

Hong Leong Bond Fund

Annual Report

Financial Year Ended 30 June 2024

2023/2024

Audited



HONG LEONG BOND FUND

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Manager's Review and Report

I. FUND INFORMATION

Fund Name

Hong Leong Bond Fund ("HLBoF" or "the Fund")

Fund Category

Bond

Fund Type

Income

Investment Objective

To seek current income* while at the same time aims to offer stability** of the capital value with minimal risk.

Duration of the Fund and its termination date, where applicable

Not Applicable

Benchmark

Quant Shop MGS Bond (Short) Index

Distribution Policy

The Fund intends to provide regular income*** on a semi annual basis, subject to availability of income.

Notes:

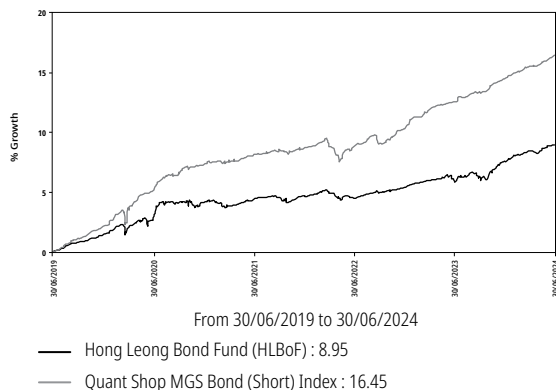
* Income may be distributed in the form of cash and/or Units.

** Please take note that this Fund is not a capital guaranteed fund or a capital protected fund and the returns are not guaranteed.

*** Income distributions (if any) are not guaranteed. Distributions of income will only be made from realized gains or realized income derived from the investments of the Fund(s).

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 HLBoF reinvested.

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

Performance Review

This Annual Report covers the twelve-month financial year from 1 July 2023 to 30 June 2024.

The Fund posted a return of 2.83% (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 Quant Shop MGS Bond (Short) Index registered a return of 3.43%. During the financial year under review, the Fund had distributed gross income distributions of 0.2500 sen per unit (net income distribution of 0.2500 sen per unit) to its Unit holders on 17 July 2023 and gross income distributions of 0.30000 sen per unit (net income distribution of 0.30000 sen per unit) to its Unit holders on 22 January 2024. Prior to the income distribution, the cum-distribution Net Asset Value (NAV) per unit of the Fund were RM0.5379 and 0.5429 while the ex-distribution NAV per unit were RM0.5354 and RM0.5399. Unit holders should note that income distribution has the effect of reducing the NAV per unit of the Fund after distribution.

For the five financial years ended 30 June 2024, the Fund registered a return of 8.95% compared to the benchmark's return of 16.45% while distributing a total gross income of 5.7600 sen per unit (net income of 5.7600 sen per unit).

Table 1: Performance of the Fund for the following periods as at 30 June 2024 (Source: Lipper for Investment Management)

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	Since Launch
HLBoF Return (%)	0.44	1.24	2.83	4.36	8.95	29.40	117.05
Benchmark (%)	0.84	1.72	3.43	7.72	16.45	40.23	114.46

Table 2: Return of the Fund based on NAV Per Unit-to-NAV Per Unit basis for the period 30 June 2023 to 30 June 2024 (Source: Lipper for Investment Management)

	30-Jun-24	30-Jun-23	Return (%)
NAV Per Unit	RM0.5455*	RM0.5359	2.83#
Benchmark	3,602.40	3,483.02	3.43
vs Benchmark (%)			-0.60

* Based on the NAV Per Unit on 28 June 2024 as the above-mentioned reporting date fell on a non-business day.

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

Table 3: Financial Highlights

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

	30-Jun-24 (RM)	30-Jun-23 (RM)	Change (%)
Unit Holders' Capital	3,086,318	4,375,226	(29.46)
Retained Earnings	5,873,358	5,709,396	2.87
Net Asset Value	8,959,676	10,084,622	(11.16)
Units in Circulation	16,421,717	18,819,731	(12.74)

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 ended 30 June

	Financial Year 2024	Financial Year 2023	Financial Year 2022
Highest NAV Per Unit (RM)	0.5456	0.5387	0.5449
Lowest NAV Per Unit (RM)	0.5337	0.5312	0.5316
Capital Growth (%)	1.79	0.64	-2.13
Income Distribution (%)	1.04	0.74	2.24
Total Return (%)	2.83	1.38	0.11

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 HLBoF reinvested.

Table 5: Average Total Return of the Fund for the financial year ended 30 June 2024

	1 Year	3 Years	5 Years
Average Total Return (%)	2.83	1.45	1.79

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 HLBoF reinvested.

Table 6: Annual Total Return of the Fund for the financial years ended 30 June

Financial Year	2024	2023	2022	2021	2020
Annual Total Return (%)	2.83	1.38	0.11	1.45	2.90

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 HLBoF reinvested.

III. INVESTMENT PORTFOLIO

Chart 2: Asset Allocation - July 2023 to June 2024

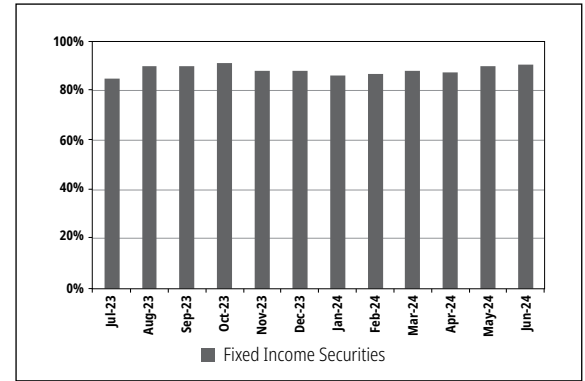


Chart 3: Sector Allocation as at 30 June 2024

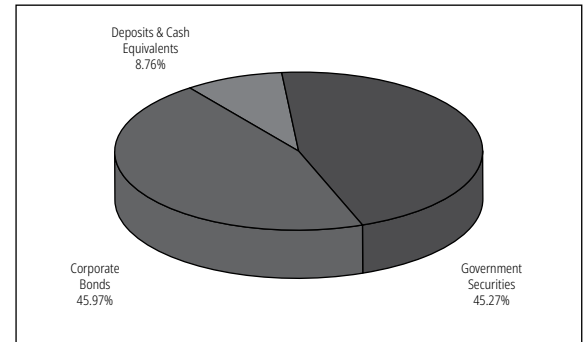
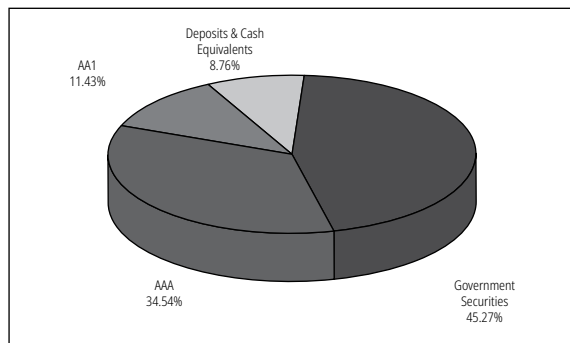


Chart 4: Portfolio Composition by Ratings as at 30 June 2024



Strategies employed by the Fund during the period under review

During the financial year under review, we maintained our defensive strategy to reduce duration in the Fund in order to manage fund liquidity.

An explanation on the differences in portfolio composition

During the financial year under review, the Fund's fixed income asset allocation increased slightly due to redemptions to the Fund.

Operational review of the Fund

The 1st Supplemental Hong Leong Master Prospectus dated 18 August 2023 was issued during the financial year under review to reflect various changes made to the Fund. Kindly refer to www.hlam.com.my for the full list of changes made to the Fund.

IV. MARKET REVIEW

During the financial year under review, the United States (US) Federal Reserve (Fed) raised the Federal Funds Target Rate (FFTR) by 25 basis points (bps) in July 2023 to 5.25% to 5.50% but the FFTR was held steady till the end of the financial year. Headline Consumer Price Index (CPI) spiked up in August driven by higher energy prices, while core inflation somewhat moderated. US Treasuries (UST) were pressured over the Fed's "higher for longer" stance, inflation worries, and concerns over US credit rating, resulting in a high of 5.22% and 4.99% in UST 2-Year and 10-Year yields respectively in October 2023 (end-Second Quarter of 2023: 2-Year – 4.94%, 10-Year – 3.85%). The US economy was surprisingly resilient although there were signs of softening in the services and labour market. Meanwhile, US inflation showed signs of easing in the fourth quarter of 2023 but remained above the targeted rate of 2%. UST 2-Year and 10-Year yields ended the year 2023 at 4.25% and 3.88% respectively.

At the start of 2024, the market was volatile again following stronger-than-expected consumer spending and Producer Price Index (PPI) in January amid sticky inflation numbers and strong job data. The Fed remained concern over the lack of progress on inflation and held the view to hold rates steady until there is greater confidence that US inflation was moving sustainably towards 2%. 2-Year and 10-Year yields spiked up from January to April and ended lower at 4.75% and 4.40% respectively in end-June 2024.

On the domestic front, Bank Negara Malaysia (BNM) left Overnight Policy Rate (OPR) unchanged at 3% at its July 2023 meeting. In the Budget 2024 released in October, the government aims to reduce fiscal deficit from 5.0% in 2023 to 4.3% in 2024. To boost government revenue, Sales and Services Tax (SST), excluding food, beverages and telecommunications, will be increased from 6% to 8% and capital gains tax of 10% on unlisted shares. Other subsidy measures include rationalising diesel subsidy and removing temporary price controls on chicken and eggs to enable a sustainable market supply. Malaysia's headline inflation rate rose to a 10-Month high of 2.0% in May, due largely to higher Housing, Water, Electricity, Gas and Other Fuels (HWEG) at 3.2%. HWEG inflation has increased to the highest level since September 2022, attributable to higher housing costs and water tariff hikes in several states.

During the financial year under review, Malaysian Government Securities (MGS) yields generally move in tandem with the UST movements although more subdued as domestic inflation numbers were more stable. Bond yields were volatile throughout the financial year, however 5-Year and 10-Year MGS yields ended flat at 3.64% and 3.86% respectively at end-June 2024 (end-June 2023: 5-Year – 3.60%, 10-Year – 3.85%).

V. FUTURE PROSPECTS AND PROPOSED STRATEGIES

In the 30/31 July 2024 Federal Open Market Committee (FOMC) meeting, the Fed kept the FFTR range unchanged at 5.25%-5.50%, as anticipated by markets. There was a significant change to its monetary policy statement whereby the Fed shifted its focus to the dual mandate (employment and inflation goals) instead of just on inflation. Powell's dovish commentary seem to suggest that a September rate cut is on the table, if inflation and employment data is in line with expectations.

June inflation was steady at 2.0% despite the rationalisation of diesel subsidy which resulted in a benign average inflation reading of 1.8% in the first half of 2024. While domestic economy has performed within BNM's expectations with real Gross Domestic Product (GDP) growth anticipated to improve to 4%-5%, we expect BNM to keep OPR unchanged at 3.00% for the rest of 2024. Upside inflation risks persist in view of the RON95 fuel subsidy rationalisation, effects of EPF withdrawals and salary increases for government servants.

Credit spreads for corporate bonds have tightened considerably since January 2024. However, in the longer run, with the anticipation of rate cuts in the developed markets, we remain positive on the medium-term outlook for the local bond market.

VI. SOFT COMMISSIONS

The Manager may receive 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.

During the financial year under review, the Fund has not received goods or services by way of soft commissions.

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, Chue Kwok Yan, 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 45 are drawn up in accordance with the provision of the Deeds and give a true and fair view of the financial position of the Fund as at 30 June 2024 and of its financial performance, changes in equity and cash flows for the financial year ended 30 June 2024 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))

CHUE KWOK YAN

Acting Chief Executive Officer/Executive Director

Kuala Lumpur
20 August 2024

TRUSTEE'S REPORT

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

We have acted as Trustee of the Fund for the financial year ended 30 June 2024 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Hong Leong Asset Management Bhd has operated and managed the Fund during the year covered by these financial statements in accordance with the following:-

1. Limitations imposed on the investment powers of the management company under the deed, the securities laws and the Guidelines on Unit Trust Funds;
2. Valuation and pricing is carried out in accordance with the deed; and
3. Any creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement.

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

For Deutsche Trustees Malaysia Berhad

Soon Lai Ching

Senior Manager, Trustee Operations

Kuala Lumpur
20 August 2024

Sylvia Beh

Chief Executive Officer

INDEPENDENT AUDITORS' REPORT

TO THE UNIT HOLDERS OF HONG LEONG BOND FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our Opinion

In our opinion, the financial statements of Hong Leong Bond Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 30 June 2024 and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 June 2024, 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 material accounting policy information, as set out on pages 16 to 45.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises the Manager's Review and Report, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to 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 judgement 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 of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
20 August 2024

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024

	Note	2024 RM	2023 RM
INVESTMENT INCOME			
Interest income from financial assets measured at fair value through profit or loss ("FVTPL")		335,711	210,585
Interest income from financial assets measured at amortised cost	4	32,234	38,504
Net gain on financial assets at FVTPL	10	25,520	49,777
		<u>393,465</u>	<u>298,866</u>
EXPENDITURE			
Management fee	5	(93,106)	(106,279)
Trustee's fee	6	(18,000)	(18,000)
Auditors' remuneration		(6,200)	(5,700)
Tax agent's fee		(3,350)	(3,750)
Other expenses		(10,687)	(17,137)
		<u>(131,343)</u>	<u>(150,866)</u>
PROFIT BEFORE TAXATION		262,122	148,000
Taxation	7	-	-
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>262,122</u>	<u>148,000</u>
Profit after taxation is made up as follows:			
Realised amount		219,943	80,513
Unrealised amount		42,179	67,487
		<u>262,122</u>	<u>148,000</u>
Distributions for the financial year:			
Net distributions	8	98,160	83,747
Net distributions per unit (sen)	8	0.5500	0.3900
Gross distributions per unit (sen)	8	0.5500	0.3900

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Note	2024 RM	2023 RM
ASSETS			
Cash and cash equivalents	9	816,303	1,061,555
Financial assets at FVTPL	10	8,175,085	9,067,462
TOTAL ASSETS		<u>8,991,388</u>	<u>10,129,017</u>
LIABILITIES			
Amount due to the Manager			
-cancellation of units		2,728	16,626
-management fee		7,367	8,379
Amount due to the Trustee		11,141	10,168
Other payables and accruals		10,476	9,222
TOTAL LIABILITIES		<u>31,712</u>	<u>44,395</u>
NET ASSET VALUE OF THE FUND		<u>8,959,676</u>	<u>10,084,622</u>
EQUITY			
Unit holders' capital		3,086,318	4,375,226
Retained earnings		5,873,358	5,709,396
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>8,959,676</u>	<u>10,084,622</u>
UNITS IN CIRCULATION (UNITS)	11	<u>16,421,717</u>	<u>18,819,731</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.5456</u>	<u>0.5359</u>

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024

	Note	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 July 2023		4,375,226	5,709,396	10,084,622
Movement in net asset value:				
Creation of units from applications		609,635	-	609,635
Creation of units from distributions		97,463	-	97,463
Cancellation of units		(1,996,006)	-	(1,996,006)
Total comprehensive income for the financial year		-	262,122	262,122
Distributions for the financial year	8	-	(98,160)	(98,160)
Balance as at 30 June 2024		<u>3,086,318</u>	<u>5,873,358</u>	<u>8,959,676</u>
Balance as at 1 July 2022		6,963,245	5,645,143	12,608,388
Movement in net asset value:				
Creation of units from applications		793,829	-	793,829
Creation of units from distributions		83,412	-	83,412
Cancellation of units		(3,465,260)	-	(3,465,260)
Total comprehensive income for the financial year		-	148,000	148,000
Distributions for the financial year	8	-	(83,747)	(83,747)
Balance as at 30 June 2023		<u>4,375,226</u>	<u>5,709,396</u>	<u>10,084,622</u>

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024

	Note	2024 RM	2023 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sales of financial assets at FVTPL		4,052,826	2,003,000
Proceeds from redemptions of financial assets at FVTPL		-	8,500,000
Purchase of financial assets at FVTPL		(3,048,592)	(8,052,934)
Interest income received from financial assets measured at FVTPL and amortised cost		281,608	365,936
Management fee paid		(94,118)	(108,270)
Trustee's fee paid		(17,027)	(16,083)
Payment for other fees and expenses		(18,983)	(26,163)
Net cash generated from operating activities		<u>1,155,714</u>	<u>2,665,486</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from creation of units		609,635	793,829
Payments for cancellation of units		(2,009,904)	(3,462,349)
Payments for distributions		(697)	(335)
Net cash used in financing activities		<u>(1,400,966)</u>	<u>(2,668,855)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(245,252)	(3,369)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		<u>1,061,555</u>	<u>1,064,924</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	9	<u>816,303</u>	<u>1,061,555</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

Hong Leong Bond Fund (“the Fund”) was constituted pursuant to the execution of a Deed dated 5 December 2001 and Supplemental Deeds dated 30 September 2003, 2 June 2009 and 30 April 2010 between Hong Leong Asset Management Bhd (“the Manager”) and Universal Trustee (Malaysia) Berhad for the unit holders of the Fund. Universal Trustee (Malaysia) Berhad has been replaced with Deutsche Trustees Malaysia Berhad (“the Trustee”) effective 1 August 2013 and Supplemental Master Deeds were entered into between the Manager and the Trustee for the unit holders of the Fund on 30 May 2013 and 25 March 2015, 21 June 2022 and 15 March 2023 to effect the change (“the Deeds”).

The Fund aims to seek current income while at the same time aims to offer stability of the capital value with minimal risk.

The Fund intends to invest mainly in fixed income securities which include but are not limited to corporate bonds, medium-term notes, convertibles, bankers’ acceptances, negotiable certificates of deposit with financial institutions and commercial papers. The Fund commenced operations on 29 January 2002 and will continue its operations until terminated as provided under Part 12 of the Deeds.

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 20 August 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

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

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

- (i) Amendments to published standard and interpretations that are relevant and effective 1 January 2023.

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 July 2023 that have a material effect on the financial statements of the Fund.

- (ii) New standards, amendment and interpretations effective after 1 January 2023 and have not been early adopted.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023. None of these are expected to have a material effect on the financial statements of the Fund, except the following set out below:

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

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

The amendment shall be applied retrospectively.

(b) Financial assets and financial liabilities

Classification

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

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

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flows characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities 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 as financial asset measured at amortised cost as this financial asset are held to collect contractual cash flows consisting of the amount outstanding.

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

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value.

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.

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

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

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

Interest income from deposits with licensed financial institutions, auto-sweep facility bank account and unquoted fixed income securities 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 unquoted fixed income securities is accounted for as the difference between the net disposal proceeds and the carrying amount of unquoted fixed income securities, determined on cost adjusted for accretion of discount or amortisation of premium.

(e) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash at banks and 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.

(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) 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.

(j) Critical accounting estimates and judgements 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 judgements 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 judgement 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
2024			
<u>Financial assets</u>			
Cash and cash equivalents (Note 9)	-	816,303	816,303
Financial assets at FVTPL (Note 10)	8,175,085	-	8,175,085
	<u>8,175,085</u>	<u>816,303</u>	<u>8,991,388</u>
<u>Financial liabilities</u>			
Amount due to the Manager			
-cancellation of units	-	2,728	2,728
-management fee	-	7,367	7,367
Amount due to the Trustee	-	11,141	11,141
Other payables and accruals	-	10,476	10,476
	<u>-</u>	<u>31,712</u>	<u>31,712</u>
2023			
<u>Financial assets</u>			
Cash and cash equivalents (Note 9)	-	1,061,555	1,061,555
Financial assets at FVTPL (Note 10)	9,067,462	-	9,067,462
	<u>9,067,462</u>	<u>1,061,555</u>	<u>10,129,017</u>
<u>Financial liabilities</u>			
Amount due to the Manager			
-cancellation of units	-	16,626	16,626
-management fee	-	8,379	8,379
Amount due to the Trustee	-	10,168	10,168
Other payables and accruals	-	9,222	9,222
	<u>-</u>	<u>44,395</u>	<u>44,395</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:

	2024 RM	2023 RM
Financial assets at FVTPL:		
- Unquoted fixed income securities*	8,175,085	9,067,462

* Includes interest receivables of RM142,575 (2023: RM111,571).

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

% Change in price of financial assets at FVTPL	Market value RM	Impact on profit after taxation/ net asset value RM
2024		
-5%	7,630,884	(401,626)
0%	8,032,510	-
5%	8,434,136	401,626

% Change in price of financial assets at FVTPL	Market value RM	Impact on profit after taxation/ net asset value RM
2023		
-5%	8,508,096	(447,795)
0%	8,955,891	-
5%	9,403,686	447,795

(ii) Interest rate risk

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

This risk is crucial since unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of unquoted fixed income securities move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted fixed income securities decrease and vice versa. Furthermore, unquoted fixed income securities with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

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

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

% Change in interest rate	Impact on profit after taxation/net asset value	
	2024 RM	2023 RM
+1%	(177,835)	(359,623)
-1%	177,835	360,273

The Fund's exposure to interest rate risk associated with deposits with licensed financial institutions is not material 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.

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

The credit risk arising from placements of 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.

The credit/default risk is minimal as all transactions in unquoted 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	Unquoted fixed income securities RM	Total RM
2024			
- AAA	796,400	3,094,465	3,890,865
- AA1/AA+	19,903	1,024,105	1,044,008
- NR#	-	4,056,515	4,056,515
Total	816,303	8,175,085	8,991,388
2023			
- AAA	1,041,140	-	1,041,140
- AA1/AA+	20,415	1,023,860	1,044,275
- NR#	-	8,043,602	8,043,602
Total	1,061,555	9,067,462	10,129,017

The unquoted fixed income securities are not rated as the unquoted fixed income securities are guaranteed and issued by the Government of Malaysia.

All financial assets of the Fund are neither pass 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 and deposits with licensed financial institutions.

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
2024			
<u>Financial liabilities</u>			
Amount due to the Manager			
-cancellation of units	2,728	-	2,728
-management fee	7,367	-	7,367
Amount due to the Trustee	11,141	-	11,141
Other payables and accruals	-	10,476	10,476
Contractual cash out flows	21,236	10,476	31,712
2023			
<u>Financial liabilities</u>			
Amount due to the Manager			
-cancellation of units	16,626	-	16,626
-management fee	8,379	-	8,379
Amount due to the Trustee	10,168	-	10,168
Other payables and accruals	-	9,222	9,222
Contractual cash out flows	35,173	9,222	44,395

(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 judgement, considering factors specific to the asset or liability.

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

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2024				
<u>Financial assets at FVTPL:</u>				
- Unquoted fixed income securities		- 8,175,085		- 8,175,085
2023				
<u>Financial assets:</u>				
- Unquoted fixed income securities		- 9,067,462		- 9,067,462

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. This include unquoted fixed income securities. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. 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. INTEREST INCOME FROM FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2024 RM	2023 RM
Interest income from:		
- Deposits with licensed financial institutions	31,641	34,389
- Auto-sweep facility bank account	593	4,115
	32,234	38,504

5. MANAGEMENT FEE

In accordance with Division 13.1 of the Deeds, the Manager is entitled to a management fee of up to 1.00% per annum calculated daily based on the net asset value of the Fund.

For the financial year ended 30 June 2024, the management fee is recognised at a rate of 1.00% (2023: 1.00%) per annum.

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

6. TRUSTEE'S FEE

In accordance with Division 13.2 of the Deeds, the Trustee is entitled to a fee not exceeding 0.08% per annum subject to a minimum of RM18,000 per annum calculated daily based on the net asset value of the Fund.

For the financial year ended 30 June 2024, the Trustee's fee is computed at a rate of 0.08% (2023: 0.08%) per annum but recognised at RM18,000 which is the minimum fee per annum, based on terms agreed with the Trustee.

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

7. TAXATION

	2024 RM	2023 RM
Tax charge for the financial year:		
Current taxation	-	-

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

	2024 RM	2023 RM
Profit before taxation	262,122	148,000
Taxation at Malaysian statutory rate of 24% (2023: 24%)	62,909	35,520
Tax effects of:		
Investment income not subject to tax	(94,431)	(71,728)
Expenses not deductible for tax purposes	5,277	5,372
Restriction on tax deductible expenses for unit trust fund	26,245	30,836
Taxation	-	-

8. DISTRIBUTIONS

Distribution to unit holders are derived from the following sources:

	2024 RM	2023 RM
Prior financial year's realised income	46,716	54,866
Interest income from financial assets at FVTPL and amortised cost	77,405	36,580
Less: Expenses	(25,961)	(7,699)
Net distributions amount	98,160	83,747
Gross/net distribution per unit (sen)	0.5500	0.3900

Date of Declaration

17 July 2023 / 18 July 2022

Gross/net distribution per unit (sen)	0.2500	0.2000
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22 January 2024 / 13 January 2023

Gross/net distribution per unit (sen)	0.3000	0.1900
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The composition of distribution payments sourced from income and capital are disclosed in below:

	Income RM	%	Capital RM	%
2024	98,160	100.00	-	-
2023	83,747	100.00	-	-

Net distributions above are sourced from prior and current financial years' 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.

9. CASH AND CASH EQUIVALENTS

	2024 RM	2023 RM
Deposits with licensed financial institutions	796,196	1,041,086
Cash at banks	20,107	20,469
	<u>816,303</u>	<u>1,061,555</u>

The weighted average effective interest rates per annum are as follows:

	2024 %	2023 %
Deposits with licensed financial institutions	<u>3.00</u>	<u>3.00</u>

Deposits with licensed financial institutions have an average remaining maturity of 1 day (2023: 3 days).

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

	2024 RM	2023 RM
<u>Financial assets at FVTPL:</u>		
Unquoted fixed income securities	<u>8,175,085</u>	<u>9,067,462</u>
<u>Net gain on financial assets at FVTPL:</u>		
Realised loss on disposals	(16,659)	(17,259)
Changes in unrealised fair values	42,179	67,036
	<u>25,520</u>	<u>49,777</u>

Financial assets at FVTPL as at 30 June 2024 are as detailed below:

	Nominal value RM	Aggregate cost RM	Fair value RM	Percentage of net asset value %
UNQUOTED FIXED INCOME SECURITIES				
<u>Corporate Sukuk</u>				
5.14% TNB Western Energy Bhd (AAA) 30/07/2025 - Tranche 3	1,500,000	1,548,089	1,552,629	17.33
<u>Corporate Bonds</u>				
5.25% Eternal Icon Sdn. Bhd. (AAA) 28/07/2031 - MTN SENIOR S5	1,500,000	1,533,226	1,541,836	17.21
4.90% GENM Capital Berhad (AA1) 22/08/2025 - MTN	1,000,000	1,016,915	1,024,105	11.43
	<u>2,500,000</u>	<u>2,550,141</u>	<u>2,565,941</u>	<u>28.64</u>
<u>Government Investment Issues</u>				
3.599% Government of Malaysia 31/07/2028	4,000,000	4,067,525	4,056,515	45.27
TOTAL INVESTMENTS	<u>8,000,000</u>	<u>8,165,755</u>	<u>8,175,085</u>	<u>91.24</u>
UNREALISED GAIN ON FINANCIAL ASSETS AT FVTPL		<u>9,330</u>		
TOTAL FAIR VALUE OF FINANCIAL ASSETS AT FVTPL			<u>8,175,085</u>	

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

	Nominal value RM	Aggregate cost RM	Fair value RM	Percentage of net asset value %
UNQUOTED FIXED INCOME SECURITIES				
<u>Corporate Bonds</u>				
4.90% GENM Capital Berhad (AA1) 22/08/2025 - MTN	1,000,000	1,017,049	1,023,860	10.15
<u>Government Investment Issues</u>				
3.422% Government of Malaysia 30/09/2027	4,000,000	4,014,058	4,001,487	39.68
3.599% Government of Malaysia 31/07/2028	4,000,000	4,069,204	4,042,115	40.08
	<u>8,000,000</u>	<u>8,083,262</u>	<u>8,043,602</u>	<u>79.76</u>
TOTAL INVESTMENTS	<u>9,000,000</u>	<u>9,100,311</u>	<u>9,067,462</u>	<u>89.91</u>
UNREALISED LOSS ON FINANCIAL ASSETS AT FVTPL		<u>(32,849)</u>		
TOTAL FAIR VALUE OF FINANCIAL ASSETS AT FVTPL			<u>9,067,462</u>	

11. UNITS IN CIRCULATION

	2024 No. of units	2023 No. of units
At the beginning of the financial year	18,819,731	23,677,480
Add: Creation of units during the financial year		
- Arising from applications	1,125,262	1,485,285
- Arising from distributions	181,227	156,668
Less: Cancellation of units during the financial year	(3,704,503)	(6,499,702)
At the end of the financial year	<u>16,421,717</u>	<u>18,819,731</u>

12. TOTAL EXPENSE RATIO ("TER")

	2024 %	2023 %
TER	<u>1.41</u>	<u>1.42</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:

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

Where;

- A = Management fee
- B = Trustee's Fee
- C = Auditors' remuneration
- D = Tax agent's fee
- E = Other expenses
- 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 RM9,306,906 (2023: RM10,620,470).

13. PORTFOLIO TURNOVER RATIO ("PTR")

	2024 Times	2023 Times
PTR	<u>0.38</u>	<u>0.47</u>

PTR is derived from the following calculation:

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

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

Where;

- total acquisitions for the financial year
= RM3,024,300 (2023: RM7,988,400)
- total disposals for the financial year
= RM3,979,200 (2023: RM2,067,000)

14. UNITS HELD BY THE MANAGER AND RELATED PARTIES TRANSACTIONS AND BALANCES

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

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

No units were held by the Manager and parties related to the Manager as at 30 June 2024 and 30 June 2023.

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.

	2024 RM	2023 RM
<u>Related party balances</u>		
Cash at bank:		
- Hong Leong Bank Berhad	204	55
<u>Related party transactions</u>		
Interest income from deposits with licensed financial institutions:		
- Hong Leong Bank Berhad	415	-
Interest income from auto-sweep facility bank account:		
- Hong Leong Bank Berhad	5	21
Purchase of unquoted fixed income securities:		
- Hong Leong Bank Berhad	-	3,998,648
- Hong Leong Investment Bank Berhad	1,500,000	-
	1,500,000	3,998,648
Disposal of unquoted fixed income securities:		
- Hong Leong Bank Berhad	2,004,065	-

15. TRANSACTIONS WITH BROKERS/DEALERS

Detail of transactions with brokers/dealers are as follows:

	Values of trade RM	Percentage of total trade %
2024		
Hong Leong Bank Berhad*	2,004,065	28.45
CIMB Islamic Bank Berhad	1,991,724	28.27
RHB Investment Bank Berhad	1,548,592	21.98
Hong Leong Investment Bank Berhad*	1,500,000	21.30
	7,044,381	100.00
2023		
CIMB Bank Berhad	6,072,356	60.30
Hong Leong Bank Berhad*	3,998,648	39.70
	10,071,004	100.00

* 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.

16. SUBSEQUENT EVENT

The Manager proposed for the payment of a net distribution of RM48,128 at 0.3000 sen (gross and net) per unit in respect of the month of July 2024, which has been approved by the Board of Directors of the Manager. The distribution will be accrued for in the assets attributable to unit holders as an appropriation of the retained earnings for the financial year ending 30 June 2025.

Performance Data

for the Financial Years Ended 30 June

		Financial Year 2024 %	Financial Year 2023 %	Financial Year 2022 %
A. (i) Portfolio Compositions:				
Corporate Bonds		45.97	10.15	12.10
Government Securities		45.27	79.76	79.78
Deposits & Cash Equivalents		8.76	10.09	8.12
(ii) Total Net Asset Value	(ex-distribution)	RM8,959,676	RM10,084,622	RM12,608,388
(iii) Net Asset Value Per Unit Units in Circulation	(ex-distribution) (ex-distribution)	RM0.5455 16,421,717	RM0.5359 18,819,731	RM0.5325 23,677,480
(iv) Highest/Lowest NAV Per Unit	Highest NAV Per Unit	RM0.5456	RM0.5387	RM0.5449
(ex-distribution)	Lowest NAV Per Unit	RM0.5337	RM0.5312	RM0.5316
(v) Total Return of the Fund*		2.83%	1.38%	0.11%
- Capital Growth		1.79%	0.64%	-2.13%
- Income Distribution		1.04%	0.74%	2.24%
(vi) The distribution (gross) is made out of:-				
- The Fund's Capital		0.0000 sen/unit	0.0000 sen/unit	1.1600 sen/unit
- The Fund's Income		0.5500 sen/unit	0.3900 sen/unit	0.0600 sen/unit
- Total Distribution Amount		0.5500 sen/unit	0.3900 sen/unit	1.2200 sen/unit
- The Fund's Capital (% of Total Distribution Amount)		0%	0%	95%
- The Fund's Income (% of Total Distribution Amount)		100%	100%	5%
(vii) Distribution Per Unit	Additional Units	-	-	-
	Distribution (Gross)	0.2500 sen/unit	0.2000 sen/unit	0.9000 sen/unit
	Distribution (Net)	0.2500 sen/unit	0.2000 sen/unit	0.9000 sen/unit
	Distribution Date	17/07/2023	18/07/2022	23/07/2021
	Cum-Distribution NAV/Unit	RM0.5379	RM0.5331	RM0.5449
	Ex-Distribution NAV/Unit	RM0.5354	RM0.5311	RM0.5359
	Additional Units	-	-	-
	Distribution (Gross)	0.3000 sen/unit	0.1900 sen/unit	0.3200 sen/unit
	Distribution (Net)	0.3000 sen/unit	0.1900 sen/unit	0.3200 sen/unit
	Distribution Date	22/01/2024	13/01/2023	20/01/2022
	Cum-Distribution NAV/Unit	RM0.5429	RM0.5358	RM0.5372
	Ex-Distribution NAV/Unit	RM0.5399	RM0.5339	RM0.5340
(viii) Total Expense Ratio (TER)		1.41%	1.42%	1.36%
(ix) Portfolio Turnover Ratio (PTR) (times)		0.38#	0.47	-
B. Average Total Return, NAV Per Unit-to-NAV Per Unit basis (as at 30/06/2024)*				
(i) One year		2.83%		
(ii) Three years		1.45%		
(iii) Five years		1.79%		

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

The PTR decreased by 0.09 times (19.15%) to 0.38 times for the financial year ended 30 June 2024 versus 0.47 times for the financial year ended 30 June 2023 mainly due to lower level of rebalancing activities undertaken by the Fund.

Corporate Information

Manager

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

Registered Office

Level 30, Menara Hong Leong
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Bukit Damansara
50490 Kuala Lumpur

Business Office

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Bukit Damansara
50490 Kuala Lumpur

Board of Directors

Ms. Lee Jim Leng
Mr. Chue Kwok Yan
YBhg Dato' Abdul Majit bin Ahmad Khan
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin

Executive Director / Acting Chief Executive Officer

Mr. Chue Kwok Yan

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
OCBC Bank (Malaysia) Berhad
Standard Chartered Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad
Registered Independent Tied Agents with FIMM

Corporate Directory

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