

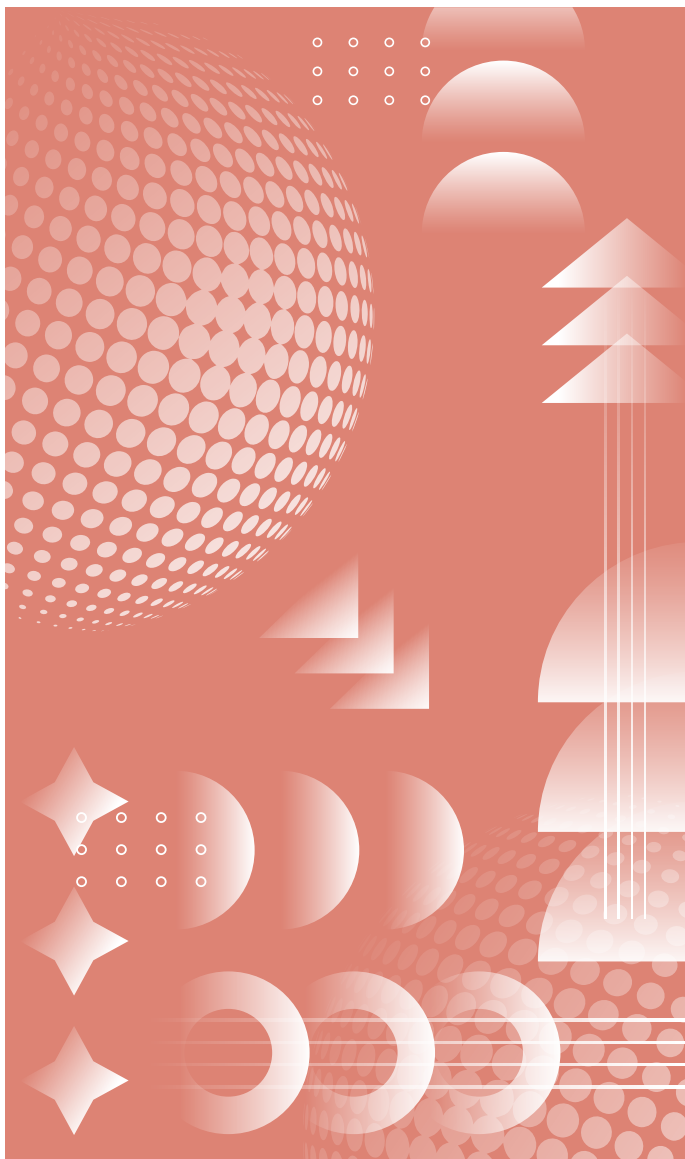
Hong Leong PRS Conservative Fund

Annual Report

Financial Period Ended 31 July 2023

2022/2023

Audited



Hong Leong PRS Conservative Fund

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PRS Provider’s Review and Report

I. FUND INFORMATION

Fund Name

Hong Leong PRS Conservative Fund

Fund Category

Core (Conservative)

Fund Type

Not Applicable

Investment Objective

The Fund aims capital preservation* while seeking income.

Duration of the Fund and its termination date, where applicable

Not Applicable

Benchmark

Malayan Banking Berhad 12 months fixed deposit rate

Distribution Policy

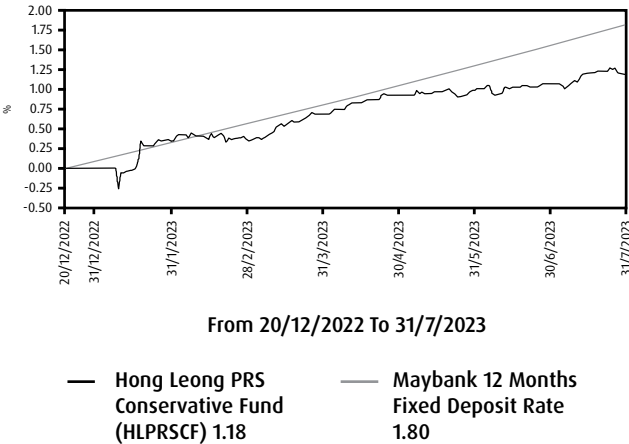
Incidental. Distribution, if any, will be automatically reinvested into the Fund.

Note:

* The fund is neither a capital guaranteed fund nor a capital protected fund.

II. FUND PERFORMANCE

Chart 1: Performance of the Fund versus the benchmark since launch



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 HLPRSCF 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 financial period from 20 December 2022 to 31 July 2023.

Since launch, the Fund has registered a return of 1.18% while its benchmark the Malayan Banking Berhad 12 months fixed deposit rate registered a return of 1.80% (in Malaysian Ringgit terms).

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

	30/04/23– 31/07/23	31/01/23– 31/07/23	20/12/22– 31/07/23
	3 Months	6 Months	Since Launch
HLPSCF Return (%)	0.26	0.84	1.18
Benchmark (%)	0.77	1.47	1.80

Table 2: Return of the Fund based on NAV Per Unit-to-NAV Per Unit basis for the period 20 December 2022 to 31 July 2023 (Source: Lipper for Investment Management)

	31-Jul-23	20-Dec-22	Return (%)
NAV Per Unit	RM0.5059	RM0.5000	1.18
Benchmark	3.10%	2.85%	1.80
vs Benchmark (%)	-	-	-0.62

Table 3: Financial Highlights

The Net Asset Value attributable to members is represented by:

	31-Jul-23 (RM)
Members' Capital	43,534
Retained Earnings	333
Net Asset Value	43,867
Units in Circulation	86,706

Table 4: The Highest and Lowest NAV Per Unit, Total Return of the Fund and the breakdown into Capital Growth and Income Distribution for the financial period

	Financial Period 20/12/22– 31/07/23
Highest NAV Per Unit (RM)	0.5063
Lowest NAV Per Unit (RM)	0.4987
Capital Growth (%)	1.18
Income Distribution (%)	-
Total Return (%)	1.18

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 HLPSCF reinvested.

Table 5: Total Return of the Fund

	20/12/22– 31/07/23 Since Launch
Total Return (%)	1.18

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 HLPSCF reinvested.

Table 6: Annual Total Return of the Fund

Financial Period	20/12/22– 31/07/23 Since Launch
Annual Total Return (%)	1.18

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 HLPSCF reinvested.

III. INVESTMENT PORTFOLIO

Chart 2: Asset Allocation - December 2022 to July 2023

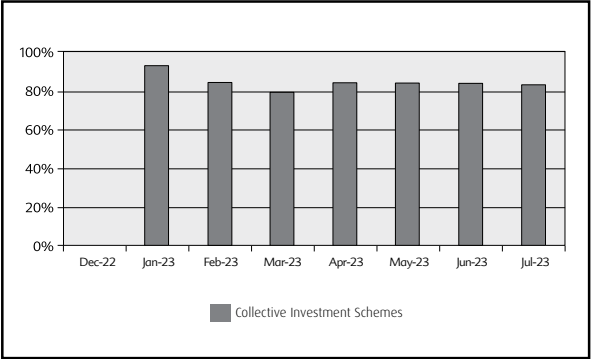
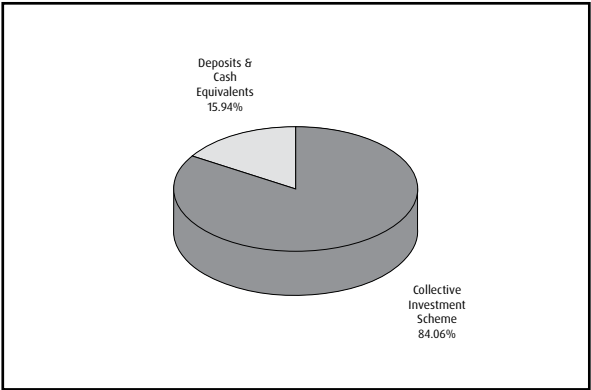


Chart 3: Sector Allocation as at 31 July 2023



Strategies employed by the Fund during the period under review

During the review period, 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

During the financial period under review, the Fund maintained its allocation in government securities as rising yields in the first half of 2023 presented opportunity for the Fund to enhance current portfolio yields.

Operational review of the Fund

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

IV. MARKET REVIEW

During the financial period under review, sustained inflationary pressures as well as central bank tightening continues to present a headwind to financial markets. Geopolitical instability also contributed 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. The United States (US) Federal Reserve (Fed) has raised the Fed funds rate from 2.25%-2.50% in July 2022 to 5.25%-5.50% in July 2023 to address inflationary pressures. Despite the elevated inflation rate, recent US indicators point to modest growth in spending and production. Job gains are still running at a robust pace while the unemployment rate has remained low. The Federal Open Market Committee (FOMC) continued to be strongly committed to returning inflation to its 2 percent objective and that it will continue to assess additional information and its implications for monetary policy. US inflation rate has dropped from 8.5% in July 2022 to 3.0% in June 2023.

Malaysia's headline Consumer Price Index (CPI) continued to ease in June to 2.4% (May: 2.8%) the lowest level recorded in 2023. The slower increment in June was driven by the lower increase in restaurants and hotels (5.4%) as well as food and non-alcoholic beverages (4.7%). In early July, Bank Negara Malaysia announced that at current Overnight Policy Rate (OPR) level, the monetary policy stance is slightly accommodative and remains supportive of the economy.

V. FUTURE PROSPECTS AND PROPOSED STRATEGIES

We expect OPR to be maintained at 3.00% while not discounting the possibility for another OPR hike before year-end. The Fund will look to invest in high investment grade corporate bonds with strong fundamentals.

VI. SOFT COMMISSIONS

The PRS Provider 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 members 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 period under review.

VIII. CROSS TRADE TRANSACTIONS

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

STATEMENT BY THE PRS PROVIDER

I, Hoo See Kheng, as the Director of Hong Leong Asset Management Bhd, do hereby state that, in the opinion of the PRS Provider, the financial statements set out on pages 14 to 41 are drawn up in accordance with the provision of the Deed and give a true and fair view of the financial position of the Fund as at 31 July 2023 and of its financial performance, changes in equity and cash flows for the financial period from 20 December 2022 (date of launch) to 31 July 2023 in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

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

HOO SEE KHENG

Chief Executive Officer/Executive Director

Kuala Lumpur

15 September 2023

SCHEME TRUSTEE'S REPORT

TO THE MEMBERS OF HONG LEONG PRS CONSERVATIVE FUND ("Fund")

We have acted as Scheme Trustee of the Fund for the financial period from 20 December 2022 (date of launch) to 31 July 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, **Hong Leong Asset Management Bhd** has operated and managed the Fund during the period covered by these financial statements in accordance with the following:

1. Limitations imposed on the investment powers of the PRS Provider under the deed, securities laws and the Guidelines on Private Retirement Schemes;
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.

For and on behalf of

CIMB Commerce Trustee Berhad

Datin Ezreen Eliza binti Zulkiplee

Chief Executive Officer

Kuala Lumpur, Malaysia

15 September 2023

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HONG LEONG PRS CONSERVATIVE FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our Opinion

In our opinion, the financial statements of Hong Leong PRS Conservative Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 31 July 2023 and of its financial performance and its cash flows for the financial period from 20 December 2022 (date of launch) to 31 July 2023 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 July 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial period from 20 December 2022 (date of launch) to 31 July 2023, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 41.

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 PRS Provider of the Fund is responsible for the other information. The other information comprises the PRS Provider'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 PRS Provider for the financial statements

The PRS Provider 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 PRS Provider is also responsible for such internal control as the PRS Provider 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 PRS Provider 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 PRS Provider either intends to liquidate the Fund or to terminate the Fund, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

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

- (d) Conclude on the appropriateness of the PRS Provider'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 PRS Provider 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 members 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
15 September 2023

STATEMENT OF COMPREHENSIVE INCOME

**FOR THE FINANCIAL PERIOD FROM 20 DECEMBER 2022
(DATE OF LAUNCH) TO 31 JULY 2023**

		20.12.2022 (date of launch) to 31.07.2023
	Note	RM
INVESTMENT INCOME		
Interest income from financial assets measured at amortised cost		82
Dividend income		660
Net loss on financial assets at fair value through profit or loss ("FVTPL")	9	(187)
		<u>555</u>
EXPENDITURE		
Management fee	4	(178)
Scheme Trustee's fee	5	(8)
Private Pension Administrator ("PPA") administration fee	6	(8)
Other expenses		(28)
		<u>(222)</u>
PROFIT BEFORE TAXATION		333
Taxation	8	-
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u><u>333</u></u>
Profit after taxation is made up as follows:		
Realised amount		616
Unrealised amount		(283)
		<u><u>333</u></u>

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2023

	Note	31.07.2023 RM
ASSETS		
Cash and cash equivalents		7,015
Amount due from the PRS Provider		
-management fee rebate		15
Financial assets at fair value through profit or loss ("FVTPL")	9	36,876
TOTAL ASSETS		<u>43,906</u>
LIABILITIES		
Amount due to the PRS Provider		
-management fee		37
Amount due to the Scheme Trustee		1
Amount due to the PPA		1
TOTAL LIABILITIES		<u>39</u>
NET ASSET VALUE OF THE FUND		<u>43,867</u>
EQUITY		
Members' capital		43,534
Retained earnings		333
NET ASSETS ATTRIBUTABLE TO MEMBERS		<u>43,867</u>
UNITS IN CIRCULATION (UNITS)	10	<u>86,706</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.5059</u>

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 20 DECEMBER 2022 (DATE OF LAUNCH) TO 31 JULY 2023

	Members' capital RM	Retained earnings RM	Total RM
Balance as at 20 December 2022 (date of launch)	-	-	-
Movement in net asset value:			
Creation of units from applications	52,567	-	52,567
Cancellation of units	(9,033)	-	(9,033)
Total comprehensive income for the financial period	-	333	333
Balance as at 31 July 2023	43,534	333	43,867

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

STATEMENT OF CASH FLOWS

**FOR THE FINANCIAL PERIOD FROM 20 DECEMBER 2022
(DATE OF LAUNCH) TO 31 JULY 2023**

**20.12.2022
(date of launch)
to 31.07.2023
RM**

CASH FLOWS FROM OPERATING ACTIVITIES

Proceeds from sales of financial assets at FVTPL	9,321
Purchase of financial assets at FVTPL	(45,800)
Interest income received from financial assets measured at amortised cost	82
Management fee rebate received	61
Management fee paid	(141)
Scheme Trustee's fee paid	(7)
PPA administration fee paid	(7)
Payment for other fees and expenses	(28)
Net cash used in operating activities	<u>(36,519)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from creation of units	52,567
Payments for cancellation of units	<u>(9,033)</u>
Net cash generated from financing activities	<u>43,534</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 7,015

**CASH AND CASH EQUIVALENTS AT THE BEGINNING
OF THE FINANCIAL PERIOD**

-

**CASH AND CASH EQUIVALENTS AT THE END
OF THE FINANCIAL PERIOD**

7,015

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 20 DECEMBER 2022 (DATE OF LAUNCH) TO 31 JULY 2023

1. THE FUND, THE PRS PROVIDER AND THEIR PRINCIPAL ACTIVITIES

Hong Leong PRS Conservative Fund (“the Fund”) was constituted pursuant to the execution of a Deed dated 24 June 2022 between the PRS Provider, Hong Leong Asset Management Bhd and CIMB Commerce Trustee Berhad (“the Scheme Trustee”) for the members of the Fund.

The Fund aims capital preservation* while seeking income.

The investment strategy of the Fund is to invest in a basket of collective investment schemes which have similar investment objective as the Fund’s, i.e. capital preservation while seeking income. The Fund will invest a minimum of 80% of its Net Asset Value into fixed income and/or money market collective investment schemes and up to 20% of its Net Asset Value into equity and/or balanced collective investment schemes. The Fund commenced operations on 20 December 2022 and will continue its operations until terminated as provided under Part 14 of the Deed.

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

The financial statements were authorised for issue by the PRS Provider on 15 September 2023.

* Please note the Fund is neither a capital guaranteed fund nor a capital protected fund.

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 period. It also requires the PRS Provider to exercise their judgement in the process of applying the Fund’s accounting policies. The PRS Provider 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 PRS Provider’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(i).

A number of new standards, amendments to standards and interpretations are effective for financial periods beginning after 20 December 2022 (date of launch). 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 August 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 amount due from the PRS Provider as financial assets measured at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies amount due to the PRS Provider, amount due to the Scheme Trustee and amount due to the PPA as financial liabilities measured at amortised cost.

Recognition and measurement

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

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

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

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

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

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 collective investment scheme is 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 period.

(c) Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Fund's functional and presentation currency.

(d) Income recognition

Dividend income is recognised on the ex-dividend date when the Fund's right to receive payment is established.

Interest income from deposits with licensed financial institutions and auto-sweep facility bank account are recognised on the effective interest rate method on an accrual basis.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Realised gain or loss on disposal of unquoted collective investment scheme is accounted for as the difference between the net disposal proceeds and the carrying amount of unquoted collective investment scheme, determined on a weighted average cost basis.

(e) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash at banks and deposits held in highly liquid investments that are readily convertible to known amounts of cash with an original maturity of three months or lesser which are subject to an insignificant risk of changes in value.

(f) Taxation

Private retirement scheme approved by Securities Commission Malaysia which is regarded as an approved scheme pursuant to the Act, the income accruing are exempted from tax under the Act.

(g) Distribution

A distribution to the Fund's members is accounted for as a deduction from realised reserve. A proposed distribution is recognised as a liability in the financial period in which it is approved by the Board of Directors of the PRS Provider.

(h) Member's capital

The member's contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". Those criteria include:

- the units entitle the member to a proportionate share of the Fund's net asset value;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase the units; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss and change in the net asset value of the Fund.

The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if member exercises the right to put the unit back to the Fund.

Units are created and cancelled at prices based on the Fund's net asset value per unit at the time of creation and cancellation. The Fund's net asset value per unit is calculated by dividing the net assets attributable to members with the total number of outstanding units.

(i) 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 PRS Provider 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 PRS Provider 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 Private Retirement Schemes.

However, the PRS Provider 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, capital risk and collective investment scheme risk.

Financial risk management is carried out through internal control process adopted by the PRS Provider and adherence to the investment restrictions as stipulated in the Disclosure Document.

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

	Financial assets at FVTPL RM	Financial assets/ liabilities at amortised cost RM	Total RM
31.07.2023			
<u>Financial assets</u>			
Cash and cash equivalents	-	7,015	7,015
Amount due from the PRS Provider			
-management fee rebate	-	15	15
Financial assets at FVTPL (Note 9)	36,876	-	36,876
	<u>36,876</u>	<u>7,030</u>	<u>43,906</u>
<u>Financial liabilities</u>			
Amount due to the PRS Provider			
-management fee	-	37	37
Amount due to the Scheme Trustee	-	1	1
Amount due to the PPA	-	1	1
	<u>-</u>	<u>39</u>	<u>39</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 PRS provider 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 Deed.

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

	31.07.2023
	RM
Financial assets at FVTPL:	
- Unquoted collective investment scheme	<u>36,876</u>

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

% Change in price of financial assets at FVTPL	Market value RM	Impact on profit after taxation/net asset value RM
2023		
-5%	35,032	(1,844)
0%	36,876	-
5%	38,720	1,844

(ii) Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments and its return will fluctuate because of changes in market interest rates.

Interest rate is a general economic indicator that will have an impact on the management of the Fund. The Fund's exposure to the interest rate risk is mainly confined to short term placements with licensed financial institutions. The PRS Provider overcomes the exposure by way of maintaining deposits on a short term basis.

As at end of the reporting period, the Fund does not hold any deposits and is not exposed to a material level of interest rate risk.

(b) Credit risk

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

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

The settlement terms of the proceeds from the creation of units receivable from the PRS Provider are governed by the Securities Commission Malaysia's Guidelines on Private Retirement Schemes.

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

	Cash and cash equivalents RM	Amount due from the PRS Provider - management fee rebate RM	Total RM
31.07.2023			
- AAA	7,015	-	7,015
- NR	-	15	15
	<u>7,015</u>	<u>15</u>	<u>7,030</u>

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

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period as at the end of the reporting period 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
31.07.2023			
<u>Financial liabilities</u>			
Amount due to the PRS Provider			
-management fee	37	-	37
Amount due to the Scheme Trustee	1	-	1
Amount due to the PPA	-	1	1
Contractual cash out flows	38	1	39

(d) Capital risk

The capital of the Fund is represented by equity consisting of members' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of member. 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 members' and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

(e) Collective investment scheme risk

This risk is associated with the Fund's investment in collective investment scheme exposing the Fund to the inherent investment risks faced by the collective investment scheme. The Fund may also be exposed to liquidity risk which may arise from the inability of the collective investment scheme to meet redemption amounts, as well as the risk of not being aligned with the Fund's mandate in the event the collective investment scheme that the Fund is invested into breaches its asset allocation limits. Therefore, should any of the risks faced by the collective investment scheme materialised, the performance of the Fund will be affected.

(f) Fair value estimation

Financial instruments comprise financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents the estimates of fair values as at the date of the statement of financial position.

The Fund's financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortised cost based on the respective classification.

The fair value of financial assets traded in active market (such as trading securities) are based on quoted market prices at the close of trading on the reporting date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the PRS Provider will determine the point within the bid-ask spread that is most representative of the fair value.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each period end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

For instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which market were or have been inactive during the financial period. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

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

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

(i) Fair value hierarchy

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

- Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1);

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

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

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

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
31.07.2023				
<u>Financial assets at FVTPL:</u>				
- Unquoted collective investment scheme	-	36,876	-	36,876

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 collective investment scheme. 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. MANAGEMENT FEE AND MANAGEMENT FEE REBATE

In accordance with Division 15.1 of the Deed, the PRS Provider 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 period from 20 December 2022 (date of launch) to 31 July 2023, the management fee is recognised at a rate of 1.00% per annum.

The management fee rebate relates to the rebate received from the PRS Provider for investing in unquoted collective investment scheme. The average rates of rebates were calculated on the net asset value of respective unquoted collective investment scheme on a daily basis as follow:

	31.07.2023 %
<u>Unquoted collective investment scheme:</u>	
- Hong Leong Institutional Bond Fund	0.50

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

5. SCHEME TRUSTEE'S FEE

In accordance with Division 15.2 of the Deed, the Scheme Trustee is entitled to a fee not exceeding 2.00% (excluding foreign custodian fees and charges) per annum calculated daily based on the net asset value of the Fund.

For the financial period from 20 December 2022 (date of launch) to 31 July 2023, the Scheme Trustee's fee is recognised at a rate of 0.04% per annum.

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

6. PRIVATE PENSION ADMINISTRATOR'S ADMINISTRATION FEE

For the financial period from 20 December 2022 (date of launch) to 31 July 2023, the Private Pension Administrator's administration fee is recognised at a rate of 0.04% per annum.

There is no further liability to the PPA in respect of Private Pension Administrator's administration fee other than the amount recognised above.

7. AUDITORS' REMUNERATION AND TAX AGENT'S FEE

For the financial period from 20 December 2022 (date of launch) to 31 July 2023, auditors' remuneration and tax agent's fee were borne by the PRS Provider.

8. TAXATION

	20.12.2022 (date of launch) to 31.07.2023 RM
Tax charge for the financial period:	
Current taxation	-

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

	20.12.2022 (date of launch) to 31.07.2023 RM
Profit before taxation	333
Taxation at Malaysian statutory rate of 24%	80
Tax effects of:	
Investment income not subject to tax	(115)
Expenses not deductible for tax purposes	10
Restriction on tax deductible expenses for PRS Fund	25
Taxation	-

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

	31.07.2023 RM
Financial assets at FVTPL:	
Unquoted collective investment scheme	36,876

	20.12.2022 (date of launch) to 31.07.2023 RM
<u>Net loss on financial assets at FVTPL:</u>	
Realised gain on disposals	20
Changes in unrealised fair values	(283)
Management fee rebate (Note 4)	76
	<u>(187)</u>

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

	Quantity Units	Aggregate cost RM	Fair value RM	Percentage of net asset value %
UNQUOTED COLLECTIVE INVESTMENT SCHEME				
Hong Leong Institutional Bond Fund	71,856	37,159	36,876	84.06
TOTAL UNQUOTED COLLECTIVE INVESTMENT SCHEME	<u>71,856</u>	<u>37,159</u>	<u>36,876</u>	<u>84.06</u>
UNREALISED LOSS ON FINANCIAL ASSETS AT FVTPL		<u>(283)</u>		
TOTAL FAIR VALUE OF FINANCIAL ASSETS AT FVTPL		<u>36,876</u>		

10. UNITS IN CIRCULATION

	20.12.2022 (date of launch) to 31.07.2023 No. of units
At the beginning of the financial period	-
Add: Creation of units during the financial period	
- Arising from applications	104,706
Less: Cancellation of units during the financial period	(18,000)
At the end of the financial period	<u>86,706</u>

11. TOTAL EXPENSE RATIO (“TER”)

	20.12.2022 (date of launch) to 31.07.2023 %
TER (annualised)	1.20

Total expense ratio includes management fee (excluding management fee rebate), Scheme Trustee’s fee, PPA administration fee and other expenses for the financial period divided by the Fund’s average net asset value calculated on a daily basis and is calculated as follows:

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

Where;

- A = Management fee (excluding management fee rebate)
- B = Scheme Trustee’s fee
- C = PPA administration fee
- D = Other expenses
- E = Average net asset value of the Fund calculated on a daily basis

The average net asset value of the Fund for the financial period calculated on a daily basis is RM30,267.

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	20.12.2022 (date of launch) to 31.07.2023 Times
PTR	0.91

PTR is derived from the following calculation:

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

Where:

total acquisitions for the financial period = RM45,800

total disposals for the financial period = RM9,301

13. UNITS HELD BY THE PRS PROVIDER 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 PRS Provider
Hong Leong Islamic Asset Management Sdn Bhd	Subsidiary of the PRS Provider
Hong Leong Capital Berhad	Holding company of the PRS Provider
Hong Leong Financial Group Berhad (“HLFG”)	Ultimate holding company of the PRS Provider
Subsidiaries and associates of HLFG as disclosed in its financial statements	Subsidiaries and associate companies of the ultimate holding company of the PRS Provider

No units were held by the PRS Provider and parties related to the PRS Provider as at 31 July 2023.

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

	31.07.2023 RM
<hr/>	
<u>Related party balances</u>	
Cash at bank:	
- Hong Leong Bank Berhad	7,015
	<hr/> <hr/>
	20.12.2022 (date of launch) to 31.07.2023 RM
<hr/>	
<u>Related party transactions</u>	
Interest income from auto-sweep facility bank account:	
- Hong Leong Bank Berhad	82
	<hr/> <hr/>
Dividend income from unquoted collective investment scheme managed by the PRS Provider	660
	<hr/> <hr/>
Purchase of unquoted collective investment scheme:	
- Hong Leong Asset Management Bhd	45,800
	<hr/> <hr/>
Disposal of unquoted collective investment scheme:	
- Hong Leong Asset Management Bhd	9,321
	<hr/> <hr/>

14. TRANSACTIONS WITH BROKERS/DEALERS

For the financial period from 20 December 2022 (date of launch) to 31 July 2023, there are no transactions with brokers/dealers.

15. COMPARATIVES

There are no comparative figures as this is the first set of financial statements since the date of launch of the Fund.

Performance Data

A (i)	Portfolio Compositions:	
	Collective Investment Scheme	
	Deposits & Cash Equivalents	
(ii)	Total Net Asset Value	(ex-distribution)
(iii)	Net Asset Value Per Unit Units in Circulation	(ex-distribution) (ex-distribution)
(iv)	Highest/Lowest NAV Per Unit (ex-distribution)	Highest NAV Per Unit Lowest NAV Per Unit
(v)	Total Return of the Fund* - Capital Growth - Income Distribution	
(vi)	The distribution (gross) is made out of:- - The Fund's Capital - The Fund's Income - Total Distribution Amount - The Fund's Capital (% of Total Distribution Amount) - The Fund's Income (% of Total Distribution Amount)	
(vii)	Distribution Per Unit	Additional Units Distribution (Gross) Distribution (Net) Distribution Date Cum-Distribution NAV/Unit EX-Distribution NAV/Unit
(viii)	Total Expense Ratio (TER)	
(ix)	Portfolio Turnover Ratio (PTR) (times)	
B	Total Return, NAV Per Unit-to-NAV Per Unit basis (from 20/12/2022 to 31/07/2023)*	
(i)	Since Launch	

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

Financial Period
20/12/22-
31/07/23
%

84.06
15.94

RM43,867

RM0.5059
86,706

RM0.5063
RM0.4987

1.18%
-

1.18%

-

-

-

-

-

-

-

-

-

1.20%

0.91

1.18%

Corporate Information

PRS Provider

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

Registered Office

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

Business Office

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No. 12, Jalan Gelenggang
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50490 Kuala Lumpur

Board of Directors

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

Executive Director / Chief Executive Officer

Mr. Hoo See Kheng

Scheme Trustee

CIMB Commerce Trustee Berhad [199401027349 (313031-A)]

Auditor

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146)

Distributor

Registered Independent Tied Agents with FIMM

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