

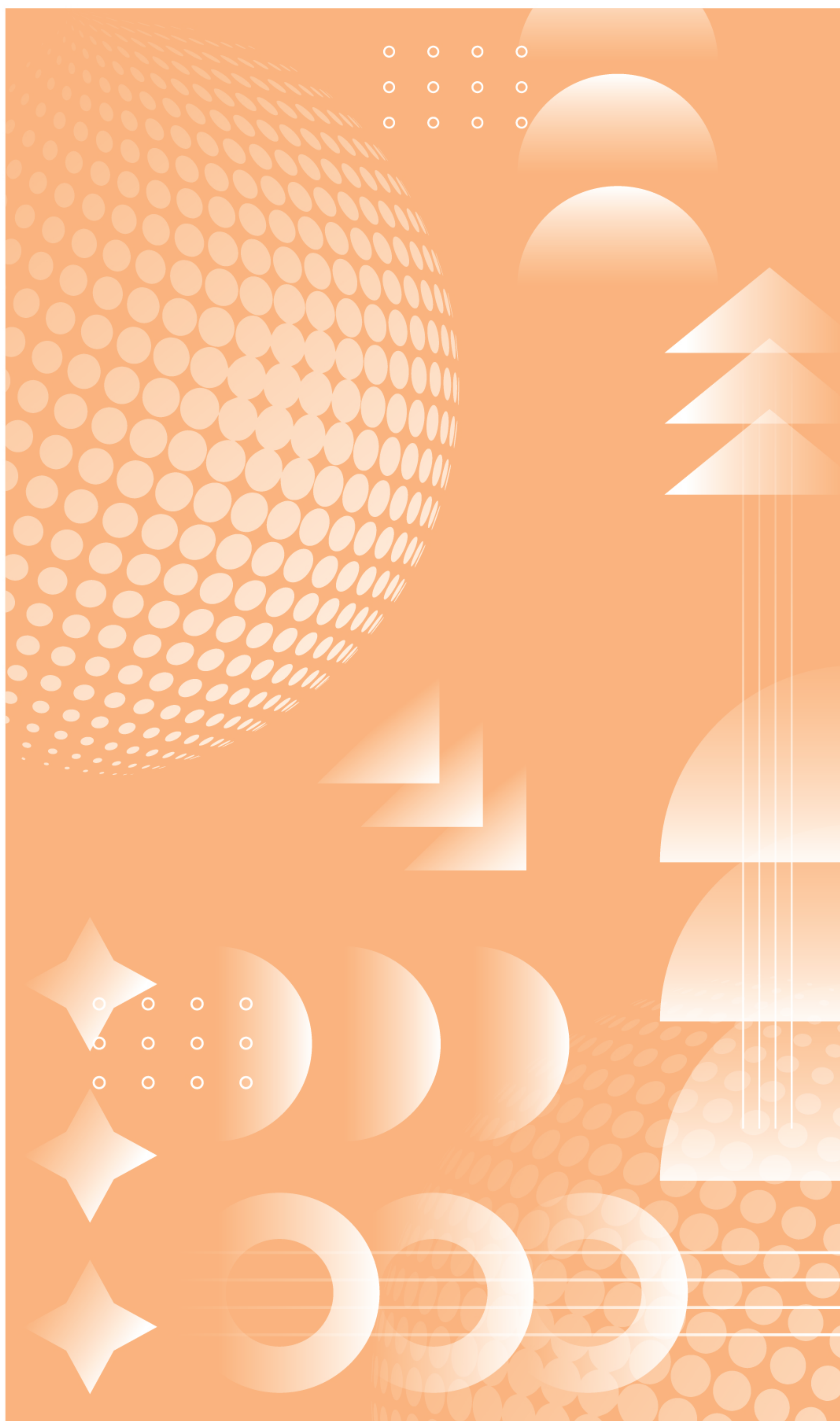
Hong Leong Bond Fund

Semi-Annual Report

Financial Period Ended 31 December 2023

2023

Unaudited



Hong Leong Bond Fund

Contents

	Page
Manager's Review and Report	1-9
Statement by the Manager	10
Trustee's Report	11
Condensed Statement of Comprehensive Income	12
Condensed Statement of Financial Position	13
Condensed Statement of Changes in Equity	14
Condensed Statement of Cash Flows	15
Notes to the Condensed Financial Statements	16-37
Performance Data	38-39
Corporate Information	40
Corporate Directory	41

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:

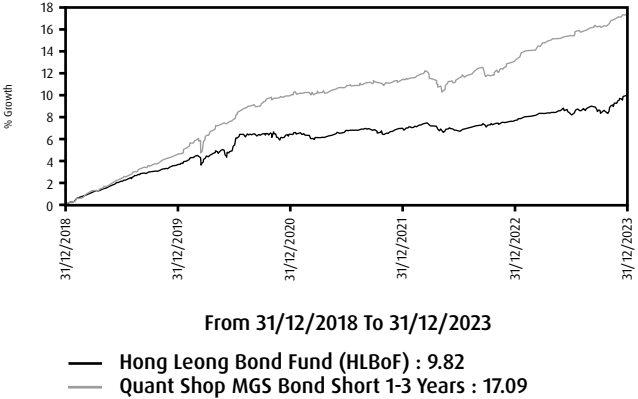
* Income may be distributed in the form of cash and/or Units.

** 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-year financial periods



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 Semi-Annual Report covers the six-month financial period from 1 July 2023 to 31 December 2023.

The Fund posted a return of 1.57% (based on NAV Per Unit-to-NAV Per Unit basis with gross income (if any) from the Fund reinvested) in the past six months while its benchmark the Quant Shop MGS Bond Short 1-3 Years Index registered a return of 1.68%. During the financial period 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. Prior to the income distribution,

the cum-distribution Net Asset Value (NAV) per unit of the Fund was RM0.5379 while the ex-distribution NAV per unit was RM0.5354. Unit holders should note that income distribution has the effect of reducing the NAV per unit of the Fund after distribution.

For the five-year financial periods ended 31 December 2023, the Fund registered a return of 9.82% compared to the benchmark's return of 17.09% while distributing a total gross income of 6.3600 sen per unit (net income of 6.3600 sen per unit).

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

	30/09/23- 31/12/23	30/06/23- 31/12/23	31/12/22- 31/12/23	31/12/20- 31/12/23	31/12/18- 31/12/23	31/12/13- 31/12/23	29/01/02- 31/12/23
	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	Since Launch
HLBoF Return (%)	1.21	1.57	2.09	3.33	9.82	29.56	114.38
Benchmark (%)	0.96	1.68	3.76	6.67	17.09	39.90	110.83

Table 2: Return of the Fund based on NAV Per Unit-to-NAV Per Unit basis for the period 30 June 2023 to 31 December 2023 (Source: Lipper for Investment Management)

	31-Dec-23	30-Jun-23	Return (%)
NAV Per Unit	RM0.5418 *	RM0.5359	1.57 #
Benchmark	3,541.50	3,483.02	1.68
vs Benchmark (%)	-	-	-0.11

* Based on the NAV Per Unit on 29 December 2023 as the above mentioned reporting date fell on a non-business day.

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

Table 3: Financial Highlights

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

	31-Dec-23 (RM)	30-Jun-23 (RM)	Change (%)
Unit Holders' Capital	3,427,405	4,375,226	(21.66)
Retained Earnings	5,811,218	5,709,396	1.78
Net Asset Value	9,238,623	10,084,622	(8.39)
Units in Circulation	17,049,446	18,819,731	(9.41)

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 period/years

	Financial Period 30/06/23- 31/12/23	Financial Year 30/06/22- 30/06/23	Financial Year 30/06/21- 30/06/22	Financial Year 30/06/20- 30/06/21
Highest NAV Per Unit (RM)	0.5418	0.5387	0.5449	0.5602
Lowest NAV Per Unit (RM)	0.5337	0.5312	0.5316	0.5406
Capital Growth (%)	1.10	0.64	-2.13	-1.80
Income Distribution (%)	0.47	0.74	2.24	3.25
Total Return (%)	1.57	1.38	0.11	1.45

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

	31/12/22- 31/12/23 1 Year	31/12/20- 31/12/23 3 Years	31/12/18- 31/12/23 5 Years
Average Total Return (%)	2.09	1.11	1.96

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

Financial Year	30/06/22- 30/06/23	30/06/21- 30/06/22	30/06/20- 30/06/21	30/06/19- 30/06/20	30/06/18- 30/06/19
Annual Total Return (%)	1.38	0.11	1.45	2.90	4.23

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 December 2023

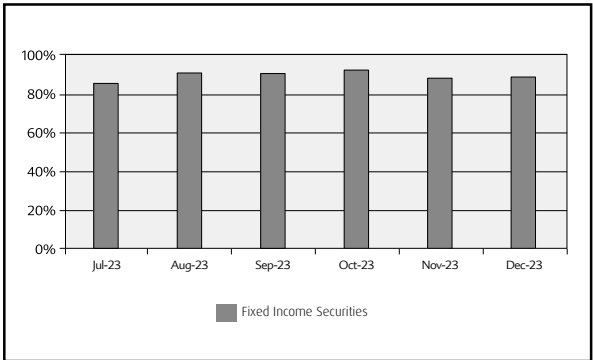


Chart 3: Sector Allocation as at 31 December 2023

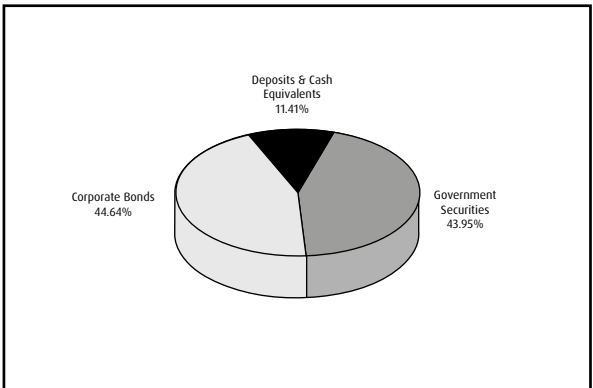
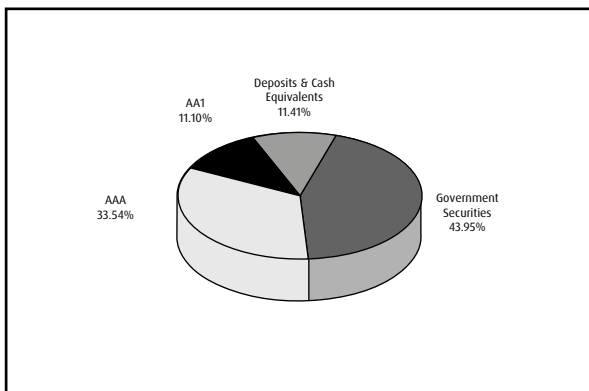


Chart 4: Portfolio Composition by Ratings as at 31 December 2023



Strategies employed by the Fund during the period under review

During the financial period 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

For the financial period under review. The Fund took opportunity to increase its holdings in corporate bonds for better returns.

Operational review of the Fund

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

IV. MARKET REVIEW

During the financial period under review, the Federal Reserve (Fed) raised the Fed Funds Rate (FFR) target range a total of 100 basis points (bps) from 4.25%-4.50% to 5.25%-5.50%, its highest level since 2008 as it continued to battle the worst outbreak of inflation in 40 years. However, the Fed kept the target range for the FFR unchanged at 5.25%-5.50% during the last December meeting. This marks the third consecutive pause and the fourth in the Fed's current rate hike cycle after having raised rates for ten meetings in a row before taking a first pause in June followed by another 25 bps hike in July. Meanwhile, the Fed acknowledged that inflation had improved more rapidly than anticipated during the year. As such, the Fed is probably done with the current rate hike cycle, opening the door for possible rate cuts next year but there is no clear indication when the rate cuts will commence in 2024.

Locally inflation held steady in the last 6 months of the year, gradually eased on the following months to +1.50% in November, marking a sustained deceleration since September 2022 to a 33-Month low. The faster pace of deceleration was mainly due to lower gains in the food & non-alcoholic beverages subcomponents and steady fuel pump prices.

On the monetary end, Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) unchanged highlighting that as domestic economy is on a firmer path, it is important for BNM to reduce the degree of monetary policy accommodation in a measured and gradual manner. Subsequently, BNM left the OPR unchanged at the July, September and November meeting.

V. FUTURE PROSPECTS AND PROPOSED STRATEGIES

BNM continues to expect growth to be driven by resilient domestic demand amid the challenging external environment and also highlighted that the current stance of monetary policy remains supportive of the economy and is consistent with the current assessment of inflation and growth.

Inflation is expected to remain modest but highly subjected to potential changes to domestic policies and global developments and while domestic economy has performed within BNM's expectations with real Gross Domestic Product (GDP) growth expected to improve in 2024, BNM would most likely to keep OPR unchanged at 3.00% for 2024.

The Fund will look to invest in corporate bond for better yield pickup.

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 period 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 period under review.

VIII. CROSS TRADE TRANSACTIONS

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

STATEMENT BY THE MANAGER

I, Hoo See Kheng, as the Director of Hong Leong Asset Management Bhd, do hereby state that, in the opinion of the Manager, the accompanying unaudited condensed financial statements set out on pages 12 to 37 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 December 2023 and of its financial performance, changes in equity and cash flows for the financial period ended 31 December 2023 in accordance with the Malaysian Financial Reporting Standards (“MFRS”) 134 “Interim Financial Reporting” and International Financial Reporting Standards (“IFRS”) 34 “Interim Financial Reporting”.

For and on behalf of the Manager,

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

HOO SEE KHENG

Chief Executive Officer/Executive Director

Kuala Lumpur

20 February 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 period ended 31 December 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Hong Leong Asset Management Bhd has operated and managed the Fund during the period covered by these financial statements in accordance with the following:-

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

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

For Deutsche Trustees Malaysia Berhad

Ng Hon Leong

Head, Fund Operations

Sylvia Beh

Chief Executive Officer

Kuala Lumpur

20 February 2024

CONDENSED STATEMENT OF COMPREHENSIVE INCOME *(Unaudited)***FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023**

		2023	2022
	Note	RM	RM
INVESTMENT INCOME			
Interest income from financial assets measured at fair value through profit or loss ("FVTPL")		169,644	102,209
Interest income from financial assets measured at amortised cost	4	16,133	16,842
Net gain on financial assets at fair value through profit or loss ("FVTPL")	10	25,496	49,017
		<u>211,273</u>	<u>168,068</u>
EXPENDITURE			
Management fee	5	(47,458)	(54,739)
Trustee's fee	6	(3,796)	(4,379)
Auditors' remuneration		(3,011)	(2,874)
Tax agent's fee		(1,509)	(1,310)
Other expenses		(6,960)	(8,963)
		<u>(62,734)</u>	<u>(72,265)</u>
PROFIT BEFORE TAXATION			
Taxation	7	-	-
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD			
		<u>148,539</u>	<u>95,803</u>
Profit after taxation is made up as follows:			
Realised amount		106,384	29,527
Unrealised amount		42,155	66,276
		<u>148,539</u>	<u>95,803</u>
Distribution for the financial period:			
Net distribution	8	46,717	47,287
Net distribution per unit (sen)	8	0.2500	0.2000
Gross distribution per unit (sen)	8	0.2500	0.2000

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

CONDENSED STATEMENT OF FINANCIAL POSITION *(Unaudited)***AS AT 31 DECEMBER 2023**

	Note	31.12.2023 RM	30.06.2023 RM
ASSETS			
Cash and cash equivalents	9	1,070,298	1,061,555
Financial assets at fair value through profit or loss ("FVTPL")	10	8,184,514	9,067,462
TOTAL ASSETS		<u>9,254,812</u>	<u>10,129,017</u>
LIABILITIES			
Amount due to the Manager			
-cancellation of units		54	16,626
-management fee		7,810	8,379
Amount due to the Trustee		625	10,168
Other payables and accruals		7,700	9,222
TOTAL LIABILITIES		<u>16,189</u>	<u>44,395</u>
NET ASSET VALUE OF THE FUND		<u>9,238,623</u>	<u>10,084,622</u>
EQUITY			
Unit holders' capital		3,427,405	4,375,226
Retained earnings		5,811,218	5,709,396
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>9,238,623</u>	<u>10,084,622</u>
UNITS IN CIRCULATION (UNITS)	11	<u>17,049,446</u>	<u>18,819,731</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.5419</u>	<u>0.5359</u>

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

CONDENSED STATEMENT OF CHANGES IN EQUITY *(Unaudited)***FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023**

	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		84,672	-	84,672
Creation of units from distribution		46,400	-	46,400
Cancellation of units		(1,078,893)	-	(1,078,893)
Total comprehensive income for the financial period		-	148,539	148,539
Distribution for the financial period	8	-	(46,717)	(46,717)
Balance as at 31 December 2023		<u>3,427,405</u>	<u>5,811,218</u>	<u>9,238,623</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		249,629	-	249,629
Creation of units from distribution		47,115	-	47,115
Cancellation of units		(2,626,211)	-	(2,626,211)
Total comprehensive income for the financial period		-	95,803	95,803
Distribution for the financial period	8	-	(47,287)	(47,287)
Balance as at 31 December 2022		<u>4,633,778</u>	<u>5,693,659</u>	<u>10,327,437</u>

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

CONDENSED STATEMENT OF CASH FLOWS *(Unaudited)*

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023

	2023 RM	2022 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of financial assets at FVTPL	4,028,534	2,003,000
Proceeds from redemption of financial assets at FVTPL	-	500,000
Purchase of financial assets at FVTPL	(3,048,592)	-
Interest income received from financial assets measured at amortised cost	114,279	193,775
Management fee paid	(48,027)	(56,313)
Trustee's fee paid	(13,339)	(11,926)
Payment for other fees and expenses	(13,002)	(15,005)
Net cash used in operating activities	<u>1,019,853</u>	<u>2,613,531</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	84,672	249,629
Payments for cancellation of units	(1,095,465)	(2,627,330)
Payments for distribution	(317)	(172)
Net cash used in financing activities	<u>(1,011,110)</u>	<u>(2,377,873)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,743	235,658
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>1,061,555</u>	<u>1,064,924</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u><u>1,070,298</u></u>	<u><u>1,300,582</u></u>

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

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 the Manager, Hong Leong Asset Management Bhd 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, 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, repurchase agreements, 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 Deed.

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

The financial statements were authorised for issue by the Manager on 20 February 2024.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The condensed financial statements are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) 134 “Interim Financial Reporting” and International Financial Reporting Standards (“IFRS”) 34 “Interim Financial Reporting”.

The condensed financial statements should be read in conjunction with the audited financial statements of the Fund for the financial year ended 30 June 2023 which have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

(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 period 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 period.

(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 period.

(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 period 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) Fair value of financial instruments

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 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
31.12.2023			
<u>Financial assets</u>			
Cash and cash equivalents (Note 9)	-	1,070,298	1,070,298
Financial assets at FVTPL (Note 10)	8,184,514	-	8,184,514
	<u>8,184,514</u>	<u>1,070,298</u>	<u>9,254,812</u>
<u>Financial liabilities</u>			
Amount due to the Manager			
-cancellation of units	-	54	54
-management fee	-	7,810	7,810
Amount due to the Trustee	-	625	625
Other payables and accruals	-	7,700	7,700
	<u>-</u>	<u>16,189</u>	<u>16,189</u>
30.06.2023			
<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.

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

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

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

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

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

3. FAIR VALUE ESTIMATION

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 period 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 period. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counter party risk.

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

(i) Fair value hierarchy

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
31.12.2023				
<u>Financial assets at FVTPL:</u>				
- Unquoted fixed income securities	-	8,184,514	-	8,184,514
30.06.2023				
<u>Financial assets at FVTPL:</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. These 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. PROFIT INCOME FROM FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2023	2022
	RM	RM
Interest income from:		
- Deposits with licensed financial institutions	15,787	16,478
- Auto-sweep facility bank account	346	364
	<u>16,133</u>	<u>16,842</u>

5. MANAGEMENT FEE

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

For the financial period ended 31 December 2023, the management fee is recognised at a rate of 1.00% (2022: 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 Deed, the Trustee is entitled to a fee not exceeding 0.08% subject to a minimum of RM18,000 per annum calculated daily based on the net asset value of the Fund.

For the financial period ended 31 December 2023, the Trustee's fee is recognised at a rate of 0.08% (2022: 0.08%) per annum.

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

7. TAXATION

	2023	2022
	RM	RM
Tax charge for the financial period:		
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:

	2023	2022
	RM	RM
Profit before taxation	148,539	95,803
Taxation at Malaysian statutory rate of 24% (2022: 24%)	35,649	22,993
Tax effects of:		
Investment income not subject to tax	(50,705)	(40,337)
Expenses not deductible for tax purposes	1,316	1,409
Restriction on tax deductible expenses for unit trust fund	13,740	15,935
Taxation	-	-

8. DISTRIBUTION

	2023	2022
	RM	RM
Distribution to unit holder is derived from the following sources:		
Prior financial years' realised income	46,717	47,287
Net distribution amount	46,717	47,287

Date of Declaration

Distribution on 17/18 July

Gross/net distribution per unit (sen)	0.2500	0.2000
---------------------------------------	--------	--------

The composition of distribution payments sourced from income and capital are disclosed in below:

	Income		Capital	
	RM	%	RM	%
2023	46,717	100.00	-	-
2022	47,287	100.00	-	-

Net distributions above are sourced from prior 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

	31.12.2023	30.06.2023
	RM	RM
Deposits with licensed financial institutions	1,050,259	1,041,086
Cash at banks	20,039	20,469
	1,070,298	1,061,555

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

	31.12.2023	30.06.2023
	%	%
Deposits with licensed financial institutions	3.00	3.00

Deposits with licensed financial institutions have an average remaining maturity of 2 days (30.06.2023: 3 days).

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

	31.12.2023 RM	30.06.2023 RM
<u>Financial assets at FVTPL:</u>		
Unquoted fixed income securities	8,184,514	9,067,462
	2023 RM	2022 RM
<u>Net gain on financial assets at FVTPL:</u>		
Realised loss on disposals	(16,659)	(17,259)
Changes in unrealised fair values	42,155	66,276
	25,496	49,017

Financial assets at FVTPL as at 31 December 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 Sukuk</u>				
5.14% TNB Western Energy Bhd (AAA)				
30/07/2025 - Tranche No 3	1,500,000	1,555,384	1,557,490	16.86
<u>Private Debt Securities</u>				
5.25% Eternal Icon Sdn. Bhd.				
(AAA) 28/07/2028 28/07/2031				
- MTN SENIOR S5	1,500,000	1,533,873	1,541,058	16.68
4.90% GENM Capital Berhad				
(AA1) 22/08/2025 - MTN				
	1,000,000	1,017,452	1,025,722	11.10
	2,500,000	2,551,325	2,566,780	27.78
<u>Government Investment Issues</u>				
3.599% Government of Malaysia				
31/07/2028	4,000,000	4,068,499	4,060,244	43.95

	Nominal value RM	Aggregate cost RM	Fair value RM	Percentage of net asset value %
TOTAL INVESTMENTS	<u>8,000,000</u>	8,175,208	<u>8,184,514</u>	88.59
UNREALISED GAIN ON FINANCIAL ASSETS AT FVTPL		<u>9,306</u>		
TOTAL FAIR VALUE OF FINANCIAL ASSETS AT FVTPL		<u>8,184,514</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>Private Debt Securities</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
	8,000,000	8,083,262	8,043,602	79.76
TOTAL INVESTMENTS	<u>9,000,000</u>	9,100,311	<u>9,067,462</u>	89.91
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

	01.07.2023 to 31.12.2023	01.07.2022 to 30.06.2023
	No. of units	No. of units
At the beginning of the financial period/year	18,819,731	23,677,480
Add: Creation of units during the financial period/year		
- Arising from applications	157,875	1,485,285
- Arising from distribution	86,648	156,668
Less: Cancellation of units during the financial period/year	(2,014,808)	(6,499,702)
At the end of the financial period/year	<u>17,049,446</u>	<u>18,819,731</u>

12. TOTAL EXPENSE RATIO ("TER")

	2023	2022
	%	%
TER (annualised)	<u>1.32</u>	<u>1.32</u>

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

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

Where;

- A = Management fee
- B = Trustee's fee
- C = Auditors' remuneration
- D = Tax agent's fee
- E = Other expenses
- F = Average net asset value of the Fund calculated on a daily basis

The average net asset value of the Fund for the financial period calculated on a daily basis is RM9,434,856 (2022: RM10,845,641).

13. PORTFOLIO TURNOVER RATIO (“PTR”)

	2023	2022
	Times	Times
PTR	0.37	0.10

PTR is derived from the following calculation:
$$\frac{(\text{Total acquisitions for the financial period} + \text{total disposals for the financial period}) / 2}{\text{Average net asset value of the Fund for the financial period calculated on a daily basis}}$$

Where:

total acquisitions for the financial period = RM3,024,300
(2022: NIL)

total disposals for the financial period = RM3,979,200
(2021: 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 31 December 2023 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.

	31.12.2023	30.06.2023
	RM	RM

Related party balances

Cash at bank:

- Hong Leong Islamic Bank Berhad	345	55
----------------------------------	-----	----

	2023	2022
	RM	RM

Related party transactions

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	3	21
--------------------------	---	----

Purchase of unquoted fixed income securities:

- Hong Leong Investment Bank Berhad	1,500,000	-
-------------------------------------	-----------	---

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 %
2023		
Hong Leong Bank Berhad*	2,004,065	28.45
CIMB Islamic Bank Berhad	1,991,724	28.28
RHB Investment Bank berhad	1,548,592	21.98
Hong Leong Investment Bank Berhad*	1,500,000	21.29
	<u>7,044,381</u>	<u>100.00</u>
2022		
CIMB Bank Berhad	2,018,070	100.00
	<u>2,018,070</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.

16. SUBSEQUENT EVENT

The Manager proposed for the payment of a net distribution of RM51,444 at 0.3000 sen (gross and net) per unit in respect of the month of January 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 2024.

Performance Data

A. (i) Portfolio Compositions:

Corporate Bonds

Government Securities

Deposits & Cash Equivalents

(ii) **Total Net Asset Value** (ex-distribution)

(iii) **Net Asset Value Per Unit
Units in Circulation** (ex-distribution)
(ex-distribution)

(iv) **Highest/Lowest NAV Per Unit
(ex-distribution)** Highest NAV Per Unit
Lowest NAV Per Unit

(v) **Total Return of the Fund***
- Capital Growth
- Income Distribution

(vi) **The distribution (gross) is made out of:-**
- The Fund's Capital
- The Fund's Income
- Total Distribution Amount
- The Fund's Capital (% of Total Distribution Amount)
- The Fund's Income (% of Total Distribution Amount)

(vii) **Distribution Per Unit**
Additional Units
Distribution (Gross)
Distribution (Net)
Distribution Date
Cum-Distribution NAV/Unit
Ex-Distribution NAV/Unit

Additional Units
Distribution (Gross)
Distribution (Net)
Distribution Date
Cum-Distribution NAV/Unit
Ex-Distribution NAV/Unit

(viii) **Total Expense Ratio (TER)**

(ix) **Portfolio Turnover Ratio (PTR) (times)**

B. **Average Total Return, NAV Per Unit-to-NAV Per Unit basis (as at 31/12/2023)***

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

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

The PTR decreased by 0.1 times (21.28%) to 0.37 times for the financial period from 1 July 2023 to 31 December 2023 versus 0.47 times for the financial year ended 30 June 2023 mainly due to lower level of rebalancing activities undertaken by the Fund and increased by 270% percentage point higher as compared to 0.1 % for the financial period from 1 July 2022 to 31 December 2022 mainly due to higher level of rebalancing activities undertaken by the Fund.

Financial Period 30/06/2023- 31/12/2023 %	Financial Year 30/06/2022- 30/06/2023 %	Financial Year 30/06/2021- 30/06/2022 %	Financial Year 30/06/2020- 30/06/2021 %
44.64	10.15	12.10	18.55
43.95	79.76	79.78	73.69
11.41	10.09	8.12	7.76
RM9,238,623	RM10,084,622	RM12,608,388	RM13,916,625
RM0.5418	RM0.5359	RM0.5325	RM0.5441
17,049,446	18,819,731	23,677,480	25,575,163
RM0.5418	RM0.5387	RM0.5449	RM0.5602
RM0.5337	RM0.5312	RM0.5316	RM0.5406
1.57%	1.38%	0.11%	1.45%
1.10%	0.64%	-2.13%	-1.80%
0.47%	0.74%	2.24%	3.25%
0.0000 sen/unit	0.0000 sen/unit	1.1600 sen/unit	1.0000 sen/unit
0.2500 sen/unit	0.3900 sen/unit	0.0600 sen/unit	0.8000 sen/unit
0.2500 sen/unit	0.3900 sen/unit	1.2200 sen/unit	1.8000 sen/unit
0%	0%	95%	56%
100%	100%	5%	44%
-	-	-	-
0.2500 sen/unit	0.2000 sen/unit	0.9000 sen/unit	0.9000 sen/unit
0.2500 sen/unit	0.2000 sen/unit	0.9000 sen/unit	0.9000 sen/unit
17/07/2023	18/07/2022	23/07/2021	21/07/2020
RM0.5379	RM0.5331	RM0.5449	RM0.5602
RM0.5354	RM0.5311	RM0.5359	RM0.5512
-	-	-	-
-	0.1900 sen/unit	0.3200 sen/unit	0.9000 sen/unit
-	0.1900 sen/unit	0.3200 sen/unit	0.9000 sen/unit
-	13/01/2023	20/01/2022	19/01/2021
-	RM0.5358	RM0.5372	RM0.5529
-	RM0.5339	RM0.5340	RM0.5439
1.32%	1.42%	1.36%	1.19%
0.37#	0.47	-	1.24
2.09%			
1.11%			
1.96%			

Corporate Information

Manager

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

Registered Office

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

Business Office

Level 18, Block B, Plaza Zurich
No. 12, Jalan Gelenggang
Bukit Damansara
50490 Kuala Lumpur

Board of Directors

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

Executive Director / Chief Executive Officer

Mr. Hoo See Kheng

Trustee

Deutsche Trustees Malaysia Berhad

Auditor

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146)

Distributors

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

Corporate Directory

Head Office

Level 18, Block B, Plaza Zurich

No. 12, Jalan Gelenggang

Bukit Damansara

50490 Kuala Lumpur

Tel: 03-2081 8600

Fax: 03-2081 8500

Website: www.hlam.com.my

E-mail: inquiry@hlam.hongleong.com.my

Pulau Pinang

No. 441-1-3

Pulau Tikus Plaza, Jalan Burmah

10350 Pulau Tikus, Pulau Pinang

Tel: 04-2288 112, 04-2289 112

Fax: 04-2283 112

Ipoh

2nd Floor, Lot 3, Persiaran Greentown 4

Greentown Business Centre

30450 Ipoh, Perak

Tel: 05-2558 388, 05-2559 388

Fax: 05-2558 389



Hong Leong Asset Management Bhd
www.hlam.com.my

