

RHB ISLAMIC BOND FUND

ANNUAL REPORT 2024

For the financial year ended 30 September 2024

GENERAL INFORMATION ABOUT THE FUND

Name, Category and Type

Fund Name - RHB Islamic Bond Fund

Fund Category - Bond (Shariah-compliant) Fund

Fund Type - Income

Investment Objective, Policy and Strategy

Objective of the Fund

To provide regular income to investors through investments in Islamic debt securities and bonds which are acceptable investment under the principles of Shariah.

Strategy

This Fund seeks to achieve its investment objective by structuring a portfolio as follows:

- Minimum of 60% and up to 95% of the Fund's Net Asset Value will be invested in sukuk.
- Minimum of 5% of the Fund's Net Asset Value will be invested in Islamic liquid assets acceptable under the Shariah principle.

Although the Fund is actively managed, how active or the frequency of its trading strategy will very much depend on market opportunities.

The Fund will invest in sukuk. Investments must carry a minimum long term or short term credit rating of investment grade as assigned by any Domestic Rating Agencies. To contain credit risk, the Manager will ensure that the diversification of credit rating (and duration standing) in the sukuk portfolio mitigate the overall risk position of the portfolio.

The Manager may also take temporary defensive measures that may be inconsistent with the Fund's principal strategy in attempting to respond to adverse market conditions, economics, political or any other conditions which the Manager deem detrimental to the Fund. The defensive measures that the Manager may undertake are in no way to be deviated from the mandates or breaching any laws and regulations. The Fund's strategies in yield enhancement for the portfolio will also be balanced with other investment needs of the Fund, such as liquidity and risk management. On liquidity management, the Fund will maintain sufficient amount of portfolio in liquid sukuk to accommodate redemption. As for risk management, the portfolio duration is kept at optimal level where yield enhancement can be optimised on risk adjusted

basis, and at the same time, balanced with the need for containing portfolio's volatility.

Hence, during the temporary defensive period, the Manager may choose to increase the asset allocation by allocating more investment into risk free investments which are Islamic money market instruments and Islamic Deposit in adverse market condition.

Performance Benchmark

Effective from 30 September 2023, the performance of the Fund is benchmarked against RHB Islamic Bank Berhad's 12-month Commodity Murabahah Deposit-i rate.

Prior to 30 September 2023, the performance of the Fund was benchmarked against Maybank Islamic Berhad's 12 months Islamic Fixed Deposit-i ("IFD-i") rate.

Permitted Investments

The Fund may invest or participate in sukuk traded on Eligible Markets and/or which are listed on Bursa Malaysia; Shariah-compliant warrants that carry the right in respect of a security traded in or under the rules of an Eligible Market; unlisted Shariah-compliant securities including Shariah-compliant securities not listed or quoted on a stock exchange but have been approved by the relevant regulatory authority for such listing or quotation and are offered directly to the Fund by the issuer; Islamic financial derivatives; Islamic collective investment schemes and Islamic structured products; Government Investment Issues (GII), Islamic accepted bills, Bank Negara Malaysia negotiable notes, cagamas mudharabah bonds and any other Malaysian government approved/guaranteed Islamic issues; sukuk generally in the form of corporate sukuk or Islamic commercial papers issued by private companies or public listed corporations that are traded in Eligible Markets; Islamic liquid assets (Islamic money market instruments and Islamic Deposits); and any other Shariah-compliant investments permitted by the Securities Commission from time to time.

Distribution Policy

Income, if any, will be distributed during the financial year.

MANAGER’S REPORT

MARKET REVIEW

Developed economies particularly the United States (“US”) and Europe, continue to face high global inflation rates in year 2023 following the post-pandemic economic reopening activities since year 2022. This has prompted international central banks to aggressively raise monetary policy in an effort to curb inflation. However, the inflation rates in some developed countries, particularly in Europe, have since moderated, while the labour market had soften – resulting in central banks to shift their focus towards managing downside risk in the labour market. As a result, most major central banks have started to adopt more accommodative monetary policies by cutting interest rate.

Notably, the US Federal Reserve (“Fed”) Board of the US slashed its Federal Funds Rate by 50-basis points (“bps”) to a range between 4.75% to 5.00% from 5.25% to 5.50% amid signs that inflation was moderating and the labor market was weakening. Meanwhile, the Bank of England (“BOE”) has cut their interest rate by 25 bps to 5.00% and the European Central Bank (“ECB”) by 85 bps to 3.65% following reduced inflationary pressures. The Fed’s 50 bps cut was bigger than expected where they have never cut by more than 25 bps outside of the emergency situations such as during COVID-19 or Global Financial Crisis. Fed Chair Jerome Powell also commented that the Fed has gained greater confidence that inflation is moving sustainably toward their target of 2.00% and the cut decision is to neutralize monetary policy, instead of a recessionary policy response.

For local scene, Bank Negara Malaysia (“BNM”) has maintained the Overnight Policy Rate (“OPR”) at 3.00% since May year 2023, grounded in a monetary policy that remains accommodative to economic growth. The decision also reflects confidence in the country’s steady economic performance and a positive outlook for growth and inflation. However, key risks remain on geopolitical tensions, financial market volatility and slower growth in major economies.

Malaysia’s second quarter of year 2024 (“2Q24”) Gross Domestic Product (“GDP”) grew by 5.90%, exceeding the 5.80% advance estimate and up from 4.20% in first quarter of year 2024 (“1Q24”). Private consumption, which represents nearly two-thirds of GDP, increased by 6.00%, a notable rise from previous quarters’ 4.00% to 5.00% growth. Wholesale and retail trade also improved, rising by 4.80% in 2Q24. For first half of 2024, the grow is averaging at 5.10% which is higher than the official GDP target of 4.00% to 5.00% for year 2024. The unemployment rate stayed low at 3.30% and real wage growth was positive at 0.80% (down from 0.90% in 1Q24), supported by policy measures and economic growth.

Despite the recent diesel subsidy removal and service tax reform, the latest inflation reading gives no signs of imminent mounting inflation pressure and averaging at 1.85% for the first 8 months in year 2024. As of August 2024, Malaysia’s Inflation and core inflation remained steady at 1.90% (July: 2.00% and 1.90%) respectively.

Food and beverage inflation decreased to 1.60%, while non-food inflation rose to 2.10%, driven by a 3.20% increase in housing, utilities, and gas costs.

The Ringgit continue to appreciate, gaining 11.80% against US Dollar (“USD”) year-to-date (“YTD”) year 2024 until September year 2024, making it one of the best performing currency in Asia. Foreign investors continue to invest into the Malaysian bond market in year 2024, recording a YTD net purchase of RM18.70 billion (“bil”) (2023: RM23.70 bil), primarily driven by strong domestic economic indicators, strong ringgit performance and the start of interest rate cut cycle in most major economies. Foreign holdings of government bonds (Malaysian Government Securities (“MGS”) and Government Investment Issue (“GII”)) as at September 2024 stood at 22.60% (December 2024: 22.70%) of the total outstanding.

As a result, the fixed income market in Malaysia registered positive return for the past 12 months with the Refinitiv-Bondstream Pricing Agency Malaysia (“BPAM”) Bond Index recorded a total return of 6.04%. The 10-years MGS benchmark yield decreased by 26 bps from 3.97% to 3.71%. Additionally, for the financial year ending 30 September 2024, the issuance of fixed income securities is in line with the previous year, amounting to RM107 bil compared to RM114 bil issued in the twelve months prior.

REVIEW OF FUND PERFORMANCE DURING THE FINANCIAL YEAR

For the financial year under review, the Fund has registered return of 7.68%* against its benchmark return of 2.70%*. The Fund outperformed its benchmark by 4.98% during the financial year under review. The Net Asset Value per unit of the Fund was RM0.9260 (2023: RM0.8912) as at 30 September 2024.

The Fund is working to meet its objective to provide investors with higher than average income returns compared to fixed deposits over the medium to long term.

** Source: Lipper Investment Management (“Lipper IM”), 14 October 2024*

MARKET OUTLOOK AND STRATEGY GOING FORWARD

Developed economies experienced stable yet stagnant growth in the first half of year 2024 (“1H24”), supported by easing inflation, steady employment and consumption, despite high interest rates. In the US, growth momentum remained positive during this period. However, challenges such as a cooling labor market, ongoing inflation in service prices, elevated consumer debt levels and rising political uncertainty ahead of the November year 2024 elections are expected to impact US economic growth in the latter half of year 2024 and into year 2025.

The new Fed dot plot released in September year 2024 shows 2.50 points of total interest rate cuts by year end year 2026, including the 50 bps rate cut in September year 2024. This would reduce the Fed funds rate target range from 5.25% to 5.50%

before the cut to 2.75% to 3.00% in year 2026. Market also now assessing the US fiscal outlook post November 2024 election. Concerns are focused on a widening fiscal deficit under Trump presidency and potentially inflationary for the economy due to his tariff proposal.

For Malaysia, BNM will likely maintain the OPR at 3.00% for the remainder of year 2024, citing manageable inflation pressures, stable domestic demand, and resilient growth prospects. Growth is expected to continue its momentum for the remaining two quarter of the year driven by expectations of a recovery in external demand and strong domestic spending and continue improvement on domestic labour market. However, Malaysia economy still poised to some key downside risks, including lower-than-expected external recovery demand following the ongoing escalation of the Middle East conflict. With regards to lifting the RON95 price cap, government remain silent on the timeline, although market widely expect this to be done on a very gradual basis.

Going forward, local bond is expected to be well supported buoyed by confidence that Fed will continue to deliver rate cuts in year 2025. Investors who are seeking for higher yield assets will continue to reallocate their portfolios, potentially benefitting Malaysian debt market as funds shift from the developed market to emerging market. For Malaysia's case, expectation of stable inflation rates, unchanged monetary policy and the potential for the ringgit to continue outperform against peers make local bonds appealing to the foreign investors. Sovereign credit ratings with a 'stable' outlook from S&P and Fitch further boost attractiveness. Furthermore, Malaysia government's emphasis on fiscal consolidation also limits supply risk of government securities with lower estimation on bond supply in year 2025 to align with the year 2024 to year 2026 Medium Term Fiscal Framework.

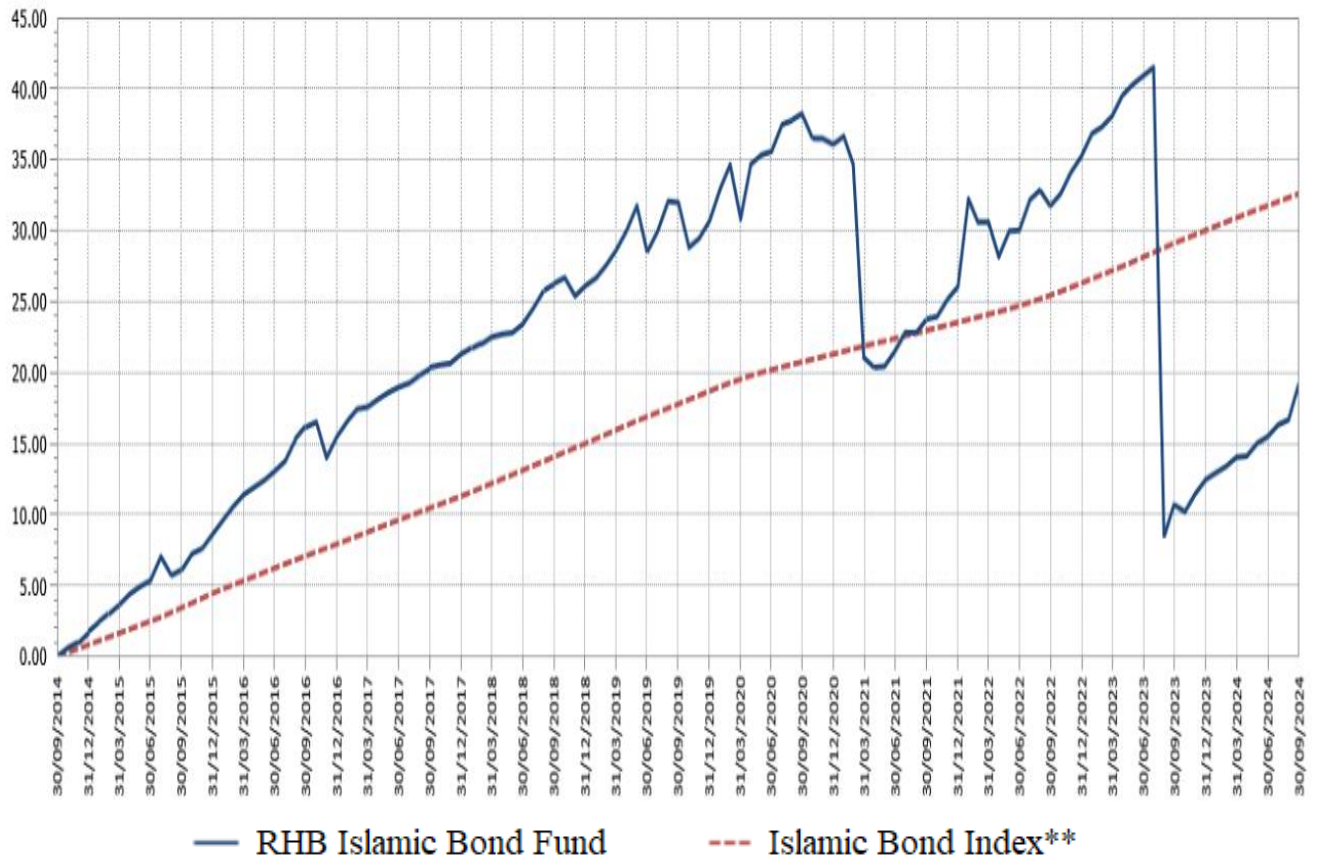
To navigate these conditions, Fund Manager prefers shifting towards higher-quality and more liquid assets while closely monitoring credit metrics in the face of prolonged restrictive monetary conditions. Duration wise, Fund Manager advocates the strategy to adopt slightly overweight position and selectively take profits on credits.

PERFORMANCE DATA

	Annual Total Returns				
	Financial Year Ended 30 September				
	2024	2023	2022	2021	2020
	%	%	%	%	%
RHB Islamic Bond Fund					
- Capital Return	3.92	(18.64)	(1.64)	(17.20)	0.28
- Income Return	3.63	3.33	8.26	8.08	4.47
- Total Return	7.68	(15.93)	6.48	(10.51)	4.76
Islamic Bond Index**	2.70	2.93	2.02	1.85	2.53

	Average Annual Returns			
	1 Year	3 Years	5 Years	10 Years
	30.09.2023-	30.09.2021-	30.09.2019-	30.09.2014-
	30.09.2024	30.09.2024	30.09.2024	30.09.2024
	%	%	%	%
RHB Islamic Bond Fund	7.68	(1.22)	(2.00)	1.77
Islamic Bond Index**	2.70	2.55	2.40	2.86

**Performance of RHB Islamic Bond Fund
for the year from 30 September 2014* to 30 September 2024
Cumulative Return Over The Year (%)**



Source: Lipper IM, 14 October 2024

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

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

** Effective 30 September 2023, the Fund’s composite benchmark (Islamic Bond Index) was changed from Maybank Islamic Berhad’s 12 months Islamic Fixed Deposit-i (“IFD-i”) rate to RHB Islamic Bank Berhad’s 12-month Commodity Murabahah Deposit-i rate. The Fund’s composite benchmark performance has been adjusted to reflect the new benchmark.

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

From 25 November 2002 – 31 December 2015	Maybank Islamic Berhad's 12 Months General Investment Account Rate
From 1 January 2016 – 30 September 2023	Maybank Islamic Berhad's 12 months IFD-i rate
30 September 2023 onwards	RHB Islamic Bank Berhad's 12-month Commodity Murabahah Deposit-i rate

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.

Fund Size	As at 30 September		
	2024	2023	2022
Net Asset Value (RM million)*	140.47	92.07	119.70
Units In Circulation (million)	151.69	103.31	109.29
Net Asset Value Per Unit (RM)*	0.9260	0.8912	1.0953

Historical Data	Financial Year Ended 30 September		
	2024	2023	2022
Unit Prices			
NAV - Highest (RM)*	0.9430	1.1781	1.1980
- Lowest (RM)*	0.8861	0.8855	0.9680
Distribution and Unit Split			
Gross Distribution Per Unit (sen)	3.3000	2.9500	9.0000
Net Distribution Per Unit (sen)	3.3000	2.9500	9.0000
Distribution Date	25.09.2024	25.09.2023	28.09.2022
NAV before distribution (cum)	0.9430	0.9131	1.1821
NAV after distribution (ex)	0.9102	0.8855	1.0898
Unit Split	-	-	-
Others			
Total Expense Ratio (TER) (%) #	1.42	0.12	1.22
Portfolio Turnover Ratio (PTR) (times) ##	0.62	0.08	0.27

* *The figures quoted are ex-distribution*

The TER for the financial year was higher compared with previous financial year due to higher expenses incurred for the financial year under review.

The PTR for the financial year was higher compared with previous financial year due more investments activities for the financial year under review.

DISTRIBUTION

For the financial year under review, the Fund has declared a total net distribution of 3.3000 sen per unit, which is equivalent to a net yield of 3.60% based on the average net asset value for the financial year.

PORTFOLIO STRUCTURE

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

	As at 30 September		
	2024	2023	2022
	%	%	%
Sectors			
Unquoted sukuk	95.26	89.82	97.18
Liquid assets and other net current assets	4.74	10.18	2.82
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

The asset allocation was reflective of the Manager's stance to risk manage its portfolio in an environment of 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 ISLAMIC BOND FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2024**

	<u>Note</u>	<u>2024</u> RM	<u>2023</u> RM
ASSETS			
Bank balances	5	13,475,690	12,564,858
Investments	6	133,804,363	82,704,428
Amount due from Manager		35,515	891
TOTAL ASSETS		<u>147,315,568</u>	<u>95,270,177</u>
LIABILITIES			
Amount due to Manager		928	126,266
Accrued management fee		1,814,358	-
Amount due to Trustee		11,670	7,760
Distribution payable		5,004,626	3,051,888
Other payables and accruals		16,875	13,075
TOTAL LIABILITIES		<u>6,848,457</u>	<u>3,198,989</u>
NET ASSET VALUE		<u>140,467,111</u>	<u>92,071,188</u>
EQUITY			
Unit holders' capital		194,283,288	151,134,173
Accumulated losses		(53,816,177)	(59,062,985)
		<u>140,467,111</u>	<u>92,071,188</u>
UNITS IN CIRCULATION (UNITS)	8	<u>151,693,325</u>	<u>103,306,826</u>
NET ASSET VALUE PER UNIT (EX-DISTRIBUTION) (RM)		<u>0.9260</u>	<u>0.8912</u>

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

**RHB ISLAMIC BOND FUND
STATEMENT OF INCOME AND EXPENSES
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2024**

	<u>Note</u>	<u>2024</u> RM	<u>2023</u> RM
INCOME/(LOSS)			
Profit income from Islamic deposits with licensed financial institutions		543,895	361,628
Profit income from unquoted sukuk		5,827,121	3,493,091
Net realised gain on disposal		757,501	67,338
Net unrealised gain/(loss) on changes in fair value		5,091,968	(22,334,072)
		<u>12,220,485</u>	<u>(18,412,015)</u>
EXPENSES			
Management fee	9	(1,814,358)	-
Trustee's fee	10	(138,250)	(124,228)
Audit fee		(9,275)	(9,275)
Tax agent's fee		(3,800)	(7,400)
Other expenses		(3,369)	(5,923)
		<u>(1,969,052)</u>	<u>(146,826)</u>
Net income/(loss) before taxation		10,251,433	(18,558,841)
Taxation	11	-	-
Net income/(loss) after taxation		<u>10,251,433</u>	<u>(18,558,841)</u>
Net income/(loss) after taxation is made up as follow:			
Realised amount		4,860,048	3,027,928
Unrealised amount		5,391,385	(21,586,769)
		<u>10,251,433</u>	<u>(18,558,841)</u>

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

RHB ISLAMIC BOND FUND
STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2024

	Unit holders’ capital RM	Accumulated losses RM	Total net asset value RM
Balance as at 1 October 2022	157,151,461	(37,452,256)	119,699,205
Movement in net asset value:			
Net loss after taxation	-	(18,558,841)	(18,558,841)
Creation of units arising from distribution	9,770,692	-	9,770,692
Creation of units arising from applications	3,994,202	-	3,994,202
Cancellation of units	(19,782,182)	-	(19,782,182)
Distribution (Note 12)	-	(3,051,888)	(3,051,888)
Balance as at 30 September 2023	<u>151,134,173</u>	<u>(59,062,985)</u>	<u>92,071,188</u>
Balance as at 1 October 2023	151,134,173	(59,062,985)	92,071,188
Movement in net asset value:			
Net income after taxation	-	10,251,433	10,251,433
Creation of units arising from distribution	3,017,055	-	3,017,055
Creation of units arising from applications	61,378,953	-	61,378,953
Cancellation of units	(21,246,893)	-	(21,246,893)
Distribution (Note 12)	-	(5,004,625)	(5,004,626)
Balance as at 30 September 2024	<u>194,283,288</u>	<u>(53,816,177)</u>	<u>140,467,111</u>

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

**RHB ISLAMIC BOND FUND
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2024**

	<u>Note</u>	<u>2024</u> RM	<u>2023</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from redemption of Shariah-compliant investments		6,700,000	4,276,800
Proceeds from sale of Shariah-compliant investments		57,063,544	10,398,705
Purchase of Shariah-compliant investments		(108,029,575)	(4,421,700)
Profit income received from Islamic deposits with licensed financial institutions		543,895	361,628
Profit income received from unquoted sukuk		4,842,686	4,597,414
Management fee paid		-	(1,500,687)
Trustee's fee paid		(134,340)	(127,335)
Payment for other fees and expenses		(12,644)	(30,198)
Net cash (used in)/generated from operating activities		<u>(39,026,434)</u>	<u>13,554,627</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		61,344,329	3,993,311
Cash paid for units cancelled		(21,372,231)	(20,020,037)
Cash paid for income distribution		(34,832)	(95,353)
Net cash generated from/(used in) financing activities		<u>39,937,266</u>	<u>(16,122,079)</u>
Net increase/(decrease) in cash and cash equivalents		910,832	(2,567,452)
Cash and cash equivalents at the beginning of the financial year		<u>12,564,858</u>	<u>15,132,310</u>
Cash and cash equivalents at the end of the financial year	5	<u>13,475,690</u>	<u>12,564,858</u>

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

**RHB ISLAMIC BOND FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2024**

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

The RHB Islamic Bond Fund (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of a Master deed (Shariah funds) dated 12 June 2008 as amended via its first supplemental master deed (Shariah funds) dated 19 June 2009, second supplemental master deed (Shariah funds) dated 18 November 2009, third supplemental master deed (Shariah funds) dated 23 November 2009, fourth supplemental master deed (Shariah funds) dated 13 April 2012, fifth supplemental master deed (Shariah funds) dated 28 May 2012, seventh supplemental master deed (Shariah funds) dated 30 April 2013, eighth supplemental master deed (Shariah funds) dated 24 September 2013, ninth supplemental master deed (Shariah funds) dated 2 March 2015, tenth supplemental master deed (Shariah funds) dated 20 May 2015 and eleventh supplemental master deed (Shariah funds) dated 9 March 2023 (collectively referred to as “the Deeds”) between RHB Asset Management Sdn Bhd (“the Manager”) and CIMB Islamic Trustee Berhad (“the Trustee”).

The Fund was launched on 25 August 2000 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 defined in the Master Deeds, which includes sukuk, all types of Islamic collective investment schemes, Islamic money market instruments and any other form of investments as may be approved by the relevant authorities from time to time and acceptable under the Shariah principles.

The Fund’s activities shall be conducted strictly in accordance with the requirement of the Shariah principles and shall be monitored by the Shariah Adviser of the Fund.

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 provide regular income to investors through investments in Islamic fixed income instruments and sukuk which are acceptable investments under the principles of Shariah.

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 25 November 2024.

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 significant to the financial statements.

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

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

(b) New standards, amendments and interpretations effective after 1 October 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 October 2022. 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 October 2024.

The amendment shall be applied retrospectively.

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 payments of principal and profit, 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 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 loss 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 financial year in which they arise.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Financial assets (continued)

Recognition and measurement (continued)

Profit income from unquoted sukuk at fair value through profit or loss is recognised in the statement of income and expenses.

Unquoted sukuk 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 sukuk 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.

Islamic deposits with licensed financial institutions are stated at cost plus accrued profit calculated on the effective profit method over the period 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 profit method.

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.

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 profit 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 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, distribution payable, and other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective profit 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' contribution to the Fund meet the criteria of the definition of puttable instruments to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". Those 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 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

Profit income from short-term Islamic deposits with licensed financial institutions and unquoted sukuk are recognised on an accrual basis using the effective profit method.

Profit income is calculated by applying the effective profit 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 profit rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

Realised gains or losses on sale of unquoted sukuk is measured by the difference between net disposal proceeds and the carrying amounts of the Shariah-compliant investments (adjusted for accretion of discount or amortisation of premium).

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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 profit 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 which is subject to an insignificant risk of changes in value.

2.8 Distribution

Distribution to the Fund's unit holders is accounted for as a deduction from realised reserves. A proposed distribution is recognised as a liability in the financial year in which it is approved by the Trustee.

2.9 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, profit rate risk, credit risk, liquidity risk, Shariah specific 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 Shariah-compliant investment of the Fund will fluctuate because of changes in market prices (other than those arising from profit rate risk).

The Fund is exposed to price risk arising from profit rate risk in relation to its Shariah-compliant investments of RM133,804,363 (2023: RM82,704,428) in unquoted sukuk. The Fund's exposure to price risk arising from profit rate risk and the related sensitivity analysis are disclosed in "Profit rate risk" below.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Profit rate risk

In general, when profit rates rise, unquoted sukuk prices will tend to fall and vice versa. Therefore, the net asset value of the Fund may also tend to fall when profit rates rise or are expected to rise. However, investors should be aware that should the Fund hold an unquoted sukuk 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 profit 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 profit rate trend of the Manager, which is based on its continuous fundamental research and analysis.

This risk is crucial since unquoted sukuk portfolio management depends on forecasting profit rate movements. Unquoted sukuk with longer maturity and lower yield coupon rates are more susceptible to profit rate movements.

The table below summarises the sensitivity of the Fund's profit or loss after taxation and net asset value to movements in prices of unquoted sukuk held by the Fund as a result of movement in profit rate. The analysis is based on the assumptions that the profit rate fluctuates by +/- 1% with all other variables held constant.

<u>% Change in profit rate</u>	<u>Impact on profit or loss after taxation and net asset value</u>	
	<u>2024</u> RM	<u>2023</u> RM
+1%	(359,946)	(308,650)
- 1%	361,436	310,272

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 profit due on that investment. Credit risk arising from unquoted sukuk 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 risk arising from cash and cash equivalents is managed by ensuring that the Fund will only maintain cash balances with 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 Fund.

The following table sets out the credit risk concentrations and counterparties of the Fund.

	<u>Investments</u> RM	<u>Cash and cash equivalents</u> RM	<u>Other financial assets*</u> RM	<u>Total</u> RM
<u>2024</u>				
AAA	3,620,766	-	-	3,620,766
AA1	7,088,322	13,475,690	-	20,564,012
AA1 S	1,024,144	-	-	1,024,144
AA2	2,051,075	-	-	2,051,075
AA3	8,698,290	-	-	8,698,290
AA-	11,838,264	-	-	11,838,264
A	2,750,874	-	-	2,750,874
A1	62,432,288	-	-	62,432,288
A3	7,770,921	-	-	7,770,921
A-	7,239,967	-	-	7,239,967
Non-rated	19,289,452	-	-	19,289,452
Others	-	-	35,515	35,515
	<u>133,804,363</u>	<u>13,475,690</u>	<u>35,515</u>	<u>147,315,568</u>

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

The following table sets out the credit risk concentrations and counterparties of the Fund. (continued)

	<u>Investments</u> RM	<u>Cash and cash equivalents</u> RM	<u>Other financial assets*</u> RM	<u>Total</u> RM
<u>2023</u>				
AAA	1,598,344	-	-	1,598,344
AA1	-	12,564,858	-	12,564,858
AA3	4,235,678	-	-	4,235,678
AA-	987,829	-	-	987,829
A	10,246,654	-	-	10,246,654
A1	2,964,151	-	-	2,964,151
A2	43,427,681	-	-	43,427,681
BBB	1,503,042	-	-	1,503,042
Non-rated	17,741,049	-	-	17,741,049
Others	-	-	891	891
	<u>82,704,428</u>	<u>12,564,858</u>	<u>891</u>	<u>95,270,177</u>

* Comprise of amount due from Manager and other receivables.

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.

	<u>Less than 1 month</u> RM	<u>Between 1 month to 1 year</u> RM
<u>2024</u>		
Amount due to Manager	928	-
Accrued management fee	1,814,358	-
Amount due to Trustee	11,670	-
Distribution payable	5,004,626	-
Other payables and accruals	-	16,875
	<u>6,831,582</u>	<u>16,875</u>
<u>2023</u>		
Amount due to Manager	126,266	-
Amount due to Trustee	7,760	-
Distribution payable	3,051,888	-
Other payables and accruals	-	13,075
	<u>3,185,914</u>	<u>13,075</u>

Shariah specific risk

The risk that the investments do not conform to the principle of Shariah may result in those investments being not Shariah-compliant. Should the situation arise, necessary steps shall be taken to dispose of such investments in accordance with the rules of divestment of non Shariah-compliant investments. If this occurs, the Fund could suffer losses from the disposal and thus, adversely affecting the value of the Fund.

Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital of RM194,283,288 (2023: RM151,134,173) and accumulated losses of RM53,816,177 (2023: RM59,062,985). 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 Islamic 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> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>2024</u>				
Financial assets at FVTPL:				
- Unquoted sukuk	-	133,804,363	-	133,804,363
<u>2023</u>				
Financial assets at FVTPL:				
- Unquoted sukuk	-	82,704,428	-	82,704,428

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. Level 2 instruments include unquoted sukuk. 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	<u>13,475,690</u>	<u>12,564,858</u>

6. INVESTMENTS

	<u>2024</u> RM	<u>2023</u> RM
Investments:		
- Unquoted sukuk	<u>133,804,363</u>	<u>82,704,428</u>

Investments as at 30 September 2024 are as follows:

<u>Name of Instruments</u>	<u>Rating</u>	<u>Nominal</u> <u>Value</u> RM	<u>Cost</u> RM	<u>Fair Value</u> RM	<u>% of Net</u> <u>Asset</u> <u>Value</u> %
UNQUOTED SUKUK					
4.100% Aeon Credit Senior Sukuk (S6T2) IMTN 22/08/2030	AA3	3,000,000	3,025,770	3,027,879	2.16
5.600% Alpha Circle Sdn Bhd IMTN 18/11/2022	C*	378,000	378,000	-	-
5.700% Alpha Circle Sdn Bhd IMTN 18/11/2022	C*	7,000,000	7,000,000	-	-
6.000% Alpha Circle Sdn Bhd 31/05/2023	D*	20,200,001	20,709,320	-	-
4.660% Alliance Investment Bank Berhad IMTN5 Perpetual AT1 Sukuk Wakalah 13/10/2028	A3	2,500,000	2,560,580	2,615,655	1.89
5.100% Alliance Investment Bank Berhad IMTN6 T2 Sukuk Murabahah 10/10/2028	A1	2,500,000	2,584,373	2,601,969	1.85
4.100% Am Islamic 09/05/2031	AA2	2,000,000	2,032,575	2,051,075	1.46

6. INVESTMENTS (CONTINUED)

Investments as at 30 September 2024 are as follows: (continued)

<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> %
UNQUOTED SUKUK (CONTINUED)					
4.700% Bank Islam Malaysia Berhad IMTN 17/10/2033	A1	2,500,000	2,553,760	2,603,660	1.85
4.150% Dialog Perpetual Sukuk Wakalah Tranche No. 1 16/11/2027	A1	5,000,000	5,052,274	5,053,502	3.60
4.850% DRB-Hicom IMTN 04/08/2028	AA-	1,500,000	1,511,767	1,558,607	1.11
3.447% GII Murabahah 1/2021 15/07/2036	Non-rated	5,000,000	5,036,210	4,845,331	3.45
4.467% GII Murabahah 2/2019 15/09/2039	Non-rated	500,000	548,251	532,373	0.38
3.804% GII Murabahah 2/2024 08/10/2031	Non-rated	2,500,000	2,556,620	2,563,481	1.82
4.755% GII Murabahah 5/2017 04/08/2037	Non-rated	7,500,000	8,652,389	8,213,740	5.85
4.119% GII Murabahah 6/2019 30/11/2034	Non-rated	3,000,000	3,307,763	3,134,527	2.23
5.770% Jimah East Power Sdn Bhd IMTN - Tranche 18 04/12/2029	AA-	1,500,000	1,616,673	1,648,923	1.17
6.200% Jimah East Power Sdn Bhd IMTN 04/12/2031	AA-	1,500,000	1,675,652	1,720,026	1.22
4.720% Johor Corporation 11/06/2027	AAA	3,500,000	3,587,276	3,620,766	2.58
4.240% Malayan Cement 03/07/2029	AA3	1,500,000	1,519,469	1,531,117	1.09
4.120% Malayan Cement 02/07/2027	AA3	1,500,000	1,517,438	1,525,387	1.09
5.050% MBSB Bank IMTN 20/12/2029	A3	2,000,000	2,032,065	2,033,361	1.45

6. INVESTMENTS (CONTINUED)

Investments as at 30 September 2024 are as follows: (continued)

<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> %
UNQUOTED SUKUK (CONTINUED)					
5.250% MBSB Bank IMTN 19/12/2031	A3	3,000,000	3,094,696	3,121,905	2.22
5.500% MEX I Capital Berhad IMTN Tranche 13 21/01/2037	A1**	8,293,757	7,115,183	9,529,931	6.78
5.500% MEX I Capital Berhad IMTN Tranche 14 21/01/2038	A1**	21,807,692	18,668,261	25,300,601	18.01
5.500% MEX I IMTN Tranche 15 21/01/2039	A1**	5,187,341	4,231,899	6,081,475	4.33
5.500% MEX I IMTN Tranche 16 23/01/2040	A1**	3,683,230	2,922,707	4,372,800	3.11
5.500% MEX I IMTN Tranche 5 22/01/2029	A1**	633,802	633,962	672,114	0.48
5.500% MEX I IMTN Tranche 6 21/01/2030	A1**	1,519,751	1,518,919	1,621,162	1.15
5.700% MEX II Sdn Bhd MTN 29/04/2027	D***	10,000,000	10,402,983	-	-
5.800% MEX II Sdn Bhd IMTN 28/04/2028	D***	15,000,000	15,724,689	-	-
6.000% MEX II Sdn Bhd IMTN 29/04/2030	D***	7,000,000	7,354,184	-	-
6.200% MEX II Sdn Bhd IMTN 29/04/2032	D***	11,500,000	12,305,497	-	-
MNRB Holdings Berhad IMTN 22/03/2034	A1	4,500,000	4,530,305	4,595,074	3.27
4.660% Malaysian Resources Corporation Berhad 16/10/2026	AA-	3,000,000	3,078,081	3,091,390	2.20
4.330% Sabah Credit Corporation IMTN 24/07/2029	AA1	2,000,000	2,034,805	2,052,531	1.46

6. INVESTMENTS (CONTINUED)

Investments as at 30 September 2024 are as follows: (continued)

<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> %
UNQUOTED SUKUK (CONTINUED)					
5.130% Solar Management (Seremban) Sdn Bhd IMTN 21/10/2036	AA3	2,000,000	2,077,809	2,073,138	1.48
5.410% Southern Power Generation IMTN 29/04/2033	AA-	2,500,000	2,769,436	2,801,039	1.99
6.200% Tanjung Bin Energy Sdn Bhd MTN 16/03/2032	AA3	500,000	510,428	540,769	0.38
3.95% TG Excellence Sukuk Wakalah 27/02/2120	A	2,750,000	2,748,532	2,750,874	1.96
4.300% UEM Olive Capital Berhad IMTN 06/12/2028	AA1 S	1,000,000	1,014,836	1,024,144	0.73
4.800% UITM Solar Power Dua Sdn Bhd IMTN12 04/03/2033	AA-	1,000,000	1,006,797	1,018,279	0.72
6.000% WCT Holdings Berhad IMTN 27/09/2119	A-	7,000,000	7,212,877	7,239,967	5.15
4.180% YTL Power International Berhad IMTN 18/03/2036	AA1	2,000,000	1,999,330	2,019,838	1.44
4.195% YTL Power International Berhad IMTN 26/08/2039	AA1	3,000,000	3,014,101	3,015,953	2.15
TOTAL UNQUOTED SUKUK			<u>195,428,542</u>	<u>133,804,363</u>	<u>95.26</u>

6. INVESTMENTS (CONTINUED)

Investments as at 30 September 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> %
UNQUOTED SUKUK					
5.600% Alpha Circle Sdn Bhd IMTN 18/11/2022	C*	378,000	378,000	-	-
5.700% Alpha Circle Sdn Bhd IMTN 18/11/2022	C*	7,000,000	7,000,000	-	-
6.000% Alpha Circle Sdn Bhd IMTN 31/05/2023	C*	20,200,000	20,709,320	-	-
5.600% BGSM Management Sdn Bhd 27/12/2023	AA3	1,700,000	1,725,948	1,731,510	1.88
4.150% Dialog Perpetual Sukuk Wakalah Tranche No.1 16/11/2027	AA1	3,000,000	3,047,071	2,964,151	3.22
3.726% GII Murabahah 3/2019 31/03/2026	Non-rated	1,400,000	1,469,191	1,432,241	1.55
4.119 % GII Murabahah 6/2019 30/11/2034	Non-rated	3,000,000	3,329,534	3,051,638	3.31
3.447% GII Murabahah 1/2021 15/07/2036	Non-rated	5,000,000	5,035,829	4,695,285	5.10
4.755% GII Murabahah 5/2017 04/08/2037	Non-rated	7,500,000	8,719,375	8,047,153	8.74
4.467% GII Murabahah 2/2019 15/09/2039	Non-rated	500,000	550,555	514,732	0.56
2.500% MEX I Capital Berhad IMTN 22/01/2029	A2**	633,802	632,125	658,776	0.71
2.500% MEX I Capital Berhad IMTN 21/01/2030	A2**	1,519,751	1,514,986	1,579,573	1.72
2.500% MEX I Capital Berhad IMTN 21/01/2037	A2**	8,293,758	7,046,149	8,727,961	9.48
2.500% MEX I Capital Berhad IMTN 21/01/2038	A2**	21,807,692	18,502,462	23,038,802	25.02

6. INVESTMENTS (CONTINUED)

Investments as at 30 September 2023 are as follows: (continued)

<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> %
UNQUOTED SUKUK (CONTINUED)					
2.500% MEX I Capital Berhad IMTN 21/01/2039	A2**	5,187,341	4,189,499	5,504,043	5.98
5.200% MEX I Capital Berhad IMTN 23/01/2040	A2**	3,683,230	2,893,192	3,918,526	4.26
5.700% MEX II Sdn Bhd IMTN 29/04/2027	D***	10,000,000	10,402,983	-	-
5.800% MEX II Sdn Bhd IMTN 28/04/2028	D***	15,000,000	15,724,689	-	-
6.000% MEX II Sdn Bhd IMTN 28/04/2030	D***	7,000,000	7,354,184	-	-
6.200% MEX II Sdn Bhd IMTN 29/04/2032	D***	11,500,000	12,305,497	-	-
6.350% Muamalat AT1 Sukuk Wakalah 29/09/2122	BBB	1,500,000	1,500,522	1,503,042	1.63
5.130% Solar Management (Seremban) Sdn Bhd IMTN 21/10/2036	AA3	2,000,000	2,078,891	1,981,234	2.15
6.200% Tanjung Bin Energy IMTN 16/03/2032 (Tranche 22)	AA3	500,000	511,309	522,934	0.57
4.980% Tenaga Nasional Berhad IMTN 27/08/2038	AAA	1,500,000	1,577,360	1,598,344	1.74
4.800% UITM Solar 2 IMTN12 04/03/2033	AA-	1,000,000	1,007,120	987,829	1.07
5.800% WCT Holdings Berhad IMTN 27/09/2119 Series 1 Tranche 1	A	3,000,000	3,001,907	3,016,067	3.28

6. INVESTMENTS (CONTINUED)

Investments as at 30 September 2023 are as follows: (continued)

<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> %
UNQUOTED SUKUK (CONTINUED)					
6.000% WCT Holdings Berhad IMTN 27/09/2119 Series 1 Tranche 2	A	7,000,000	7,212,877	7,230,587	7.85
TOTAL UNQUOTED SUKUK			156,628,329	82,704,428	89.82

* 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.

6. INVESTMENTS (CONTINUED)

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

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.

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”).

6. INVESTMENTS (CONTINUED)

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

The JM had provided a Statement of Proposal (“SOP”) to all creditors of NERS on 10 November 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 was to be formally appointed on 8 April 2024 to take over the recovery process from the JM. On 8 Apr 2024, Sukukholders were notified that S5 (now known as Ultiotech Sdn Bhd), has commenced action against NERS, where it is seeking for NERS to be placed under JM (“JM Application”). In light of this, the Trustee had put on hold the enforcement of the security furnished by NERS, including the appointment of the R&M.

A hearing for the JM Application was held on 24 May 2024, where the Judge fixed a case management on 16 July 2024, before delivery of his decision on 10 September 2024. On 10 September 2024, the Judge dismissed the JM Application. The Trustee is at liberty to enforce the security of the Sukuk and the appointment of the R&M has been effected on 11 September 2024.

** MEX I 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, Sukuk holders 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 Sukuk holders via the Trustee have withdrawn the notice of appeal for the claims on 18 February 2022.

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)

*** MEX II Sdn Bhd (“MEX II”) RM1.30 billion Sukuk Murabahah Programme
(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 Jun 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 and a revised proposal on 15 March 2024, which incorporates some feedback from the government agencies. Discussions with the government agencies remain ongoing.

7. SHARIAH INFORMATION OF THE FUND

The following are the Shariah information of the Fund.

(a) Investment Portfolio

The Shariah Adviser has confirmed that investment portfolio of the Fund is Shariah-compliant, which comprises:

- (i) Sukuk as listed in the list of approved sukuk issued by the Securities Commission of Malaysia; and
- (ii) Investment or cash placements in Islamic liquid assets in local market, including Islamic money market, Islamic deposits with Islamic financial institutions, Islamic structured products, Islamic financial derivatives and/or Islamic collective investment schemes.

8. UNITS IN CIRCULATION

	<u>2024</u> Units	<u>2023</u> Units
At beginning of the financial year	103,306,826	109,288,723
Creation of units during the financial year:		
Arising from distribution	3,399,499	8,888,103
Arising from applications	68,605,000	3,627,000
Cancellation of units during the financial year	(23,618,000)	(18,497,000)
At end of the financial year	<u>151,693,325</u>	<u>103,306,826</u>

9. MANAGEMENT FEE

In accordance with the Prospectus, the management fee provided in the financial statements is based on a profit sharing scheme between the Manager and the Fund at a ratio of 15:85 (2023: 15:85) respectively based on the net investment income for the financial year.

10. TRUSTEE'S FEE

In accordance with the Prospectus, the Trustee's fee provided in the financial statements is 0.10% (2023: 0.10%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial year, subject to a minimum fee of RM35,000 per annum.

11. TAXATION

(a) Tax charge for the financial year

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

(b) Numerical reconciliation of income tax expense

The numerical reconciliation between the net income/(loss) 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/(loss) before taxation	10,251,433	(18,558,841)
Tax calculated at a statutory income tax rate of 24%	2,460,344	(4,454,122)
Tax effects of:		
- (Investment income not subject to tax)/ Investment loss not brought to tax	(2,932,916)	4,418,884
- Expenses not deductible for tax purposes	34,440	32,284
- Restriction on tax deductible expenses	438,132	2,954
Tax expense	-	-

12. DISTRIBUTION

Distribution to unit holders is derived from the following sources:

	<u>2024</u> RM	<u>2023</u> RM
Profit income from unquoted sukuk	3,707,735	2,767,731
Net realised gain on disposal	755,125	67,245
Profit income from Islamic deposits with licensed financial institutions	542,190	361,571
Less: Expenses	(425)	(144,659)
Net distribution amount	<u>5,004,625</u>	<u>3,051,888</u>

<u>Distribution date</u>	<u>Gross/net</u> <u>sen per unit</u>	<u>Gross/net</u> <u>sen per unit</u>
25 September 2024 / 25 September 2023	<u>3.3000</u>	<u>2.9500</u>

There are unrealised losses of RMnil (2023: RM21,586,769) arising from the financial year ended 30 September 2024.

13. TOTAL EXPENSE RATIO (“TER”)

	<u>2024</u> %	<u>2023</u> %
TER	<u>1.42</u>	<u>0.12</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.

14. PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>2024</u> %	<u>2023</u> %
PTR (times)	<u>0.62</u>	<u>0.08</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.

15. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

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

	2024		2023	
	Units	RM	Units	RM
The Manager	5,526	5,117	5,402	4,814
RHB Capital Nominees (Tempatan) Sdn Bhd	<u>17,989,672</u>	<u>16,658,436</u>	<u>19,065,218</u>	<u>16,990,922</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 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.

16. TRANSACTIONS BY THE FUND

Details of transactions by the Fund for the financial year ended 30 September 2024 are as follows:

<u>Brokers/Financial institutions</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*	61,738,250	37.44	-	-
CIMB Bank Berhad	26,641,420	16.16	-	-
Bank Islam Malaysia Berhad	14,035,000	8.51	-	-
United Overseas Bank (M) Berhad	12,742,250	7.73	-	-
Hong Leong Bank Berhad	12,407,250	7.53	-	-
HSBC Bank Malaysia Berhad	9,695,075	5.88	-	-
Hong Leong Investment Bank Bhd	9,042,600	5.48	-	-
Malayan Banking Berhad	6,985,300	4.24	-	-
Bank of America Malaysia Berhad	3,565,800	2.16	-	-
CIMB Islamic Bank Berhad	3,531,900	2.14	-	-
Others	4,500,000	2.73	-	-
	164,884,845	100.00	-	-

16. TRANSACTIONS BY THE FUND (CONTINUED)

Details of transactions by the Fund for the financial year ended 30 September 2023 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*	8,049,200	52.18	-	-
Hong Leong Investment Bank Berhad	5,875,500	38.09	-	-
CIMB Bank Berhad	1,500,000	9.73	-	-
	<u>15,424,700</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.

17. FINANCIAL INSTRUMENTS BY CATEGORIES

	<u>2024</u> RM	<u>2023</u> RM
Financial assets		
Financial assets at FVTPL		
• Unquoted sukuk	<u>133,804,363</u>	<u>82,704,428</u>
Financial assets at amortised cost		
• Bank balances	13,475,690	12,564,858
• Amount due from Manager	35,515	891
	<u>13,511,205</u>	<u>12,565,749</u>
Financial liabilities		
Financial liabilities at amortised cost		
• Amount due to Manager	928	126,266
• Accrued management fee	1,814,358	-
• Amount due to Trustee	11,670	7,760
• Distribution payable	5,004,626	3,051,888
• Other payables and accruals	16,875	13,075
	<u>6,848,457</u>	<u>3,198,989</u>

**STATEMENT BY MANAGER
RHB ISLAMIC BOND FUND**

We, Dato' Darawati Hussain 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 30 September 2024 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,

Dato' Darawati Hussain
Director

Ng Chze How
Director

25 November 2024

TRUSTEE'S REPORT

To the unit holders of RHB Islamic Bond Fund (“Fund”),

We have acted as Trustee of the Fund for the financial year ended 30 September 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 deed, securities laws and the Guidelines on Unit Trust Funds;
2. Valuation and pricing is carried out in accordance with the deed; and
3. Any creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement.

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

For and on behalf of
CIMB Islamic Trustee Berhad

Datin Ezreen Eliza binti Zulkiplee
Chief Executive Officer

Kuala Lumpur, Malaysia
25 November 2024

REPORT OF THE SHARIAH ADVISER RHB ISLAMIC BOND FUND

To the unit holders of RHB Islamic Bond Fund (“the Fund”),

We have acted as the Shariah Adviser of the Fund. Our responsibility is to ensure that the procedures and processes employed by RHB Asset Management Sdn Bhd (“the Manager”) and that the provisions of the Deeds are in accordance with Shariah principles.

To the best of our knowledge, after having made all reasonable enquiries, the Manager has operated and managed the Fund in accordance with the Shariah principles and requirements and complied with the applicable guidelines, rulings or decisions issued by the Securities Commission Malaysia pertaining to Shariah matters for the financial year ended 30 September 2024.

In addition, we also confirm that the investment portfolio of the Fund comprises instruments which have been classified as Shariah-compliant.

I, Azizi Che Seman, hereby confirm that all members of the Shariah Committee have been consulted and made aware of all the Shariah issues in relation to this report.

For and on behalf of Shariah Committee of RHB Islamic Bank Berhad
(Company No: 200501003283)

Azizi Che Seman
Chairman
Shariah Committee of RHB Islamic Bank Berhad

25 November 2024

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF RHB ISLAMIC BOND FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of RHB Islamic Bond Fund (“the Fund”) give a true and fair view of the financial position of the Fund as at 30 September 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 30 September 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 material accounting policy information, as set out on pages 11 to 44.

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 ISLAMIC BOND 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 ISLAMIC BOND 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 ISLAMIC BOND 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
25 November 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

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*)

(*Resigned with effect from 14 June 2024*)

Mr Ng Chze How (*Chief Executive Officer / Managing Director*)

(*Appointed with effect from 11 September 2024*)

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

INVESTMENT COMMITTEE MEMBERS

YBhg Dato' Darawati Hussain (*Independent Chairperson*)

Mr Chin Yoong Kheong

Puan Sharizad Binti Juma'at

CHIEF EXECUTIVE OFFICER / MANAGING DIRECTOR

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 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

TRUSTEE	CIMB Islamic Trustee Berhad
SHARIAH ADVISER	RHB Islamic Bank 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 RHB Islamic Bank Berhad AmInvestment Bank Berhad Areca Capital Sdn Bhd CIMB Bank Berhad CIMB Private Banking CIMB Islamic Bank Berhad Genexus Advisory Sdn Bhd HSBC Amanah (M) Berhad HSBC Bank (M) Berhad iFAST Capital Sdn Bhd Kenanga Investor Berhad OCBC Al-Amin Bank Berhad OCBC Bank (M) Berhad Phillip Mutual Berhad Standard Chartered Bank (M) Berhad Standard Financial Adviser Sdn Bhd UOB Kay Hian Securities (M) Sdn Bhd

RHB  **Asset Management**

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