

Hong Leong Income Fund

Annual Report

Financial Year Ended 28 February 2023

2022/2023

Audited



Hong Leong Income Fund

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Manager's Review & Report

I. FUND INFORMATION

Fund Name

Hong Leong Income Fund

Fund Category

Fixed Income

Fund Type

Income

Investment Objective

The Fund aims to provide investors with a low risk investment portfolio offering a regular stream of income*.

Duration of the Fund and its termination date, where applicable

Not Applicable

Benchmark

Malayan Banking Berhad 12 Months Fixed Deposit Rate

Distribution Policy

The Fund intends to provide Unit holders with regular income. As such, income distributions will be on a monthly basis, subject to availability of income and the amount of income available for distribution may fluctuate from time to time.

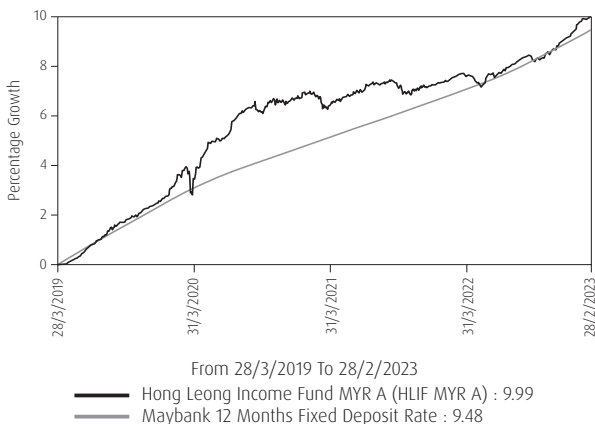
Note:

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

II. FUND PERFORMANCE

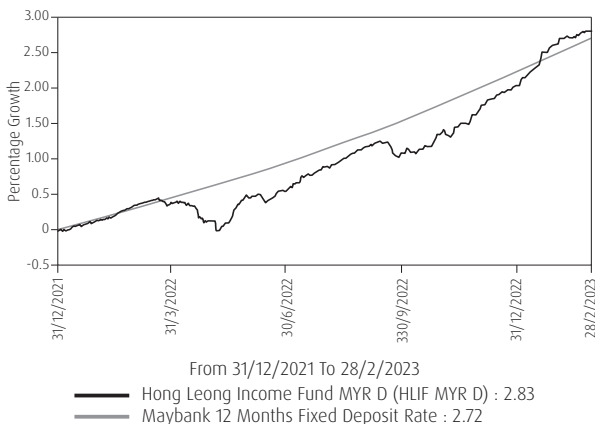
Chart 1: Performance of the Fund versus the benchmark

Hong Leong Income Fund MYR A



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 HLIF MYR A reinvested.

Hong Leong Income Fund MYR D



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 HLIF MYR D 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 March 2022 to 28 February 2023.

For Hong Leong Income Fund MYR A, the Fund posted a return of 2.24% (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 Malayan Banking Berhad 12 Months Fixed Deposit Rate registered a return of 2.41%. During the financial year under review, the Fund has distributed 12 times of income distributions to its Unitholders. Unitholders should note that income distributions have the effect of reducing the Net Asset Value (NAV) per unit of the Fund after distributions. For a full description of the income distributions, cum-distributions and ex-distributions NAV per unit of the Fund, kindly refer to section entitled 'Performance Data' at page 56-65. Since launch on 28 March 2019, the Fund has registered a return of 9.99% compared to the benchmark's return of 9.48% while distributing a total gross income of 8.855 sen per unit (net income of 8.855 sen per unit).

For Hong Leong Income Fund MYR D, the Fund posted a return of 2.49% (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 Malayan Banking Berhad 12 Months Fixed Deposit Rate has registered a return of 2.41%. During the financial year under review, the Fund has distributed 12 times of income distributions to its Unitholders. Unitholders should note that income distributions have the effect of reducing the NAV per unit of the Fund after distributions. For a full description of the income distributions, cum-distributions and ex-distributions NAV per unit of the Fund, kindly refer to section entitled 'Performance Data' at page 56-65. Since 31 December 2021, the Fund has registered a return of 2.83% compared to the benchmark's return of 2.72% while distributing a total gross income of 2.807 sen per unit (net income of 2.807 sen per unit).

Table 1: Performance of the Fund for the following periods as at 28 February 2023 (Source: Lipper For Investment Management)

	30/11/22- 28/02/23 3 Months	31/08/22- 28/02/23 6 Months	28/02/22- 28/02/23 1 Year	29/02/20- 28/02/23 3 Years	28/03/19- 28/02/23 Since Launch
HLIF MYR A (%)	1.07	1.51	2.24	5.97	9.99
Benchmark (%)	0.70	1.36	2.41	6.42	9.48

	30/11/22- 28/02/23 3 Months	31/08/22- 28/02/23 6 Months	28/02/22- 28/02/23 1 Year	29/02/20- 28/02/23 3 Years	31/12/21- 28/02/23 Since 31/12/21
HLIF MYR D (%)	1.13	1.65	2.49	-	2.83
Benchmark (%)	0.70	1.36	2.41	-	2.72

Table 2: Return of the Fund based on NAV Per Unit-to-NAV Per Unit basis for the period 28 February 2022 to 28 February 2023 (Source: Lipper For Investment Management)

	28-Feb-23	28-Feb-22	Return (%)
HLIF MYR A			
NAV Per Unit	RM1.0048	RM1.0057	2.24#
Benchmark	2.85%	1.85%	2.41
vs Benchmark (%)	-	-	(0.17)

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

	28-Feb-23	28-Feb-22	Return (%)
HLIF MYR D			
NAV Per Unit	RM0.9998	RM1.0007	2.49#
Benchmark	2.85%	1.85%	2.41
vs Benchmark (%)	-	-	0.08

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

Table 3: Financial Highlights

The Fair Value of Outstanding Units are represented by:

	28-Feb-23 (RM)	28-Feb-22 (RM)	Change (%)
Class A	3,988,662,241	3,876,911,535	2.88
Class B*	-	1,004	(100.00)
Class C*	-	1,004	(100.00)
Class D	763,518,302	1,366,485,957	(44.13)

Units in Circulations:

Class A	3,969,451,008	3,855,094,439	2.97
Class B*	-	1,000	(100.00)
Class C*	-	1,000	(100.00)
Class D	763,704,714	1,365,572,985	(44.07)

* The Manager has terminated Class B and Class C as at 14 October 2022.

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

HLIF MYR A	Financial Year 28/02/22- 28/02/23	Financial Year 28/02/21- 28/02/22	Financial Year 29/02/20- 28/02/21
Highest NAV Per Unit (RM)	1.0073	1.0157	1.0231
Lowest NAV Per Unit (RM)	0.9987	1.0037	0.9983
Capital Growth (%)	-0.09	-0.92	0.48
Income Distribution (%)	2.33	1.76	2.30
Total Return (%)	2.24	0.84	2.78

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 HLIF MYR A reinvested.

HLIF MYR D	Financial Year 28/02/22- 28/02/23	Financial Year 31/12/21- 28/02/22
Highest NAV Per Unit (RM)	1.0024	1.0026
Lowest NAV Per Unit (RM)	0.9938	0.9999
Capital Growth (%)	-0.09	0.07
Income Distribution (%)	2.58	0.26
Total Return (%)	2.49	0.33

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 HLIF MYR D reinvested.

Table 5: Average Total Return of the Fund

	28/02/22- 28/02/23 1 Year	29/02/20- 28/02/23 3 Years
Average Total Return - HLIF MYR A (%)	2.24	1.99
Average Total Return - HLIF MYR D (%)	2.49	-

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 HLIF reinvested.

Table 6: Annual Total Return of the Fund

Financial Year/Period	28/02/22- 28/02/23	28/02/21- 28/02/22	29/02/20- 28/02/21	28/03/19- 29/02/20
Annual Total Return - HLIF MYR A (%)	2.24	0.84	2.78	3.79

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

Financial Year	28/02/22- 28/02/23	31/12/21- 28/02/22
Annual Total Return - HLIF MYR D (%)	2.49	0.33

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 HLIF MYR D reinvested.

III. INVESTMENT PORTFOLIO

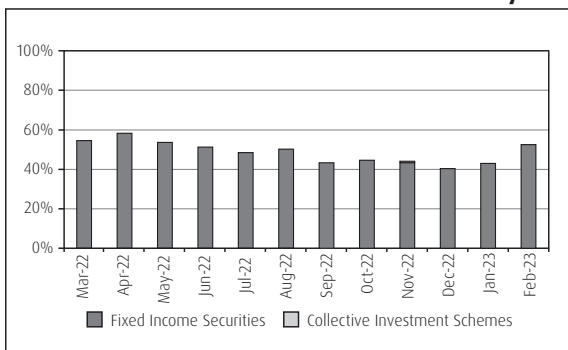
Chart 2: Asset Allocation - March 2022 to February 2023

Chart 3: Sector Allocation as at 28 February 2023

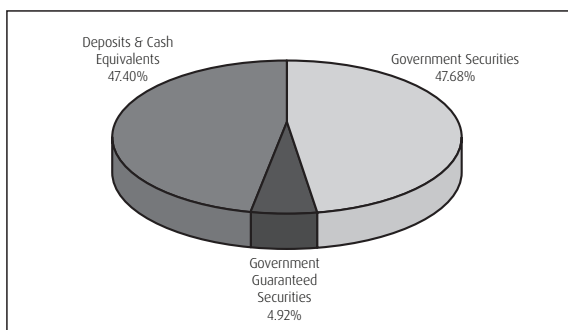
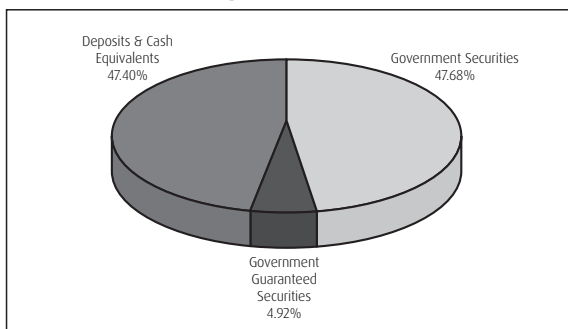


Chart 4: Portfolio Composition by Ratings as at 28 February 2023



Strategies employed by the Fund during the period under review

During the review year, the Fund has maintained a defensive position in order to manage fund volatility in a rising rate environment.

An explanation on the differences in portfolio composition

As at 28 February 2023, the Fund's exposure into fixed income securities stood at 52.6% (2022: 56.8%) of the Fund's net asset value, while the balance was held in deposits. During the year, the manager has decreased the sovereign bonds slightly to reduce volatility in a rising rate environment.

Operational review of the Fund

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

IV. MARKET REVIEW

During the review year, sustained inflationary pressures as well as central bank tightening continues to present a headwind to financial markets. Geopolitical instability also contributes to market concerns as friction between Russia and Ukraine persists, causing supply chain disruptions among investor concerns. At the start of the year, investment markets started to take seriously the potential implications of a change in monetary policy direction as inflationary pressures showed little signs of abating. As we enter the last quarter of the year, numerous interest rates hikes have taken place over the year. The United States Federal Reserve (Fed) has raised the Fed funds rate since March 2022 to 4.75% by February 2023 to address inflationary pressures.

On the data front, Headline inflation tapered off to +4.5% in September (August: +4.7%), suggesting the headline inflation has likely peaked. However, the core Consumer Price Index (CPI) figures continued to tick higher at +4.0% in September (August: +3.8%) amidst elevated commodity prices, strong demand and tight labor markets. Expect headline CPI to hover at current level before moderating in the fourth quarter of the year (assuming subsidies remain unchanged). Due to the elevated inflation level and strong economic growth, Bank Negara Malaysia (BNM) raised rates by 25 basis points in the overnight policy rate to bring it to 2.75% by year end.

In the Prime Minister's (PM) latest budget speech, Datuk Seri Anwar Ibrahim emphasised fiscal discipline and vowed to bring down the country's fiscal deficit to 5.00% of gross domestic product with the hope of restoring confidence and to shore up support in the long-run. With the PM's commitment to remain fiscally disciplined as well as lower expected government bond issuances, the bond market could take positive cues from Budget 2023.

V. FUTURE PROSPECTS AND PROPOSED STRATEGIES

We expect markets to remain volatile as markets continue to shift between competing narratives of elevated inflation and rising risk of a recession, which will take time to play out. In addition to global rate hikes, sudden fiscal policy intervention as seen in the United Kingdom could further increase volatility. Risks to the outlook continue to remain large and for the most part, to the downside.

Locally, headline inflation eased for the fifth straight month to 3.7% year-on-year (YoY) (December: 3.8%) in January marking its lowest reading since June 2022. The Malaysian economy slowed to 7.0% YoY in the fourth quarter of 2022 from 14.2% in the third quarter of 2022, although slightly higher than market estimate of +6.7%. Given a moderation in global commodity prices and softer domestic growth momentum, we expect BNM to extend its interest rate hike pause at the next monetary policy committee meeting.

As such, the Fund will maintain its defensive position in order to manage fund volatility.

VI. SOFT COMMISSIONS

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

VII. SECURITIES LENDING OR REPURCHASE TRANSACTIONS

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

VIII. CROSS TRADE TRANSACTIONS

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

STATEMENT BY THE MANAGER

I, Hoo See Kheng, as the Director of Hong Leong Asset Management Bhd, do hereby state that, in the opinion of the Manager, the financial statements set out on pages 16 to 55 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 28 February 2023 and of its financial performance, changes in net assets attributable to unit holders and cash flows for the financial year ended 28 February 2023 in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

For and on behalf of the Manager,
Hong Leong Asset Management Bhd
(Company No.: 199401033034 (318717-M))

HOO SEE KHENG

Chief Executive Officer/Executive Director

Kuala Lumpur
17 April 2023

TRUSTEE'S REPORT

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

We have acted as Trustee of the Fund for the financial year ended 28 February 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, **Hong Leong Asset Management Bhd** has operated and managed the Fund during the year covered by these financial statements in accordance with the following:

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

We are of the opinion that the distributions of income by the Fund are appropriate and reflect the investment objective of the Fund.

For and on behalf of
CIMB Commerce Trustee Berhad

Datin Ezreen Eliza binti Zulkiplee
Chief Executive Officer

Kuala Lumpur, Malaysia
17 April 2023

INDEPENDENT AUDITORS' REPORT

TO THE UNIT HOLDERS OF HONG LEONG INCOME FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Hong Leong Income Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 28 February 2023 and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 28 February 2023, and the statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 16 to 55.

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 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 determine is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager 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 intend to liquidate the Fund or to cease operations or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- (d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

OTHER MATTERS

This report is made solely to the 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
17 April 2023

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023

	Note	2023 RM	2022 RM
INVESTMENT INCOME			
Interest income from financial assets measured at fair value through profit or loss ("FVTPL")		54,112,763	47,581,372
Interest income from financial assets measured at amortised cost	4	64,054,414	30,119,360
Dividend income		5,700	2,599,176
Net loss on financial assets at fair value through profit or loss ("FVTPL")	10	(7,658,107)	(30,896,483)
		<u>110,514,770</u>	<u>49,403,425</u>
EXPENDITURE			
Management fee	5	(14,114,020)	(15,229,482)
Trustee's fee	6	(433,033)	(349,497)
Auditors' remuneration		(10,400)	(6,500)
Tax agent's fee		(3,350)	(2,950)
Other expenses		(15,589)	(14,128)
		<u>(14,576,392)</u>	<u>(15,602,557)</u>
NET PROFIT BEFORE FINANCE COST AND TAXATION		95,938,378	33,800,868
Finance cost	7	(102,178,962)	(61,906,994)
NET LOSS BEFORE TAXATION		<u>(6,240,584)</u>	<u>(28,106,126)</u>
Taxation	8	-	-
DECREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>(6,240,584)</u>	<u>(28,106,126)</u>
Decrease in net assets attributable to unit holders consists of:			
Realised amount		726,726	(1,190,972)
Unrealised amount		(6,967,310)	(26,915,154)
		<u>(6,240,584)</u>	<u>(28,106,126)</u>

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

STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2023

	Note	2023 RM	2022 RM
ASSETS			
Cash and cash equivalents	9	2,253,881,775	2,268,144,610
Amount due from the Manager			
-creation of units		-	643,000
-management fee rebate		-	1,534
Financial assets at fair value through profit or loss ("FVTPL")	10	2,499,659,683	2,976,164,694
Tax recoverable		1,882	-
TOTAL ASSETS		4,753,543,340	5,244,953,838
LIABILITIES			
Amount due to the Manager			
-cancellation of units		-	603,240
-management fee		1,316,156	901,208
-expenses		-	5
Amount due to the Trustee		36,571	40,239
Other payables and accruals		10,070	9,646
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS)		1,362,797	1,554,338
NET ASSET VALUE OF THE FUND		4,752,180,543	5,243,399,500
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		4,752,180,543	5,243,399,500
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDINGS UNITS (RM)			
- Class A		3,988,662,241	3,876,911,535
- Class B*		-	1,004
- Class C*		-	1,004
- Class D		763,518,302	1,366,485,957
		4,752,180,543	5,243,399,500
UNITS IN CIRCULATION (UNITS)			
- Class A		3,969,451,008	3,855,094,439
- Class B*		-	1,000
- Class C*		-	1,000
- Class D		763,704,714	1,365,572,985
	11	4,733,155,722	5,220,669,424
NET ASSET VALUE PER UNIT (RM)			
- Class A		1.0048	1.0057
- Class B*		-	1.0037
- Class C*		-	1.0037
- Class D		0.9998	1.0007

* The Manager has terminated Class B and Class C as at 14 October 2022 as disclosed in note 2(h).

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

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023

	2023 RM	2022 RM
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR	5,243,399,500	1,448,813,294
Movement due to units created and cancelled during the financial year:		
Creation of units from applications	1,160,040,125	6,840,778,626
Creation of units from distributions	20,902,768	16,702,947
Cancellation of units	(1,665,921,266)	(3,034,789,241)
	<u>(484,978,373)</u>	<u>3,822,692,332</u>
Decrease in net assets attributable to unit holders	<u>(6,240,584)</u>	<u>(28,106,126)</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT THE END OF THE FINANCIAL YEAR	<u>4,752,180,543</u>	<u>5,243,399,500</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 28 FEBRUARY 2023

	2023 RM	2022 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sales of financial assets at FVTPL	313,543,369	1,432,714,994
Proceeds from redemptions of financial assets at FVTPL	1,926,000,000	10,000,000
Purchase of financial assets at FVTPL	(1,799,322,868)	(3,407,739,508)
Interest income received from financial assets measured at FVTPL and amortised cost	146,797,650	82,038,099
Management fee rebates received	1,726	688,101
Management fee paid	(13,699,072)	(14,898,063)
Trustee's fee paid	(436,701)	(333,509)
Payment for other fees and expenses	(29,371)	(25,877)
Net cash generated from/(used in) operating activities	<u>572,854,733</u>	<u>(1,897,555,763)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	1,160,683,125	6,840,645,163
Payments for cancellation of units	(1,666,524,499)	(3,034,186,001)
Payments for distributions	(81,276,194)	(45,204,047)
Net cash (used in)/generated from financing activities	<u>(587,117,568)</u>	<u>3,761,255,115</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(14,262,835)	1,863,699,352
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	<u>2,268,144,610</u>	<u>404,445,258</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	<u><u>2,253,881,775</u></u>	<u><u>2,268,144,610</u></u>

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 28 FEBRUARY 2023

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

Hong Leong Income Fund ("the Fund") was constituted pursuant to the execution of a Deed dated 31 January 2019, First Supplemental Deed dated 25 May 2021 and Second Supplemental Deed dated 9 September 2021 ("the Deeds"), between the Manager, Hong Leong Asset Management Bhd and the Trustee, CIMB Commerce Trustee Berhad for the unit holders of the Fund.

The Fund aims to provide investors with a low risk investment portfolio offering a regular stream of income.

The Fund will invest a minimum of 50% of its net asset value in securities issued or guaranteed by the Government of Malaysia and a maximum of 50% of its net asset value in money market instruments and deposits. To provide a regular income, the Fund will invest in a portfolio of bonds, money market instruments and deposits for accrual income. The Fund commenced operations on 28 March 2019 and will continue its operations until terminated as provided under Part 12 of the Deed.

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

The financial statements were authorised for issue by the Manager on 17 April 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported financial year. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. The Manager believes that the underlying assumptions are appropriate and the Fund's financial statements therefore present the financial position results fairly. Although these estimates and judgment are based on the Manager's best knowledge of current events and actions, actual results may differ.

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

- (i) Standards and amendments to existing standards effective 1 March 2022.

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

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

A number of new standards, amendments to standards and interpretations are effective for financial year beginning after 1 March 2022. None of these are expected to have a material effect on the financial statements of the Fund, except the following set out below:

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

The amendment is effective for the annual financial reporting period beginning on or after 1 January 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 and amounts due from the Manager 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 amounts due to the Manager, amount due to the Trustee and other payables and accruals as financial liabilities measured at amortised cost.

Recognition and measurement

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

Financial liabilities, within the scope of MFRS 9, are recognised in the statement of financial position

when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

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

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

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

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.

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.

Unquoted collective investment schemes are valued at the last published net asset value per unit at the date of the statement of financial position.

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, auto-sweep facility bank account and unquoted fixed income securites 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 collective investment schemes are accounted for as the difference between the net disposal proceeds and the carrying amount of unquoted collective investment schemes, determined on a weighted average cost basis.

Realised gain or loss on disposal of unquoted fixed income securities are 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 profit 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, profit income is recognised using the rate of profit 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) Unit holders' capital

The unit holders' contributions to the Fund meet the definition of puttable instruments classified as financial liability under MFRS 132 "Financial Instruments: Presentation".

The Fund issues cancellable units, in two (2022: four) classes of units, known respectively as the Class A and Class D (2022: Class A, Class B, Class C and Class D) which are cancelled at the unit holder's option, and do not have identical features. The units are classified as financial liabilities. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value of respective classes. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the unit holders exercises the right to put back the unit to the Fund.

Units are created and cancelled at prices based on the Fund's net asset value per unit of respective classes 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 holder of respective classes with the total number of outstanding units of respective classes.

With effective on 14 October 2022, the Manager has terminated Class B and Class C.

(i) Increase/decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders. Movements in net assets attributable to unit holders are recognised in the statement of comprehensive income as finance cost.

(j) Finance cost

A distribution to the Fund's unit holders is accounted for as a deduction from realised reserve. As a result of the reclassification of units from equity to financial liability, the Fund's distributions are no longer classified as dividend paid in the statement of changes in net assets attributable to unit holders, but rather as finance cost in the statement of comprehensive income.

A proposed distribution is recognised as a financial liability in the period in which it is approved by the Board of Directors of the Manager.

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

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

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

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

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

3. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and interest rate risk), credit risk, liquidity risk and capital risk.

Financial risk management is carried out through internal control process adopted by the Manager and adherence to the investment restrictions as stipulated in the prospectus.

The following table analyses the financial assets and financial liabilities of the Fund in the statement of financial position as at the reporting date:

	Financial assets at FVTPL RM	Financial assets/ liabilities at amortised cost RM	Total RM
2023			
<u>Financial assets</u>			
Cash and cash equivalents (Note 9)	-	2,253,881,775	2,253,881,775
Financial assets at FVTPL (Note 10)	2,499,659,683	-	2,499,659,683
	<u>2,499,659,683</u>	<u>2,253,881,775</u>	<u>4,753,541,458</u>
<u>Financial liabilities</u>			
Amount due to the Manager			
-management fee	-	1,316,156	1,316,156
Amount due to the Trustee	-	36,571	36,571
Other payables and accruals	-	10,070	10,070
	<u>-</u>	<u>1,362,797</u>	<u>1,362,797</u>
2022			
<u>Financial assets</u>			
Cash and cash equivalents (Note 9)	-	2,268,144,610	2,268,144,610
Amount due from the Manager			
-creation of units	-	643,000	643,000
-management fee rebate	-	1,534	1,534
Financial assets at FVTPL (Note 10)	2,976,164,694	-	2,976,164,694
	<u>2,976,164,694</u>	<u>2,268,789,144</u>	<u>5,244,953,838</u>
<u>Financial liabilities</u>			
Amount due to the Manager			
-cancellation of units	-	603,240	603,240
-management fee	-	901,208	901,208
-expenses	-	5	5
Amount due to the Trustee	-	40,239	40,239
Other payables and accruals	-	9,646	9,646
	<u>-</u>	<u>1,554,338</u>	<u>1,554,338</u>

All liabilities are financial liabilities which are carried at amortised cost.

(a) Market risk

(i) Price risk

Price risk arises mainly from the uncertainty about future prices of investments. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Manager manages the risk of unfavourable changes in prices by continuous monitoring of the performance and risk profile of the investment portfolio.

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

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

	2023 RM	2022 RM
Financial assets at FVTPL:		
- Unquoted fixed income securities*	2,499,659,683	2,976,164,694

* Includes interest receivables of RM22,318,842 (2022: RM25,807,767).

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

% Change in price of financial assets at FVTPL	Market value RM	Impact on net assets attributable to unit holders/ net asset value RM
2023		
-5%	2,353,473,799	(123,867,042)
0%	2,477,340,841	-
5%	2,601,207,883	123,867,042
2022		
-5%	2,802,839,081	(147,517,846)
0%	2,950,356,927	-
5%	3,097,874,773	147,517,846

(ii) Interest rate risk

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

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

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

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

% Change in interest rate	Impact on net assets attributable to unit holders/net asset value	
	2023 RM	2022 RM
+1%	(57,714,142)	(79,740,676)
-1%	60,008,743	8,976,392

The Fund's exposure to interest rate risk associated with deposits with licensed financial institutions is not material as the deposits with licensed financial institutions are placed on a short term basis.

(b) Credit risk

Credit risk refers to the risk that an issuer or counterparty will default on its contractual obligation resulting in financial loss to the Fund.

Investment in unquoted fixed income securities may involve a certain degree of credit/default risk with regards to the issuers. Generally, credit risk or default

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

The credit risk arising from placements of deposits with licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the Securities Commission Malaysia's Guidelines on Unit Trust Funds.

The credit/default risk is minimal as all transactions in unquoted investments are settled/paid upon delivery using approved brokers/dealers.

The following table sets out the credit risk concentration of the Fund at the end of each reporting year:

	Cash and cash equivalents RM	Amount due from the Manager - creation of units RM	- management fee rebate RM	Unquoted fixed income securities RM	Total RM
2023					
- AAA	1,947,192,524	-	-	-	1,947,192,524
- AA1	306,689,251	-	-	-	306,689,251
- NR#	-	-	-	2,499,659,683	2,499,659,683
	<u>2,253,881,775</u>	<u>-</u>	<u>-</u>	<u>2,499,659,683</u>	<u>4,753,541,458</u>
2022					
- AAA	1,790,995,000	-	-	-	1,790,995,000
- AA2	477,149,610	-	-	-	477,149,610
- NR#	-	643,000	1,534	2,976,164,694	2,976,809,228
	<u>2,268,144,610</u>	<u>643,000</u>	<u>1,534</u>	<u>2,976,164,694</u>	<u>5,244,953,838</u>

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

All financial assets of the Fund are neither 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 bank, deposits with licensed financial institutions and other instruments.

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

	Less than 1 month RM	1 month to 1 year RM	Total RM
2023			
<u>Financial liabilities</u>			
Amount due to the Manager			
-management fee	1,316,156	-	1,316,156
Amount due to the Trustee	36,571	-	36,571
Other payables and accruals	-	10,070	10,070
Net assets attributable to unit holders*	4,752,180,543	-	4,752,180,543
Contractual undiscounted cash flows	4,753,533,270	10,070	4,753,543,340
2022			
<u>Financial liabilities</u>			
Amount due to the Manager			
-cancellation of units	603,240	-	603,240
-management fee	901,208	-	901,208
-expenses	5	-	5
Amount due to the Trustee	40,239	-	40,239
Other payables and accruals	-	9,646	9,646
Net assets attributable to unit holders*	5,243,399,500	-	5,243,399,500
Contractual undiscounted cash flows	5,244,944,192	9,646	5,244,953,838

* Outstanding units are redeemed on demand at the unit holders option. However the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as holder of these instruments typically retain them for the medium to long term.

(d) Capital risk

The capital of the Fund is represented by the net assets attributable to the unit holders. The amount of net assets attributable to unit holders 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 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 year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

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

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

(i) Fair value hierarchy

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

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

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

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

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2023				
<u>Financial assets at FVTPL:</u>				
- Unquoted fixed income securities	-	2,499,659,683	-	2,499,659,683
2022				
<u>Financial assets at FVTPL:</u>				
- Unquoted fixed income securities	-	2,976,164,694	-	2,976,164,694

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. INTEREST INCOME FROM FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2023 RM	2022 RM
Interest income from:		
- Deposits with licensed financial institutions	63,747,475	30,112,919
- Auto-sweep facility bank account	306,939	6,441
	<u>64,054,414</u>	<u>30,119,360</u>

5. MANAGEMENT FEE AND MANAGEMENT FEE REBATES

In accordance with Division 13.1 of the Deed, the Manager is entitled to a management fee of up to 3.00% per annum calculated daily based on the net asset value of the Fund.

For the financial year ended 28 February 2023, the management fee is recognised at a rate of 0.25% per annum for Class A from 1 March 2022 to 31 March 2022 and effective from 1 April 2022, the management fee is recognised at a rate of 0.40% per annum for Class A. While the management fee is recognised at a rate of 0.15% per annum for Class D throughout the financial year. The fee was waived by the Manager for Class B and Class C.

For the financial year ended 28 February 2022, the management fee is recognised at an average rate of 0.50% per annum from 1 March 2021 to 2 January 2022. With effect from 3 January 2022, the management fee are recognised at 0.25% and 0.15% per annum for Class A and Class D respectively. The fee was waived by the Manager for Class B and Class C.

The management fee rebates relate to the rebates received from the Manager for investing in unquoted collective investment schemes. The average rates of rebates were calculated on the net asset value of respective unquoted collective investment schemes on a daily basis as follow:

	2023 %	2022 %
<u>Unquoted collective investment schemes:</u>		
Hong Leong Money Market Fund	-	0.40
Hong Leong Dana Al-Izdihar	0.10	0.18

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 0.03% subject to a minimum of RM12,000 per annum calculated daily based on the net asset value of the Fund.

For the financial year ended 28 February 2023, the Trustee's fee is recognised at a rate of 0.01% (2022: 0.01%) per annum.

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

7. FINANCE COST

	2023 RM	2022 RM
Prior financial period's realised income	22,762,072	976,334
Interest income from financial assets measured at FVTPL and amortised cost	88,177,535	66,492,496
Dividend income	2,875	2,239,182
Net gain on FVTPL	-	1,943,117
Distribution equalisation	-	2,641,695
Less: Expenses	(8,763,520)	(12,385,830)
Net distributions amount	102,178,962	61,906,994
Net distributions per unit (sen)	4.8570	2.0330
Gross distributions per unit (sen)	4.8570	2.0330

Date of Declaration

Distribution on 18 March

Gross/net distribution per unit (sen)

- Class A	0.1520	0.1630
- Class D	0.1690	-

Distribution on 18/19 April

Gross/net distribution per unit (sen)

- Class A	0.1650	0.1770
- Class D	0.1800	-

Distribution on 18 May

Gross/net distribution per unit (sen)

- Class A	0.1670	0.1630
- Class D	0.1870	-

Distribution on 20/18 June

Gross/net distribution per unit (sen)

- Class A	0.1830	0.1620
- Class D	0.2040	-

	2023 RM	2022 RM
Distribution on 18/19 July		
Gross/net distribution per unit (sen)		
- Class A	0.1450	0.2070
- Class D	0.1640	-
Distribution on 18 August		
Gross/net distribution per unit (sen)		
- Class A	0.1880	0.1530
- Class D	0.2080	-
Distribution on 19/20 September		
Gross/net distribution per unit (sen)		
- Class A	0.2160	0.1780
- Class D	0.2370	-
Distribution on 18 October		
Gross/net distribution per unit (sen)		
- Class A	0.1170	0.0800
- Class D	0.1360	-
Distribution on 21/18 November		
Gross/net distribution per unit (sen)		
- Class A	0.2330	0.1150
- Class D	0.2550	-
Distribution on 19/20 December		
Gross/net distribution per unit (sen)		
- Class A	0.2160	0.0570
- Class D	0.2340	-
Distribution on 18/19 January		
Gross/net distribution per unit (sen)		
- Class A	0.2560	0.1430
- Class D	0.2750	-
Distribution on 20/18 February		
Gross/net distribution per unit (sen)		
- Class A	0.2740	0.1730
- Class D	0.2960	0.2620

Net distributions above are sourced from prior and current financial year's realised income. Gross distributions are derived using total income less total expenses.

Gross distribution per unit is derived from net realised income less expenses divided by units in circulation, while net distribution per unit is derived from net realised income less expenses and taxation divided by units in circulation.

Distribution equalisation represents the average amount of distributable income included in the creation and cancellation prices of units. It is computed as at each date of creation and cancellation of units. For the purpose of determining amount available for distribution, distribution equalisation is included in the computation of distribution available for unit holders.

The above distributions have been proposed before taking into account the unrealised loss of RM6,967,310 (2022: RM26,915,154) which is carried forward to the next financial year.

8. TAXATION

	2023 RM	2022 RM
Tax charge for the financial year:		
Current taxation	-	-

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

	2023 RM	2022 RM
Profit before finance cost and taxation	95,938,378	33,800,868
Taxation at Malaysian statutory rate of 24% (2022:24%)	23,025,211	8,112,208
Tax effects of:		
Investment income not subject to tax	(26,523,499)	(11,701,381)
Expenses not deductible for tax purposes	105,347	85,617
Restriction on tax deductible expenses for unit trust fund	3,392,941	3,503,556
Taxation	-	-

9. CASH AND CASH EQUIVALENTS

	2023 RM	2022 RM
Short term deposits with licensed financial institutions	2,253,860,336	2,267,632,125
Cash at banks	21,439	512,485
	2,253,881,775	2,268,144,610

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

	2023 %	2022 %
Short term deposits with licensed financial institutions	4.01	2.11

Deposits with licensed financial institutions have an average remaining maturity of 26 days (2022: 21 days).

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

	2023 RM	2022 RM
<u>Financial assets at FVTPL:</u>		
Unquoted fixed income securities	2,499,659,683	2,976,164,694
<u>Net loss on financial assets at FVTPL:</u>		
Realised loss on disposals	(646,097)	(4,392,612)
Changes in unrealised fair values	(7,012,202)	(27,151,540)
Management fee rebates	192	647,669
	(7,658,107)	(30,896,483)

Financial assets at FVTPL as at 28 February 2023 are as detailed below:

	Nominal value RM	Aggregate cost RM	Fair value RM	Percentage of net asset value %
UNQUOTED FIXED INCOME SECURITIES				
<u>Government Investment Issues</u>				
3.422% Government of Malaysia 30/09/2027	159,000,000	160,437,506	159,909,428	3.36
3.599% Government of Malaysia 31/07/2028	80,000,000	80,514,264	80,221,297	1.69
3.655% Government of Malaysia 15/10/2024	125,500,000	129,013,540	127,901,625	2.69
3.726% Government of Malaysia 31/03/2026	134,000,000	138,664,848	136,939,842	2.88
3.990% Government of Malaysia 15/10/2025	180,000,000	185,120,422	185,169,115	3.90
4.045% Government of Malaysia 15/08/2024	30,000,000	30,400,166	30,362,231	0.64
4.070% Government of Malaysia 30/09/2026	30,000,000	31,216,262	31,111,668	0.65
4.094% Government of Malaysia 30/11/2023	30,000,000	30,521,683	30,564,750	0.64
4.369% Government of Malaysia 31/10/2028	70,000,000	74,045,890	73,206,249	1.54

	Nominal value RM	Aggregate cost RM	Fair value RM	Percentage of net asset value %
4.444% Government of Malaysia 22/05/2024	28,000,000	28,722,064	28,726,978	0.60
	866,500,000	888,656,645	884,113,183	18.59
<u>Government Sukuk</u>				
3.729% Government of Malaysia 22/03/2023	100,000,000	101,727,592	101,694,177	2.14
<u>Malaysian Government Securities</u>				
3.478% Government of Malaysia 14/06/2024	350,000,000	356,408,513	353,555,058	7.44
3.480% Government of Malaysia 15/03/2023	180,000,000	182,996,049	182,927,546	3.85
3.502% Government of Malaysia 31/05/2027	110,000,000	113,093,166	110,195,250	2.32
3.733% Government of Malaysia 15/06/2028	60,000,000	62,138,214	60,437,651	1.27
3.882% Government of Malaysia 14/03/2025	110,000,000	113,002,249	113,081,750	2.38
3.899% Government of Malaysia 16/11/2027	60,000,000	61,655,197	61,266,555	1.29
3.900% Government of Malaysia 30/11/2026	140,000,000	146,789,603	143,024,000	3.01
3.906% Government of Malaysia 15/07/2026	120,000,000	122,980,718	122,082,663	2.57
3.955% Government of Malaysia 15/09/2025	130,000,000	136,387,632	134,095,707	2.82
	1,260,000,000	1,295,451,341	1,280,666,180	26.95
<u>Securities Guaranteed by Government of Malaysia</u>				
2.84% Danainfra Nasional Berhad 24/02/2028 - IMTN Tranche No 17	5,000,000	5,001,945	4,780,245	0.10
4.08% Danainfra Nasional Berhad 18/08/2023 - IMTN Tranche No 79	10,000,000	10,132,109	10,045,260	0.21
4.35% Danainfra Nasional Berhad 21/03/2024 - IMTN Tranche No 56	10,000,000	10,369,476	10,288,877	0.22
4.37% Danainfra Nasional Berhad 21/02/2025 - IMTN Tranche No 73	20,000,000	20,665,214	20,323,956	0.43
4.28% Lembaga Pembiayaan Perumahan Sektor Awam 06/09/2024 - IMTN Tranche No 15	40,000,000	41,763,985	41,273,622	0.87
2.88% Malaysia Rail Link Sdn Bhd 23/07/2026 - IMTN	20,000,000	20,055,233	19,445,433	0.41
4.23% Pengurusan Air SPV Berhad 16/06/2023 - IMTN Issue No 25	50,000,000	50,680,979	50,534,206	1.06
4.63% Pengurusan Air SPV Berhad 05/02/2026 - IMTN Issue No 23	5,000,000	5,260,141	5,135,853	0.11
2.98% Prasarana Malaysia Berhad 27/08/2026 - IMTN Series 1	10,000,000	10,001,633	9,752,533	0.21
4.38% Prasarana Malaysia Berhad 24/03/2025 - IMTN Series 2	20,000,000	21,095,139	20,686,800	0.44
4.39% Prasarana Malaysia Berhad 07/03/2025 - IMTN Series 4	20,000,000	21,070,523	20,728,353	0.44
4.47% Prasarana Malaysia Berhad 26/02/2026 - IMTN Series 8	15,000,000	15,680,723	15,327,974	0.32
2.38% PRIMA Corporation Malaysia 30/07/2025 - IMTN	5,000,000	5,009,781	4,863,031	0.10
	230,000,000	236,786,881	233,186,143	4.92

	Nominal value RM	Aggregate cost RM	Fair value RM	Percentage of net asset value %
TOTAL UNQUOTED FIXED INCOME SECURITIES	2,456,500,000	2,522,622,459	2,499,659,683	52.60
TOTAL INVESTMENTS		2,522,622,459	2,499,659,683	52.60
UNREALISED LOSS ON FINANCIAL ASSETS AT FVTPL		(22,962,776)		
TOTAL FAIR VALUE OF FINANCIAL ASSETS AT FVTPL		2,499,659,683		

Financial assets at FVTPL as at 28 February 2022 are as detailed below:

	Nominal value RM	Aggregate cost RM	Fair value RM	Percentage of net asset value %
UNQUOTED FIXED INCOME SECURITIES				
<u>Government Investment Issues</u>				
3.422% Government of Malaysia 30/09/2027	9,000,000	9,335,164	9,125,907	0.17
3.655% Government of Malaysia 15/10/2024	125,500,000	130,077,158	129,899,585	2.48
3.699% Government of Malaysia 15/11/2022	50,000,000	50,626,646	51,146,067	0.98
3.726% Government of Malaysia 31/03/2026	74,000,000	77,961,798	76,364,975	1.46
3.729% Government of Malaysia 31/03/2022	210,000,000	213,605,194	213,593,446	4.07
3.948% Government of Malaysia 14/04/2022	290,000,000	295,096,450	295,080,131	5.63
3.990% Government of Malaysia 15/10/2025	30,000,000	31,522,813	31,500,219	0.60
4.045% Government of Malaysia 15/08/2024	30,000,000	30,632,805	30,928,331	0.59
4.070% Government of Malaysia 30/09/2026	10,000,000	10,535,599	10,477,395	0.20
4.194% Government of Malaysia 15/07/2022	152,000,000	154,154,514	154,163,497	2.94
4.369% Government of Malaysia 31/10/2028	20,000,000	21,721,763	21,182,071	0.40
	<u>1,000,500,000</u>	<u>1,025,269,904</u>	<u>1,023,461,624</u>	<u>19.52</u>
<u>Government Sukuk</u>				
3.729% Government of Malaysia 22/03/2023	100,000,000	103,111,335	103,203,177	1.97

	Nominal value RM	Aggregate cost RM	Fair value RM	Percentage of net asset value %
<u>Malaysian Government Securities</u>				
3.418% Government of Malaysia 15/08/2022	40,000,000	40,357,642	40,366,075	0.77
3.478% Government of Malaysia 14/06/2024	320,000,000	328,996,223	327,890,339	6.25
3.480% Government of Malaysia 15/03/2023	130,000,000	134,303,455	134,213,839	2.56
3.502% Government of Malaysia 31/05/2027	50,000,000	53,311,641	50,642,250	0.97
3.733% Government of Malaysia 15/06/2028	50,000,000	52,242,588	50,789,709	0.97
3.795% Government of Malaysia 30/09/2022	100,000,000	103,044,725	102,779,725	1.96
3.882% Government of Malaysia 10/03/2022	320,000,000	326,061,150	326,049,556	6.22
3.882% Government of Malaysia 14/03/2025	30,000,000	31,320,779	31,350,477	0.60
3.900% Government of Malaysia 30/11/2026	110,000,000	117,278,011	114,004,425	2.17
3.906% Government of Malaysia 15/07/2026	30,000,000	31,601,748	30,912,466	0.59
3.955% Government of Malaysia 15/09/2025	80,000,000	85,980,124	83,937,235	1.60
	1,260,000,000	1,304,498,086	1,292,936,096	24.66
<u>Securities Guaranteed by Government of Malaysia</u>				
2.84% Danainfra Nasional Berhad 24/02/2028 - IMTN Tranche No 17	5,000,000	5,001,945	4,782,545	0.09
3.18% Danainfra Nasional Berhad 24/02/2031 - IMTN Tranche No 18	5,000,000	5,002,178	4,723,478	0.09
3.74% Danainfra Nasional Berhad 20/07/2022 - IMTN Tranche No 2	20,000,000	20,217,839	20,212,573	0.39
4.06% Danainfra Nasional Berhad 25/05/2022 - IMTN Tranche No 61	15,000,000	15,176,355	15,232,025	0.29
4.08% Danainfra Nasional Berhad 18/08/2023 - IMTN Tranche No 79	10,000,000	10,330,039	10,236,543	0.20
4.12% Danainfra Nasional Berhad 21/03/2022 - IMTN Tranche No 55	10,000,000	10,184,578	10,194,232	0.19
4.15% Danainfra Nasional Berhad 06/04/2022 - IMTN Tranche No 31	50,000,000	50,937,565	50,937,500	0.97
4.35% Danainfra Nasional Berhad 21/03/2024 - IMTN Tranche No 56	10,000,000	10,533,446	10,505,177	0.20
4.37% Danainfra Nasional Berhad 21/02/2025 - IMTN Tranche No 73	20,000,000	20,979,182	20,725,956	0.40
4.45% Danainfra Nasional Berhad 11/11/2022 - IMTN Tranche No 37	5,000,000	5,147,174	5,146,095	0.10
0.00% Khazanah Nasional Berhad 02/09/2022	50,000,000	49,508,081	49,478,000	0.94
4.08% Lembaga Pembiayaan Perumahan Sektor Awam 07/09/2022 - IMTN Tranche No 14	10,000,000	10,305,025	10,296,617	0.20
4.28% Lembaga Pembiayaan Perumahan Sektor Awam 06/09/2024 - IMTN Tranche No 15	40,000,000	42,366,597	42,085,622	0.80
2.88% Malaysia Rail Link Sdn Bhd 23/07/2026 - IMTN	20,000,000	20,056,811	19,600,411	0.37
4.06% Pengurusan Air SPV Berhad 06/06/2022 - IMTN Issue No 29	30,000,000	30,321,500	30,433,344	0.58
4.23% Pengurusan Air SPV Berhad 16/06/2023 - IMTN Issue No 25	50,000,000	51,585,081	51,561,795	0.98

	Nominal value RM	Aggregate cost RM	Fair value RM	Percentage of net asset value %
4.30% Pengurusan Air SPV Berhad 06/06/2022 - IMTN Issue No 32	50,000,000	50,593,864	50,781,185	0.97
4.43% Pengurusan Air SPV Berhad 03/02/2023 - IMTN Issue No 22	10,000,000	10,223,657	10,219,201	0.19
4.63% Pengurusan Air SPV Berhad 05/02/2026 - IMTN Issue No 23	5,000,000	5,339,498	5,244,903	0.10
2.98% Prasarana Malaysia Berhad 27/08/2026 - IMTN Series 1	10,000,000	10,000,816	9,797,716	0.19
4.38% Prasarana Malaysia Berhad 24/03/2025 - IMTN Series 2	20,000,000	21,435,905	21,092,600	0.40
4.39% Prasarana Malaysia Berhad 07/03/2025 - IMTN Series 4	20,000,000	21,380,947	21,127,753	0.40
4.47% Prasarana Malaysia Berhad 26/02/2026 - IMTN Series 8	15,000,000	15,892,577	15,615,037	0.30
3.77% Prasarana Malaysia Berhad 06/09/2022 - Sukuk Murabahah T1	30,000,000	30,812,564	30,792,859	0.59
4.08% Prasarana Malaysia Berhad 14/09/2022 - Sukuk Murabahah S1	30,000,000	30,893,264	30,870,875	0.59
2.38% PR1MA Corporation Malaysia 30/07/2025 - IMTN	5,000,000	5,009,455	4,869,755	0.09
	<u>545,000,000</u>	<u>559,235,943</u>	<u>556,563,797</u>	<u>10.61</u>
TOTAL UNQUOTED FIXED INCOME SECURITIES	<u>2,905,500,000</u>	<u>2,992,115,268</u>	<u>2,976,164,694</u>	<u>56.76</u>
TOTAL INVESTMENTS		<u>2,992,115,268</u>	<u>2,976,164,694</u>	<u>56.76</u>
UNREALISED LOSS ON FINANCIAL ASSETS AT FVTPL		<u>(15,950,574)</u>		
TOTAL FAIR VALUE OF FINANCIAL ASSETS AT FVTPL			<u>2,976,164,694</u>	

11. UNITS IN CIRCULATION

		2023 No. of units	2022 No. of units
Class A	(i)	3,969,451,008	3,855,094,439
Class B*	(ii)	-	1,000
Class C*	(iii)	-	1,000
Class D	(iv)	763,704,714	1,365,572,985
		<u>4,733,155,722</u>	<u>5,220,669,424</u>
(i) Class A			
	At the beginning of the financial year	3,855,094,439	949,115,694
	Add: Creation of units during the financial year		
	- Arising from applications	1,148,227,442	4,324,738,618
	- Arising from distributions	7,289,534	2,451,401
	Less: Cancellation of units during the financial year	(1,041,160,407)	(1,421,211,274)
	At the end of the financial year	<u>3,969,451,008</u>	<u>3,855,094,439</u>
(ii) Class B*			
	At the beginning of the financial year	1,000	-
	Add: Creation of units during the financial year		
	- Arising from applications	-	1,000
	Less: Cancellation of units during the financial year	(1,000)	-
	At the end of the financial year	<u>-</u>	<u>1,000</u>
(iii) Class C*			
	At the beginning of the financial year	1,000	-
	Add: Creation of units during the financial year		
	- Arising from applications	-	1,000
	Less: Cancellation of units during the financial year	(1,000)	-
	At the end of the financial year	<u>-</u>	<u>1,000</u>
(iv) Class D			
	At the beginning of the financial year	1,365,572,985	478,131,406
	Add: Creation of units during the financial year		
	- Arising from applications	7,208,865	965,444,611
	- Arising from distributions	13,643,854	2,325,294
	Less: Cancellation of units during the financial year	(622,720,990)	(80,328,326)
	At the end of the financial year	<u>763,704,714</u>	<u>1,365,572,985</u>

*The Manager has terminated Class B and Class C as at 14 October 2022 as disclosed in note 2(h).

12. TOTAL EXPENSE RATIO ("TER")

	2023 %	2022 %
TER	0.34	0.45

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

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

Where;

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

The average net asset value of the Fund for the financial year calculated on a daily basis is RM4,328,962,838 (2022: RM3,505,399,834).

13. PORTFOLIO TURNOVER RATIO ("PTR")

	2023 Times	2022 Times
PTR	0.21	0.69

PTR is derived from the following calculation:

$$\frac{(\text{Total acquisitions for the financial year} + \text{total disposals for the financial year}) / 2}{\text{Average net asset value of the Fund for the financial year calculated on a daily basis}}$$

Where; total acquisitions for the financial year
= RM1,780,971,925 (2022: RM3,381,166,024)
total disposals for the financial year
= RM76,495,731 (2022: RM1,425,345,284)

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

Units held by the Manager and parties related to the Manager

	2023		2022	
	Units	RM	Units	RM
The Manager				
- Class B*	-	-	1,000	1,004
- Class C*	-	-	1,000	1,004
- Class D	-	-	1,000	1,001
Hong Leong Bank Berhad				
- Class A	3,560,666,191	3,577,757,389	3,362,137,489	3,381,301,673
Hong Leong Capital Berhad				
- Class D	307,447,526	307,386,036	306,443,559	306,658,069
	<u>3,868,113,717</u>	<u>3,885,143,425</u>	<u>3,668,584,048</u>	<u>3,687,962,751</u>

The above units were transacted at the prevailing market price.

*The Manager has terminated Class B and Class C as at 14 October 2022 as disclosed in note 2(h).

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other related party transactions and balances. The Manager is of the opinion that all transactions with the related companies have been entered into at agreed terms between the related parties.

	2023 RM	2022 RM
<u>Related party balances</u>		
Deposits with licensed financial institutions:		
- Hong Leong Bank Berhad	475,701,933	693,052,297
- Hong Leong Islamic Bank Berhad	554,206,445	-
Cash at bank		
- Hong Leong Bank Berhad	21,439	512,485
	<u>1,029,929,817</u>	<u>693,564,782</u>
<u>Related party transactions</u>		
Interest income from deposits with licensed financial institutions:		
- Hong Leong Bank Berhad	10,533,522	7,597,586
- Hong Leong Islamic Bank Berhad	5,818,216	388,767
	<u>16,351,738</u>	<u>7,986,353</u>
Interest income from auto-sweep facility bank account		
- Hong Leong Bank Berhad	<u>306,939</u>	<u>6,441</u>
Dividend income from unquoted collective investment schemes:		
- Hong Leong Asset Management Bhd	<u>5,700</u>	<u>2,599,176</u>
Purchase of unquoted fixed income securities:		
- Hong Leong Bank Berhad	493,785,956	701,802,226
- Hong Leong Islamic Bank Berhad	40,835,730	9,990,095
	<u>534,621,686</u>	<u>711,792,321</u>
Disposal of unquoted fixed income securities:		
- Hong Leong Bank Berhad	<u>4,543,581</u>	<u>896,244,533</u>
Purchase of unquoted collective investment schemes:		
- Hong Leong Asset Management Bhd	<u>5,000,000</u>	<u>200,000,000</u>
Disposal of unquoted collective investment schemes:		
- Hong Leong Asset Management Bhd	<u>5,004,270</u>	<u>303,193,543</u>

15. TRANSACTIONS WITH BROKERS/DEALERS

Detail of transactions with brokers/dealers are as follows:

	Values of trade RM	Percentage of total trade %
2023		
JP Morgan Chase Bank Berhad	875,663,153	42.01
Hong Leong Bank Berhad*	498,329,537	23.91
CIMB Islamic Bank Berhad	277,689,753	13.32
Citibank Berhad	218,962,215	10.50
CIMB Bank Berhad	142,278,536	6.83
Hong Leong Islamic Bank Berhad*	40,835,730	1.96
Malayan Banking Berhad	10,295,024	0.49
HSBC Bank Malaysia Berhad	10,255,747	0.49
United Overseas Bank (Malaysia) Bhd	10,188,548	0.49
	<u>2,084,498,243</u>	<u>100.00</u>
2022		
JP Morgan Chase Bank Berhad	1,696,889,206	39.18
Hong Leong Bank Berhad*	1,598,046,759	36.90
United Overseas Bank (Malaysia) Bhd	328,566,568	7.59
CIMB Bank Berhad	226,761,661	5.23
Citibank Berhad	173,526,506	4.01
CIMB Islamic Bank Berhad	151,579,863	3.50
RHB Investment Bank Berhad	82,524,595	1.90
Malayan Banking Berhad	41,530,000	0.96
Bank Islam Malaysia Berhad	21,796,939	0.50
Hong Leong Islamic Bank Berhad*	9,990,095	0.23
	<u>4,331,212,192</u>	<u>100.00</u>

* Transactions with brokers/dealers related to the Manager.

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

Performance Data

A (i) Portfolio Compositions:

Government Guaranteed Securities

Government Securities

Collective Investment Schemes

Deposits & Cash Equivalents

(ii) Total Net Asset Value (ex-distribution)	Class A
	Class D
(iii) Net Asset Value Per Unit (ex-distribution)	Class A
	Class D
Units in Circulation (ex-distribution)	Class A
	Class D
(iv) Highest /Lowest NAV Per Unit (ex-distribution)	Class A: Highest NAV Per Unit Lowest NAV Per Unit
	Class D: Highest NAV Per Unit Lowest NAV Per Unit
(v) Total Return of the Fund*	Class A
	- Capital Growth Class A
	- Income Distribution Class A
Total Return of the Fund*	Class D
	- Capital Growth Class D
	- Income Distribution Class D
(vi) The distribution (gross) is made out of (Class A):-	
	-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)
The distribution (gross) is made out of (Class D):-	
	-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)

	Financial Year 28/02/22– 28/02/23 %	Financial Year 28/02/21– 28/02/22 %	Financial Year 29/02/20– 28/02/21 %
	4.92	10.61	20.97
	47.68	46.15	44.18
	–	–	6.94
	47.40	43.24	27.91
RM3,988,662,241		RM3,876,911,535	RM1,448,813,294
RM763,518,302		RM1,366,485,957	–
RM1.0048		RM1.0057	RM1.0150
RM0.9998		RM1.0007	–
3,969,451,008		3,855,094,439	1,427,247,100
763,704,714		1,365,572,985	–
RM1.0073		RM1.0157	RM1.0231
RM0.9987		RM1.0037	RM0.9983
RM1.0024		RM1.0026	–
RM0.9938		RM0.9999	–
2.24%		0.84%	2.78%
-0.09%		-0.92%	0.48%
2.33%		1.76%	2.30%
2.49%		0.33%	–
-0.09%		0.07%	–
2.58%		0.26%	–
0.0900 sen/unit		0.9300 sen/unit	0.0000 sen/unit
2.2220 sen/unit		0.8410 sen/unit	2.3100 sen/unit
2.3120 sen/unit		1.7710 sen/unit	2.3100 sen/unit
4%		53%	0%
96%		47%	100%
0.0900 sen/unit		0.0000 sen/unit	–
2.4550 sen/unit		0.2620 sen/unit	–
2.5450 sen/unit		0.2620 sen/unit	–
4%		0%	–
96%		100%	–

Performance Data

(vii) Distribution Per Unit
Class A

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

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

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

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

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

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

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

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

	Financial Year 28/02/22– 28/02/23 %	Financial Year 28/02/21– 28/02/22 %	Financial Year 29/02/20– 28/02/21 %
	-	-	-
0.1520 sen/unit	0.1630 sen/unit	0.2250 sen/unit	
0.1520 sen/unit	0.1630 sen/unit	0.2250 sen/unit	
18/03/2022	18/03/2021	18/03/2020	
RM1.0067	RM1.0115	RM1.0052	
RM1.0052	RM1.0099	RM1.0030	
	-	-	
0.1650 sen/unit	0.1770 sen/unit	0.2480 sen/unit	
0.1650 sen/unit	0.1770 sen/unit	0.2480 sen/unit	
18/04/2022	19/04/2021	20/04/2020	
RM1.0039	RM1.0131	RM1.0132	
RM1.0023	RM1.0114	RM1.0107	
	-	-	
0.1670 sen/unit	0.1630 sen/unit	0.1930 sen/unit	
0.1670 sen/unit	0.1630 sen/unit	0.1930 sen/unit	
18/05/2022	18/05/2021	18/05/2020	
RM1.0002	RM1.0129	RM1.0168	
RM0.9985	RM1.0113	RM1.0148	
	-	-	
0.1830 sen/unit	0.1620 sen/unit	0.2180 sen/unit	
0.1830 sen/unit	0.1620 sen/unit	0.2180 sen/unit	
20/06/2022	18/06/2021	18/06/2020	
RM1.0014	RM1.0128	RM1.0160	
RM0.9996	RM1.0112	RM1.0138	
	-	-	
0.1450 sen/unit	0.2070 sen/unit	0.2110 sen/unit	
0.1450 sen/unit	0.2070 sen/unit	0.2110 sen/unit	
18/07/2022	19/07/2021	20/07/2020	
RM1.0028	RM1.0140	RM1.0216	
RM1.0013	RM1.0120	RM1.0195	
	-	-	
0.1880 sen/unit	0.1530 sen/unit	0.1860 sen/unit	
0.1880 sen/unit	0.1530 sen/unit	0.1860 sen/unit	
18/08/2022	18/08/2021	18/08/2020	
RM1.0035	RM1.0123	RM1.0230	
RM1.0017	RM1.0107	RM1.0212	
	-	-	
0.2160 sen/unit	0.1780 sen/unit	0.1770 sen/unit	
0.2160 sen/unit	0.1780 sen/unit	0.1770 sen/unit	
19/09/2022	20/09/2021	18/09/2020	
RM1.0036	RM1.0108	RM1.0206	
RM1.0014	RM1.0090	RM1.0189	
	-	-	
0.1170 sen/unit	0.0800 sen/unit	0.1740 sen/unit	
0.1170 sen/unit	0.0800 sen/unit	0.1740 sen/unit	
18/10/2022	18/10/2021	19/10/2020	
RM1.0005	RM1.0056	RM1.0224	
RM0.9993	RM1.0048	RM1.0207	

Performance Data

	Additional Units Distribution (Gross) Distribution (Net) Distribution Date Cum-Distribution NAV/Unit EX-Distribution NAV/Unit
	Additional Units Distribution (Gross) Distribution (Net) Distribution Date Cum-Distribution NAV/Unit EX-Distribution NAV/Unit
	Additional Units Distribution (Gross) Distribution (Net) Distribution Date Cum-Distribution NAV/Unit EX-Distribution NAV/Unit
	Additional Units Distribution (Gross) Distribution (Net) Distribution Date Cum-Distribution NAV/Unit EX-Distribution NAV/Unit
Class D	Additional Units Distribution (Gross) Distribution (Net) Distribution Date Cum-Distribution NAV/Unit EX-Distribution NAV/Unit
	Additional Units Distribution (Gross) Distribution (Net) Distribution Date Cum-Distribution NAV/Unit EX-Distribution NAV/Unit
	Additional Units Distribution (Gross) Distribution (Net) Distribution Date Cum-Distribution NAV/Unit EX-Distribution NAV/Unit
	Additional Units Distribution (Gross) Distribution (Net) Distribution Date Cum-Distribution NAV/Unit EX-Distribution NAV/Unit

	Financial Year 28/02/22– 28/02/23 %	Financial Year 28/02/21– 28/02/22 %	Financial Year 29/02/20– 28/02/21 %
	-	-	-
0.2330 sen/unit	0.1150 sen/unit	0.1760 sen/unit	
0.2330 sen/unit	0.1150 sen/unit	0.1760 sen/unit	
21/11/2022	18/11/2021	18/11/2020	
RM1.0023	RM1.0057	RM1.0207	
RM1.0000	RM1.0045	RM1.0190	
	-	-	
0.2160 sen/unit	0.0570 sen/unit	0.1700 sen/unit	
0.2160 sen/unit	0.0570 sen/unit	0.1700 sen/unit	
19/12/2022	20/12/2021	18/12/2020	
RM1.0043	RM1.0058	RM1.0200	
RM1.0021	RM1.0052	RM1.0183	
	-	-	
0.2560 sen/unit	0.1430 sen/unit	0.1780 sen/unit	
0.2560 sen/unit	0.1430 sen/unit	0.1780 sen/unit	
18/01/2023	19/01/2022	18/01/2021	
RM1.0058	RM1.0063	RM1.0207	
RM1.0033	RM1.0049	RM1.0189	
	-	-	
0.2740 sen/unit	0.1730 sen/unit	0.1540 sen/unit	
0.2740 sen/unit	0.1730 sen/unit	0.1540 sen/unit	
20/02/2023	18/02/2022	18/02/2021	
RM1.0073	RM1.0067	RM1.0175	
RM1.0046	RM1.0050	RM1.0160	
	-	-	
0.1690 sen/unit	0.2620 sen/unit	-	
0.1690 sen/unit	0.2620 sen/unit	-	
18/03/2022	18/02/2022	-	
RM1.0018	RM1.0026	-	
RM1.0001	RM1.0000	-	
	-	-	
0.1800 sen/unit	-	-	
0.1800 sen/unit	-	-	
18/04/2022	-	-	
RM0.9990	-	-	
RM0.9972	-	-	
	-	-	
0.1870 sen/unit	-	-	
0.1870 sen/unit	-	-	
18/05/2022	-	-	
RM0.9953	-	-	
RM0.9935	-	-	
	-	-	
0.2040 sen/unit	-	-	
0.2040 sen/unit	-	-	
20/06/2022	-	-	
RM0.9966	-	-	
RM0.9945	-	-	

Performance Data

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

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

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

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

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

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

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

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

	Financial Year 28/02/22- 28/02/23 %	Financial Year 28/02/21- 28/02/22 %	Financial Year 29/02/20- 28/02/21 %
-	-	-	-
0.1640 sen/unit	-	-	-
0.1640 sen/unit	-	-	-
18/07/2022	-	-	-
RM0.9978	-	-	-
RM0.9962	-	-	-
-	-	-	-
0.2080 sen/unit	-	-	-
0.2080 sen/unit	-	-	-
18/08/2022	-	-	-
RM0.9986	-	-	-
RM0.9966	-	-	-
-	-	-	-
0.2370 sen/unit	-	-	-
0.2370 sen/unit	-	-	-
19/09/2022	-	-	-
RM0.9987	-	-	-
RM0.9963	-	-	-
-	-	-	-
0.1360 sen/unit	-	-	-
0.1360 sen/unit	-	-	-
18/10/2022	-	-	-
RM0.9956	-	-	-
RM0.9942	-	-	-
-	-	-	-
0.2550 sen/unit	-	-	-
0.2550 sen/unit	-	-	-
21/11/2022	-	-	-
RM0.9974	-	-	-
RM0.9949	-	-	-
-	-	-	-
0.2340 sen/unit	-	-	-
0.2340 sen/unit	-	-	-
19/12/2022	-	-	-
RM0.9993	-	-	-
RM0.9970	-	-	-
-	-	-	-
0.2750 sen/unit	-	-	-
0.2750 sen/unit	-	-	-
18/01/2023	-	-	-
RM1.0009	-	-	-
RM0.9982	-	-	-
-	-	-	-
0.2960 sen/unit	-	-	-
0.2960 sen/unit	-	-	-
20/02/2023	-	-	-
RM1.0024	-	-	-
RM0.9994	-	-	-

Performance Data

(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 28/02/2023)***

Class A:

- (i) One Year
- (ii) Three Years

Class D:

- (i) One Year
- (ii) Three Years

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

The PTR decreased by 0.48 times (69.57%) to 0.21 times for the financial year ended 28 February 2023 versus 0.69 times for the financial year ended 28 February 2022 mainly due to **lower level of rebalancing activities undertaken by the Fund.**

	Financial Year 28/02/22– 28/02/23 %	Financial Year 28/02/21– 28/02/22 %	Financial Year 29/02/20– 28/02/21 %
	0.34%	0.45%	0.56%
	0.21#	0.69	0.51
	2.24%		
	1.99%		
	2.49%		
	–		

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
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Bukit Damansara
50490 Kuala Lumpur

Board of Directors

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

Executive Director/Chief Executive Officer

Mr. Hoo See Kheng

Trustee

CIMB Commerce Trustee Berhad

Auditor

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146)

Agents

Hong Leong Bank Berhad
Registered Independent Tied Agents with FiMM

Corporate Directory

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