704	166,704
Dividend receivable	-	82,300	82,300
Financial assets at FVTPL (Note 8)	135,620,949	-	135,620,949
	<u>135,620,949</u>	<u>6,151,764</u>	<u>141,772,713</u>
<u>Financial liabilities</u>			
Amount due to brokers/dealers	-	787,936	787,936
Amount due to the Manager			
-cancellation of units	-	481,375	481,375
-management fee	-	235,598	235,598
-expenses	-	19	19
Amount due to the Trustee	-	8,246	8,246
Other payables and accruals	-	13,462	13,462
	-	<u>1,526,636</u>	<u>1,526,636</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:

	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
Financial assets at FVTPL:		
- Quoted equity securities	175,511,887	135,620,949

The table below summarises the sensitivity of the Fund's net asset value and (loss)/profit after taxation to movements in prices of quoted equity securities at the end of each reporting year. The analysis is based on the assumptions that the market price of the quoted equity securities 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 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 loss/(profit) after taxation/ net asset value RM</b>
<b>2022</b>		
-5%	166,736,293	(8,775,594)
0%	175,511,887	-
5%	184,287,481	8,775,594
<b>2021</b>		
-5%	128,839,902	(6,781,047)
0%	135,620,949	-
5%	142,401,996	6,781,047

## **(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 does not hold any deposits and is not exposed to a material level of interest rate risk.

## **(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
<b>2022</b>					
- AAA	29,149,385	-	-	-	29,149,385
- AA1	237,858	-	-	-	237,858
- NR	-	-	2,217,881	77,250	2,295,131
	29,387,243	-	2,217,881	77,250	31,682,374
<b>2021</b>					
- AAA	5,010,613	-	-	-	5,010,613
- AA1	358,168	-	-	-	358,168
- NR	-	533,979	166,704	82,300	782,983
	5,368,781	533,979	166,704	82,300	6,151,764

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 the 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>2022</b>			
<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	362,012	13,581	375,593
<b>2021</b>			
<u>Financial liabilities</u>			
Amount due to brokers/dealers	787,936	-	787,936
Amount due to the Manager			
-cancellation of units	481,375	-	481,375
-management fee	235,598	-	235,598
-expenses	19	-	19
Amount due to the Trustee	8,246	-	8,246
Other payables and accruals	-	13,462	13,462
Contractual cash out flows	1,513,174	13,462	1,526,636

#### **(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 market (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
<b>2022</b>				
<u>Financial assets at FVTPL</u>				
- Quoted equity securities	175,511,887	-	-	175,511,887
<b>2021</b>				
<u>Financial assets at FVTPL</u>				
- Quoted equity securities	135,620,949	-	-	135,620,949

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities. 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 2022, the management fee is recognised at a rate of 2.00% (01.09.2020 to 06.04.2021: 1.50% and 07.04.2021 to 31.08.2021: 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 2022, the Trustee's fee is recognised at a rate of 0.07% (2021: 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

	2022 RM	2021 RM
Tax charge for the financial year:		
Current taxation	-	-

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

	2022 RM	2021 RM
(Loss)/profit before taxation	(17,549,300)	54,567,992
Taxation at Malaysian statutory rate of 24% (2021: 24%)	(4,211,832)	13,096,318
Tax effects of:		
Investment loss not deductible for tax purpose/(investment income not subject to tax)	3,088,681	(13,852,914)
Expenses not deductible for tax purposes	251,242	238,102
Restriction on tax deductible expenses for unit trust fund	871,909	518,494
Taxation	-	-

## 7. DISTRIBUTIONS

Distribution to unit holders is from the following sources:

	2022 RM	2021 RM
Prior financial years' realised income	8,898,999	5,438,348
Interest income	243,447	-
Dividend income	5,115,298	37,345
Distribution equalisation	-	369,757
Less: Expenses	(4,165,206)	-
Net distribution amount	10,092,538	5,845,450
Net distribution per unit (sen)	4.1500	3.3241
Gross distribution per unit (sen)	4.1500	3.400

### Date of Declaration

#### Distribution on 21 October

Net distribution per unit (sen)	0.8500	0.8439
Gross distribution per unit (sen)	0.8500	0.8500

#### Distribution on 20/19 January

Net distribution per unit (sen)	1.1000	0.8420
Gross distribution per unit (sen)	1.1000	0.8500

#### Distribution on 21 April

Net distribution per unit (sen)	1.1000	0.8468
Gross distribution per unit (sen)	1.1000	0.8500

#### Distribution on 21/26 July

Net distribution per unit (sen)	1.1000	0.7914
Gross distribution per unit (sen)	1.1000	0.8500

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 distribution have been proposed before taking into account the unrealised loss of RM39,462,432 (2021: unrealised gain of RM37,564,216) which is carried forward to the next financial year.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVTPL”)

	2022 RM	2021 RM
<u>Financial assets at FVTPL:</u>		
Quoted equity securities	175,511,887	135,620,949
<u>Net loss/gain on financial assets at FVTPL:</u>		
Realised gain on disposals	20,881,452	17,660,426
Changes in unrealised fair values	(39,462,432)	37,564,216
	(18,580,980)	55,224,642

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 %
<b>QUOTED EQUITY SECURITIES - LOCAL</b>				
<u>Main Market</u>				
<u>Consumer Products &amp; 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

	Quantity Units	Aggregate cost RM	Fair value RM	Percentage of net asset value %
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 &amp; 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 &amp; Services</u>				
Focus Point Holdings Berhad	6,800,000	2,610,050	5,032,000	2.43

	Quantity Units	Aggregate cost RM	Fair value RM	Percentage of net asset value %
<b>TOTAL QUOTED EQUITY</b>				
<b>SECURITIES</b>	<b>70,683,957</b>	<b>177,202,722</b>	<b>175,511,887</b>	<b>84.86</b>
<b>UNREALISED LOSS ON FINANCIAL</b>				
<b>ASSETS AT FVTPL</b>		<b>(1,690,835)</b>		
<b>TOTAL FAIR VALUE OF FINANCIAL</b>				
<b>ASSETS AT FVTPL</b>		<b>175,511,887</b>		

Financial assets at FVTPL as at 31 August 2021 are as detailed below:

	Quantity Units	Aggregate cost RM	Fair value RM	Percentage of net asset value %
<b>QUOTED EQUITY SECURITIES - LOCAL</b>				
<u>Main Market</u>				
<u>Consumer Products &amp; Services</u>				
British American Tobacco (Malaysia) Berhad	400,000	5,858,093	5,624,000	4.01
Carlsberg Brewery Malaysia Berhad	250,000	5,583,092	5,600,000	3.99
Genting Malaysia Berhad	2,000,000	5,602,740	5,940,000	4.24
Mr D.I.Y. Group (M) Berhad	1,300,000	2,799,015	4,719,000	3.36
Heineken Malaysia Berhad	188,000	4,488,995	4,286,400	3.06
	4,138,000	24,331,935	26,169,400	18.66
<u>Energy</u>				
Burni Armada Berhad	15,000,000	2,690,022	6,750,000	4.81
Carimin Petroleum Berhad	4,000,000	2,938,980	2,340,000	1.67
	19,000,000	5,629,002	9,090,000	6.48
<u>Financial Services</u>				
CIMB Group Holdings Berhad	1,516,152	6,496,256	7,444,306	5.31
Malaysia Building Society Berhad	9,403,571	6,306,510	6,018,285	4.29
RHB Bank Berhad	1,270,742	6,777,590	7,103,448	5.07
	12,190,465	19,580,356	20,566,039	14.67

	Quantity units	Aggregate cost RM	Fair value RM	Percentage of net asset value %
<u>Industrial Products &amp; Services</u>				
Hiap Teck Venture Berhad	12,500,000	5,915,320	7,250,000	5.17
Pantech Group Holdings Berhad	6,650,000	3,218,208	3,557,750	2.54
PETRONAS Chemicals Group Berhad	1,100,000	7,658,095	9,130,000	6.51
Press Metal Aluminium Holdings Berhad	2,340,000	5,566,450	12,636,000	9.01
Samchem Holdings Berhad	5,802,400	2,554,933	4,670,932	3.33
SKP Resources Bhd	1,875,000	2,247,100	3,450,000	2.46
	30,267,400	27,160,106	40,694,682	29.02
<u>Technology</u>				
D & O Green Technologies Berhad	2,700,000	1,894,084	14,013,000	9.99
Inari Amertron Berhad	2,011,000	5,642,334	6,917,840	4.93
Malaysian Pacific Industries Bhd	100,000	2,556,677	4,402,000	3.14
Unisem (M) Berhad	600,000	5,314,605	5,154,000	3.67
	5,411,000	15,407,700	30,486,840	21.73
<u>Transportation and Logistics</u>				
Freight Management Holdings Bhd	4,577,200	3,130,203	3,615,988	2.58
<u>ACE Market</u>				
<u>Consumer Products &amp; Services</u>				
Focus Point Holdings Berhad	6,800,000	2,610,050	4,998,000	3.56
<b>TOTAL QUOTED EQUITY</b>				
<b>SECURITIES</b>	<b>82,384,065</b>	<b>97,849,352</b>	<b>135,620,949</b>	<b>96.70</b>
<b>UNREALISED GAIN ON FINANCIAL</b>				
<b>ASSETS AT FVTPL</b>		<b>37,771,597</b>		
<b>TOTAL FAIR VALUE OF FINANCIAL</b>				
<b>ASSETS AT FVTPL</b>		<b>135,620,949</b>		

## 9. UNITS IN CIRCULATION

	2022 No. of units	2021 No. of units
At the beginning of the financial year	175,987,324	228,757,134
Add: Creation of units during the financial year		
- Arising from applications	135,429,133	68,350,965
- Arising from distributions	10,255,666	8,328,311
Less: Cancellation of units during the financial year	(21,274,427)	(129,449,086)
At the end of the financial year	300,397,696	175,987,324

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

	2022 %	2021 %
TER	2.10	1.83

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 RM179,130,662 (2021: RM123,107,160).

## 11. PORTFOLIO TURNOVER RATIO ("PTR")

	2022 Times	2021 Times
PTR	0.63	1.04

PTR is derived from the following calculation:

$$\frac{(\text{Total acquisitions for the financial year} + \text{total disposals for the financial year})}{2}$$

Average net asset value of the Fund for the financial year calculated on a daily basis

Where:

total acquisitions for the financial year = RM151,867,023  
(2021: RM126,989,843)  
total disposals for the financial year = RM72,513,655  
(2021: RM129,332,876)

## 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 2022 and 31 August 2021.

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.

	<b>2022 RM</b>	<b>2021 RM</b>
<u>Related party balances</u>		
Cash at bank:		
- Hong Leong Bank Berhad	29,149,385	5,010,613
Amount due to brokers/dealers		
- Hong Leong Investment Bank Berhad	-	(435,555)
	<u>29,149,385</u>	<u>4,575,058</u>
<u>Related party transactions</u>		
Dividend income from quoted equity security:		
- Hong Leong Financial Group Berhad	<u>52,500</u>	<u>-</u>
Interest income from auto-sweep facility bank account:		
- Hong Leong Bank Berhad	<u>316,415</u>	<u>145,661</u>
Purchase of quoted equities securities:		
- Hong Leong Investment Bank Berhad	<u>69,290,975</u>	<u>49,385,265</u>
Disposal of quoted equity securities:		
- Hong Leong Investment Bank Berhad	<u>43,122,639</u>	<u>51,368,158</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 %
<b>2022</b>				
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
Macquaire 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
	245,053,333	100.00	637,949	100.00

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>2021</b>				
Hong Leong Investment Bank Berhad*	100,753,423	36.82	251,386	34.75
JPMorgan Securities (Malaysia) Sdn Bhd	44,850,494	16.39	112,067	15.49
CLSA Securities Malaysia Sdn Bhd	22,874,111	8.36	57,256	7.92
Credit Suisse Securities (Malaysia) Sdn Bhd	21,631,771	7.91	54,047	7.46
Nomura Securities Malaysia Sdn Bhd	16,036,863	5.86	40,084	5.54
RHB Investment Bank Berhad	13,516,179	4.94	61,628	8.52
Alliance Investment Bank Berhad	13,515,901	4.95	33,853	4.68
UOB Kay Hian Securities (M) Sdn Bhd	8,166,199	2.98	20,453	2.83
Macquaire Capital Securities (Malaysia) Sdn Bhd	8,081,145	2.95	20,244	2.80
Maybank Investment Bank Berhad	7,577,055	2.77	18,995	2.63
Others	16,621,038	6.07	53,363	7.38
	<b>273,624,179</b>	<b>100.00</b>	<b>723,376</b>	<b>100.00</b>

\* 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

<b>A (i) Portfolio Compositions:</b>	
	Construction
	Consumer Products & Services
	Financial Services
	Industrial Products & Services
	Property
	Technology
	Energy
	Transportation & Logistics
	Plantation
	Health Care
<b>Deposits &amp; Cash Equivalents</b>	
(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 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

Financial Year 31/08/21- 31/08/22 %	Financial Year 31/08/20- 31/08/21 %	Financial Year 31/08/19- 31/08/20 %
-	-	2.79
26.21	22.22	11.70
25.34	14.67	8.17
7.63	29.02	38.46
-	-	1.59
25.68	21.73	12.06
-	6.48	5.19
-	2.58	-
-	-	2.02
-	-	1.98
15.14	3.30	16.04
RM206,818,668	RM140,246,077	RM119,580,195
RM0.6885	RM0.7970	RM0.5228
300,397,696	175,987,324	228,757,134
RM0.8694	RM0.7970	RM0.5557
RM0.6612	RM0.4974	RM0.3084
-8.72%	60.29%	3.44%
-13.61%	52.45%	-3.44%
4.89%	7.84%	6.88%
4.1500 sen/unit	0.0000 sen/unit	1.8600 sen/unit
0.0000 sen/unit	3.4000 sen/unit	1.5400 sen/unit
4.1500 sen/unit	3.4000 sen/unit	3.4000 sen/unit
100%	0%	55%
0%	100%	45%
-	-	-
0.8500 sen/unit	0.8500 sen/unit	0.8500 sen/unit
0.8500 sen/unit	0.8439 sen/unit	0.8422 sen/unit
21/10/2021	21/10/2020	15/10/2019
RM0.8609	RM0.5480	RM0.5554
RM0.8524	RM0.5396	RM0.5469
-	-	-
1.1000 sen/unit	0.8500 sen/unit	0.8500 sen/unit
1.1000 sen/unit	0.8420 sen/unit	0.8444 sen/unit
20/01/2022	19/01/2021	22/01/2020
RM0.7754	RM0.6852	RM0.5436
RM0.7644	RM0.6768	RM0.5352
-	-	-
1.1000 sen/unit	0.8500 sen/unit	0.8500 sen/unit
1.1000 sen/unit	0.8468 sen/unit	0.8410 sen/unit
21/04/2022	21/04/2021	22/04/2020
RM0.7554	RM0.7809	RM0.4072
RM0.7444	RM0.7724	RM0.3988
-	-	-
1.1000 sen/unit	0.8500 sen/unit	0.8500 sen/unit
1.1000 sen/unit	0.7914 sen/unit	0.8439 sen/unit
21/07/2022	26/07/2021	23/07/2020
RM0.6822	RM0.7688	RM0.5198
RM0.6712	RM0.7609	RM0.5113
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-

# Performance Data

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- (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 31/08/2022)\***

- (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 TER was 0.27 percentage point higher as compared to 1.83% for the financial year ended 31 August 2022 **mainly due to increase in expenses of the Fund.**

## The PTR decreased by 0.41 times (39.42%) to 0.63 times in the financial year ended 31 August 2022 versus 1.04 times for the financial year ended 31 August 2021 mainly due to **lower level of rebalancing activities undertaken by the Fund.**

Financial Year 31/08/21– 31/08/22 %	Financial Year 31/08/20– 31/08/21 %	Financial Year 31/08/19– 31/08/20 %
2.10%#	1.83%	1.61%
0.63##	1.04	1.93
-8.72%		
17.12%		
12.50%		

# 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  
No. 12, Jalan Gelenggang  
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

## Trustee

Deutsche Trustees Malaysia Berhad

## Auditor

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146)

## Agents

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

# Corporate Directory

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## **Head Office**

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No. 12, Jalan Gelenggang  
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50490 Kuala Lumpur  
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Fax: 03-2081 8500  
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E-mail: [inquiry@hlam.hongleong.com.my](mailto:inquiry@hlam.hongleong.com.my)

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