RHB SMART BALANCED FUND

ANNUAL REPORT 2025

For the financial year ended 31 March 2025

GENERAL INFORMATION ABOUT THE FUND

Name, Category and Type

Fund Name	-	RHB Smart Balanced Fund
Fund Category	-	Balanced fund
Fund Type	-	Income and Growth

Investment Objective, Policy and Strategy

<u>Objective of the Fund</u>

This Fund aims to maximize total returns through a combination of long term* growth of capital and current income^ consistent with the preservation of capital# through a combination of investments in companies with market capitalization of not more than RM1 billion and investments in fixed income securities.

Note: * "long term" in this context refers to a period of between 5 - 7 years.
^ The income is in the form of units.
# Although the Fund aims to achieve preservation of capital, the Fund is not a capital guaranteed fund or a capital protected fund.

<u>Strategy</u>

This Fund seeks to achieve its investment objective through a policy of diversified investment in equities and quality fixed income securities.

This Fund will generally adopt a 50 : 50 blend investment portfolio comprising carefully selected investments in securities of companies with market capitalization of not more than RM1 billion (determined at the point of purchase) and quality fixed income securities (comprising amongst others of convertible debt securities, redeemable debt securities, bonds/securities that are issued and/or guaranteed by the government or quasi-government agencies, corporate bonds carrying at least BBB rating by any Domestic Rating Agencies or its equivalent rating by a reputable rating agency and fixed income collective investment schemes), money market instruments, cash and deposits with financial institutions.

Given this balanced asset mix, the Fund will be very much protected from wild swings in the market while still able to enjoy part of the appreciation from growth in the stock market. However, the actual percentage of assets invested in equities and fixed income securities will vary from time to time, depending on the judgement of the Manager as to the general market and economic conditions, trends and yields, interest rates and changes in fiscal and monetary policies. The Fund's asset mix would range from 40% - 60% in securities of companies with market capitalisation of not more than RM1 billion and 40% - 60% in fixed income securities, money market instruments, cash and deposits with financial institutions depending on the market conditions but subject always to a minimum allocation of 40% in each category. Although the Fund is actively managed, how active or the frequency of its trading strategy will very much depend on market opportunities.

The risk management strategies and techniques employed by the Manager include diversification of the Fund's investments in terms of its exposure to various industries, sectors and asset classes/type of investments (i.e. equity, fixed income securities and money market instruments). Financial derivatives may also be used for hedging purposes where appropriate. Generally, the assets of the Fund will be invested over a medium to long term period with disposal of the investments when necessary to control risk as well as to optimise capital gains. This is especially so when the full growth potential of the investment is deemed to have been reduced over a prolonged rise in market value of the investments and the other available investments may present cheaper valuations and higher potential returns. The Fund also complies with the permitted investments and restrictions imposed by the Securities Commission. Adherence to these permitted investments and restrictions also helps the Manager to risk-manage the Fund's portfolio in terms of diversification. Moreover, the Manager in making its investment decisions shall at all times comply with the investment restrictions of the Fund and requirements as set out in the Deed.

The Manager may take temporary defensive positions that may be inconsistent with the Fund's principal strategy in attempting to respond to adverse economic, political or any other market conditions. In such circumstances, the Manager may reallocate the Fund's equity investments into other asset classes such as fixed income securities, money market instruments, cash and deposits with financial institutions, which are defensive in nature. In its reallocation, the level of equity investments would not fall below 20% of the Net Asset Value.

Performance Benchmark

Effective from 7 August 2023, the performance of the Fund is benchmarked against a composite benchmark comprising 50% of the performance of the FTSE Bursa Malaysia Small Cap Index ("FBM Small Cap Index") and 50% of the RHB Bank Berhad's 12-month fixed deposit rate.

Prior to 7 August 2023, the performance of the Fund was benchmarked against a composite benchmark comprising 50% of the performance of the FBM Small Cap Index and 50% of the 12-month Fixed Deposit Rate by Malayan Banking Berhad.

Permitted Investments

This Fund may invest in securities traded on Bursa Malaysia or any other market considered as an Eligible Market, unlisted securities, collective investment schemes, financial derivatives, structured products, 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 to achieve long term* growth of capital and current income^, the Fund will distribute a portion of its returns to unit holders. Distributions, if any, after deduction of taxation and expenses, are generally declared annually.

Note: * "long term" in this context refers to a period of between 5 - 7 years.
^ The income is in the form of units.

MANAGER’S REPORT

EQUITY MARKET REVIEW

Kuala Lumpur Composite Index (“KLCI”) regained its performance in April 2024, outperforming both Emerging Market (“EM”) and Asia ex-Japan amidst Middle East turbulence and renewed higher rates for longer rhetoric. Key highlights for Malaysia in April 2024 included the announcement of the Large Scale Solar 5 (“LSS5”) programme, Malaysia’s energy exchange for renewable energy exports, and the restructuring plans of Capital A and AAX. The month also saw Malaysia’s continued power reforms, including the LSS5 and Energy Exchange Malaysia (“ENEGEM”), which facilitate cross border sales of green electricity to Singapore and Thailand.

Malaysia continues to outperform Asia ex-Japan and EM markets for the month of May 2024 despite a drop in global yields. Earnings in Malaysia were decent, with most reporting a decent start to first quarter of year 2024 (“1Q2024”). Crude oil’s slide contrasted with metals hitting multi year highs (aluminium) and all time highs (copper). Companies were announcing their forays into the booming datacentre sector, while Malaysia’s technology space has seen its own semiconductor fund. Key highlights in May 2024 included a salary hike for civil servants, investments from Microsoft and Google, and the announcement of a RM25 billion (“bil”) National Semiconductor Strategy. Merger and acquisition deals were announced for Malaysia Airports, XL Axiata-PT Smartfren, YTL-Ranhill, GHL Systems, and MPHB Capital.

The KLCI fell 0.40% in June 2024, ending at 1,591 points (“pts”), but it may have seen profit taking after a strong first half of year 2024 (“1H2024”) performance of 9.30%. The KLCI underperformed Indonesia’s Jakarta Stock Price Index (“JCI”) and Singapore’s Straits Times Index (“STI”), while Stock Exchange of fThailand (“SET”) saw its third consecutive month of decline. Foreign investors turned net sellers, with net sell flows at RM61 million (“mil”), resulting in a slight expansion in the cumulative net foreign outflow to RM0.80bil in 1H2024. Local institutional investors turned net buyers, with net buy flows of RM0.20bil, compared to RM0.90bil in May 2024. Local retail investors remained net sellers for the twelfth month in a row, with net sell flows falling to RM248.30mil. All other key indices, apart from the KLCI, recorded gains for the third consecutive month. The three best performing sectorial indices were Construction (8.40%), Technology (5.10%), and Healthcare (2.30%). The three worst performing sectors were Consumer (-2.30%), Plantation (-1.30%), and Real Estate Investment Trust (-1.20%).

The KLCI rose 2.20% in July 2024, outperforming the Morgan Stanley Capital International (“MSCI”) EM Index and the MSCI All Country Asia ex-Japan Index. Other Association of Southeast Asian Nations (“ASEAN”) markets, such as Singapore’s STI, the Philippines’ Stock Exchange Composite Index (“PSEi”), and Indonesia’s JCI, also performed well. However, the KLCI outperformed SET, which rebounded after three months of declines. Foreign investors net bought in July 2024, bringing year-to-date ("YTD") net inflow to RM1.30bil, resulting in positive inflows of RM0.50bil in July 2024. Local institutional investors turned net sellers in July 2024, with net sell flows of RM0.70bil, compared to RM0.20bil in June 2024. Local retail investors remained net sellers for the thirteenth month in a row, with net sell flows more than doubling to RM574.00mil. The construction sector recorded gains for the third consecutive month, with the three best performing sectors being Construction, Property, and Finance. The three worst performing sectors were Healthcare, Technology, and Industrial Production.

The KLCI experienced a volatile month in August 2024, dropping 4.60% to 1,536 pts on 5 August 2024 due to the unwinding of the Japanese Yen carry trade and United States ("US") economy concerns. However, it quickly recovered and closed at 1,678 pts, at nearly 4 year high. The KLCI rose 3.30%, driven by strong buying interest from foreign investors, particularly in banks. This brought the KLCI's gain YTD to 15.40%, primarily driven by net buying from both foreign and local institutional investors. Foreign investors emerged as the largest and only net buyers for the second straight month, with a net buy of RM2.55bil, raising their August 2024 net buy to RM3.10bil. Local institutional investors were the largest net sellers, followed by retail, local nominees, and proprietary investors. In August 2024, the finance sector was the best performing sector, while the technology sector was the worst performing. Historical trends show an average loss of 2.10% or 0.90% in September 2024 over the past 10 years and 44 years.

For the month of September 2024, the KLCI declined by -1.78% closing at 1,649, underperforming global markets which benefitted from the announced stimulus in China. Top performers included IHH, QLG, SDG, SIME, and MAXIS, while the biggest laggards were PETD, YTL, MISC, YTLP, and KLK. Foreigners net bought +RM509mil worth of Malaysian equities in September 2024, while local institutions and retailers net sold -RM460mil and -RM779mil respectively. CPI and core CPI were stable at +1.90%, with exports remaining strong at +12.14% year-on-year ("YoY") and imports slightly increasing to +26.20% yoy. Malaysian Government Securities ("MGS") 10Y yield declined slightly to 3.707%, while the Malaysia Ringgit ("MYR") continued to strengthen, gaining another 4.60% last month. Key drivers for the Malaysia market are China stimulus and US elections, with populist measures and fiscal consolidation expected in the Budget 2025. Banks and consumer sectors are expected to be key winners, while fuel subsidy rationalisation would be negative for PETD.

The KLCI index fell by 2.90% in October 2024 due to foreign investors profiting from Middle Eastern tensions, potential costs from mandatory Employees Provident Fund contributions, and US presidential election uncertainties. Despite this, the KLCI maintained a 10.10% YTD gain for the first 10 months of year 2024. Construction, Real Estate Investment Trust ("REIT"), and healthcare sectors outperformed, while utilities, telecom, and consumer sectors lagged. Significant events in October 2024 included Prime Minister Anwar's goods and services tax ("GST") implementation announcements, the year 2025 national budget, currency pegging mechanism, and a 2.00% dividend income tax proposal.

In November 2024, the KLCI fell by 0.50% to 1,594 pts due to foreign investors profit-taking amid trade concerns and regional tensions. The YTD gain was reduced to 9.60%. Healthcare, plantation, and utilities sectors performed well, while telecom, energy, and industrial sectors lagged. Major gainers included Sunway, YTL Power, and Petronas Dagangan. Foreign investors sold RM3.11bil, with utilities, financial services, and consumer products as top sellers. Local institutional investors were the largest net buyers.

In December 2024, the KLCI index rose by 3.00%, closing at 1,642 pts and achieving a 12.90% gain for the year 2024. Local institutional investors and proprietary traders were net buyers, while foreign and retail investors were net sellers. Technology, healthcare, and utilities sectors performed well, while finance and consumer sectors lagged. YTL Power and Petronas Chemicals were top gainers in December 2024, whereas PPB Group and KLK Resources were the biggest losers. Key events included announcements on proposed targeted RON95 subsidies and significant investments in Malaysia.

The KLCI fell 5.00% in January 2025 due to sell-offs in AI and data centre-related proxies, following tighter US restrictions on AI chips and the launch of Chinese Artificial intelligence ("AI") chatbot DeepSeek. This marks the KLCI's steepest January 2025 decline since 1995. Foreign investors persistently net-sold RM3.1bil worth of equities in January 2025, with utilities and property sectors accounting for 35.00% of total net outflows. The REIT sector was the best performer, while the construction sector was the worst. The KLCI has averaged a return of 0.80% in February 2025 over the past 10 years and 2.20% over the past 47 years.

The KLCI rose 1.14% in February 2025, closing at 1,574 pts, despite a disappointing fourth quarter of year 2024 ("4Q2024") earnings season. Banks performed better, and foreign investors offloaded RM2.2bil worth of equities in February 2025, primarily in utilities, healthcare, and financial services sectors. The plantation sector was the best performer, while the technology sector was the worst. The KLCI has averaged a return of -1.00% in March 2025 over the past 10 years and -0.50% over the past 47 years. Key events to watch in March 2025 include the Bank Negara Malaysia ("BNM") Monetary Policy Committee ("MPC") Meeting, Federal Open Market Committee ("FOMC") Meeting, potential tariff relief for Mexico and Canada, US trade policy updates, and China's Two Session meetings.

In March 2025, the KLCI sharply declined by 3.90%, closing at 1,513, driven by foreign selling due to US tariff concerns. The KLCI underperformed the MSCI Asia ex-Japan index, which saw a smaller decline of approximately 0.71% in the same period. Foreign selling is estimated to have grown to a record RM4.6bil in March 2025, up sharply from RM2.2bil in February 2025, bringing first quarter of year 2025

("1Q2025") cumulative foreign outflows to RM9.96bil. For perspective, the 1Q2025 net outflow is 74.00% higher than the RM5.7bil recorded for the whole of year 2024. Foreign investors net sold across most sectors, with top net sell stocks including CIMB, Maybank, and Public Bank. Conversely, local institutions were net buyers in most sectors, with CIMB, Public Bank, and Maybank being their top net buy stocks. Top KLCI gainers were PPB Group, YTL Corp, and YTL Power, while Axiata, Nestlé, and CIMB saw the steepest declines.

MALAYSIA FIXED INCOME MARKET REVIEW

Malaysian fixed income market had a solid 1Q2025, with most benchmark indices on track to deliver a YTD return of approximately +1.40%. The positive returns were primarily driven by income accruals from underlying fixed income assets, while bond prices saw an uptick, supported by sustained demand from local investors. BNM continued to maintain a steady policy, leaving the overnight policy rate ("OPR") unchanged at 3.00%. This created a conducive and stable interest rate environment for fixed income assets to perform. Malaysia's fiscal position has also been improving, which has boosted investor confidence. The government successfully narrowed its fiscal deficit from a high of over 6.00% of the country's GDP to about 4.00% in year 2024, below the official target of 4.30%. The government has also set a target to further reduce the deficit to 3.80% in year 2025. Indeed, this combined factors of sustained local demand, steady BNM OPR and an improving fiscal position has contributed to the positive performance and shielded the local market from rising volatility seen in the global market – making the Malaysian fixed income market as one of the safe haven for investors who want stable returns amidst volatile markets.

ECONOMIC REVIEW AND OUTLOOK

In terms of monetary policy action, BNM have maintained the OPR unchanged at 3.00% in third quarter of year 2024 ("3Q2024"), holding rates at 3.00% for eighth consecutive meeting since July 2023. The language and guidance from BNM was fairly neutral as the central bank assessed that the risks to growth and inflation are largely balanced where upside risk. On growth, Malaysia's GDP growth data had been strong with first half of 2024 ("1H2024") clocking in a real growth rate of 5.10% due to strong export performance and realisation of approved investments – although BNM noted that downside risk persists from potentially lower external demand and commodity production. Meanwhile on inflation, Malaysia's inflation had been contained, with the latest Consumer Price Index ("CPI") moderating to 1.90% YoY in August 2024, which was a welcomed surprise as diesel price subsidy rationalisation was only implemented recently. Nonetheless BNM noted that the inflation outlook remains dependent on domestic policy measures such as the government's plan to rationalise subsidies (e.g. RON95 petrol prices). Ultimately, the full-year of 2024 GDP growth was recorded at 5.10% YoY mainly driven by robust private consumption (e.g. hotels, restaurants, transport) and strong private investments as private investment growth tripled to 12.30% (from 4.60% recorded in year 2023).

Meanwhile, Malaysia's headline CPI continued to moderate with the latest reading at 1.50% YoY in February 2025 due to lower inflation rates in housing, housing equipments and health care cost in recent months.

EQUITY MARKET OUTLOOK AND STRATEGY

Malaysia's economy faces potential headwinds due to global tariff adjustments, particularly the US's reduction of 90-day tariffs to 10.00% on all countries except China (which faces 125.00%). This could negatively impact Malaysia's export sector and overall GDP growth, potentially leading Malaysian businesses to prioritize domestic-oriented strategies. However, Malaysia might also benefit from trade diversion as manufacturers seek alternatives and foreign companies consider establishing operations there, boosting sectors like industrial properties and construction. Specific sectors like glove and semiconductor industries, previously affected by reciprocal tariffs, might see some relief, potentially leading to stock price recovery for Malaysian glove companies with US exposure. Conversely, Chinese glove makers might flood non-US markets with excess inventory, causing price pressure. Overall corporate earnings growth in Malaysia is projected to slow down in year 2025, although a 5% to 6% growth is still anticipated. Despite these challenges, the government's supportive policies, coupled with attractive market valuation and earnings yield, suggest a positive medium-term outlook. While short-term market volatility is expected due to tariff uncertainties and US Federal Reserve ("Fed") rate decisions, the index is seen as fundamentally strong and liquid. The government's key investment themes for year 2025, including large-scale infrastructure projects, leveraging global trade shifts, promoting stable domestic consumption, strengthening supply chain resilience, and favoring high-dividend-yielding stocks, aim to enhance portfolio resilience amidst ongoing uncertainties.

FIXED INCOME OUTLOOK AND STRATEGY

Our base case is unchanged where we expect BNM to hold the OPR unchanged at 3.00% for a prolonged period of time as Malaysia's inflation rate is now firmly below the 2.00% level. In our opinion, the risks to OPR change is tilted towards BNM cutting rate eventually as inflation concerns from RON95 subsidy rationalisation are likely to be more contained now, while the central bank focus have shifted towards managing the risks of a potential deeper slowdown arising from the now full-blown trade war between the US and China where the two countries have now implemented tit-for-tat tariffs on each other's key exports. The factors that supported the positive performance in the first quarter i.e. strong domestic demand and improving fiscal conditions by the government are also likely to continue into the second quarter providing a tailwind for the Malaysian fixed income assets to continue to perform positively. These factors, coupled by the increasing uncertainty about global growth which in turn would increase the appeal for fixed income assets in our view could shape up to be a strong year for fixed income assets to perform strongly in year 2025. In summary, we are positive on the fixed income market and we advocate portfolios to stay invested with increased allocation whenever any exacerbated selling occurs given heightened volatility by Trump 2.0.

FUND PERFORMANCE REVIEW

For the financial year under review, the RHB Smart Balanced Fund registered a return of 11.28%* against its benchmark return of -3.99%* The fund outperformed its benchmark by 15.27% during the financial year under review. The Net Asset Value per unit of the Fund was RM1.1233 (2024: RM1.0095) as at 31 March 2025.

The investment strategy and policy employed during the year under review were in line with the investment strategy and policy as stated in the prospectus.

** Source: Lipper Investment Management ("Lipper IM"), 11 April 2025*

PERFORMANCE DATA

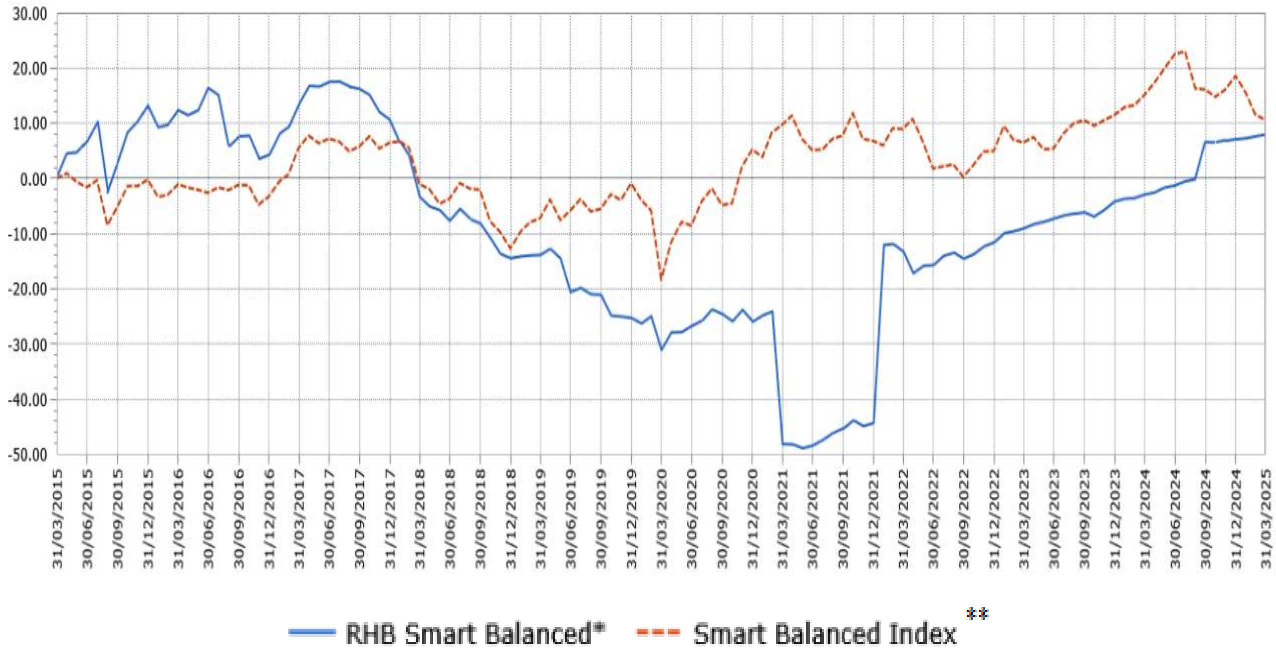
	Annual Total Returns Financial Year Ended 31 March				
	2025 %	2024 %	2023 %	2022 %	2021 %
RHB Smart Balanced Fund					
- Capital Return	11.28	6.69	4.75	67.46	(24.67)
- Income Return	-	-	-	-	-
- Total Return	11.28	6.69	4.75	67.46	(24.67)
SBF Index**	(3.99)	8.00	(2.24)	(0.66)	34.30

	Average Annual Returns			
	1 Year 31.03.2024– 31.03.2025 %	3 Years 31.03.2022– 31.03.2025 %	5 Years 31.03.2020– 31.03.2025 %	10 Years 31.03.2015– 31.03.2025 %
RHB Smart Balanced Fund	11.28	7.53	9.42	0.77
SBF Index**	(3.99)	0.49	6.24	1.01

** Effective from 7 August 2023, the performance of the Fund is benchmarked against a composite benchmark comprising 50% of the performance of the FTSE Bursa Malaysia Small Cap Index ("FBM Small Cap Index") and 50% of the RHB Bank Berhad's 12-month fixed deposit rate.

Prior to 7 August 2023, the performance of the Fund was benchmarked against a composite benchmark comprising 50% of the performance of the FBM Small Cap Index and 50% of the 12-month Fixed Deposit Rate by Malayan Banking Berhad.

Performance of RHB Smart Balanced Fund
for the period from 31 March 2015 to 31 March 2025
Cumulative Return Over The Period (%)



Source: Lipper IM, 11 April 2025

The abovementioned performance figures are indicative returns based on daily Net Asset Value of a unit (as per Lipper Database) since 31 March 2015.

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.

**A combination of benchmark/composite benchmark has been used for the performance computation as follows:

From 07 September 2004 to 06 August 2023	50% of the performance of the FBM Small Cap Index and 50% of the 12-month Fixed Deposit Rate by Malayan Banking Berhad.
07 August 2023 onwards	50% of the performance of the FTSE Bursa Malaysia Small Cap Index ("FBM Small Cap Index") and 50% of the RHB Bank Berhad's 12-month fixed deposit rate.

Fund Size	As at 31 March		
	2025	2024	2023
Net Asset Value (RM million)	6.16	8.06	7.55
Units In Circulation (million)	5.48	7.98	7.98
Net Asset Value Per Unit (RM)	1.1233	1.0095	0.9460

Historical Data	Financial Year Ended 31 March		
	2025	2024	2023
Unit Prices			
NAV - Highest (RM)	1.1233	1.0093	0.9460
- Lowest (RM)	1.0097	0.9463	0.8584
Distribution and Unit Split	-	-	-
Others			
Total Expense Ratio (TER) (%) #	1.73	1.72	1.74
Portfolio Turnover Ratio (PTR) (times) ##	0.13	-	-

\# 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 higher compared with the previous financial year due to more 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		
	2025	**2024**	**2023**
Sectors	**%**	**%**	**%**
Unquoted fixed income securities	87.71	97.01	99.81
Liquid assets and other net current assets	12.29	2.99	0.19
	100.00	100.00	100.00

The asset allocation of the Fund reflects the Manager's stance to risk manage the portfolio in the volatile markets.

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 SMART BALANCED FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2025

	Note	2025 RM	2024 RM
ASSETS			
Bank balances	5	50,697	56,322
Deposits with licensed financial institutions	5	727,023	205,273
Investments	6	5,399,742	7,814,389
TOTAL ASSETS		6,177,462	8,075,984
LIABILITIES			
Accrued management fee		7,831	10,194
Amount due to Trustee		313	408
Other payables and accruals		12,800	9,800
TOTAL LIABILITIES		20,944	20,402
NET ASSET VALUE		6,156,518	8,055,582
EQUITY			
Unit holders’ capital		16,892,397	19,663,010
Accumulated losses		(10,735,879)	(11,607,428)
		6,156,518	8,055,582
UNITS IN CIRCULATION (UNITS)	7	5,480,529	7,979,529
NET ASSET VALUE PER UNIT (RM)		1.1233	1.0095

The accompanying material accounting policy information and notes to the financial statements form an integral part of the financial statements.

RHB SMART BALANCED FUND
STATEMENT OF INCOME AND EXPENSES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025

	Note	2025 RM	2024 RM
INCOME			
Interest income from deposits with licensed financial institutions		9,372	3,537
Interest income from unquoted fixed income securities		401,244	419,984
Net realised gain on disposal		825,449	-
Net unrealised (loss)/gain on changes in fair value		(233,072)	218,178
		1,002,993	641,699
EXPENSES			
Management fee	8	(114,128)	(117,329)
Trustee's fee	9	(4,565)	(4,693)
Audit fee		(6,800)	(6,800)
Tax agent's fee		(3,000)	(3,000)
Other expenses		(2,951)	(2,820)
		(131,444)	(134,642)
Net income before taxation		871,549	507,057
Taxation	10	-	-
Net income after taxation		871,549	507,057
Net income after taxation is made up as follows:			
Realised amount		1,077,142	238,710
Unrealised amount		(205,593)	268,347
		871,549	507,057

The accompanying material accounting policy information and notes to the financial statements form an integral part of the financial statements.

RHB SMART BALANCED FUND
STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025

	Unit holders' capital RM	Accumulated losses RM	Total net asset value RM
Balance as at 1 April 2023	19,664,014	(12,114,485)	7,549,529
Movement in net asset value:			
Net income after taxation	-	507,057	507,057
Cancellation of units	(1,004)	-	(1,004)
Balance as at 31 March 2024	19,663,010	(11,607,428)	8,055,582
Balance as at 1 April 2024	19,663,010	(11,607,428)	8,055,582
Movement in net asset value:			
Net income after taxation	-	871,549	871,549
Cancellation of units	(2,770,613)	-	(2,770,613)
Balance as at 31 March 2025	16,892,397	(10,735,879)	6,156,518

The accompanying material accounting policy information and notes to the financial statements form an integral part of the financial statements.

RHB SMART BALANCED FUND
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025

	Note	2025 RM	2024 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		3,024,971	-
Interest received from deposits with licensed financial institutions		9,372	3,537
Interest received from unquoted fixed income securities		383,297	358,909
Management fee paid		(116,491)	(171,137)
Trustee's fee paid		(4,660)	(4,675)
Payment for other fees and expenses		(9,751)	(12,620)
Net cash generated from operating activities		3,286,738	174,014
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash paid for units cancelled		(2,770,613)	(1,004)
Net cash used in financing activities		(2,770,613)	(1,004)
Net increase in cash and cash equivalents		516,125	173,010
Cash and cash equivalents at the beginning of the financial year		261,595	88,585
Cash and cash equivalents at the end of the financial year	5	777,720	261,595

The accompanying material accounting policy information and notes to the financial statements form an integral part of the financial statements.

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

The RHB Smart Balanced Fund (hereinafter referred to as "the Fund") was constituted pursuant to the execution of a Master Deed dated 27 April 2004 as modified by the First Supplemental Master Deed dated 8 June 2004, Second Supplemental Master Deed dated 19 October 2005, Third Supplemental Master Deed dated 8 December 2005, Fourth Supplemental Master Deed dated 28 February 2006, Fifth Supplemental Master Deed dated 9 March 2006, Sixth Supplemental Master Deed dated 22 September 2006, Seventh Supplemental Master Deed dated 15 December 2006, Eighth Supplemental Master Deed dated 30 January 2007, Ninth Supplemental Master Deed dated 9 April 2007, Tenth Supplemental Master Deed dated 14 May 2007, Eleventh Supplemental Master Deed dated 15 May 2007, Twelfth Supplemental Master Deed dated 27 June 2007, Thirteenth Supplemental Master Deed dated 24 December 2007, Fourteenth Supplemental Master Deed dated 28 February 2013, Fifteenth Supplemental Master Deed dated 4 September 2013, Sixteenth Supplemental Master Deed dated 2 March 2015, Seventeenth Supplemental Master Deed dated 8 May 2015, Eighteenth Supplemental Master Deed dated 25 May 2015, Nineteenth Supplemental Master Deed dated 3 June 2015, Twentieth Supplemental Master Deed dated 11 December 2018 and Twenty-First Supplemental Master Deed dated 7 February 2023 (collectively referred to as "the Deeds") between RHB Asset Management Sdn Bhd ("the Manager") and HSBC (Malaysia) Trustee Berhad ("the Trustee").

The Fund was launched on 7 September 2004 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 maximise total returns through a combination of long term growth of capital and current income consistent with the preservation of capital through a combination of investments in companies with market capitalisation of not more than RM1 billion and investments in fixed income securities.

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 21 May 2025.

2. MATERIAL ACCOUNTING POLICY INFORMATION

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 material accounting policy information, 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 material to the financial statements.

(a) Standards and amendments to existing standards effective 1 April 2024

The Fund has applied the following standards and amendments for the first time for the financial period beginning 1 April 2024:

- 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 adoption of the above accounting standard, annual improvement and improvement does not give rise to any material financial impact to the Fund.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation of the financial statements (continued)

(b) New standards, amendments and interpretations effective after 1 April 2024 and have not been early adopted

- Amendments to MFRS 9 and MFRS 7 'Amendments to the Classification and Measurement of Financial Instruments' (effective 1 January 2026)

  - The amendments clarify that financial assets are derecognised when the rights to the cash flows expire or when the asset is transferred, and financial liabilities are derecognised at the settlement date (i.e. when the liability is extinguished or qualifies for derecognition.).
  - There is an optional exception to derecognise a financial liability at a date earlier than the settlement date if the cash transfer takes place through an electronic payment system, provided that all the specified criteria are met;
  - The amendments also clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest ("SPPI") criterion;
  - There are additional new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
  - The amendments update the disclosures for equity instruments designated at fair value through other comprehensive income ("FVOCI").

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation of the financial statements (continued)

(b) New standards, amendments and interpretations effective after 1 April 2024 and have not been early adopted (continued)

- MFRS 18 'Presentation and Disclosure in Financial Statements' (effective 1 January 2027) replaces MFRS 101 'Presentation of Financial Statements'.

  - The new MFRS introduces a new structure of profit or loss statement.

    a) Income and expenses are classified into 3 new main categories:
       - Operating category which typically includes results from the main business activities;
       - Investing category that presents the results of investments in associates and joint ventures and other assets that generate a return largely independently of other resources; and
       - Financing category that presents income and expenses from financing liabilities.

    b) Entities are required to present two new specified subtotals: 'Operating profit or loss' and 'Profit or loss before financing and income taxes'.

  - Management-defined performance measures are disclosed in a single note and reconciled to the most similar specified subtotal in MFRS Accounting Standards.

  - Changes to the guidance on aggregation and disaggregation which focus on grouping items based on their shared characteristics.

The Fund is currently still assessing the effect of the above standards and amendments. No other new standards or amendments to standards are expected to have a material effect on the financial statements of the Fund.

2. MATERIAL ACCOUNTING POLICY INFORMATION (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 measured 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 as financial assets measured at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

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 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.

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 unrealised gains or losses on changes in fair value in the financial year in which they arise.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Financial assets (continued)

<u>Recognition and measurement</u>

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.

<u>Impairment of financial assets</u>

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Financial assets (continued)

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.

2.3 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 accrued management fee, amount due to Trustee and other payables and accruals are recognised initially at fair value plus directly attributable transaction cost 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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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.

2.5 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 or losses on disposal of unquoted fixed income securities are measured by the difference between net disposal proceeds and the carrying amount of 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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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.

<u>Price risk</u>

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 RM5,399,742 (2024: RM7,814,389) 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.

<u>Interest rate risk</u>

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. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

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.

The table below summarises the sensitivity of the Fund's profit or loss 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.

% Change in interest rate	**Impact on profit or loss after taxation and net asset value**	
	2025	**2024**
	RM	**RM**
+1%	(22,121)	(37,722)
-1%	22,238	37,959

The Fund's exposure to interest rate risk arising 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. For investments in fixed income securities, risk is minimised by spreading its maturity profile. The credit risk arising from cash and cash equivalents is 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:

	Investments RM	Cash and cash equivalents RM	Total RM
2025			
AAA	-	777,720	777,720
A1	5,399,742	-	5,399,742
	5,399,742	777,720	6,177,462
2024			
AAA	-	261,595	261,595
A2	7,814,389	-	7,814,389
	7,814,389	261,595	8,075,984

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. As such, the Fund may not be able to sell such illiquid investments at an advantageous time or price to meet its liquidity requirements. 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.

	Less than 1 month RM	**Between 1 month to 1 year RM**
2025		
Accrued management fee	7,831	-
Amount due to Trustee	313	-
Other payables and accruals	-	12,800
	8,144	12,800
2024		
Accrued management fee	10,194	-
Amount due to Trustee	408	-
Other payables and accruals	-	9,800
	10,602	9,800

Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital of RM16,892,397 (2024: RM19,663,010) and accumulated losses of RM10,735,879 (2024: RM11,607,428). 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:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2025				
Financial assets at FVTPL:				
- Unquoted fixed income securities	-	5,399,742	-	5,399,742
2024				
Financial assets at FVTPL:				
- Unquoted fixed income securities	-	7,814,389	-	7,814,389

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:

	2025 RM	2024 RM
Bank balances	50,697	56,322
Deposits with licensed financial institutions	727,023	205,273
	777,720	261,595

6. INVESTMENTS

	2025 RM	2024 RM
Investments:		
- Unquoted fixed income securities	5,399,742	7,814,389

Investments as at 31 March 2025 are as follows:

Name of Instruments	Rating	Nominal Value RM	Cost RM	Fair Value RM	% of Net Asset Value %
UNQUOTED FIXED INCOME SECURITIES					
5.70% MEX I Capital Bhd 21/01/2037	A1	329,376	278,432	378,443	6.15
5.70% MEX I Capital Bhd 21/01/2038	A1	30,769	25,959	35,687	0.58
5.70% MEX I Capital Bhd 22/01/2039	A1	2,122,813	1,764,309	2,487,516	40.40
5.70% MEX I Capital Bhd 23/01/2040	A1	2,104,703	1,743,236	2,498,096	40.58
6.00% MEX II Sdn Bhd 31/12/2030	D*	1,700,000	1,799,835	-	-
6.20% MEX II Sdn Bhd 31/12/2030	D*	2,500,000	2,541,022	-	-
TOTAL UNQUOTED FIXED INCOME SECURITIES			**8,152,793**	**5,399,742**	**87.71**
TOTAL INVESTMENTS			**8,152,793**	**5,399,742**	**87.71**

6. INVESTMENTS (CONTINUED)

Investments as at 31 March 2024 are as follows:

Name of Instruments	Rating	Nominal Value RM	Cost RM	Fair Value RM	% of Net Asset Value %
UNQUOTED FIXED INCOME SECURITIES					
5.50% MEX I Capital Bhd 21/01/2037	A2	829,376	693,944	884,453	10.98
5.50% MEX I Capital Bhd 21/01/2038	A2	2,180,769	1,821,122	2,340,528	29.06
5.50% MEX I Capital Bhd 22/01/2039	A2	2,122,813	1,749,024	2,300,127	28.55
5.50% MEX I Capital Bhd 23/01/2040	A2	2,104,703	1,729,421	2,289,281	28.42
6.00% MEX II Sdn Bhd 29/04/2030	D*	1,700,000	1,799,835	-	-
6.20% MEX II Sdn Bhd 29/04/2032	D*	2,500,000	2,541,022	-	-
TOTAL UNQUOTED FIXED INCOME SECURITIES			**10,334,368**	**7,814,389**	**97.01**
TOTAL INVESTMENTS			**10,334,368**	**7,814,389**	**97.01**

6. INVESTMENTS (CONTINUED)

* 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.

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.

6. INVESTMENTS (CONTINUED)

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

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 had earlier 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.

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 the 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 parties to expedite the restructuring of the Sukuk.

6. INVESTMENTS (CONTINUED)

* <u>MEX II Sdn Bhd ("MEX II") RM1.30 billion Sukuk Murabahah Programme</u> (continued)

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 ("KKR") on 21 November 2023 and revised proposals on 15 March 2024 and 13 September 2024, which incorporates some feedback from the government agencies. Discussions with the government agencies remain ongoing.

7. UNITS IN CIRCULATION

	2025 Units	2024 Units
At beginning of the financial year	7,979,529	7,980,529
Cancellation of units during the financial year	(2,499,000)	(1,000)
At end of the financial year	5,480,529	7,979,529

8. MANAGEMENT FEE

In accordance with the Prospectus, the management fee provided in the financial statements is 1.50% (2024: 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% (2024: 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

	2025 RM	2024 RM
Current taxation	-	-

(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:

	2025 RM	2024 RM
Net income before taxation	871,549	507,057
Tax calculated at statutory income tax rate 24%	209,172	121,694
Tax effects of:		
- Investment income not subject to tax	(240,719)	(154,008)
- Expenses not deductible for tax purposes	2,101	2,140
- Restriction on tax deductible expenses	29,446	30,174
Tax expense	-	-

11. TOTAL EXPENSE RATIO ("TER")

	2025 %	2024 %
TER	1.73	1.72

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

12. PORTFOLIO TURNOVER RATIO ("PTR")

	2025	2024
PTR (times)	0.13	-

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:

	2025		2024	
	Units	RM	Units	RM
The Manager	2,535,466	2,848,089	4,424,663	4,466,697
RHB Capital Nominees (Tempatan) Sdn Bhd	201,857	226,746	271,326	273,904

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, are under nominees structure.

Other than the above, there were no units held by 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

Details of transactions by the Fund for the financial year ended 31 March 2025 are as follows:

Brokers/ Financial institutions	Value of trades RM	Percentage of total trades %	Brokerage fees RM	Percentage of total brokerage fees %
RHB Investment Bank Berhad*	3,024,970	100.00	-	-

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

* 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

	2025 RM	2024 RM
Financial assets		
Financial assets at FVTPL		
• Unquoted fixed income investments	5,399,742	7,814,389
Financial assets at amortised cost		
• Bank balances	50,697	56,322
• Deposits with licensed financial institutions	727,023	205,273
	777,720	261,595
Financial liabilities		
Financial liabilities at amortised cost		
• Accrued management fee	7,831	10,194
• Amount due to Trustee	313	408
• Other payables and accruals	12,800	9,800
	20,944	20,402

STATEMENT BY MANAGER
RHB SMART BALANCED FUND

We, Chin Yoong Kheong and Ng Chze How, 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 2025 and of its financial performance and cash flows for the financial year then ended and comply with the provisions of the Deeds.

On behalf of the Manager,

Chin Yoong Kheong	Ng Chze How
Director	Director

21 May 2025

TRUSTEE'S REPORT

To the unit holders of RHB Smart Balanced Fund ("Fund")

We have acted as Trustee of the Fund for the financial year ended 31 March 2025 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 87.71% of the Fund's NAV (as at 31 March 2025) and total value of investment in Maju Holdings Sdn Bhd (comprises of MEX II Sdn Bhd and MEX I Capital Bhd) amounting to 87.71% have inadvertently exceeded the investment spread limits as prescribed in paragraph (5), (7) and (10) respectively under Schedule B* of SC's Guidelines on Unit Trust Funds.

Fund's holding in MEX I Capital Berhad has also resulted in breach of the Fund's investment strategy as set out in the prospectus (i.e. minimum 40% of the Fund's NAV in securities of companies with market capitalization of not more than RM1 billion and maximum 60% of Fund's NAV invested in fixed income securities, money market instruments, cash and deposits with financial institutions).

Furthermore, Fund's holding in MEX II Sdn Bhd has also resulted in breach of the Fund's investment strategy (i.e. investment in quality fixed income securities comprising amongst others of corporate bonds carrying at least BBB rating by any Domestic Rating Agencies (as defined in the prospectus) or its equivalent rating by a reputable rating agency).

The Management Company will continue to monitor the position until rectified.

For HSBC (Malaysia) Trustee Berhad

Lee Cincee
Senior Manager, Trustee and Fiduciary Services

Kuala Lumpur
21 May 2025

*Paragraph (5) The value of a fund's investments in (a) transferable securities; and (b) money market instruments, issued by any single issuer must not exceed 15% 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) issued by the same issuer must be included in the calculation.

*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. In determining the single issuer limit, the value of the fund's investments in instruments in paragraph (3) of Schedule B of Guidelines on Unit Trust Funds issued by the same issuer must be included.

*Paragraph (10) The value of a fund's investments in transferable securities and money market instruments issued by any group of companies must not exceed 20% of the fund's NAV (group limit). In determining the group limit, the value of the fund's investments in instruments in paragraph (3) 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 SMART BALANCED FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of RHB Smart Balanced Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 31 March 2025 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 2025, 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 material accounting policy information, as set out on pages 14 to 39.

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.

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.

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.

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
21 May 2025

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

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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)*
Puan Sharizad Binti Juma’at *(Independent Non-Executive Director)*
Encik Mohd Farid Bin Kamarudin *(Chief Executive Officer / Managing Director)*
(Resigned with effect from 14 June 2024)
Mr Ng Chze How *(Chief Executive Officer / Managing Director)*
(Appointed with effect from 11 September 2024)

INVESTMENT COMMITTEE MEMBERS
YBhg Dato’ Darawati Hussain *(Independent Chairperson)*
Mr Chin Yoong Kheong
Puan Sharizad Binti Juma’at

CHIEF EXECUTIVE OFFICER/ACTING MANAGING DIRECTOR
Encik Mohd Farid Bin Kamarudin *(Resigned with effect from 14 June 2024)*
Mr Ng Chze How *(Appointed with effect from 11 September 2024)*

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 3615 Fax: 09-517 3612
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
Melaka Office	581B, Taman Melaka Raya 75000 Melaka Fax: 06-292 2212
Penang Office	3rd Floor, 44 Lebuh Pantai Georgetown, 10300 Penang Tel: 04-264 5639
Prai Office	No 38, First Floor Jalan Todak 2 Seberang Jaya 13700 Perai, Penang Tel: 04-386 6670 Fax: 04-386 6528

TRUSTEE	HSBC (Malaysia) Trustee Berhad
BANKER	RHB Bank Berhad
AUDITORS	PricewaterhouseCoopers PLT
TAX ADVISER	PricewaterhouseCoopers Taxation Services Sdn Bhd
DISTRIBUTORS	RHB Asset Management Sdn Bhd RHB Bank Berhad RHB Investment Bank Berhad Affin Bank Berhad AmBank Berhad AmInvestment Bank Berhad Areca Capital Sdn Bhd Astute Fund Management Berhad (APEX) CIMB Private Banking Citibank Berhad Genexus Advisory Sdn Bhd Hong Leong Bank Berhad iFAST Capital Sdn Bhd Kenanga Investors Berhad Maybank Berhad Manulife Asset Management Service Berhad OCBC Bank (M) Berhad Phillip Mutual Berhad Principal Asset Management Berhad Standard Chartered Bank (M) Berhad Standard Financial Adviser Sdn Bhd United Overseas Bank (M) Berhad UOB Kay Hian Securities (M) Sdn Bhd

RHB Asset Management

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