

Hong Leong Value Fund

Annual Report
Financial Year Ended 31 August 2024

2023/2024
Audited



HONG LEONG VALUE FUND

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Manager’s Review and Report

I. FUND INFORMATION

Fund Name

Hong Leong Value Fund (“HLVF” or “the Fund”)

Fund Category

Equity

Fund Type

Growth

Investment Objective

To achieve large percentage gains by investing in well-managed and financially stable companies which stocks are selling at prices close to or at deep discounts to their net tangible asset values.

Duration of the Fund and its termination date, where applicable

Not Applicable

Benchmark

FTSE Bursa Malaysia (FBM) EMAS Index

Distribution Policy*

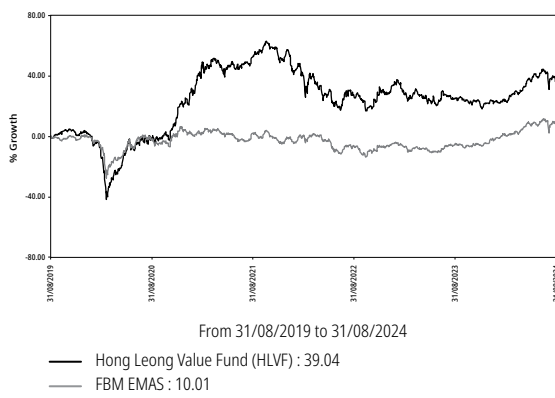
The Fund intends to provide Unit holders with long-term capital growth. As such, income distribution will be incidental to the overall capital growth objective. A substantial portion of the income returns from investments will be reinvested. The Fund may declare distributions in the form of additional Units to its Unit holders.

Note:

* Income distributions (if any) are not guaranteed. Distributions of income will only be made from realised gains or realised 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 HLVF 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 2023 to 31 August 2024.

The Fund posted a return of 11.01% (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 (FBM) EMAS Index registered a return of 16.23%. During the financial year under review, the Fund had distributed a gross income distribution of 0.6000 sen per unit (net income distribution of 0.6000 sen per unit) to its Unit holders on 24 July 2024. Prior to the income distribution, the cum-distribution Net Asset Value (NAV) per unit of the Fund was RM0.0842 while the ex-distribution NAV per unit was RM0.0782. 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 31 August 2024, the Fund posted a return of 39.04% compared to the benchmark's return of 10.01% while distributing a total gross income of 4.2000 sen per unit (net income of 4.1725 sen per unit).

Table 1: Performance of the Fund for the following periods as at 31 August 2024 (Source: Lipper for Investment Management)

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	Since Launch
HLVF Return (%)	2.06	11.77	11.01	-9.04	39.04	97.16	655.90
Benchmark (%)	2.65	8.64	16.23	7.37	10.01	-3.93	164.43

Table 2: Return of the Fund based on NAV Per Unit-to-NAV Per Unit basis for the period 31 August 2023 to 31 August 2024 (Source: Lipper for Investment Management)

	31-Aug-24	31-Aug-23	Return (%)
NAV Per Unit	RM0.0764	RM0.0741	11.01#
Benchmark	12,484.26	10,740.70	16.23
vs Benchmark (%)	-	-	-5.22

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:

	31-Aug-24 (RM)	31-Aug-23 (RM)	Change (%)
Unit Holders' Capital	1,859,655,123	1,830,994,861	1.57
Retained Earnings/(Accumulated Loss)	114,521,789	(84,844,143)	234.98
Net Asset Value	1,974,176,912	1,746,150,718	13.06
Units in Circulation	25,851,702,166	23,562,327,837	9.72

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 31 August

	Financial Year 2024	Financial Year 2023	Financial Year 2022
Highest NAV Per Unit (RM)	0.0856	0.0877	0.1121
Lowest NAV Per Unit (RM)	0.0700	0.0737	0.0780
Capital Growth (%)	3.10	-8.97	-22.55
Income Distribution (%)	7.91	7.10	6.04
Total Return (%)	11.01	-1.87	-16.51

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 HLVF reinvested.

Table 5: Average Total Return of the Fund for the financial year ended 31 August 2024

	1 Year	3 Years	5 Years
Average Total Return (%)	11.01	-3.01	7.81

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 HLVF reinvested.

Table 6: Annual Total Return of the Fund for the financial years ended 31 August

Financial Year	2024	2023	2022	2021	2020
Annual Total Return (%)	11.01	-1.87	-16.51	54.37	-0.98

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 HLVF reinvested.

III. INVESTMENT PORTFOLIO

Chart 2: Asset Allocation - September 2023 to August 2024

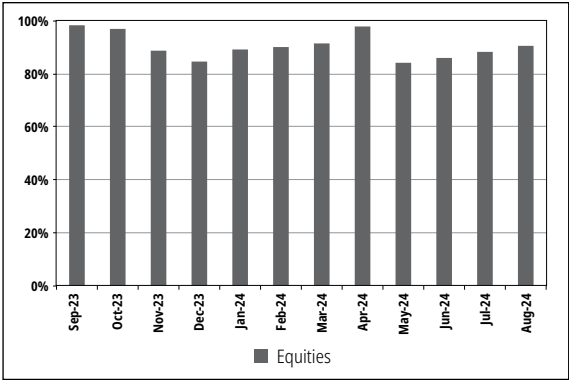
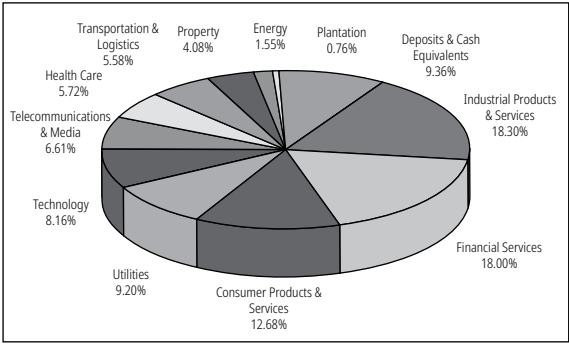


Chart 3: Sector Allocation as at 31 August 2024



Strategies employed by the Fund during the period under review

During the financial year under review, the Fund took some profit in the export, technology and energy sectors and increase its exposure to high quality index stocks in view of the weak economic outlook. We also expect these stocks to benefit from possible increase in foreign fund inflow into the Malaysia market.

An explanation on the differences in portfolio composition

During the financial year under review, there was an increase in allocation to financial sector due to improving outlook and attractive valuations. Furthermore, there was a decrease in allocation to the technology sector due to the slower-than-expected recovery in the sector.

Operational review of the Fund

The 3rd Supplemental Hong Leong Master Prospectus dated 19 August 2024 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 MSCI AC Asia Pacific ex Japan Index increased 13.5%. The best performing markets were Taiwan and India while the laggards were Hong Kong and China. In the local market, the FBM KLCI rose 14.7%. Small caps underperformed as the FBM Small Cap Index rose only 7.5%.

The third quarter of 2023 started strongly. Despite the United States (US) Federal Reserve (Fed) raising the policy rate by another 25 basis points (bps), expectations that the interest hike cycle is nearing the end buoyed investor sentiment. However, the market euphoria was short-lived as bond yields accelerated higher. With the China economy not exactly in the pink of health and the US economy starting to show conspicuous signs of weakening, bonds look increasingly attractive compared to equities.

The final quarter of 2023 started on a tentative note as investors maintained a high cash level in their portfolios in view of the weak economic outlook and heightened geopolitical risk. However, global equity markets rallied strongly in the last two months of the year as statements by the US Fed left very little doubt that the current rate hike cycle is at an end. US indices led the global equity rally as the Dow Jones Industrial Average (DJIA) Index hit an all-time high in December.

In the first quarter of 2024, stronger-than-expected economic data out of US resulted in Fed rate cut expectations being dialled back. The global Artificial Intelligence (AI) optimism helped drive upside in tech and related proxies. The Chinese market saw some optimism during the quarter but lost momentum due to US-China tensions. Japan equities staged a strong resurgence as the country's exit from deflation attracted investors.

The second quarter of 2024 started strongly, even with US Inflation data surprising on the upside. Despite bond yields accelerating higher, AI optimism continue to dominate the market. ASEAN generally underperformed and their currencies too came under pressure as US Dollar (USD) surged. Hong Kong in particular saw weakness as the country reported underwhelming property data.

The third quarter of 2024 saw optimism in the market, as there was high conviction that the Fed would cut rates in September. However, in the first week of August, markets corrected sharply triggered by a Japanese Yen (JPY) carry trade unwind and fears of a US recession. While markets quickly rebounded in the following weeks, tech stocks were well below the pre-August levels as investors re-assessed the outlook of AI capex monetisation.

The Malaysia market outperformed peers in the third quarter of 2023 as investors seek shelter in defensive equity markets during the prevailing risk-off sentiment. The conclusion of the state elections also removed some degree of political uncertainty while the launch of the Madani economy by the Prime Minister also provided a boost to investor sentiment in the local market.

Although the FBM KLCI posted a positive return, it was a quiet fourth quarter for the Malaysia market in comparison to other global peers as investors, particularly foreign investors, appeared to find more urgency to cover their underweight in developed markets before deploying cash in emerging markets.

In the first quarter of 2024, Malaysia started strongly, leading the ASEAN market with AI related names performing well. This was further reinforced by the signing of a memorandum of understanding between Malaysia and Singapore to form the Johor-Singapore Special Economic Zone (JS-SEZ). While foreign interest was evident, it did not translate into real flows as Malaysia recorded a net foreign outflow during the quarter.

Trading value in Malaysia was elevated in the second quarter of 2024, reaching values not seen since May 2021 during the COVID-19 lockdown. AI continued to drive the markets, spilling over to the construction sector, which is seen to benefit from the data-centre driven boom. The Malaysian Index was one of the best performers year-to-date (YTD) in ASEAN.

The third quarter started strongly for the Malaysian market as the construction sector remained in favour due to the data-centred driven jobs. August saw global markets correct sharply due to the JPY carry trade unwind, and Malaysia was not spared. The markets broadly rebounded over the month with financials leading as better-than-expected Gross Domestic Product (GDP) data saw fund flows into banks.

V. FUTURE PROSPECTS AND PROPOSED STRATEGIES

We expect investor sentiment to be cautious leading up to the US presidential elections. The Fed has started cutting rates by 50 bps in September 2024 and is expected to continue doing so in the foreseeable future. Economic data will be monitored closely for any sustained weakness. Over in China, it appears that long awaited stimulus measures by the government have started to take place, although it remains unclear whether it will be enough to kickstart the Chinese economy again. With inflation expected to be at benign levels for the year, it is encouraging to know that global central banks will have the flexibility to ease monetary policy to support the economy should the need arises.

We expect the local market to also gain some interest among foreign investors who are looking to have exposure in the emerging market space as the 'risk-on' sentiment prevails. Prevailing themes such as the AI and data-centre driven capex investments and the JS-SEZ continue to put the spotlight on Malaysia. However, the recent sharp appreciation of the Ringgit warrants some caution on export related stocks.

As the economic outlook is still fraught with uncertainty, we expect investors to remain cautious. We opine the best strategy to navigate through this challenging environment is through bottom-up stock picking and remain invested in high quality companies.

STATEMENT BY THE MANAGER

VI. SOFT COMMISSIONS

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

VII. SECURITIES LENDING OR REPURCHASE TRANSACTIONS

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

VIII. CROSS TRADE TRANSACTIONS

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

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 48 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 2024 and of its financial performance, changes in equity and cash flows for the financial year ended 31 August 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

Chief Executive Officer/Executive Director

Kuala Lumpur
21 October 2024

TRUSTEE’S REPORT

TO THE UNIT HOLDERS OF HONG LEONG VALUE FUND (“Fund”)

We have acted as Trustee of the Fund for the financial year ended 31 August 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, securities laws and the Guidelines on Unit Trust Funds;
- 2. Valuation and pricing is carried out in accordance with the deed; and
- 3. Any creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement.

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

For Deutsche Trustees Malaysia Berhad

Ng Hon Leong
Head, Fund Operations

Kuala Lumpur
21 October 2024

Sylvia Beh
Chief Executive Officer

INDEPENDENT AUDITORS’ REPORT

TO THE UNIT HOLDERS OF HONG LEONG VALUE FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our Opinion

In our opinion, the financial statements of Hong Leong Value Fund (“the Fund”) give a true and fair view of the financial position of the Fund as at 31 August 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 31 August 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 48.

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
21 October 2024

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2024

	Note	2024 RM	2023 RM
INVESTMENT INCOME			
Interest income from financial assets measured at amortised cost		5,137,662	3,200,894
Dividend income		39,223,683	26,898,369
Net gain/(loss) on financial assets at fair value through profit or loss ("FVTPL")	8	200,557,235	(25,424,138)
		<u>244,918,580</u>	<u>4,675,125</u>
EXPENDITURE			
Management fee	4	(34,947,123)	(26,759,922)
Trustee's fee	5	(1,291,382)	(1,148,139)
Auditors' remuneration		(10,200)	(8,700)
Tax agent's fee		(3,350)	(4,100)
Transaction costs		(9,120,824)	(5,996,146)
Other expenses		(179,769)	(156,112)
		<u>(45,552,648)</u>	<u>(34,073,119)</u>
PROFIT/(LOSS) BEFORE TAXATION		199,365,932	(29,397,994)
Taxation	6	-	-
PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR		<u>199,365,932</u>	<u>(29,397,994)</u>
Profit/(loss) after taxation is made up as follows:			
Realised amount		631,493	(61,339,166)
Unrealised amount		198,734,439	31,941,172
		<u>199,365,932</u>	<u>(29,397,994)</u>
Distribution for the financial year:			
Net distribution	7	145,445,761	129,758,457
Net distribution per unit (sen)	7	0.6000	0.6000
Gross distribution per unit (sen)	7	0.6000	0.6000

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2024

	Note	2024 RM	2023 RM
ASSETS			
Cash and cash equivalents		220,112,746	42,728,824
Amount due from brokers/dealers		3,690,183	18,069,597
Amount due from the Manager			
-creation of units		1,927,008	4,709,870
Dividends receivable		1,871,304	-
Financial assets at FVTPL	8	1,789,450,336	1,722,042,296
TOTAL ASSETS		<u>2,017,051,577</u>	<u>1,787,550,587</u>
LIABILITIES			
Amount due to brokers/dealers		38,409,045	38,309,971
Amount due to the Manager			
-cancellation of units		1,331,858	-
-management fee		3,002,733	2,971,898
Amount due to the Trustee		116,773	104,016
Distribution payable		-	1,582
Other payables and accruals		14,256	12,402
TOTAL LIABILITIES		<u>42,874,665</u>	<u>41,399,869</u>
NET ASSET VALUE OF THE FUND		<u>1,974,176,912</u>	<u>1,746,150,718</u>
EQUITY			
Unit holders' capital		1,859,655,123	1,830,994,861
Retained earnings/(accumulated loss)		114,521,789	(84,844,143)
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>1,974,176,912</u>	<u>1,746,150,718</u>
UNITS IN CIRCULATION (UNITS)	9	<u>25,851,702,166</u>	<u>23,562,327,837</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.0764</u>	<u>0.0741</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 2024

	Note	Unit holders' capital RM	Retained earnings/ (accumulated loss) RM	Total RM
Balance as at 1 September 2023		1,830,994,861	(84,844,143)	1,746,150,718
Movement in net asset value:				
Creation of units from applications		228,539,438	-	228,539,438
Creation of units from distribution		25,453,963	-	25,453,963
Cancellation of units		(79,887,378)	-	(79,887,378)
Total comprehensive income for the financial year		-	199,365,932	199,365,932
Distribution for the financial year	7	(145,445,761)	-	(145,445,761)
Balance as at 31 August 2024		<u>1,859,655,123</u>	<u>114,521,789</u>	<u>1,974,176,912</u>
Balance as at 1 September 2022		1,481,153,680	14,843,699	1,495,997,379
Movement in net asset value:				
Creation of units from applications		393,359,517	-	393,359,517
Creation of units from distribution		27,665,923	-	27,665,923
Cancellation of units		(11,715,650)	-	(11,715,650)
Total comprehensive loss for the financial year		-	(29,397,994)	(29,397,994)
Distribution for the financial year	7	(59,468,609)	(70,289,848)	(129,758,457)
Balance as at 31 August 2023		<u>1,830,994,861</u>	<u>(84,844,143)</u>	<u>1,746,150,718</u>

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2024

	2024 RM	2023 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sales of financial assets at FVTPL	1,591,177,885	651,924,739
Purchase of financial assets at FVTPL	(1,451,799,554)	(1,111,180,455)
Interest income received from financial assets measured at amortised cost	5,137,662	3,200,894
Dividend income received	36,480,907	27,520,771
Management fee paid	(34,916,288)	(25,701,496)
Trustee's fee paid	(1,278,625)	(1,133,418)
Payment for other fees and expenses	(191,465)	(171,244)
Net cash generated from/(used in) operating activities	144,610,522	(455,540,209)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	231,322,300	395,021,227
Payments for cancellation of units	(78,555,520)	(11,715,650)
Payments for distribution	(119,993,380)	(102,093,150)
Net cash generated from financing activities	32,773,400	281,212,427
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	177,383,922	(174,327,782)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	42,728,824	217,056,606
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	220,112,746	42,728,824

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2024

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

Hong Leong Value Fund ("the Fund") was constituted pursuant to the execution of a Deed dated 12 March 1999 and Supplemental Deeds dated 18 December 2000, 2 June 2009 and 30 April 2010 between Hong Leong Asset Management Bhd ("the Manager") and AmTrustee Berhad for the unit holders of the Fund. AmTrustee Berhad has been replaced with Deutsche Trustees Malaysia Berhad ("the Trustee") effective 1 September 2012 and Supplemental Master Deeds were entered into between the Manager and the Trustee for the unit holders of the Fund on 27 July 2012, 25 March 2015, 28 November 2019, 7 February 2020, 21 December 2021, 28 April 2022, 23 March 2023, 23 October 2023 and 13 February 2024 to effect the change ("the Deeds").

The Fund aims to achieve large percentage gains by investing in well-managed and financially stable companies which stocks are selling at prices close to or at deep discounts to their net tangible asset values.

The Fund will invest with a value investment strategy across equity securities of all market capitalisation levels of companies operating in Malaysia. Generally, companies that have valuations at a discount to the market and/or its sector peers are selected. The Fund may also invest in stocks with market capitalisation of up to RM1 billion that are not well-covered by equity research houses and stockbrokers. The Fund commenced operations on 26 April 1999 and will continue its operations until terminated as provided under Part 12 of the Deeds.

A Supplementary Deed has been registered with the Securities Commission to change the name of Hong Leong Penny Stock Fund to Hong Leong Value Fund. The effective date for the name change was 27 March 2020.

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 21 October 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(k).

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

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

- (ii) New standards, amendment and interpretations effective after 1 September 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 September 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 September 2024.

The amendment shall be applied retrospectively.

(b) Financial assets and financial liabilities

Classification

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

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

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

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

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

Recognition and measurement

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

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

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

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

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

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

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

Unquoted equity security is valued at the initial public offering ("IPO") issue price as announced in the Bursa Securities.

If a valuation based on the market price does not represent the fair value of the quoted 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.

(h) Distribution

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 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/ liabilities at FVTPL RM	Financial assets/ liabilities at amortised cost RM	Total RM
2024			
<u>Financial assets</u>			
Cash and cash equivalents	-	220,112,746	220,112,746
Amount due from brokers/dealers	-	3,690,183	3,690,183
Amount due from the Manager			
-creation of units	-	1,927,008	1,927,008
Dividends receivable	-	1,871,304	1,871,304
Financial assets at FVTPL (Note 8)	1,789,450,336	-	1,789,450,336
	1,789,450,336	227,601,241	2,017,051,577
<u>Financial liabilities</u>			
Amount due to brokers/dealers	-	38,409,045	38,409,045
Amount due to the Manager			
-cancellation of units	-	1,331,858	1,331,858
-management fee	-	3,002,733	3,002,733
Amount due to the Trustee	-	116,773	116,773
Other payables and accruals	-	14,256	14,256
	-	42,874,665	42,874,665
2023			
<u>Financial assets</u>			
Cash and cash equivalents	-	42,728,824	42,728,824
Amount due from brokers/dealers	-	18,069,597	18,069,597
Amount due from the Manager			
-creation of units	-	4,709,870	4,709,870
Financial assets at FVTPL (Note 8)	1,722,042,296	-	1,722,042,296
	1,722,042,296	65,508,291	1,787,550,587
<u>Financial liabilities</u>			
Amount due to brokers/dealers	-	38,309,971	38,309,971
Amount due to the Manager			
-management fee	-	2,971,898	2,971,898
Amount due to the Trustee	-	104,016	104,016
Distribution payable	-	1,582	1,582
Other payables and accruals	-	12,402	12,402
	-	41,399,869	41,399,869

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
<u>Financial assets at FVTPL:</u>		
- Quoted equity securities	1,754,882,836	1,722,042,296
- Unquoted equity security	34,567,500	-
	<u>1,789,450,336</u>	<u>1,722,042,296</u>

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

% Change in price of financial assets at FVTPL	Market value RM	Impact on profit/(loss)after taxation/ net asset value RM
2024		
-5%	1,699,977,819	(89,472,517)
0%	1,789,450,336	-
5%	1,878,922,853	89,472,517
2023		
-5%	1,635,940,181	(86,102,115)
0%	1,722,042,296	-
5%	1,808,144,411	86,102,115

(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
2024					
- AAA	220,112,746	3,690,183	-	-	223,802,929
- NR	-	-	1,927,008	1,871,304	3,798,312
Total	220,112,746	3,690,183	1,927,008	1,871,304	227,601,241
2023					
- AAA	41,704,552	18,069,597	-	-	59,774,149
- AA1	1,024,272	-	-	-	1,024,272
- NR	-	-	4,709,870	-	4,709,870
Total	42,728,824	18,069,597	4,709,870	-	65,508,291

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

(c) Liquidity risk

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

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

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

	Less than 1 month RM	1 month to 1 year RM	Total RM
2024			
<u>Financial liabilities</u>			
Amount due to brokers/dealers	38,409,045	-	38,409,045
Amount due to the Manager			
-cancellation of units	1,331,858	-	1,331,858
-management fee	3,002,733	-	3,002,733
Amount due to the Trustee	116,773	-	116,773
Other payables and accruals	-	14,256	14,256
Contractual cash out flows	42,860,409	14,256	42,874,665
2023			
<u>Financial liabilities</u>			
Amount due to brokers/dealers	38,309,971	-	38,309,971
Amount due to the Manager			
-management fee	2,971,898	-	2,971,898
Amount due to the Trustee	104,016	-	104,016
Distribution payable	-	1,582	1,582
Other payables and accruals	-	12,402	12,402
Contractual cash out flows	41,385,885	13,984	41,399,869

(d) Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital and retained earnings/(accumulated loss). 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>				
- Quoted equity securities	1,754,882,836	-	-	1,754,882,836
- Unquoted equity security	-	- 34,567,500		34,567,500
	1,754,882,836	- 34,567,500		1,789,450,336
2023				
<u>Financial assets at FVTPL:</u>				
- Quoted equity securities	1,722,042,296	-	-	1,722,042,296

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. Unquoted equity security is valued at the initial public offering "IPO" issue price and classified at Level 3. The Fund's policies on valuation of these financial assets are stated in Note 2(b).

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

4. MANAGEMENT FEE

In accordance with Division 13.1 of the Deeds, the Manager is entitled to a management fee of up to 2.00% per annum calculated daily based on the net asset value of the Fund.

For the financial period from 1 September 2023 to 29 February 2024 the management fee is recognised at a rate of 2.00% (2023: 2.00%) per annum. With effective from 1 March 2024, the management fee is recognised at a rate of 1.80% 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 Deeds, the Trustee is entitled to a fee not exceeding 0.08% per annum calculated daily based on the net asset value of the Fund.

For the financial year ended 31 August 2024, the Trustee's fee is recognised at a rate of 0.07% (2023: 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

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

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

	2024 RM	2023 RM
Profit/(loss) before taxation	199,365,932	(29,397,994)
Taxation at Malaysian statutory rate of 24% (2023: 24%)	47,847,824	(7,055,519)
Tax effects of:		
Investment income not subject to tax	(58,780,459)	(1,122,030)
Expenses not deductible for tax purposes	2,507,612	1,728,232
Restriction on tax deductible expenses for unit trust fund	8,425,023	6,449,317
Taxation	-	-

7. DISTRIBUTION

Distributions to unit holders are derived from the following sources:

	2024 RM	2023 RM
Prior financial years' realised income	-	70,289,848
Distribution equalisation	145,445,761	59,468,609
Net distribution amount	145,445,761	129,758,457

Date of Declaration

24 July 2024 / 18 July 2023

Gross/net distribution per unit (sen)	0.6000	0.6000
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The composition of distribution payments sourced from income and capital are disclosed in below:

	Income RM	%	Capital RM	%
2024	145,445,761	100.00	-	-
2023	129,758,457	100.00	-	-

Net distribution above is sourced from prior and current financial years' realised income. Gross distribution is 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.

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

	2024 RM	2023 RM
Financial assets at FVTPL:		
Quoted equity securities	1,754,882,836	1,722,042,296
Unquoted equity security	34,567,500	-
	<u>1,789,450,336</u>	<u>1,722,042,296</u>
Net gain/(loss) on financial assets at FVTPL:		
Realised gain/(loss) on disposals	1,822,796	(57,365,310)
Changes in unrealised fair values	198,734,439	31,941,172
	<u>200,557,235</u>	<u>(25,424,138)</u>

Financial assets at FVTPL as at 31 August 2024 are as detailed below:

	Quantity Units	Aggregate cost RM	Fair value RM	Percentage of net asset value %
QUOTED EQUITY SECURITIES				
<u>Main Market</u>				
<u>Consumer Products & Services</u>				
Carlsberg Brewery Malaysia Berhad	580,100	10,910,730	11,137,920	0.56
Heineken Malaysia Berhad	3,152,600	85,895,318	72,509,800	3.67
QL Resources Berhad	15,066,700	97,067,738	97,933,550	4.96
Sime Darby Berhad	13,864,300	36,361,826	34,383,464	1.74
	<u>32,663,700</u>	<u>230,235,612</u>	<u>215,964,734</u>	<u>10.93</u>
<u>Energy</u>				
Bumi Armada Berhad	27,500,000	15,336,324	14,712,500	0.75
Velesto Energy Berhad	75,000,000	15,994,600	15,750,000	0.80
	<u>102,500,000</u>	<u>31,330,924</u>	<u>30,462,500</u>	<u>1.55</u>
<u>Financial Services</u>				
CIMB Group Holdings Berhad	21,475,000	125,221,888	176,095,000	8.92
Malayan Banking Berhad	8,843,200	79,851,948	95,329,696	4.83
Public Bank Berhad	12,000,000	52,499,426	57,840,000	2.93
RHB Bank Berhad	4,261,600	23,226,373	26,123,608	1.32
	<u>46,579,800</u>	<u>280,799,635</u>	<u>355,388,304</u>	<u>18.00</u>
<u>Health Care</u>				
Hartalega Holdings Berhad	16,000,000	33,340,100	39,520,000	2.00
IHH Healthcare Berhad	7,300,000	45,728,000	45,771,000	2.32
Supermax Corporation Berhad	35,162,800	30,347,178	27,602,798	1.40
	<u>58,462,800</u>	<u>109,415,278</u>	<u>112,893,798</u>	<u>5.72</u>

	Quantity Units	Aggregate cost RM	Fair value RM	Percentage of net asset value %
<u>Industrial Products & Services</u>				
NationGate Holdings Berhad	8,500,000	14,851,600	16,150,000	0.82
Petronas Chemicals Group Berhad	18,078,500	124,179,660	105,036,085	5.32
Press Metal Aluminium Holdings Berhad	23,414,600	113,885,458	116,370,562	5.90
SAM Engineering & Equipment (M) Berhad	3,770,100	17,909,947	20,170,035	1.02
Sunway Berhad	25,247,200	60,891,572	103,513,520	5.24
	<u>79,010,400</u>	<u>331,718,237</u>	<u>361,240,202</u>	<u>18.30</u>
<u>Plantation</u>				
Johor Plantations Group Berhad	15,500,000	13,696,057	15,035,000	0.76
<u>Property</u>				
Sime Darby Property Berhad	57,500,000	52,063,500	80,500,000	4.08
<u>Technology</u>				
D & O Green Technologies Berhad	3,030,800	4,265,558	8,365,008	0.42
Frontken Corporation Berhad	3,882,600	14,919,313	13,977,360	0.71
Inari Amertron Berhad	18,800,000	49,035,041	59,220,000	3.00
Malaysian Pacific Industries Bhd	2,126,200	53,329,964	62,935,520	3.19
Pentamaster Corporation Berhad	1,245,800	5,394,667	4,920,910	0.25
Unisem (M) Berhad	3,100,000	11,678,070	9,765,000	0.49
UWC Berhad	784,200	3,244,048	1,960,500	0.10
	<u>32,969,600</u>	<u>141,866,661</u>	<u>161,144,298</u>	<u>8.16</u>
<u>Telecommunications & Media</u>				
Telekom Malaysia Berhad	19,300,000	113,202,129	130,468,000	6.61
<u>Transportation & Logistics</u>				
Malaysia Airports Holdings Berhad	10,500,000	76,807,977	110,250,000	5.58
<u>Utilities</u>				
Tenaga National Berhad	12,400,000	125,240,629	181,536,000	9.20
TOTAL QUOTED EQUITY SECURITIES	467,386,300	1,506,376,639	1,754,882,836	88.89
UNQUOTED EQUITY SECURITY - LOCAL				
<u>Consumer Products & Services</u>				
99 Speed Mart Retail Holdings Berhad#	20,950,000	34,567,500	34,567,500	1.75
TOTAL UNQUOTED EQUITY SECURITY - LOCAL	20,950,000	34,567,500	34,567,500	1.75
TOTAL INVESTMENTS	488,336,300	1,540,944,139	1,789,450,336	90.64
UNREALISED GAIN ON FINANCIAL ASSETS AT FVTPL		248,506,197		
TOTAL FAIR VALUE OF FINANCIAL ASSETS AT FVTPL		1,789,450,336		

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

	Quantity Units	Aggregate cost RM	Fair value RM	Percentage of net asset value %
QUOTED EQUITY SECURITIES				
<u>Main Market</u>				
<u>Construction</u>				
AME Elite Consortium Berhad	30,000,000	51,900,000	45,600,000	2.61
Ekovest Berhad	9,750,000	4,999,800	5,265,000	0.30
	39,750,000	56,899,800	50,865,000	2.91
<u>Consumer Products & Services</u>				
DXN Holdings Bhd.	126,784,000	88,766,800	88,114,880	5.05
Guan Chong Berhad	41,124,600	120,995,614	85,539,168	4.90
Heineken Malaysia Berhad	4,112,600	112,051,350	97,879,880	5.61
	172,021,200	321,813,764	271,533,928	15.56
<u>Energy</u>				
Dayang Enterprise Holdings Bhd.	52,752,800	67,828,105	91,789,872	5.26
Velesto Energy Berhad	404,434,700	90,336,315	95,042,155	5.44
	457,187,500	158,164,420	186,832,027	10.70
<u>Financial Services</u>				
AEON Credit Service (M) Berhad	5,299,000	67,435,256	58,289,000	3.34
<u>Health Care</u>				
Supermax Corporation Berhad	59,804,200	51,550,877	45,451,192	2.60
Top Glove Corporation Bhd.	125,200,000	103,514,157	95,778,000	5.49
	185,004,200	155,065,034	141,229,192	8.09
<u>Industrial Products & Services</u>				
SAM Engineering & Equipment (M) Berhad	17,537,000	83,309,921	82,423,900	4.72
<u>Plantation</u>				
Kuala Lumpur Kepong Berhad	2,450,000	55,427,059	52,773,000	3.02
<u>Technology</u>				
D & O Green Technologies Berhad	29,105,800	40,963,599	103,034,532	5.90
Frontken Corporation Berhad	46,100,000	152,000,190	161,350,000	9.24
Inari Amertron Berhad	32,342,000	84,355,920	101,877,300	5.83
Malaysian Pacific Industries Bhd	2,876,200	72,141,682	82,834,560	4.74
Pentamaster Corporation Berhad	30,263,300	139,985,577	160,092,857	9.17
UWC Berhad	31,706,000	131,160,136	110,971,000	6.36
	172,393,300	620,607,104	720,160,249	41.24
<u>Transportation & Logistics</u>				
Malaysia Airports Holdings Berhad	12,000,000	86,231,550	88,440,000	5.06
<u>ACE Market</u>				
<u>Technology</u>				
Genetec Technology Berhad	29,200,000	67,316,630	69,496,000	3.98
TOTAL QUOTED EQUITY SECURITIES	1,092,842,200	1,672,270,538	1,722,042,296	98.62

	Quantity Units	Aggregate cost RM	Fair value RM	Percentage of net asset value %
UNREALISED GAIN ON FINANCIAL ASSETS AT FVTPL		49,771,758		
TOTAL FAIR VALUE OF FINANCIAL ASSETS AT FVTPL		1,722,042,296		

During the financial year, a total of 8,400,000,000 shares for 99 Speed Mart Retail Holdings Berhad were made available for Initial Public Offering ("IPO") at a cost of RM1.65 per share by way of bookbuilding.

Subsequent to the financial year ended 31 August 2024, 99 Speed Mart Retail Holdings Berhad began trading on the main market on 9 September 2024 at a price of RM1.88 per share.

9. UNITS IN CIRCULATION

	2024 No. of units	2023 No. of units
At the beginning of the financial year	23,562,327,837	18,372,401,559
Add: Creation of units during the financial year		
- Arising from applications	2,992,949,665	4,976,994,160
- Arising from distribution	327,594,412	362,595,041
Less: Cancellation of units during the financial year	(1,031,169,748)	(149,662,923)
At the end of the financial year	<u>25,851,702,166</u>	<u>23,562,327,837</u>

10. TOTAL EXPENSE RATIO (“TER”)

	2024 %	2023 %
TER	1.97	1.71

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 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 RM1,845,208,837 (2023: RM1,641,242,822).

11. PORTFOLIO TURNOVER RATIO (“PTR”)

	2024 Times	2023 Times
PTR	0.82	0.57

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
= RM1,447,588,379 (2023: RM1,145,464,435)
- total disposals for the financial year
= RM1,579,786,250 (2023: RM726,141,717)

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

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

Related parties	Relationships
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 2024 and 31 August 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	219,339,613	41,704,552
Amount due from brokers/dealers:		
- Hong Leong Investment Bank Berhad	3,690,183	18,069,597
Amount due to brokers/dealers:		
- Hong Leong Investment Bank Berhad	(1,601,303)	(5,014,299)
	<u>221,428,493</u>	<u>54,759,850</u>

<u>Related party transactions</u>		
Interest income from auto-sweep facility bank account:		
- Hong Leong Bank Berhad	5,107,010	3,179,707
Purchase of quoted equity securities:		
- Hong Leong Investment Bank Berhad	505,380,373	508,366,916
Disposal of quoted equity securities:		
- Hong Leong Investment Bank Berhad	828,009,843	273,271,568

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 %
2024				
Hong Leong Investment Bank Berhad*	1,333,390,216	44.03	3,280,022	42.29
Public Investment Bank Berhad	308,911,745	10.20	770,743	9.94
Nomura Securities Malaysia Sdn Bhd	235,933,721	7.79	590,316	7.61
CLSA Securities Malaysia Sdn Bhd	202,947,691	6.70	506,436	6.53

	Values of trade RM	Percentage of total trade %	Brokerage fees RM	Percentage of total brokerage fees %
JPMorgan Securities (Malaysia) Sdn Bhd	190,447,840	6.29	477,277	6.15
Phillip Capital Sdn Bhd	174,414,996	5.76	436,408	5.62
Citigroup Global Markets Malaysia Sdn Bhd	146,128,610	4.82	363,424	4.68
RHB Investment Bank Berhad	106,616,948	3.52	306,878	3.96
Maybank Investment Bank Bhd	69,413,935	2.29	173,548	2.24
UOB Kay Hian Securities (M) Sdn Bhd	50,366,770	1.66	126,256	1.63
Others	210,124,626	6.94	725,220	9.35
	<u>3,028,697,098</u>	<u>100.00</u>	<u>7,756,528</u>	<u>100.00</u>

2023				
Hong Leong Investment Bank Berhad*	781,638,484	43.04	1,832,116	35.56
CLSA Securities Malaysia Sdn. Bhd.	166,677,506	9.18	416,354	8.08
Nomura Securities Malaysia Sdn. Bhd.	154,011,157	8.48	383,841	7.45
JPMorgan Securities (Malaysia) Sdn. Bhd.	142,017,895	7.82	355,175	6.89
Credit Suisse Securities (Malaysia) Sdn. Bhd.	134,237,688	7.39	336,017	6.52
Citigroup Global Markets Malaysia Sdn. Bhd.	109,347,798	6.02	245,448	4.76
Public Investment Bank Berhad	95,980,070	5.28	240,433	4.67
CGS-CIMB Securities Sdn Bhd	95,021,641	5.23	878,740	17.05
Maybank Investment Bank Bhd	50,782,054	2.80	247,995	4.81
RHB Investment Bank Berhad	46,573,018	2.56	116,579	2.26
Others	40,009,366	2.20	100,099	1.95
	<u>1,816,296,677</u>	<u>100.00</u>	<u>5,152,797</u>	<u>100.00</u>

* Transactions with brokers/dealers related to the Manager.

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

Performance Data

for the Financial Years Ended 31 August

		Financial Year 2024 %	Financial Year 2023 %	Financial Year 2022 %
A. (i) Portfolio Compositions:				
Construction		–	2.91	7.13
Consumer Products & Services		12.68	15.56	14.17
Energy		1.55	10.70	–
Financial Services		18.00	3.34	12.18
Health Care		5.72	8.09	6.69
Industrial Products & Services		18.30	4.72	–
Plantation		0.76	3.02	–
Property		4.08	–	–
Technology		8.16	45.22	44.71
Telecommunications & Media		6.61	–	–
Transportation & Logistics		5.58	5.06	–
Utilities		9.20	–	–
Deposits & Cash Equivalents		9.36	1.38	15.12
(ii) Total Net Asset Value	(ex-distribution)	RM1,974,176,912	RM1,746,150,718	RM1,495,997,379
(iii) Net Asset Value Per Unit Units in Circulation	(ex-distribution) (ex-distribution)	RM0.0764 25,851,702,166	RM0.0741 23,562,327,837	RM0.0814 18,372,401,559
(iv) Highest/Lowest NAV Per Unit	Highest NAV Per Unit	RM0.0856	RM0.0877	RM0.1121
(ex-distribution)	Lowest NAV Per Unit	RM0.0070	RM0.0737	RM0.0780
(v) Total Return of the Fund*		11.01%	-1.87%	-16.51%
- Capital Growth		3.10%	-8.97%	-22.55%
- Income Distribution		7.91%	7.10%	6.04%
(vi) The distribution (gross) is made out of:-				
- The Fund's Capital		0.0000 sen/unit	0.6000 sen/unit	0.6000 sen/unit
- The Fund's Income		0.6000 sen/unit	0.0000 sen/unit	0.0000 sen/unit
- Total Distribution Amount		0.6000 sen/unit	0.6000 sen/unit	0.6000 sen/unit
- The Fund's Capital (% of Total Distribution Amount)		0%	100%	100%
- The Fund's Income (% of Total Distribution Amount)		100%	0%	0%
(vii) Distribution Per Unit	Additional Units	–	–	–
	Distribution (Gross)	0.6000 sen/unit	0.6000 sen/unit	0.6000 sen/unit
	Distribution (Net)	0.6000 sen/unit	0.6000 sen/unit	0.6000 sen/unit
	Distribution Date	24/07/2024	18/07/2023	19/07/2022
	Cum-Distribution NAV/Unit	RM0.0842	RM0.0829	RM0.0829
	Ex-Distribution NAV/Unit	RM0.0782	RM0.0769	RM0.0769
(viii) Total Expense Ratio (TER)		1.97%#	1.71%	1.58%
(ix) Portfolio Turnover Ratio (PTR) (times)		0.82##	0.57	0.60
B. Average Total Return, NAV Per Unit-to-NAV Per Unit basis (as at 31/08/2024)*				
(i) One year		11.01%		
(ii) Three years		-3.01%		
(iii) Five years		7.81%		

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

The TER was 0.26 percentage point higher as compared to 1.71% for the financial year ended 31 August 2024 mainly due to increase in expenses of the Fund.

The PTR increased by 0.25 times (43.86%) to 0.82 times for the financial year ended 31 August 2024 versus 0.57 times for the financial year ended 31 August 2023 mainly due to higher level of rebalancing activities undertaken by the Fund.

Corporate Information

Manager

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

Registered Office

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No. 6, Jalan Damanlela
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Business Office

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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/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
HSBC Bank Malaysia 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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