

**RHB ENERGY FUND**

**ANNUAL REPORT 2024**

For the financial year ended 31 March 2024

## GENERAL INFORMATION ABOUT THE FUND

### Name, Category and Type

Fund Name	-	RHB Energy Fund
Fund Category	-	Fixed Income Fund
Fund Type	-	Growth

### Investment Objective, Policy and Strategy

#### Objective of the Fund

This Fund aims to achieve long term\* capital appreciation through an investment that is linked to the global energy sector.

Note: \* “long-term” in this context refers to a period of between 5-7 years.

#### Strategy

The Fund seeks to achieve its investment objective by investing up to 100% of its Net Asset Value into Malaysian fixed income instruments and up to 10% of its Net Asset Value as capital payment for exposure to an over-the-counter (OTC) derivative instrument in the form of a one month rolling swap agreement with a counterparty that offers exposure to the performance of a commodity based index [selected from a pool of 4 commodity based indices, namely, the JPMCCI Energy Excess Return Index and 3 other indices based on the JP Morgan Contag Beta Energy Excess Return Index (collectively, the “Contag Indices”), to be determined by the Manager], an exchange traded fund and an equity index.

Henceforth, the Fund will have exposure to the following basket of underlying assets (“Underlying”):

60% of a commodity based index selected from the following:

- i) JPMCCI Energy Excess Return Index
- ii) Contag Beta Energy Excess Return Index-Beta Index
- iii) Contag Beta Energy Excess Return Index-Alpha Index
- iv) Contag Beta Energy Excess Return Index-Alpha Beta Index

20% of Energy Select Sector SPDR Fund (exchange traded fund)

20% of MSCI World Energy Index (an equity index)

The selected commodity based index will provide investors with an exposure to global energy futures. The US-based exchange traded funds will give investors exposure to companies in the conventional energy sector and the equity index will provide investors with exposure to oil related companies. Collectively, the Underlying is reflective of the global energy sector.

The Fund's portfolio will be structured as follows:

90% to 100% of Net Asset Value ("NAV")

- Investments in Malaysian bonds, money market instruments and deposits with financial institutions.

Up to 10% of NAV

- As capital payment for exposure to a derivative instrument in the form of a swap agreement that will provide the Fund with exposure to the global energy sector. With this capital payment, the Fund can have a notional amount of up to 100% of its NAV exposed to the Underlying which are linked to the global energy sector.

### **Performance Benchmark**

The performance of the Fund is benchmarked against a composite benchmark comprising:

60% S&P GSCI Energy Official Close Excess Return Index (RM).

40% MSCI World Energy Index (RM).

The composite benchmark chosen best represents the Fund's investment strategy and the Fund's principle source of returns.

For ease of reference, investors may refer to Bloomberg L.P. and/ or the MSCI website ([www.msci.com](http://www.msci.com)) for these indicators.

### **Permitted Investments**

This Fund may invest in fixed income securities traded on Bursa Malaysia or any other market considered as an Eligible Market, collective investment schemes, financial derivatives, structured products, liquid assets (including money market instruments and deposits with any financial institutions) and any other investments permitted by the Securities Commission Malaysia from time to time.

### **Distribution Policy**

Consistent with the Fund's objective which aims to achieve long term\* capital appreciation, distributions will therefore be of secondary importance. Distributions, if any, will be reinvested after deduction of taxation, if any, and expenses.

Note: \* "long term" in this context refers to a period of between 5–7 years.

## **MANAGER'S REPORT**

### **MARKET REVIEW**

Brent oil price has largely traded in a tight band range of United States (“US”) Dollar (“USD”) 70 to USD90 for the financial period under review.

Geopolitical risks has kept crude supply and refinery disruption risks on the minds of investors and resulted in the recent oil price strength in the first few months of year 2024. Recent news that Ukraine-linked drones attacked Russia’s third largest oil refinery. Organization of Petroleum Exporting Countries (“OPEC”) coherence could be tested by Russia and the United Arab Emirates, and Iraq compliance remains low. India has overtaken China as the largest contributor to global oil demand growth as domestic Gross Domestic Product (“GDP”) growth remains robust. India has been taking in an increasing volume of discounted Russian oil (from zero in year 2021 to around a third of its net imports in recent months) which is beneficiary for its economy due to cheaper costs.

Malaysia Government Securities (“MGS”) market yield ended bull flatter for the period of 31 March 2023 to 31 March 2024 helped by the bullish sentiment in US Rates in fourth quarter of year 2023. The MGS curve overall was 11 basis points (“bps”) to 19bps over the course of the review period with short end bonds underperforming while 10-year (“10y”) and longer tenor yields rallied as strong demand by domestic investors continue to underpin the resilience of the local market.

All in all, overall curve of the 3y, 5y, 7y, 10y, 15y, 20y and 30y MGS bull flattened during the period under review and closed at 3.49% (March 2023: 3.38%), 3.63% (3.51%), 3.77% (3.74%), 3.86% (3.91%), 3.98% (4.14%), 4.07% (4.21%) and 4.19% (4.38%) respectively.

### **ECONOMIC OUTLOOK**

In terms of monetary policy, Bank Negara Malaysia (“BNM”) hiked rates on its 03 May 2023 Monetary Policy Committee (“MPC”) meeting, after hiking 4 times by 25bps each to 2.75% in the months of May 2022, July 2022, September 2022 and November 2022 on higher domestic inflation and external factors, and capping off a cumulative 100bps of hikes for Financial Year 2022.

The 25bps to 3.00% at its third MPC on 03 May 2023, was seen as a surprise move by market consensus as only 3 out of 19 economists surveyed by Bloomberg anticipated this increase in the Overnight Policy Rate (“OPR”). The rest had expected the central bank to stay pat for a third straight meeting. As a quick recap, BNM has collectively raised 5 times of 25bps each on the OPR since May 2022 from 1.75% to 3.00%. The decision to raise the OPR was to preemptively manage headline inflation and normalize interest rate to pre-pandemic levels to curb excessive future financial imbalances in the

system. While the move in OPR was largely unexpected, the hike of 25bps by the US Federal Reserve (“Fed”) to a range of 5.00% to 5.25% was largely expected which both has occurred on the same day i.e. 03 May 2023. At 5.25%, the US Fed Funds Rate is at its highest since August 2007, just before the US subprime mortgage crisis after years of loose monetary policies. In its statement, BNM highlighted that the global economy continues to be driven by resilient domestic demand supported by strong labour market conditions, and a stronger-than-expected rebound of China’s economy. Nevertheless, the global economy continues to be weighed down by elevated cost pressures and higher interest rates. BNM has raised a concern on headline inflation continued to moderate, but core inflation has persisted above historical averages.

BNM kept rates steady at 3.00% in subsequent meetings since May 2023’s 25bps hike, citing continued expansion in the global economy supported by strong labour market conditions. However, the global growth was weighed down by elevated core inflation and higher interest rates in advanced economies in addition to the slower-than expected growth in China. The OPR will remain accommodative as the Malaysian economy was affected by slower external demand and a decline in commodity production coupled with softened inflationary pressure at home. That said, BNM stated that risks to the inflation outlook remain highly subject to changes to domestic policy on subsidies and price controls, global commodity prices and financial market developments, as well as the degree of persistence in core inflation.

Malaysia’s Consumer Price Index inflation rate remained stable at 1.80 % in February 2024 (January 24:1.50%) due to upward adjustments in water bill, public transport (flight, railway) and maintenance & repair of personal transport equipment. Notably, core inflation which removes food and price-administered goods remain steady at 1.80% Year-on-Year (“YoY”).

## **MARKET OUTLOOK & STRATEGY**

The International Monetary Fund (“IMF”) expects the globe to pull off a soft landing in year 2024, skirting a recession while inflation falls. In its new World Economic Outlook, the IMF estimates that the global economy will grow 3.10% this year, the same as in year 2023, before rising modestly by 3.20% in year 2025. Global manufacturing Purchasing Managers’ Index likely saw its 3rd consecutive reading of above 50 in March 2024 from 50.3 in February 2024. The Federal Open Market Committee left the policy rate unchanged in its March 2024 meeting and continues to project three cuts in year 2024.

We believe that Brent oil price will be well supported given OPEC’s move has simply reinforced a view that there is a comfortable floor to oil prices. Saudi has strong incentive to maintain oil price high as its fiscal breakeven is around USD91 in second half of year 2023.

On the domestic front, the outlook for fixed income market in year 2024 still remains positive in our view despite the recent setbacks as global inflationary pressures are retreating and the balance of probabilities have also now shifted towards major central banks reversing some of their aggressive tightening in the past two years.

For Malaysia, we continue to expect BNM to keep the OPR unchanged in year 2024 as inflation remain contained supported by the decline in core inflation to 1.80% YoY seen since January 2024 (it came off from its high of 4.20% in year 2022), while growth remains uneven in the country. While BNM indicated that it is monitoring closely for any inflationary impact from the government's subsidy rationalisation, we believe that these adjustments by the government will be gradual and likely to be a one-off dynamic which should not warrant for a rate hike. This stable OPR environment, coupled by improving supply (example ("e.g.") lower government deficit) and demand dynamics by local institutions (e.g. pension funds, insurance companies) augur well for the local fixed income market in our opinion.

Meanwhile, the Malaysian corporate bond and sukuk market are also likely to benefit from the positive momentum in the overall bond market as we expect credit conditions in Malaysia to be broadly stable in year 2024 - supported by resilient domestic growth and a more benign inflationary outlook. We are less positive on the corporate sub-sector as we are cautious of the current market pricing and remain highly selective in any bond selection as investors are no longer adequately compensated for the credit risk undertaken.

In summary, we are constructive of the bond market as we still see opportunities within the government and corporate credit securities market. We advocate on positioning the bond portfolio to increase investments whenever exacerbated selling occurs, as yield levels are expected to come off in the later part of year 2024. The stance to monetary policy locally by BNM will continue to be determined by new data but we expect this to be still supportive in light of a broadly stable macroeconomic outlook.

## **REVIEW OF FUND PERFORMANCE DURING THE FINANCIAL YEAR**

For the financial year under review, the Fund registered a return of 0.33%\* against its benchmark return of 22.25%\*. The Fund thus underperformed its benchmark by 21.92% during the financial year under review. The Net Asset Value per unit of the Fund was RM0.3945 (2023: RM0.3931) as at 31 March 2024.

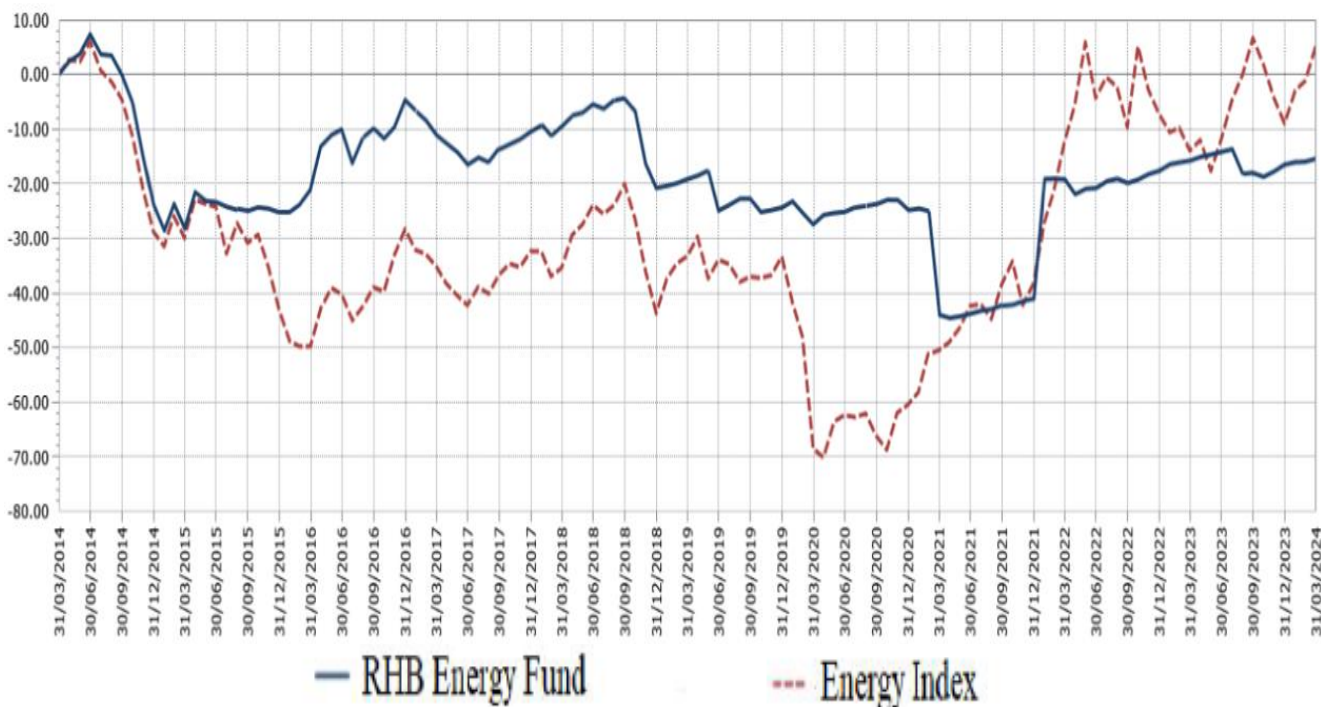
\* *Source: Lipper Investment Management ("Lipper IM"), 22 April 2024*

## PERFORMANCE DATA

	Annual Total Returns Financial Year Ended 31 March				
	2024 %	2023 %	2022 %	2021 %	2020 %
RHB Energy Fund					
- Capital Return	0.33	4.24	44.48	(22.80)	(10.25)
- Income Return	-	-	-	-	-
- Total Return	0.33	4.24	44.48	(22.80)	(10.25)
Energy Index	22.25	(1.70)	76.56	56.70	(52.66)

	Average Annual Returns			
	1 Year 31.03.2023– 31.03.2024 %	3 Years 31.03.2021– 31.03.2024 %	5 Years 31.03.2019– 31.03.2024 %	10 Years 31.03.2014– 31.03.2024 %
RHB Energy Fund	0.33	14.74	0.92	(1.67)
Energy Index	22.25	28.47	9.48	0.50

**Performance of RHB Energy Fund  
for the period from 31 March 2014 to 31 March 2024  
Cumulative Return Over The Period (%)**



Source: Lipper IM, 22 April 2024

The abovementioned performance figures are indicative returns based on daily Net Asset Value of a unit (as per Lipper Database) since 31 March 2014.

The calculation of the above returns is based on computation methods of Lipper.

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

The abovementioned performance computations have been adjusted to reflect distribution payments and unit splits wherever applicable.

<b>Fund Size</b>	<b>As at 31 March</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
Net Asset Value (RM million)	5.70	6.40	7.28
Units In Circulation (million)	14.46	16.29	19.31
Net Asset Value Per Unit (RM)	0.3945	0.3931	0.3771

<b>Historical Data</b>	<b>Financial Year Ended 31 March</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
<b>Unit Prices</b>			
NAV - Highest (RM)	0.4029	0.3932	0.3782
- Lowest (RM)	0.3785	0.3631	0.2447
<b>Distribution and Unit Split</b>	-	-	-
<b>Others</b>			
Total Expense Ratio (TER) (%) #	1.77	1.73	1.68
Portfolio Turnover Ratio (PTR) (times) ##	0.01	0.04	0.09

# The TER for the financial year was higher compared with the previous financial year due to lower average net asset value for the financial year under review.

## The PTR for the financial year was lower compared with the previous financial year due to lesser investment activities for the financial year under review.

## **DISTRIBUTION**

For the financial year under review, no distribution has been proposed by the Fund.



## PORTFOLIO STRUCTURE

The asset allocations of the Fund as at reporting date were as follows:

	As at 31 March		
	2024	2023	2022
	%	%	%
<b>Sectors</b>			
Unquoted fixed income securities	97.49	91.50	92.49
Liquid assets and other net current assets	2.51	8.50	7.51
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

The asset allocation was reflective of the Fund's objective to achieve long term capital appreciation.

## SECURITIES FINANCING TRANSACTIONS

The Fund has not undertaken any securities lending or repurchase transactions for the financial year under review.

## CROSS TRADE

The Fund has not carried out any cross trade transactions for the financial year under review.

## SOFT COMMISSION

There were no soft commissions received by the management company for the financial year under review.

**RHB ENERGY FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2024**

	<u>Note</u>	<u>2024</u> RM	<u>2023</u> RM
<b>ASSETS</b>			
Bank balances	5	56,536	52,962
Deposits with licensed financial institutions	5	107,366	522,770
Investments	6	5,560,735	5,859,971
Amount due from Manager		394	-
<b>TOTAL ASSETS</b>		<u>5,725,031</u>	<u>6,435,703</u>
<b>LIABILITIES</b>			
Amount due to Manager		1,577	10,993
Accrued management fee		7,269	8,235
Amount due to Trustee		290	329
Other payables and accruals		11,800	11,800
<b>TOTAL LIABILITIES</b>		<u>20,936</u>	<u>31,357</u>
<b>NET ASSET VALUE</b>		<u>5,704,095</u>	<u>6,404,346</u>
<b>EQUITY</b>			
Unit holders' capital		7,813,992	8,533,666
Accumulated losses		(2,109,897)	(2,129,320)
		<u>5,704,095</u>	<u>6,404,346</u>
<b>UNITS IN CIRCULATION (UNITS)</b>	7	<u>14,459,000</u>	<u>16,292,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.3945</u>	<u>0.3931</u>

The accompanying notes are an integral part of the financial statements.

**RHB ENERGY FUND**  
**STATEMENT OF INCOME AND EXPENSES**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

	<u>Note</u>	<u>2024</u> RM	<u>2023</u> RM
<b>INCOME</b>			
Interest income from deposits with licensed financial institutions		9,610	9,732
Interest income from unquoted fixed income securities		318,788	241,311
Net realised gain on disposal		10	8,392
Net unrealised (loss)/gain on changes in fair value		(202,716)	115,276
		<u>125,692</u>	<u>374,711</u>
<b>EXPENSES</b>			
Management fee	8	(90,050)	(99,401)
Trustee's fee	9	(3,602)	(3,976)
Audit fee		(6,800)	(6,800)
Tax agent's fee		(2,500)	(2,500)
Other expenses		(3,317)	(1,946)
		<u>(106,269)</u>	<u>(114,623)</u>
Net income before taxation		19,423	260,088
Taxation	10	-	-
Net income after taxation		<u>19,423</u>	<u>260,088</u>
Net income after taxation is made up as follow:			
Realised amount		175,757	112,476
Unrealised amount		(156,334)	147,612
		<u>19,423</u>	<u>260,088</u>

The accompanying notes are an integral part of the financial statements.

**RHB ENERGY FUND**  
**STATEMENT OF CHANGES IN NET ASSET VALUE**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

	<b>Unit holders’ capital</b>	<b>Accumulated losses</b>	<b>Total net asset value</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Balance as at 1 April 2022	9,668,970	(2,389,408)	7,279,562
Movement in net asset value:			
Net income after taxation	-	260,088	260,088
Creation of units arising from applications	234,153	-	234,153
Cancellation of units	(1,369,457)	-	(1,369,457)
Balance as at 31 March 2023	<u>8,533,666</u>	<u>(2,129,320)</u>	<u>6,404,346</u>
Balance as at 1 April 2023	8,533,666	(2,129,320)	6,404,346
Movement in net asset value:			
Net income after taxation	-	19,423	19,423
Creation of units arising from applications	113,932	-	113,932
Cancellation of units	(833,606)	-	(833,606)
Balance as at 31 March 2024	<u>7,813,992</u>	<u>(2,109,897)</u>	<u>5,704,095</u>

The accompanying notes are an integral part of the financial statements.

**RHB ENERGY FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

	<u>Note</u>	<u>2024</u> RM	<u>2023</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from redemption of investments		150,001	500,000
Proceeds from sale of investments		-	508,800
Interest received from deposits with licensed financial institution		9,610	9,732
Interest received from unquoted fixed income securities		265,317	229,008
Management fee paid		(91,016)	(101,008)
Trustee's fee paid		(3,641)	(4,041)
Payment for other fees and expenses		(12,617)	(10,796)
Net cash generated from operating activities		<u>317,654</u>	<u>1,131,695</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash proceeds from units created		113,538	238,293
Cash paid for units cancelled		<u>(843,022)</u>	<u>(1,552,259)</u>
Net cash used in financing activities		<u>(729,484)</u>	<u>(1,313,966)</u>
Net decrease in cash and cash equivalents		(411,830)	(182,271)
Cash and cash equivalents at the beginning of the financial year		<u>575,732</u>	<u>758,003</u>
Cash and cash equivalents at the end of the financial year	5	<u>163,902</u>	<u>575,732</u>

The accompanying notes are an integral part of the financial statements.

**RHB ENERGY FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES**

The RHB Energy Fund (“the Fund”) was constituted pursuant to the execution of a Deed dated 13 January 2009 as modified via its First Supplemental Deed dated 4 September 2013, Second Supplemental Deed dated 16 February 2015, Third Supplemental Deed dated 3 June 2015 and Fourth Supplemental Deed dated 12 January 2023 (hereinafter referred to as “the Deeds”) between RHB Asset Management Sdn Bhd (“the Manager”) and HSBC (Malaysia) Trustee Berhad (“the Trustee”).

The Fund commenced operations on 23 March 2009 and will continue its operations until terminated according to the conditions provided in the Deeds. The principal activity of the Fund is to invest in Permitted Investments as set out in the Deeds.

All investments will be subject to the Securities Commission Malaysia (“SC”)’s Guidelines on Unit Trust Funds, SC’s requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and objective of the Fund.

The main objective of the Fund is to achieve long term capital appreciation through an investment that is linked to the global energy sector.

The Manager, a company incorporated in Malaysia, is a wholly-owned subsidiary of RHB Investment Bank Berhad, effective 6 January 2003. Its principal activities include rendering of investment management services, management of unit trust funds and private retirement schemes and provision of investment advisory services.

These financial statements were authorised for issue by the Manager on 23 May 2024.

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES**

### **2.1 Basis of preparation of the financial statements**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, except those as disclosed in the summary of material accounting policies, and in accordance with Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

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 income and expenses during the financial year. It also requires the Manager to exercise their judgement in the process of applying the Fund’s accounting policies. Although these estimates and judgement are based on the Manager’s best knowledge of current events and actions, actual results may differ. There were no areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

(a) Standards and amendments to existing standards effective 1 April 2023

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

(b) New standards, amendments and interpretations effective after 1 April 2023 and have not been early adopted

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 April 2023. None of these is expected to have a significant 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 April 2024.

The amendment shall be applied retrospectively.

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

### **2.2 Financial assets**

#### Classification

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

- those to be measured subsequently at fair value through profit or loss (“FVTPL”), 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 flow 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 financial assets measure at fair value through other comprehensive income. The contractual cash flows of the Fund’s debt securities are solely payment of 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 Manager as financial assets measured at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

#### 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. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value.

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



## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

### **2.2 Financial assets (continued)**

#### Recognition and measurement (continued)

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in statement of income and expenses within net gains or losses on investments in the year in which they arise.

Interest on debt securities at fair value through profit or loss is recognised in the statement of income and expenses.

Unquoted fixed income securities denominated in Ringgit Malaysia are revalued on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with SC as per the SC's Guidelines on Unit Trust Funds.

Where such quotations are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income security 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 a 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 price.

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest method over the year from the date of placement to the date of the statement of financial position, which is a reasonable estimate of fair value due to the short-term nature of the deposits.

Financial assets at amortised cost are subsequently carried at amortised cost using the effective interest method.

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

### **2.2 Financial assets (continued)**

#### Impairment of financial assets

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 close 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 the 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 or a counterparty credit rating which has fallen below BBB/Baa.

#### 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 the unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay 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.

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

### **2.3 Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

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.

The Fund's financial liabilities which include amount due to Manager, accrued management fee, amount due to Trustee, and other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in statement of income and expenses when the liabilities are derecognised, and through the amortisation process.

### **2.4 Unit holders' capital**

The unit holders' contributions to the Fund meet the criteria of the definition of puttable instruments to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". These criteria include:

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

The outstanding units are carried at the redemption amount that is payable at each financial year if the unit holders exercise the right to put the units 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 or cancellation. The Fund's net asset value per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units.

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

### **2.5 Income recognition**

Interest income from short-term deposits with licensed financial institutions and unquoted fixed income securities are recognised on an accrual basis using the effective interest method.

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 assets (after deduction of the loss allowance).

Realised gains and losses on sale of unquoted fixed income securities are measured by the difference between the net disposal proceeds and the carrying amounts of the investments (adjusted for accretion of discount or amortisation of premium).

Net income or loss is the total of income less expenses.

### **2.6 Taxation**

Current tax expense is determined according to Malaysian tax laws at the current rate and includes all taxes based upon the taxable income earned during the financial year.

### **2.7 Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances and deposits with licensed financial institutions with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

### **2.8 Presentation and functional 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 presentation and functional currency.

### **3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated in the SC's Guidelines on Unit Trust Funds.

#### Price risk

Price risk is the risk that the fair value of the investments of the Fund will fluctuate because of changes in market prices.

The Fund is exposed to price risk arising from interest rate risk in relation to its investments of RM5,560,735 (2023: RM5,859,971) in unquoted fixed income securities. The Fund's exposure to price risk arising from interest rate risk and the related sensitivity analysis are disclosed in "Interest rate risk" below.

#### Interest rate risk

In general, when interest rates rise, unquoted fixed income securities prices 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 an unquoted 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 by 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 investments in unquoted fixed income securities and money market instruments are affected by interest rate fluctuations. Such investments may be affected by unanticipated rise in interest rates which may impair the ability of the issuers to make payments of profit income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential of default by an issuer.

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Interest rate risk (continued)

The table below summarises the sensitivity of the Fund's profit after taxation and net asset value as at reporting date to movements in prices of unquoted fixed income securities held by the Fund as a result of movement in interest rate fluctuation by +/-(-) 1% with all other variables held constant.

<u>% Change in interest rate</u>	<b>Impact on profit after taxation and net asset value</b>	
	<u>2024</u> RM	<u>2023</u> RM
+1%	(26,501)	(26,861)
-1%	<u>26,665</u>	<u>26,923</u>

The Fund's exposure to interest rate risk arises from investment in money market instruments is expected to be minimal as the Fund's investments comprise mainly short term deposits with approved licensed financial institutions.

#### Credit risk

Credit risk refers to the possibility that the issuer of a particular investment will not be able to make timely or full payments of principal or income due on that investment. Credit risk arising from unquoted fixed income securities 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 cash and cash equivalents are managed by ensuring that the Fund will only maintain cash balances and 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 SC's Guidelines on Unit Trust Funds.

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Credit risk (continued)

The following table sets out the credit risk concentration of the Fund:

	<u>Investments</u> RM	<u>Cash and cash equivalents</u> RM	<u>Other financial asset*</u> RM	<u>Total</u> RM
<b><u>2024</u></b>				
AAA	-	163,902	-	163,902
A2	5,560,735	-	-	5,560,735
Others	-	-	394	394
	<u>5,560,735</u>	<u>163,902</u>	<u>394</u>	<u>5,725,031</u>
<b><u>2023</u></b>				
AAA	-	575,732	-	575,732
A2	5,369,726	-	-	5,369,726
C IS	490,245	-	-	490,245
	<u>5,859,971</u>	<u>575,732</u>	<u>-</u>	<u>6,435,703</u>

\* Comprise of amount due from Manager.

#### Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations.

Liquidity risk exists when particular investments are difficult to sell, possibly preventing a unit trust fund from selling such illiquid securities at an advantageous time or price. Unit trust funds with principal investment strategies that involve securities or securities with substantial market and/or credit risk tend to have the greater exposure to liquidity risk. As part of its risk management, the Manager will attempt to manage the liquidity of the Fund through asset allocation and diversification strategies within the portfolio. The Manager will also conduct constant fundamental research and analysis to forecast future liquidity of its investments.

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Liquidity risk (continued)

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	<b>Less than 1 <u>month</u></b>	<b>Between 1 month <u>to 1 year</u></b>
	<b>RM</b>	<b>RM</b>
<b><u>2024</u></b>		
Amount due to Manager	1,577	-
Accrued management fee	7,269	-
Amount due to Trustee	290	-
Other payables and accruals	-	11,800
	<u>9,136</u>	<u>11,800</u>
<b><u>2023</u></b>		
Amount due to Manager	10,993	-
Accrued management fee	8,235	-
Amount due to Trustee	329	-
Other payables and accruals	-	11,800
	<u>19,557</u>	<u>11,800</u>

#### Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital of RM7,813,992 (2023: RM8,533,666) and accumulated losses of RM2,109,897 (2023: RM2,129,320). The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.



#### **4. FAIR VALUE ESTIMATION**

Fair value is defined as 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 (i.e. an exit price).

The fair value of financial assets and financial liabilities traded in an active market (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the financial year end date.

An active market is a market in which transactions for the assets or liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets and financial liabilities 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 financial year end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent 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.

The fair values are based on the following methodologies and assumptions:

- (i) For bank balances and deposits with licensed financial institutions with maturities less than 1 year, the carrying value is a reasonable estimate of fair value.
- (ii) The carrying value of receivables and payables are assumed to approximate their fair values due to their short term nature.

#### 4. FAIR VALUE ESTIMATION (CONTINUED)

##### Fair value hierarchy

The Fund adopted MFRS 13 “Fair Value Measurement” in respect of disclosures about the degree of reliability of fair value measurement. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities
- Level 2: 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 3: Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs)

The following table analyses within the fair value hierarchy the Fund’s financial assets at fair value through profit or loss (by class) measured at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RM	RM	RM	RM
<b><u>2024</u></b>				
<b>Financial assets at FVTPL:</b>				
- Unquoted fixed income securities	-	5,560,735	-	5,560,735
<b><u>2023</u></b>				
<b>Financial assets at FVTPL:</b>				
- Unquoted fixed income securities	-	5,859,971	-	5,859,971

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. This includes 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 2.2.

## 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	<u>2024</u> RM	<u>2023</u> RM
Bank balances	56,536	52,962
Deposits with licensed financial institutions	107,366	522,770
	<u>163,902</u>	<u>575,732</u>

## 6. INVESTMENTS

	<u>2024</u> RM	<u>2023</u> RM
Investments:		
- Unquoted fixed income securities	5,560,735	5,859,971

Investments as at 31 March 2024 are as follows:

<u>Name of Instruments</u>	<u>Rating</u>	<u>Nominal Value</u> RM	<u>Cost</u> RM	<u>Fair Value</u> RM	<u>% of Net Asset Value</u> %
<b>UNQUOTED FIXED INCOME SECURITIES</b>					
5.60% Alpha Circle Sdn Bhd (18/11/2022)^	C IS*	350,000	359,240	-	-
5.50% MEX I Capital Berhad (21/01/2037)	A2**	842,540	704,786	898,492	15.75
5.50% MEX I Capital Berhad (21/01/2038)	A2**	2,215,385	1,849,569	2,377,679	41.69
5.50% MEX I Capital Berhad (21/01/2039)	A2**	1,104,868	901,863	1,197,156	20.99
5.50% MEX I Capital Berhad (21/01/2040)	A2**	999,734	811,274	1,087,408	19.06
6.20% MEX II Sdn Bhd (31/12/2030)	D***	500,000	528,856	-	-
6.40% MEX II Sdn Bhd (31/12/2030)	D***	1,100,000	1,179,342	-	-
<b>TOTAL INVESTMENTS</b>			<u>6,334,930</u>	<u>5,560,735</u>	<u>97.49</u>

## 6. INVESTMENTS (CONTINUED)

Investments as at 31 March 2023 are as follows:

<u>Name of Instruments</u>	<u>Rating</u>	<u>Nominal Value</u> RM	<u>Cost</u> RM	<u>Fair Value</u> RM	<u>% of Net Asset Value</u> %
<b>UNQUOTED FIXED INCOME SECURITIES</b>					
5.60% Alpha Circle Sdn Bhd (18/11/2022)^	C IS*	500,000	500,687	490,245	7.66
5.00% MEX I Capital Berhad (21/01/2037)	A2**	842,540	696,768	872,553	13.62
5.00% MEX I Capital Berhad (21/01/2038)	A2**	2,215,385	1,830,181	2,301,477	35.94
5.00% MEX I Capital Berhad (21/01/2039)	A2**	1,104,868	892,374	1,151,573	17.98
5.00% MEX I Capital Berhad (21/01/2040)	A2**	999,734	803,242	1,044,123	16.30
6.20% MEX II Sdn Bhd (29/04/2032)	D***	500,000	528,856	-	-
6.40% MEX II Sdn Bhd (28/04/2034)	D***	1,100,000	1,179,342	-	-
<b>TOTAL INVESTMENTS</b>			<b>6,431,450</b>	<b>5,859,971</b>	<b>91.50</b>

<sup>^</sup> Maturity date extended to 31/12/2030

## 6. INVESTMENTS (CONTINUED)

### \* Alpha Circle Sdn Bhd ("ACSB") RM60 million Senior Sukuk Musharakah and RM55 million Junior Sukuk Musharakah

Alpha Circle Sdn Bhd ("ACSB") has, since 2016, undertaken various re-termining exercises for its Senior Sukuk due to its lumpy debt maturities, and volatile foreign worker permit or Pas Lawatan Kerja Sementara ("PLKS") volumes owing to changes in government policy relating to the recruitment of foreign workers. In recent years, ACSB's parent company and concessionaire, NERS Sdn Bhd ("NERS"), has been adversely affected by lower PLKS volumes due to closure of international borders and the restriction on intake of foreign workers amid the pandemic. ACSB has continued to rely on Sukukholders' indulgence to defer shortfalls on the Senior Sukuk obligations with repayments on a piecemeal basis. On 18 January 2023, MARC downgraded ACSB's rating to C from B after noting that ACSB has continued to face payment delays that have led to a severe liquidity crunch. Repayments over the years have, nonetheless, reduced the Senior Sukuk outstanding amount by 92% or RM498 million, from RM540 million to RM42 million currently. The latest repayment of the Senior Sukuk made by ACSB amounted to RM10 million on 28 July 2023.

On 15 March 2023, a news article was published on the arrest of several individuals by Malaysian Anti-Corruption Commission ("MACC") over alleged misappropriation of funds involving a project facilitating the registration, recruitment and biometric security system for foreign workers in the country. Investigations relating to the charges mentioned in the article are still ongoing, although we are not privy to the progress of this investigation. However, Sukukholders were made to understand that there was a diversion of funds with respect to the April 2022 to November 2022 payments from JIM as instructed by the Directors of NERS without the Sukukholders' and Trustee's consent ("Misappropriated Funds").

To avoid a default and risk termination of the concession at the time, Sukukholders collectively agreed to pass resolutions to extend the maturity of the RM60 million Senior Sukuk principal due on 23 March 2023 until further notice from the Sukukholders or until 31 May 2023 (i.e. the concession expiry), whichever is earlier.

Sukukholders were informed by NERS that a lawsuit has been brought by S5 Systems Sdn Bhd ("S5", which operates and maintains the NERS system) against NERS for amounts owed for services provided. Following a hearing on 3 April 2023, NERS was placed under Judicial Management.

## 6. INVESTMENTS (CONTINUED)

\* Alpha Circle Sdn Bhd ("ACSB") RM60 million Senior Sukuk Musharakah and RM55 million Junior Sukuk Musharakah (continued)

While the Judicial Manager ("JM") has attempted to make contact with Kementerian Dalam Negeri ("KDN") to negotiate for an extension of the concession, the JM has been unsuccessful in securing a meeting. The concession expired on 31 May 2023, although there was no official notification from KDN at that time. Sukukholders passed resolutions to extend the maturity of the Senior Sukuk to 31 December 2023 and the Junior Sukuk to 31 March 2024 given uncertainties surrounding the concession. On 8 August 2023, Sukukholders were notified that KDN has decided not to grant an extension of the concession via a letter dated 3 August 2023. Without the extension of the concession, there will be no future cash inflows from the concession.

Meanwhile, payments from Jabatan Imigresen Malaysia ("JIM") for billings for the month of December 2023 up to April 2023 are lower than expected, as the Government has made profit-sharing deductions to the payments ("Profit-Sharing Deductions"). Sukukholders are of the view that such payments were not justified and have requested for the JM to seek clarification from JIM on this. Payment from JIM for May 2023 billing remains outstanding ("May 2023 Payment").

The JM had provided a Statement of Proposal ("SOP") to all creditors of NERS on 10 Nov 2023 for voting during a Creditors' Meeting on 1 Dec 2023. The SOP detailed amounts owing to all creditors and the JM's action plan for recovery, without any mention of the position and ranking of creditors. Sukukholders were generally not agreeable to this as based on the advice of the Trustee's solicitor, Shook Lin & Bok ("SLB"), the security of Sukukholders may be challenged by the other major creditor of NERS, i.e. S5, at a later stage since a Dissolution Event ("DE") has not been called. As such, the requisite approval (from creditors holding 75% of the outstanding amounts claimed) to pass the SOP was not obtained.

Sukukholders approved resolutions to call a Dissolution Event ("DE") and appoint a receiver and manager ("R&M") on 28 February 2024. A DE Notice was sent to the issuer on 5 March 2024 and the R&M will be formally appointed on 8 April 2024 to take over the recovery process from the JM.

## 6. INVESTMENTS (CONTINUED)

### \*\* MEX II Capital Berhad (“MEX I Capital”) RM1.126 billion Sukuk Musharakah

The restructuring of the Sukuk Musharakah (“Existing Sukuk”) involving its redemption via an exchange with a new Sukuk Musharakah of RM1.126 billion in nominal value (“New Sukuk”), was completed on 21 January 2022.

RAM Ratings has assigned a rating of A2 to the New Sukuk on 19 January 2022, with a stable outlook premised on the cash flow generation of the Expressway vis-à-vis Sukuk payment obligations and the more restrictive covenants in place to govern the transaction.

In approving the restructuring on 13 October 2021, Sukukholders had agreed that any prevailing claims against the Issuer, Maju Expressway Sdn Bhd (“MESB”) and/or Maju Holdings Sdn Bhd (“Maju Holdings”) shall be nullified once the Existing Sukuk is exchanged with the New Sukuk. Upon the completion of the restructuring, the Sukukholders via the Trustee have withdrawn the notice of appeal for the claims on 18 February 2022.

### \*\*\* MEX II Sdn Bhd (“MEX II”) RM1.30 billion Sukuk Murabahah Programme

On 18 October 2019, MARC had downgraded the rating of MEX II Sdn Bhd’s (“MEX II”) RM1.3 billion Sukuk Murabahah Programme from AA- to A whilst maintaining the rating on a negative outlook premised on rising completion risk and increased uncertainty with regard to completion and associated tolling date of the 16.8-km Lebuhraya KLIA (MEX Extension) project. MARC further placed MEX II’s ratings on MARCWatch Negative on 22 May 2020 due to the lack of construction progress at the Expressway.

On 30 October 2020, MEX II fulfilled its obligation on the Sukuk with a full and timely profit payment of circa RM39 million from monies previously ring-fenced for the sole benefit of Sukukholders in a reserve account.

On 18 November 2020, MARC downgraded MEX II’s ratings to BBB from A and the rating remained on MARCWatch Negative following concerns on MEX II’s timely ability to obtain additional financing to meet its debt obligations in April 2021 and complete a sukuk restructuring exercise.

## 6. INVESTMENTS (CONTINUED)

### \*\*\* MEX II Sdn Bhd (“MEX II”) RM1.30 billion Sukuk Murabahah Programme (continued)

On 9 February 2021, MARC further downgraded the rating to BB from BBB while maintaining the rating on MARCWatch Negative due to escalating risk that MEX II may not be able to obtain a liquidity line in time to meet Sukuk principal and profit payments of RM68.7 million due on 29 April 2021.

On 26 March 2021, MARC downgraded MEX II’s rating to C from BB while maintaining the rating on MARCWatch Negative due to mounting liquidity pressure and the risk of missing the upcoming Sukuk payments on 29 April 2021, further highlighting that MEX II’s viability rests on a successful Sukuk restructuring through which additional funding will be available to complete the Expressway.

On 26 April 2021, Sukukholders holding in aggregate not less than 75% of the nominal value of the Sukuk had consented to the deferment of Sukuk principal and profit amounting to RM68.7 million originally due on (i) 28 April 2021 (i.e., principal repayment of RM30 million and the profit payment in respect of this tranche only) and (ii) 30 April 2021 (i.e., profit payments in respect of the other tranches) for 4 months until 27 August 2021.

On 24 August 2021, Sukukholders voted to approve the deferment of Sukuk obligations falling due on 27 August 2021 and 29 October 2021 to 31 December 2021 to buy more time for the proposed restructuring. On 3 January 2022, the Trustee formally declared an Event of Default when MEX II failed to remit the deferred amount on due date of 31 December 2021 upon which the Dissolution Amount of RM1,378,113,337.59 became immediately due and payable to Sukukholders. Resolutions for the Trustee to declare an Event of Default and to subsequently appoint a receiver were passed by Sukukholders earlier. Sukukholders had also earlier formally rejected MEX II’s request to extend the deferment period beyond 31 December 2021 as well as rejected the company’s restructuring proposal.

On 5 January 2022, MEX II applied for a Judicial Management Order (“JM Application”), resulting in an automatic moratorium against enforcement and such other creditor action. The Court has fixed a Hearing on 23 February 2022 for the JM Application as well as for the Trustee (acting for and behalf of the Sukukholders) to seek leave of Court to proceed with enforcement/ appointment of a receiver during the automatic moratorium period.



## 6. INVESTMENTS (CONTINUED)

### \*\*\* MEX II Sdn Bhd (“MEX II”) RM1.30 billion Sukuk Murabahah Programme (continued)

The Court Hearing, however, was postponed several times due to adjournments sought by the legal representative of MEX II and allowed by the Court for the parties to file further documents, from originally 23 February 2022 to 28 February 2022 then to 4 March 2022 and subsequently continued on 8 March 2022. The Judge then decided to reserve his decision to 26 April 2022.

On 26 April 2022, the Court dismissed the Issuer’s application for JM order and further allowed the Trustee’s Leave Application. Pursuant to the favorable outcome, Ernst & Young (EY) was appointed as the Receiver and Manager (R&M) of the secured property via Extraordinary Resolutions in Writing on 29 April 2022.

On 29 April 2022, Notice of Appeals (Appeals) were filed by the Issuer against the High Court’s decision and pursuant to case management on 1 September 2022, the High Court has fixed the cases to be heard on 15 May 2023.

On 10 May 2022, the Issuer served Notices of Motion (NOM) to preserve its assets until full and final dispose of the Appeal. On 12 August 2022, the Court of Appeal ruled in favour of Sukukholders by dismissing both NOMs.

EY had resigned on 13 February 2023, and BDO Consulting Sdn Bhd (BDO) has been appointed to replace EY as the R&M with effect from 27 February 2023. BDO will work with Sukukholders as well as the relevant government authorities and pertains to expedite the restructuring of the Sukuk.

On 15 May 2023, the Court of Appeal has ruled in favour of the Sukukholders whereby the appeal sought by MEX II has been unsuccessful. On 15 June 2023, MEX II filed Motions to Appeal to Federal Court. A hearing took place on 26 September 2023, where the Appeal by MEX II was dismissed, exhausting all legal options for MEX II.

The R&M continues to work on a restructuring proposal for MEX II and has submitted a proposal to Kementerian Kerja Raya on 21 November 2023. The proposal is currently under negotiations with the government agencies.

## 7. UNITS IN CIRCULATION

	<u>2024</u> Units	<u>2023</u> Units
At the beginning of the financial year	16,292,000	19,305,000
Creation of units arising from applications during the financial year	290,000	628,000
Cancellation of units during the financial year	<u>(2,123,000)</u>	<u>(3,641,000)</u>
At the end of the financial year	<u>14,459,000</u>	<u>16,292,000</u>

## 8. MANAGEMENT FEE

In accordance with the Prospectus, the management fee provided in the financial statements is 1.50% (2023: 1.50%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial year.

## 9. TRUSTEE'S FEE

In accordance with the Prospectus, the Trustee's fee provided in the financial statements is 0.06% (2023: 0.06%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial year.

## 10. TAXATION

(a) Tax charge for the financial year

	<u>2024</u> RM	<u>2023</u> RM
Current taxation	<u>-</u>	<u>-</u>

## 10. TAXATION (CONTINUED)

### (b) Numerical reconciliation of income tax expense

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

	<u>2024</u> RM	<u>2023</u> RM
Net income before taxation	<u>19,423</u>	<u>260,088</u>
Tax calculated at statutory income tax rate of 24%	4,662	62,421
Tax effects of:		
- Investment income not subject to tax	(30,166)	(89,931)
- Expenses not deductible for tax purposes	1,811	1,924
- Restriction on tax deductible expenses	<u>23,693</u>	<u>25,586</u>
Tax expense	<u>-</u>	<u>-</u>

## 11. TOTAL EXPENSE RATIO (“TER”)

	<u>2024</u> %	<u>2023</u> %
TER	<u>1.77</u>	<u>1.73</u>

The TER ratio is calculated based on total expenses of the Fund to the average net asset value of the Fund calculated on a daily basis.

## 12. PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>2024</u>	<u>2023</u>
PTR (times)	<u>0.01</u>	<u>0.04</u>

The PTR ratio is calculated based on average of acquisition and disposals of the Fund for the financial year to the average net asset value of the Fund calculated on a daily basis.

### 13. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

The number of units held by the Manager and related party are as follows:

	<u>2024</u>		<u>2023</u>	
	<u>Units</u>	<u>RM</u>	<u>Units</u>	<u>RM</u>
The Manager	5,738	2,264	5,940	2,335
RHB Capital Nominees (Tempatan) Sdn Bhd	<u>579,553</u>	<u>228,634</u>	<u>691,965</u>	<u>272,011</u>

The units are held beneficially by the Manager for booking purposes. The Manager is of the opinion that all transactions with the related parties have been entered into in the normal course of business at agreed terms between the related parties.

The units held by RHB Capital Nominees (Tempatan) Sdn Bhd, a wholly owned subsidiary of ultimate holding company of the Manager is under nominees structure.

Other than the above, there were no units held by the Directors or parties related to the Manager.

The holding company and the ultimate holding company of the Manager is RHB Investment Bank Berhad and RHB Bank Berhad respectively. The Manager treats RHB Bank Berhad group of companies including RHB Investment Bank Berhad and its subsidiaries as related parties.

### 14. TRANSACTIONS BY THE FUND

There was no transactions by the Fund for the financial year ended 31 March 2024.

Details of transactions by the Fund for the financial year ended 31 March 2023 are as follows:

<u>Financial institution</u>	<u>Value of trades</u> RM	<u>Percentage of total trades</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage fees</u> %
RHB Investment Bank Berhad*	<u>508,800</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

\* Included in transactions by the Fund are trades with RHB Investment Bank Berhad, the holding company of the Manager. The Manager is of the opinion that all transactions with the related company have been entered into in the normal course of business at agreed terms between the related parties.

## 15. FINANCIAL INSTRUMENTS BY CATEGORIES

	<u>2024</u>	<u>2023</u>
<b>Financial assets</b>	<b>RM</b>	<b>RM</b>
Financial assets at FVTPL		
• Unquoted fixed income securities	<u>5,560,735</u>	<u>5,859,971</u>
Financial assets at amortised cost		
• Bank balances	56,536	52,962
• Deposits with licensed financial institutions	107,366	522,770
• Amount due from Manager	394	-
	<u>164,296</u>	<u>575,732</u>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost		
• Amount due to Manager	1,577	10,993
• Accrued management fee	7,269	8,235
• Amount due to Trustee	290	329
• Other payables and accruals	11,800	11,800
	<u>20,936</u>	<u>31,357</u>

**STATEMENT BY MANAGER  
RHB ENERGY FUND**

We, Dato' Darawati Hussain and Mohd Farid Bin Kamarudin, two of the Directors of RHB Asset Management Sdn Bhd, do hereby state that in the opinion of the Directors of the Manager, the accompanying statement of financial position, statement of income and expenses, statement of changes in net asset value, statement of cash flows and the accompanying notes, are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Fund as at 31 March 2024 and of its financial performance and cash flows for the financial year then ended and comply with the provisions of the Deed.

On behalf of the Manager,

Dato' Darawati Hussain  
Director

Mohd Farid Bin Kamarudin  
Director

23 May 2024

## TRUSTEE'S REPORT

To the unit holders of RHB Energy Fund (“Fund”)

We have acted as Trustee of the Fund for the financial year ended 31 March 2024 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, RHB Asset Management Sdn 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 Deeds, securities laws and the Guidelines on Unit Trust Funds;
2. Valuation and pricing is carried out in accordance with the Deeds; and
3. Any creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirement.

Notwithstanding the above, the value of investment in the debenture of MEX I Capital Bhd amounting to 97.49% of the Fund's NAV (as at 31 March 2024) and total value of investment in Maju Holdings Sdn Bhd (comprises of MEX II Sdn Bhd and MEX I Capital Bhd) amounting to 97.49% have inadvertently exceeded the investment spread limits as prescribed in paragraph (7) under schedule B\* and paragraph (2) and (6) under Schedule B-Appendix II\*\* of SC's Guidelines on Unit Trust Funds. The Management Company will continue to monitor the position until rectified.

For HSBC (Malaysia) Trustee Berhad

Yap Lay Guat  
Manager, Investment Compliance Monitoring

Kuala Lumpur  
23 May 2024

\*Paragraph (7) The aggregate value of a fund's investments in, or exposure to, a single issuer through (a) transferable securities; (b) money market instruments; (c) deposits; (d) underlying assets of derivatives; and (e) counterparty exposure arising from the use of OTC derivatives, must not exceed 25% of the fund's NAV (single issuer aggregate limit). In determining the single issuer aggregate limit, the value of the fund's investments in instruments in paragraph (3) issued by the same issuer must be included in the calculation.

\*Paragraph (2) The value of a fund's investments in (a) transferable securities and (b) money market instruments issued by any single issuer must not exceed 20% of the fund's NAV (single issuer limit). In determining the single issuer limit, the value of the fund's investments in instruments in paragraph (3) of Schedule B by the same issuer must be included in the calculation.

\*\*Paragraph (6) The value of a fund's investments in transferable securities and money market instruments issued by any group of companies must not exceed 30% of the fund's NAV (group limit). In determining the group limit, the value of the fund's investments in instruments in paragraph (3) of Schedule B issued by the issuers within the same group of companies must be included in the calculation.

# INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF RHB ENERGY FUND

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of RHB Energy Fund (“the Fund”) give a true and fair view of the financial position of the Fund as at 31 March 2024 and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

### What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 March 2024, and the statement of income and expenses, statement of changes in net asset value and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of material accounting policies, as set out on pages 9 to 36.

### 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.



## **INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF RHB ENERGY FUND (CONTINUED)**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

#### 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 Report, but does not include the financial statements of the Fund and our auditors' report thereon.

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

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

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

#### Responsibilities of the Manager for the financial statements

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

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to terminate the Fund, or has no realistic alternative but to do so.

## **INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF RHB ENERGY FUND (CONTINUED)**

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Auditors' responsibilities for the audit of the financial statements

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

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

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

# INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF RHB ENERGY FUND (CONTINUED)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Auditors' responsibilities for the audit of the financial statements (continued)

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

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

### OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur  
23 May 2024

## CORPORATE INFORMATION

### MANAGER

RHB Asset Management Sdn Bhd

### REGISTERED OFFICE

Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

### PRINCIPAL AND BUSINESS OFFICE

Level 8, Tower Two & Three, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

Email address: [rhbam@rhbgroup.com](mailto:rhbam@rhbgroup.com)

Tel: 03-9205 8000

Fax: 03-9205 8100

Website: <https://rhbgroup.com/myinvest>

### BOARD OF DIRECTORS

Mr Chin Yoong Kheong (*Independent Non-Executive Chairman*)

YBhg Dato' Darawati Hussain (*Senior Independent Non-Executive Director*)

Tuan Syed Ahmad Taufik Albar (*Non-Independent Non-Executive Director*)  
(*Resigned with effect from 29 February 2024*)

Encik Mohd Farid Bin Kamarudin (*Chief Executive Officer / Managing Director*)  
(*Appointed with effect from 1 August 2023*)

Puan Hijah Arifakh Binti Othman (*Independent Non-Executive Director*)  
(*Resigned with effect from 1 June 2023*)

Puan Sharizad Binti Juma'at (*Independent Non-Executive Director*)

### INVESTMENT COMMITTEE MEMBERS

YBhg Dato' Darawati Hussain (*Independent Chairperson*)

Puan Hijah Arifakh Binti Othman  
(*Resigned with effect from 1 June 2023*)

Mr Chin Yoong Kheong

Puan Sharizad Binti Juma'at

### CHIEF EXECUTIVE OFFICER / MANAGING DIRECTOR

Encik Mohd Farid Bin Kamarudin (*Appointed with effect from 1 August 2023*)

### SECRETARIES

Encik Azman Shah Md Yaman (LS No. 0006901)

Izafaniz Binti Abdullah Kamir (MACS01851)

Filza Zainal Abidin (LS No: 0008413)

## **BRANCH OFFICE**

- Shah Alam Office  
B-3-1, 1st Floor  
Jalan Serai Wangi G16/G, Alam Avenue  
Persiaran Selangor, Section 16  
40200 Shah Alam  
Tel: 03-5523 1909 Fax: 03-5524 3471
- Sri Petaling Office  
Level 1 & 2, No 53 Jalan Radin Tengah  
Bandar Baru Seri Petaling  
57000 Kuala Lumpur  
Tel: 03-9054 2470 Fax: 03-9054 0934
- Ipoh Office  
No.7A, Persiaran Greentown 9  
Pusat Perdagangan Greentown  
30450 Ipoh, Perak  
Tel: 05-242 4311 Fax: 05-242 4312
- Johor Bahru Office  
No 34 Jalan Kebun Teh 1  
Pusat Perdagangan Kebun Teh  
80250 Johor Bahru, Johor  
Tel: 07-221 0129 Fax: 07-221 0291
- 2nd Floor, 21 & 23  
Jalan Molek 1/30, Taman Molek  
81100 Johor Bahru, Johor  
Tel: 07-358 3587 Fax: 07-358 3581
- Kuantan Office  
1st Floor, Lot 10, Jalan Putra Square 1  
Putra Square  
25300 Kuantan, Pahang  
Tel: 09-517 3611/ 09-517 3612/ 09-531 6213  
Fax: 09-517 3615
- Kuching Office  
Lot 133, Section 20, Sublot 2 & 3  
1st Floor, Jalan Tun Ahmad Zaidi Adruce  
93200 Kuching, Sarawak  
Tel: 082-550 838 Fax: 082-550 508
- Yung Kong Abell, Units 1-10  
2nd Floor Lot 365  
Section 50 Jalan Abell  
93100 Kuching, Sarawak  
Tel: 082-245 611 Fax: 082-230 326

Kota Bharu Office	Ground Floor, No 3486-G Jalan Sultan Ibrahim 15050 Kota Bharu, Kelantan Tel: 09-740 6891 Fax: 09-740 6890
Kota Kinabalu Office	Lot No. C-02-04, 2nd Floor Block C, Warisan Square Jalan Tun Fuad Stephens 88000 Kota Kinabalu Sabah Tel: 088-528 686/ 088-528 692 Fax: 088-528 685
Melaka Office	581B, Taman Melaka Raya 75000 Melaka Tel: 06-284 4211/ 06-281 4110 Fax: 06-292 2212
Penang Office	3rd Floor, 44 Lebuhr Pantai 10300 Georgetown, Penang Tel: 04-264 5639 Fax: 04-264 5640
Prai Office	No 38, First Floor Jalan Todak 2 Seberang Jaya 13700 Perai, Penang Tel: 04-386 6670 Fax: 04-386 6528

<b>TRUSTEE</b>	HSBC (Malaysia) Trustee Berhad
<b>BANKER</b>	RHB Bank Berhad
<b>AUDITORS</b>	PricewaterhouseCoopers PLT
<b>TAX ADVISER</b>	PricewaterhouseCoopers Taxation Services Sdn Bhd
<b>DISTRIBUTORS</b>	RHB Asset Management Sdn Bhd RHB Bank Berhad RHB Investment Bank Berhad AmBank (M) Berhad AmInvestment Bank Berhad Astute Fund Management Berhad (APEX) Hong Leong Bank Berhad HSBC Bank Malaysia Berhad iFAST Capital Sdn Bhd Kenanga Investors Berhad Malayan Banking Berhad Phillip Mutual Berhad Standard Chartered Bank Malaysia Berhad United Overseas Bank (Malaysia) Berhad UOB Kay Hian Securities (M) Sdn Bhd

**RHB**  **Asset Management**

RHB Asset Management Sdn Bhd 198801007231 (174588-X)

Head Office

Level 8, Tower 2 & 3,

RHB Centre, Jalan Tun Razak,

50400, Kuala Lumpur

Tel: +603 9205 8000

Fax: +603 9205 8100

<https://rhbgroup.com/myinvest>