

RHB DANA HAZEEM

SEMI-ANNUAL REPORT 2023

For the financial period ended 31 August 2023

GENERAL INFORMATION ABOUT THE FUND

Name, Category and Type

- Fund Name - RHB Dana Hazeem
- Fund Category - Balanced Fund (Shariah-compliant)
- Fund Type - Growth and Income Fund

Investment Objective, Policy and Strategy

Objective of the Fund

This Fund aims to maximise total returns through a combination of long term* growth of capital and current income^ consistent with the preservation of capital#.

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 preserve its value, the Fund is not a capital guaranteed fund or a capital protected fund.

Strategy

This Fund seeks to achieve its investment objective through a diversified portfolio of Shariah-compliant investments comprising Shariah-compliant equities, sukuk, Islamic money market instruments, Islamic deposits with licensed financial institutions and Islamic collective investment schemes.

This Fund will generally adopt a balanced asset allocation strategy of 50% in Shariah-compliant equities and 50% in non-equity Shariah-compliant investments which are defensive in nature comprising sukuk, Islamic money market instruments and Islamic deposits with financial institutions (collectively known as “Non-Equity Shariah-Compliant Investments”). Investments in Shariah-compliant equities and Non-Equity Shariah-Compliant Investments may also be made via Islamic collective investment schemes.

Given this balanced asset mix, the Fund will be cushioned from wild swings in the equity market while still able to enjoy part of the appreciation from growth in the equity investments of the Fund. However, the actual percentage of assets invested in Shariah-compliant equities and Non-Equity Shariah-Compliant Investments 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. In reviewing this asset allocation strategy, the Fund’s asset mix would normally range from 40% to 60% in Shariah-compliant equities and from 40% to 60% in Non-Equity Shariah-Compliant Investments to reflect the market conditions

but subject always to a minimum allocation of 40% in Shariah-compliant equities and 40% in Non-Equity Shariah-Compliant Investments. Although the Fund is expected to be actively managed, the frequency of its trading strategy will very much depend on market opportunities.

When making investments, the Manager may invest up to 30% of the Net Asset Value in foreign markets. The Fund will invest in Shariah-compliant securities / instruments listed on or traded in Asia Pacific ex Japan markets (such as Australia, China, Hong Kong SAR, India, Indonesia, New Zealand, Philippines, Singapore, Vietnam, South Korea, Sri Lanka, Taiwan and Thailand) including Shariah-compliant securities / instruments of Asia Pacific ex Japan companies that are listed on or traded in non-Asia Pacific ex Japan markets (such as the New York Stock Exchange and the London Stock Exchange).

The Fund's investments in Shariah-compliant equities comprise of equity and equity related securities of companies listed on the local and/or foreign markets which, in the Manager's opinion, will have good growth potential and/or the ability to provide good dividend yield over a long term period. In seeking investments in companies of good growth potential, the Fund will look to companies with sales or earnings growth that are stronger than the industry average and/or the country's Gross Domestic Product (GDP) growth, whereas "good dividend yield" refers to yield that is above the average industry dividend yield in the country of investment, and "long term" refers to a period of between 5 - 7 years.

The Fund's investments in sukuk may comprise of sukuk issued by corporations, financial institutions, supra-nationals, local or foreign governments and their agencies. Sukuk issued by Malaysian incorporated companies must carry a rating of at least BBB at the point of purchase by any Domestic Rating Agencies or its equivalent rating by any other reputable rating establishment. Foreign sukuk issued by corporations and financial institutions must carry a rating of BB or higher at the point of purchase by any Global Rating Agencies or its equivalent rating by a reputable rating establishment whereas sukuk issued by supra-nationals, governments and their agencies need not be rated.

The Fund's investments in Islamic money market instruments may comprise of Islamic money market instruments issued by the government which amongst others comprise of Government Investment Issues (GII), Islamic accepted bills, Bank Negara monetary notes-i, Islamic negotiable instruments, cagamas sukuk and other government Islamic papers whereas Islamic money market instruments issued by Malaysian incorporated companies are those issued by such companies which carry a rating of at least P3 by any Domestic Rating Agencies or its equivalent rating by a reputable rating establishment at the point of purchase.

Placements of Islamic deposits with any financial institution are placements such as in General Investment Account (GIA) or Islamic fixed deposits.

The Fund's investments may also comprise of Islamic collective investment schemes which are consistent with the underlying investments of the Fund.

The asset allocation of the Fund will be as follows:-

40% - 60% of Net Asset Value - Investments in Shariah-compliant equity and equity related securities of companies that have dividend and/or growth potential.

40% - 60% of Net Asset Value - Investments in non-equity Shariah-compliant investments.

The actual asset allocation will be reviewed from time to time depending on economic and market conditions.

For investments in foreign markets, the Manager in managing the principal risks such as country risk and currency risk will always take into consideration its evaluation of the historical developments and its prior experience in such markets. Such practice will be managed through active management and constant review of the economic and political developments of the countries invested. Investments will ultimately be made based on risk-reward.

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 countries. Further, as the Fund is a balanced fund with minimum investment of 40% of Net Asset Value in Shariah-compliant equities and 40% of Net Asset Value in Non-Equity Shariah-Compliant Investments, the Fund is able to alleviate the risks associated with single asset class investments such as an all Shariah-compliant equities investment or an investment wholly invested in Non-Equity Shariah-Compliant Investments such as a sukuk fund. This therefore reduces the risk associated or peculiar to a particular asset class. Generally, the assets of the Fund will be invested over the long term with disposal of the Shariah-compliant investments where necessary to control risk as well as to optimise capital gains. This is especially so when the full growth potential of an investment is deemed to have been reduced over a prolonged rise in market value and other available Shariah-compliant investments may present cheaper valuations and potential higher 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 Shariah-compliant equities investments into other asset classes which are

defensive in nature such as sukuk, Islamic money market instruments and non-equity Islamic collective investment schemes or just make placements in Islamic deposits with any financial institutions. In its reallocation, the level of Shariah-compliant equities investments would not fall below 20% of the Net Asset Value.

Performance Benchmark

Effective from 28 April 2023, the performance of the Fund is benchmarked against the Dana Hazeem Index which is a composite benchmark comprising of 50% FTSE Bursa Malaysia EMAS Shariah (“FBMS”) Index (RM) and 50% RHB Bank Berhad’s 12-month Commodity Murabahah Deposit-i rate.

Prior to 28 April 2023, the performance of the Fund is benchmarked against the Dana Hazeem Index which is a composite benchmark comprising of 50% FTSE Bursa Malaysia EMAS Shariah (“FBMS”) Index (RM) and 50% Maybank Islamic Berhad’s 12-month Islamic Fixed Deposit (RM).

Permitted Investments

This Fund may invest in Shariah-compliant securities of and securities relating to companies whose business activities comply with Shariah requirements listed on the Bursa Malaysia or any other market considered as an eligible market (including foreign market), sukuk / instruments of companies whose business activities comply with Shariah requirements listed on Bursa Malaysia or traded in / listed on any other market considered as an eligible market (including foreign market); Government Investment Issues (GII), Islamic accepted bills, Bank Negara monetary notes-i, Islamic negotiable instruments, Cagamas sukuk, other obligations issued or guaranteed by the Malaysian government , Bank Negara Malaysia and other government-related agencies that comply with Shariah requirements, Islamic collective investment schemes, Islamic financial derivatives, Islamic structured products, Islamic money market instruments and Islamic deposits with any licensed financial institutions and any other investments permitted by the Shariah Advisory Council of the Securities Commission Malaysia (“SACSC”) and/or the Shariah Adviser from time to time. Consequently, all investments for this Fund are to be designated as Shariah-compliant and in this regard, the Shariah Adviser will advise on the selection of investments to ensure compliance with Shariah-requirements.

Distribution Policy

The Fund will declare distributions, if any, to unitholders depending on the level of income generated at each relevant period. Distributions, if any, after deduction of taxation and expenses (i.e. net distributions) are declared annually.

MANAGER'S REPORT

FIXED INCOME MARKET REVIEW

During the period under review, 10-year United States Treasury (“UST”) yields rose 64 basis points (“bps”) from 3.47% to end at 4.11% as of 31 August 2023. UST yields jumped higher post the June 2023 Federal Open Market Committee (“FOMC”) where the revised “dot-plots” highlighted that the Federal Reserve (“Fed”) is indicating a year-end federal funds target rate of 5.50 to 5.75%, implying a further 50bps hike for the remainder of year 2023 despite market expecting at most a pause and possibly a pivot. Recall in year 2022, the Fed hiked rates by a cumulative 425bps and in year 2023, the FOMC raised rates by 25bps in 3 of 5 meetings on 1 February 2023, 22 March 2023 and 26 July 2023 respectively which saw rates end as 5.25 to 5.50%, 25bps below the Fed’s target rate for year 2023. The Fund Manager continue to expect a terminal rate of 5.50 to 5.75%, and expect near term action to remain highly data dependent. The UST curve bear steepened in July 2023, while rangebound for most of the month before steepening ahead of the UST’s quarterly financing announcement for August 2023. The move higher in long end yields were on expectations that UST would raise their auction sizes for the coupon bonds as it has largely relied on sales of bills since the debt ceiling was suspended in June 2023 to replenish its cash holdings and fund its growing budget deficit.

On local rates, the Malaysia Government Securities (“MGS”) market yield ended mixed for the month of August 2023 after the bearish sentiment in July and June 2023. The MGS curve bear steepened where yields on the long-end of the curve drifted higher the front end of the curve rallied. The MGS spread movements were slightly more pronounced at long and short term, 3 years and 30 years yield curve.

For the period under review, the 3-y, 5-y, 7-y, 10-y, 15-y, 20-y and 30-y MGS bull flattened with most of the rally happening in July and August 2023 as Bank Negara Malaysia (“BNM”) raised Overnight Policy Rate (“OPR”) to 25bps to 3.00% with the accompanying statement being read as mildly dovish, indicating a high hurdle for another 25bps hike from here. MGS curve closed the period under review at 3.43% (March-2023: 3.37%; +6bps), 3.60% (3.53%; +7bps), 3.73% (3.80%; -7bps), 3.84% (3.90%; -6bps), 4.04% (4.15%; -11bps), 4.14% (4.19%; -5bps) and 4.28% (4.43%; -15bps) respectively.

Malaysia's economy expanded 2.90% in the second quarter of year 2023 (“2Q23”) from a year earlier, growing at its slowest pace in seven quarters due to weaker exports. Malaysia's Gross Domestic Product (“GDP”) grew 5.60% in the first quarter of year 2023 (1Q23), outperforming most of its Southeast Asian peers as the country recovered from the COVID-19 pandemic. But the momentum has slowed in recent months. Monthly trade statistics indicate weakening external demand, with June's exports dropping 14% from the same month a year earlier. Malaysia relies heavily on trade for manufacturing hub for electronics and other products.

The latest GDP figures showed that exports fell 9.40% in the (2Q23), with imports also declining, down 9.70%. The growth of private consumption, which accounts for about 60% of the country's GDP, slowed to 4.30% from 5.90% in the previous quarter. By industry, the services sector grew 4.70%, while the manufacturing sector expanded 0.10% in the quarter, both slowing from the previous quarter's pace. Based on BNM, the poor performance was affected by three factors, namely, the slow global growth, continued technology down cycle, which actually affected our export of semiconductors, and temporary factors like the weather, which affected our palm oil production, including plant maintenance affecting our production of oil refinery products. The continued recovery of inbound tourism partially offset slower growth in merchandise exports. Second quarter growth figures were also depressed by the rebound in the second quarter of 2022 (2Q22), when the economy recovered strongly following the post-pandemic reopening.

Malaysia's Consumer Price Index ("CPI") inflation rate eased to 2.00% in July 2023 – the lowest rate of increase in nearly a year – partly due to the higher base in year 2022. The country's headline inflation rate has been moderating since hitting a peak of 4.70% in August 2022. The latest inflation rate is lower than the projection of 2.10% by 21 economists in a recent Reuters poll. It is also lower than the 2.40% recorded in June.

Core inflation, which excludes volatile items and those with government-administered prices, fell to 2.80% in July 2023 from 3.10% in June 2023. BNM governor highlighted that headline and core inflation are expected to moderate over the course of year 2023. He expects the monthly inflation rate to average between 2.80% and 3.80%. The persistent slowdown in price gains of food, transport and selected services amid base effects, coupled with government subsidies, was the main reason for decelerating inflation growth.

EQUITY MARKET REVIEW

March 2023 was another volatile month for the global equity markets as rate hikes occurred and global financial stability came under test with series of banking issues, from Silicon Valley Bank's collapse to Credit Suisse's shotgun takeover by UBS. This resulted in an initial decline in equities as concerns over an imminent credit crunch rose. Positively, the quick response from the financial authorities and governments to stem a contagion threatening the global banking system alleviated investor concerns and allowed the market to recover and perform well during the month overall. In March, the Dow Jones and Standard and Poor ("S&P") 500 Indices increased 1.89% and 3.67% respectively. In tandem, the ASEAN markets rallied except Malaysia, mainly due to profit-taking activities by foreign flows causing the FTSE Bursa Malaysia Kuala Lumpur Composite Index ("FBM KLCI") main index to drop 2.20% to 1,423 points. Main news flows during the month include BNM's decision on 9 March 2023 to maintain its overnight policy rate OPR at 2.75%, and government's approval for Employees' Provident Fund ("EPF") contributors to use the savings in their Account 2 as collateral for bank loans to tide through difficult times.

In April 2023, global equity markets as represented by the Morgan Stanley Capital International All-Country World Index (“MSCI ACWI”) Index saw a relatively good month, having returned +1.51% as investors put aside the banking crisis which unfolded in March 2023 and welcomed signs that inflation is cooling off. Meanwhile, the Dow Jones and S&P 500 Indices increased 2.34% and 1.43% respectively amidst rising recession risk. Locally, the FBM KLCI Index declined -0.47% while the FTSE Bursa Malaysia Emas Shariah (“FBMS”) Index declined marginally by +0.19%. Malaysia's headline CPI inflation slowed to 3.40% Year-on-Year (“YoY”) in March 2023 (vs 3.70% YoY in February 2023) mainly driven by lower transportation inflation. BNM core inflation, which removes fresh food, energy and administered prices, also moderated to 3.80% YoY in March 2023 (vs 3.90% YoY in February 2023).

The MSCI ACW Index declined in the month of May 2023, having returned -1.31% on a month-on-month basis. The United States (“US”) Fed hiked interest rates by 25bps to 5.00% to 5.25% in its May 2023 meeting, which was in line with market expectations and hinted that it may have reached the peak in this rate hike cycle, although future decisions will remain data-dependent. The US debt ceiling news flows dominated headlines throughout the month, eventually alleviated with an agreement on the suspension the debt limit until year 2025. China’s official manufacturing Purchasing Managers’ Index (“PMI”) disappointed market forecasts and raised concerns on the overall global economy trajectory given its spillover effect. Locally, the FBM KLCI and the FBMS Indices declined -2.04% and -1.21% respectively in May 2023. BNM announced a surprise 25bps hike to the overnight policy rate to 3.00%, noting that the global economy will continue to be weighed down by elevated cost pressures and higher interest rates. Meanwhile, market sentiments were dampened by the weak quarterly earnings reported during the month.

The MSCI ACW Index had a positive momentum in the month of June 2023, having returned +5.64% thanks to the resolution of the US debt ceiling crisis and the artificial intelligence (“AI”) rally. Locally, the FBM KLCI and the FTSE Bursa Malaysia’s (“FBM”) declined -0.75% and -1.81% respectively. Sentiment was further dampened due to the weak China manufacturing data which raised concerns over the strength of its economic recovery as well as spillover effect to ASEAN countries. The weak Ringgit and the upcoming states election have also added to the cautious sentiment. Malaysia’s headline CPI inflation slowed to 2.80% YoY in May 2023 (vs 3.3% YoY in April 2023) mainly driven by lower food and transportation inflation. Separately, there were several government announcements made including plans to phase out blanket subsidies in favour of targeted subsidies for electricity, gasoline and diesel. It also announced steps to boost the Malaysian capital markets in order to improve confidence and underpin any significant downside via stamp duty reduction and other measures.

July 2023 was another good month, MSCI ACW Index gained +3.70% in the month and bringing the year-to-date gains to +18.10%. The benign inflation print coupled with resilient GDP data and employment numbers helped to push the markets further

upwards. Both the US Fed and the European Central Bank (“ECB”) hiked rates by 25bps in line with market expectation but the Bank of Japan (“BOJ”) surprised the market with a tweak in its yield curve control. In line with the rally seen in ASEAN markets overall, FBM KLCI Index and FBMS gained 6.01% and 5.20% respectively in July 2023. The Monetary Policy Committee (“MPC”) of BNM decided to maintain the OPR at 3.00%. Separately, Malaysia's headline CPI inflation slowed to 2.40% YoY in June 2023 (vs 2.80% YoY in May 2023), mainly driven by lower food and transportation inflation, while core inflation, which excludes fresh food, energy and administered prices, also moderated to 3.10% YoY in June 2023 (vs 3.50% YoY in May 2023). The launch of National Energy Transition Roadmap (NETR), which comprise of RM25billion (“bn”) worth of national projects in its first phase to support the government’s structural reforms to the economy could provide new opportunities to Malaysia’s utilities and renewable energy companies.

After a stellar run since the start of the year the MSCI ACW Index declined 2.96% on a month-on-month basis in August 2023 as the market continued to digest Powell’s comments out of Jackson Hole meeting at the end of the month. Over in Malaysia, the FBMKLCI and FBMS declined -0.51% and -0.29% respectively on a month-on-month (“MoM”) basis in line with regional market weakness. Malaysia’s real GDP expanded by 2.90% YoY in 2Q23, a marked slowdown from 5.60% in 1Q23 mainly due to a larger external drag and slower private consumption growth. Headline CPI inflation slowed to 2.00% YoY in July 2023 (vs 2.40% YoY in June 2023) mainly driven by lower food and transportation prices. The conclusion of the state elections has largely removed concerns on political uncertainty, and this is evident in the price surge in some sectors such as utilities and property, in which investors are expecting the government to move ahead with its projects in relating to energy reforms as well as mega infrastructure projects such as the High-Speed Rail. On a negative note, the earnings season in August concluded on a muted note as a high proportion of companies reported earnings that were below consensus expectations.

FIXED INCOME MARKET OUTLOOK AND STRATEGY

The July 2023 International Monetary Fund (“IMF”) World Economic Outlook Update has updated their 2023 global growth forecast by 0.20% to 3.00% in year 2023 and maintain the outlook to 3.00% in year 2024. Although revised higher, it is still considered weak by historical standards. The rise in central bank policy rates to fight inflation continues to weigh on economic activity. IMF’s projection on global headline inflation is for it to fall from 8.70% in year 2022 to 6.80% in year 2023 and 5.20% in year 2024. Underlying (core) inflation is projected to decline more gradually, and forecasts for inflation in year 2024 have been revised upward. Overall global growth outlook remains uncertain again amid slow China recovery, extreme weather related events and ongoing effects of Russia’s invasion of Ukraine. What remains to be seen is a sustained recovery, achieving an acceptable level of inflation while ensuring financial stability.

Global risk sentiment in the markets has been generally bearish as flows started to focus on safe haven bids for shelter. The broader strategy will be to remain nimble on continued volatility, and to position more defensively in higher quality credits due to a greater focus on income preservation while repositioning at the current higher yield levels with a bias to stay short duration, especially since the Fed is likely to continue their current tightening cycle at the moment, with the latest June 2023 Dot-plots projecting another 25bps more hike for year 2023 to 5.50% to 5.75%, meanwhile projections for year 2024 was also shifted up 37.5bps to 4.625% and year 2025 revised higher by 25bps to 3.375% from the March 2023 projections. The Longer-term target rate remained at 2.50%. Current market pricing is showing just under 20.00% chance of another 25bps hike in the September 2023 FOMC meeting.

Locally, BNM maintained the OPR at 3.00% in its July 2023 MPC meeting after unexpectedly increasing it by 25bps in May 2023. BNM also expects that Malaysia's economic growth for the rest of the year will continue to be driven by domestic demand, with household spending spurred on by the improved labour market conditions. The tourism industry, too, is expected to continue recovering, thereby contributing to the economy.

At the current OPR level, the monetary policy stance is slightly accommodative and remains supportive of the economy. The MPC continues to see limited risks of future financial imbalances. The MPC remains vigilant to ongoing developments, and will continue to monitor incoming data to inform the assessment on the outlook of domestic inflation and growth. The pressure to increase further from here is probably lower because other regional central banks are likely to stay pat, if not cut, should global growth slowdown exacerbates. The current 3.00% OPR would also mean more room to ease with additional ammunition should the economy in Malaysia slow significantly.

However, The Fund Manager see any spike in yield in the local bond market arising from the rate pressures from the US as opportunistic because currently the OPR has already peaked and likely to stay unchanged for the rest of year 2023. The spike in yields would be no more than a knee jerk reaction and the selloff is unlikely to follow through. On that note, The Fund Manager should be picking up cheap bonds should market turns bearish on rates as the capacity to hike has dwindled overtime.

The Fund Manager remain constructive of the bond market as The Fund Manager still see opportunities within the government and corporate credit securities market. The Fund Manager advocate on positioning the bond portfolio to increase investments whenever exacerbated selling occurs, as yield levels are expected to come off on lower year 2023 growth expectations and when market stabilizes. The momentum for bonds to do well in year 2023 has increased because the scale of the interest rate hikes in year 2023 would be a lot less hawkish when compared to unprecedented interest rate increases in year 2022 globally. At this juncture, local yields still give a comfortable buffer against fixed deposits ("FD") and The Fund Manager believe the increases in FD rates should taper off this year once the upside to OPR dissipates. The stance to

monetary policy locally by BNM will continue to be determined by new data and its implications on the overall inflation and domestic growth outlook. The Fund Manager will continue to monitor closely market developments both globally and locally.

EQUITY MARKET OUTLOOK AND STRATEGY

The Fund Manager believe that the local index might consolidate further in the short term as the market is concern on sticky US core inflation, strong US macro data and weak Chinese economic data. The Fed might still need to keep interest rate higher for longer to cool the still-too-high inflation. This was also echoed by the hawkish speech during the recent Jackson Hole Meeting.

While there could be possible setbacks in the inflation fight in the absence of any alarming new data, The Fund Manager believe the global interest rates hike cycle may be nearing an end. Notably, price growth has slowed significantly since the Fed began its campaign of anti-inflation rate hike in March 2022. The Fed is expected cut the interest rate when the job market starts to decline and US economy goes into recession which would be positive for Malaysia and Asia equities. Also, the expectations that USD is likely to weaken would push investors to lean towards Asia given its cheaper valuation.

Locally, The Fund Manager think there is still room for the FBM KLCI Index to go higher despite the strong rally since touching the low in June 2022. Market sentiments have improved for Malaysia due to the initiatives introduced by the government to spur the economy. In addition, with the removal of the political overhang and earnings downgrade bottoming, The Fund Manager are of the opinion that The Fund Manager have seen the bottom for FBM KLCI Index.

Low foreign holdings coupled with bottoming earnings downward revision would provide the support to the index. However, The Fund Manager also think that corporate earnings upgrade might get delayed since the economy is expected to slow down in the third quarter of year 2023 (“3Q23”) and fourth quarter of year 2023 (“4Q23”). Hence, market liquidity is key for the index to sustain its positive momentum. The Fund Manager would take the opportunity to position the portfolio on market weakness for decent returns in longer run due to expectations of better corporate earnings in year 2024 and cheap market valuation.

Meanwhile, The Fund Manager remain watchful of the gradual pace of subsidy rationalisation. The government has started to implement the targeted subsidy for electricity tariff (medium voltage and high voltage users, including multinational companies) from July 2023 and next in line is targeted subsidies for fuel, including RON95 petrol and diesel. Subsidy rationalization will have an impact on discretionary consumption.

REVIEW OF FUND PERFORMANCE DURING THE PERIOD

For the period under review, the Fund registered a return of 1.92%* compared with its benchmark return of 1.98%*, underperforming its benchmark return by 0.06%*. The Net Asset Value per unit of the Fund was RM0.5587 (28 February 2023: RM0.5481) as at 31 August 2023. The investment strategy and policy employed during the period under review were in line with the investment strategy and policy as stated in the prospectus.

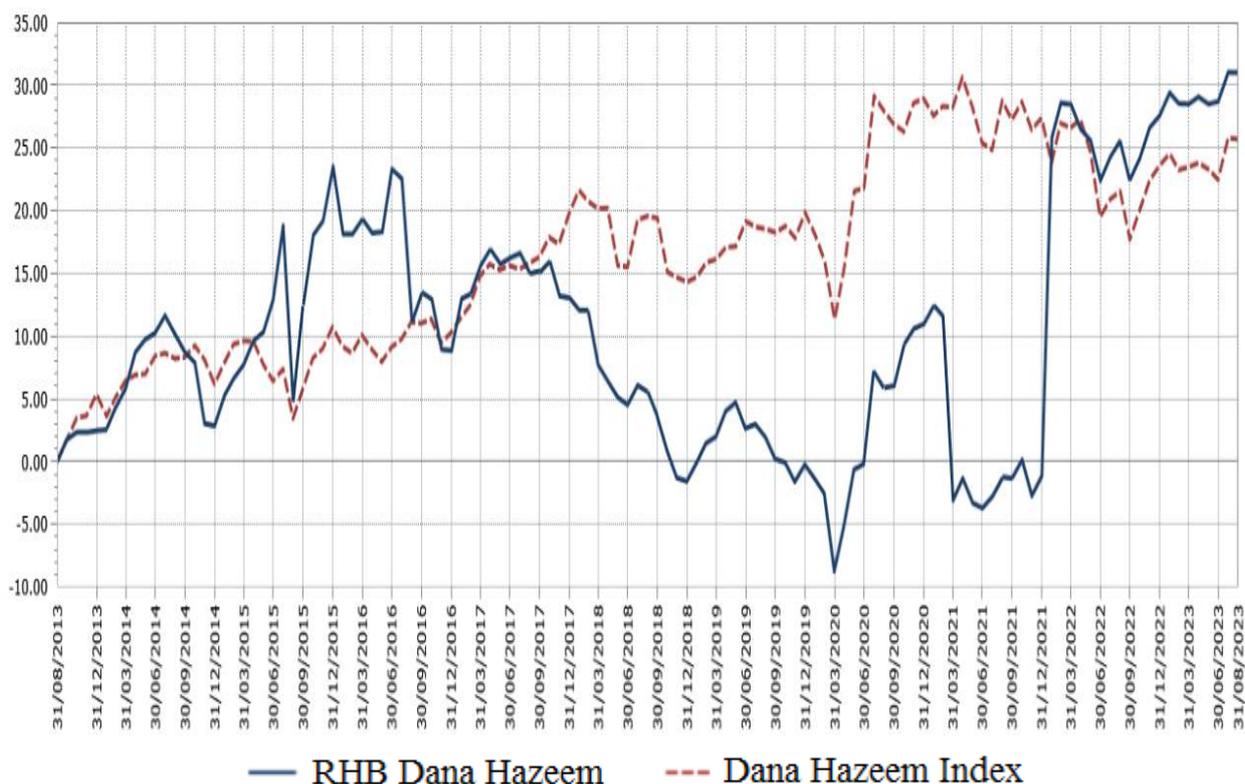
** Source: Lipper Investment Management (“Lipper IM”), as at 12 September 2023.*

PERFORMANCE DATA

	28.02.2023- 31.08.2023 %	Annual Total Returns Financial Year Ended 28/29 February				
		2023 %	2022 %	2021 %	2020 %	2019 %
RHB Dana Hazeem						
- Capital Return	1.92	(0.04)	15.21	14.51	(3.93)	(9.48)
- Income Return	-	-	-	-	-	-
- Total Return	1.92	(0.04)	15.21	14.51	(3.93)	(9.48)
Dana Hazeem Index	1.98	(2.92)	(1.05)	10.58	0.12	(4.02)

	Average Annual Returns			
	1 Year 31.08.2022- 31.08.2023 %	3 Years 31.08.2020- 31.08.2023 %	5 Years 31.08.2018- 31.08.2023 %	10 Year 31.08.2013- 31.08.2022 %
RHB Dana Hazeem	4.29	7.35	4.40	2.73
Dana Hazeem Index	3.41	(0.58)	1.00	2.31

**Performance of RHB Dana Hazeem
for the period from 31 August 2013 to 31 August 2023
Cumulative Return Over The Period (%)**



Source: Lipper IM, 12 September 2023

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.

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	01.03.2023- 31.08.2023	As at 28 February		
		2023	2022	2021
Net Asset Value (RM million)	10.42	10.22	12.71	13.70
Units In Circulation (million)	18.65	18.65	23.18	28.78
Net Asset Value Per Unit (RM)	0.5587	0.5481	0.5483	0.4759

Historical Data	01.03.2023- 31.08.2023	Financial Year Ended 28 February		
		2023	2022	2021
Unit Prices				
NAV - Highest (RM)	0.5591	0.5529	0.5489	0.4861
- Lowest (RM)	0.5439	0.5136	0.4096	0.3749
Distribution and Unit Split	-	-	-	-
Others				
Total Expense Ratio (TER) (%) #	0.87	1.71	1.69	1.67
Portfolio Turnover Ratio (PTR) (times) ##	0.38	5.76	3.83	6.38

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

The PTR for the financial period was higher compared with the previous financial period due to lower average net asset value for the financial period under review.

DISTRIBUTION

For the financial period 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:

Sectors	As at	As at 28 February		
	31 August 2023	2023	2022	2021
	%	%	%	%
Shariah-compliant Investments				
Construction	2.19	1.02	0.99	2.51
Consumer Products & Services	2.74	1.85	3.03	1.69
Energy	0.99	4.06	2.45	3.20
Financial Services	0.99	1.99	1.89	-
Food	0.79	-	-	-
Health Care	1.26	-	0.34	5.98
Industrial	0.49	-	-	-
Industrial Products & Services	3.20	3.92	6.76	5.60
Information Technology	1.92	-	-	-
Materials	-	-	1.27	2.21
Plantation	2.01	2.33	4.07	4.44
Properties	0.64	1.49	1.29	0.98
Technology	1.70	0.92	2.52	13.50
Telecommunications & Media/ Communication	0.89	1.75	2.68	2.33
Transportation & Logistics	2.91	3.01	1.56	2.10
Utilities	2.12	0.59	2.04	1.12
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	24.84	22.93	30.89	45.66
Islamic collective investment schemes	1.11	0.09	-	-
Unquoted sukuk	71.40	71.64	56.39	53.86
Liquid assets and other net current asset	2.65	5.34	12.72	0.48
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	100.00	100.00	100.00	100.00

SECURITIES FINANCING TRANSACTIONS

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

CROSS TRADE

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

SOFT COMMISSION

Soft commissions were received by the management company for the financial period under review from brokers/dealers who have also executed trades for other funds or investment managed by the management company or Fund Manager. The soft commissions were utilised for research data and materials that assist in the decision making process relating to the Fund's investment. The soft commissions received were for the benefit of the funds and there were no churning of trades.

RHB DANA HAZEEM
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2023

	<u>Note</u>	<u>31.08.2023</u> RM	<u>28.02.2023</u> RM
ASSETS			
Bank balances	5	124,032	53,294
Islamic deposits with licensed financial institutions	5	180,041	178,745
Investments	6	10,140,858	9,673,749
Amount due from brokers		-	387,087
Dividend receivables		4,958	6,377
TOTAL ASSETS		<u>10,449,889</u>	<u>10,299,252</u>
LIABILITIES			
Amount due to brokers		-	50,502
Accrued management fee		13,190	11,815
Amount due to Trustee		528	473
Distribution Payable		2,382	-
Tax payable		180	180
Other payables and accruals		16,364	16,731
TOTAL LIABILITIES		<u>32,644</u>	<u>79,701</u>
NET ASSET VALUE		<u>10,417,245</u>	<u>10,219,551</u>
EQUITY			
Unit holders' capital		8,412,156	8,412,156
Retained earnings		2,005,089	1,807,395
		<u>10,417,245</u>	<u>10,219,551</u>
UNITS IN CIRCULATION	8	<u>18,647,000</u>	<u>18,647,000</u>
NET ASSET VALUE PER UNIT		<u>0.5587</u>	<u>0.5481</u>

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

RHB DANA HAZEEM
UNAUDITED STATEMENT OF INCOME AND EXPENSES
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2023

	<u>Note</u>	<u>01.03.2023-</u> <u>31.08.2023</u> RM	<u>01.03.2022-</u> <u>31.08.2022</u> RM
INCOME/ (LOSS)			
Dividend income		48,374	66,019
Profit from unquoted sukuk		193,170	108,915
Profit from Islamic deposits with licensed financial institutions		7,608	3,581
Net realised loss on disposal		(127,922)	(233,223)
Net unrealised gain/(loss) on changes in fair values		201,710	(139,428)
Net foreign currency exchange (loss)/gain		(289)	568
		<u>322,651</u>	<u>(193,568)</u>
EXPENSES			
Management fee	9	(77,539)	(85,636)
Trustee's fee	10	(3,102)	(3,426)
Audit fee		(3,735)	(3,735)
Tax agent's fee		(1,779)	(1,779)
Transaction costs		(35,403)	(9,652)
Other expenses		(3,399)	(3,046)
		<u>(124,957)</u>	<u>(107,274)</u>
Net gain/(loss) before taxation		197,694	(300,842)
Taxation	11	-	(180)
Net gain/(loss) after taxation		<u>197,694</u>	<u>(301,022)</u>
Net loss after taxation is made up of the following:			
Realised amount		(3,768)	(161,860)
Unrealised amount		201,462	(139,162)
		<u>197,694</u>	<u>(301,022)</u>

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

RHB DANA HAZEEM
UNAUDITED STATEMENT OF CHANGES IN NET ASSETS VALUE
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2023

	Unit holders’ capital RM	Retained earnings RM	Total net asset value RM
Balance as at 1 March 2022	10,829,361	1,879,345	12,708,706
Movement in net asset value:			
Net loss after taxation	-	(301,022)	(301,022)
Creation of units arising from applications	191,744	-	191,744
Cancellation of units	(2,273,916)	-	(2,273,916)
Balance as at 31 August 2022	<u>8,747,189</u>	<u>1,578,323</u>	<u>10,325,512</u>
Balance as at 1 March 2023	8,412,156	1,807,395	10,219,551
Movement in net asset value:			
Net gain after taxation	-	197,694	197,694
Creation of units arising from applications	-	-	-
Cancellation of units	-	-	-
Balance as at 31 August 2023	<u>8,412,156</u>	<u>2,005,089</u>	<u>10,417,245</u>

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

RHB DANA HAZEEM
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2023

	<u>01.03.2023-</u> <u>31.08.2023</u> RM	<u>01.03.2022-</u> <u>31.08.2022</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of Shariah-compliant investments	4,032,087	1,216,229
Purchase of Shariah-compliant investments	(4,117,379)	(668,346)
Placement of Islamic deposits with licensed financial institutions	(65,151,284)	-
Proceeds from maturity of Islamic deposits with licensed financial institutions	65,150,004	-
Dividends received	49,790	69,837
Profit received from Islamic deposits with licensed financial institutions	7,592	3,581
Profit received from unquoted sukuk	186,339	180,960
Management fee paid	(76,164)	(87,009)
Trustee's fees paid	(3,047)	(3,481)
Payment for other fees and expenses	(6,896)	(9,140)
Net cash generated from operating activities	<u>71,042</u>	<u>702,631</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	-	237,759
Cash paid for units cancelled	-	(2,248,337)
Net cash used in financing activities	<u>-</u>	<u>(2,010,578)</u>
Net increase/(decrease) in cash and cash equivalents	71,042	(1,307,947)
Effect of foreign exchange	(304)	346
Cash and cash equivalents at the beginning of the financial period	<u>53,294</u>	<u>1,592,807</u>
Cash and cash equivalent at the end of the financial period	<u>124,032</u>	<u>285,206</u>

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

**RHB DANA HAZEEM
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2023**

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

The RHB Dana Hazeem (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of a Deed dated 24 September 2012 as modified via its First Supplemental Deed dated 4 September 2013, Second Supplemental Deed dated 26 February 2015, Third Supplemental Deed dated 25 May 2015, Fourth Supplemental Deed dated 13 January 2016 and Fifth Supplemental Deed dated 2 February 2023 (hereinafter 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 18 February 2013 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 Deed.

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.

The Manager is a company incorporated in Malaysia and 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, private retirement schemes and provision of investment advisory services.

These financial statements were authorised for issue by the Manager on 23 October 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of the financial statements

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

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the financial period. It also requires the Manager to exercise its 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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

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

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

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 March 2022, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

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

The amendment is effective for the annual financial reporting period beginning on or after 1 January 2024.

The amendment shall be applied retrospectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets

Classification

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

- those to be measured subsequently at fair value through profit or loss (“FVTPL”), and
- those to be measured at amortised cost.

The Fund classifies its investments based on both the Fund’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund’s debt securities are solely 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 and Islamic deposits with licensed financial institutions are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents, amount due from brokers and dividend receivables at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of income and expenses.

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 gain or loss on investments in the period in which they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

Recognition and measurement (continued)

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of income and expenses within dividend income when the Fund's right to receive payments is established.

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

Quoted Shariah-compliant investments are initially recognised at fair value and subsequently re-measured at fair value based on the market price quoted on the relevant stock exchanges at the close of the business on the valuation day, where the close price falls within the bid-ask spread. In circumstances where the close price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

If a valuation based on the market price does not represent the fair value of the securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the securities are valued as determined in good faith by the Manager, based on the methods or bases approved by the Trustee after appropriate technical consultation.

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 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 price 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 fair value. Due to the short term nature of the deposits, the cost plus accrued profit calculated based on the effective profit method over the period from the date of placement to the date of the statement of financial position is a reasonable estimate of fair value.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

Impairment of financial assets

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on the 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due or a counterparty credit rating which has fallen below BBB/Baa.

Definition of default and credit-impaired financial assets

Any contractual payment which is more than 90 days past due is considered credit impaired.

Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on 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 period.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial liabilities (continued)

The Fund's financial liabilities which include amount due to broker, distribution payable, 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 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.

2.4 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". 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 period 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

Dividend income from quoted Shariah-compliant investments are recognised when the Fund's right to receive payment is established. Dividend income is received from financial assets measured at FVTPL.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Income recognition (continued)

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 gain or loss on sale of quoted Shariah-compliant investments are arrived at after accounting for cost of investments, determined on the weighted average cost method.

Realised gain or loss on sale of unquoted sukuk are measured by the difference between 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 and includes all taxes based upon the taxable income earned during the financial period.

2.7 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances and Islamic 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 Amount due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the date of the statement of financial position respectively. The amount due from brokers balance is held for collection.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Amount due from/to brokers (continued)

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from brokers at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

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.

Due to mixed factors in determining the functional currency of the Fund, the Manager has used its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have determined the functional currency to be in RM primarily due to the following factors:

- Part of the Fund’s cash is denominated in RM for the purpose of making settlement of the creation and cancellation.
- The Fund’s units are denominated in RM.
- The Fund’s significant expenses are denominated in RM.
- The Fund’s investments are significantly denominated in RM.

2.10 Foreign currency translation

Foreign currency transactions in the Fund are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the reporting date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in statement of income and expenses.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks, which include market risk, price risk, profit rate risk, currency 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 Guidelines on Unit Trust Funds.

Market risk

Securities may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of a security may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in profit or currency rates or adverse investors' sentiment generally. They may also decline due to factors that affect a particular industry or industries, such as labour shortages or increased production costs and competitive conditions within an industry. Equity securities generally have greater price volatility than fixed income securities. The market price of securities owned by a unit trust fund might go down or up, sometimes rapidly or unpredictably.

Price risk

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

The Fund is exposed to equity securities price risk for its investments of RM2,703,327 (28.02.2023: RM3,352,579) in quoted Shariah-compliant investments.

The Fund is exposed to price risk arising from profit rate risk in relation to its investments of RM7,437,530 (28.02.2023: RM7,321,170) 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.

The sensitivity analysis is based on the assumption that the price of the quoted Shariah-compliant investments fluctuate by +/- 5% with all other variables held constant, the impact on the statement of income and expenses and net asset value is +/- RM135,166 (28.02.2023 : RM117,629)

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. 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. Prices of unquoted sukuk move inversely to profit rate movements, therefore as profit rates rise, the prices of unquoted sukuk decrease and vice versa. Furthermore, 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 and net asset value as at reporting date to movements in prices of unquoted sukuk held by the Fund as a result of movement in profit rate fluctuation by +/- 1% with all other variables held constant.

The Fund's overall exposure to profit rate risk was as follows:

% Change in <u>profit rate</u>	Impact on profit or loss and <u>net asset value</u>	
	<u>31.08.2023</u> RM	<u>28.02.2023</u> RM
+1%	(25,814)	(27,482)
-1%	25,944	27,629

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 deposits with approved licensed financial institutions.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk

Currency risk is associated with financial instruments that are quoted and/or priced in foreign currency denomination. Malaysian based investor should be aware that if the Ringgit Malaysia appreciates against the currencies in which the portfolio of the investment is denominated, this will have an adverse effect on the net asset value of the Fund and vice versa. The Fund did not have any significant financial liabilities denominated in foreign currencies as at the financial period end date.

The Manager or its fund management delegate could utilise two pronged approaches in order to mitigate the currency risk; firstly by spreading the investments across different currencies (i.e. diversification) and secondly, by hedging the currencies when it deemed necessary.

The analysis is based on the assumption that the foreign exchange rate fluctuates by +/- 5%, with all other variables remain constants, the impact on statement of income and expenses and net asset value is +/- RM3,881 (28.02.2023: RM3,169).

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

	<u>Investments</u> RM	<u>Cash and cash</u> <u>equivalents</u> RM	<u>Total</u> RM
<u>31.08.2023</u>			
United States Dollar	-	77,627	77,627
Hong Kong Dollar	-	-	-
	-	77,627	77,627
<u>28.02.2023</u>			
United States Dollar	-	3,058	3,058
Hong Kong Dollar	60,329	-	60,329
	60,329	3,058	63,387

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 income due on that investment. For investments in unquoted sukuk, risk is minimised by spreading its maturity profile. The risk arising from placements of Islamic deposits in licensed financial institutions is managed by ensuring that the Fund will only place Islamic deposits in reputable licensed financial institutions. For amount due from brokers, the settlement terms are governed by the relevant rules and regulations as prescribed by the Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Guidelines on Unit Trust Funds.

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

	<u>Investments</u> RM	<u>Cash and cash equivalents</u> RM	<u>Other financial assets*</u> RM	<u>Total</u> RM
<u>31.08.2023</u>				
AAA	-	304,073	-	304,073
A2	7,437,530	-	-	7,437,530
Other	-	-	4,958	4,958
	<u>7,437,530</u>	<u>304,073</u>	<u>4,958</u>	<u>7,746,561</u>
<u>28.02.2023</u>				
AAA	-	232,039	-	232,039
A2	7,321,170	-	-	7,321,170
Other	-	-	393,464	393,464
	<u>7,321,170</u>	<u>232,039</u>	<u>393,464</u>	<u>7,946,673</u>

* Comprise amount due from brokers and dividend receivables.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

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>31.08.2023</u>		
Accrued management fee	13,190	-
Amount due to Trustee	528	-
Distribution Payable	2,382	
Other payables and accruals	-	16,364
	16,100	16,364
<u>28.02.2023</u>		
Amount due to brokers	50,502	-
Accrued management fee	11,815	-
Amount due to Trustee	473	-
Other payables and accruals	-	16,731
	62,790	16,731

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 divestments 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 RM8,412,156 (28.02.2023: RM8,412,156) and retained earnings RM2,005,089 (28.02.2023: RM1,807,395). 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 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 period 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 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 period end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent 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.

4. FAIR VALUE ESTIMATION (CONTINUED)

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.

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>31.08.2023</u>				
Financial assets at FVTPL:				
- Quoted Shariah-compliant investments	2,587,534	-	-	2,587,534
- Islamic collective investment scheme	115,794	-	-	115,794
- Unquoted sukuk	-	7,437,530	-	7,437,530
- Islamic deposits with licensed financial institutions	-	180,041	-	180,041
Total	2,703,328	7,617,571	-	10,320,899

4. FAIR VALUE ESTIMATION (CONTINUED)

Fair value hierarchy (continued)

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

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>28.02.2023</u>				
Financial assets at FVTPL:				
- Quoted Shariah-compliant investments	2,343,299	-	-	2,343,299
- Islamic collective investment scheme	9,280	-	-	9,280
- Unquoted sukuk	-	7,321,170	-	7,321,170
- Islamic deposits with licensed financial institutions	-	178,745	-	178,745
	<u>2,352,579</u>	<u>7,499,915</u>	<u>-</u>	<u>9,852,494</u>

Investments in active listed equities, i.e. quoted Shariah-compliant investments whose values are based on quoted market prices in active markets are classified within Level 1. The Fund does not adjust the quoted prices for these instruments.

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 sukuk and Islamic deposits with licensed financial institutions. 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>31.08.2023</u>	<u>28.02.2023</u>
	RM	RM
Bank balances	124,032	53,294
Islamic deposits with licensed financial institutions	180,041	178,745
	<u>304,073</u>	<u>232,039</u>

6. INVESTMENTS

	<u>31.08.2023</u>	<u>28.02.2023</u>
	RM	RM
Investments:		
Quoted Shariah-compliant investments - local	2,587,534	2,282,970
Quoted Shariah-compliant investments - foreign	-	60,329
Islamic collective investment scheme	115,794	9,280
Unquoted sukuk - local	7,437,530	7,321,170
	<u>10,140,858</u>	<u>9,673,749</u>

Investments as at 31 August 2023 are as follows:

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of</u> <u>Net Asset</u> <u>Value</u>
		RM	RM	%
QUOTED SHARIAH-COMPLIANT INVESTMENTS - LOCAL				
<u>MALAYSIA</u>				
Construction				
Gamuda Berhad	23,000	103,970	104,400	1.00
Sunway Construction Group Berhad	64,600	105,866	123,386	1.19
		<u>209,836</u>	<u>227,786</u>	<u>2.19</u>
Consumer Products & Services				
Guan Chong Berhad	47,100	102,489	97,968	0.94
MBM Resources Berhad	25,600	85,818	106,240	1.02
PPB Group Berhad	5,200	83,162	81,744	0.78
		<u>271,469</u>	<u>285,952</u>	<u>2.74</u>

6. INVESTMENTS (CONTINUED)

Investments as at 31 August 2023 are as follows: (continued)

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair</u> <u>Value</u> RM	<u>% of</u> <u>Net Asset</u> <u>Value</u> %
QUOTED SHARIAH-COMPLIANT INVESTMENTS - LOCAL (CONTINUED)				
<u>MALAYSIA (CONTINUED)</u>				
Energy				
Dialog Group Berhad	50,200	167,696	102,910	0.99
Industrial Products & Services				
Kelington Group Berhad	49,900	72,785	74,850	0.72
Pantech Group Holdings Berhad	68,300	55,691	57,714	0.55
Petronas Chemicals Group Berhad	16,600	102,241	118,192	1.13
Press Metal Aluminium Holdings	17,100	82,046	82,935	0.80
		312,763	333,691	3.20
Property				
Sime Darby Property Berhad	91,100	54,177	66,959	0.64
Technology				
INARI Amertron Berhad	22,700	69,916	71,505	0.69
Mi Technovation Berhad	66,100	96,460	105,099	1.01
	88,800	166,376	176,604	1.70
Utilities				
Tenaga Nasional Berhad	22,400	206,028	220,416	2.12
Financial Services				
Syarikat Takaful Malaysia Keluarga Berhad	27,588	106,980	102,627	0.99

6. INVESTMENTS (CONTINUED)

Investments as at 31 August 2023 are as follows: (continued)

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair</u> <u>Value</u> RM	<u>% of</u> <u>Net</u> <u>Asset</u> <u>Value</u> %
QUOTED SHARIAH-COMPLIANT INVESTMENTS - LOCAL (CONTINUED)				
<u>MALAYSIA (CONTINUED)</u>				
Telecommunications & Media				
Axiata Group Berhad	39,400	103,728	92,984	0.89
Health Care				
Hartalega Holdings Berhad	24,700	52,233	48,165	0.47
IHH Healthcare	13,900	82,996	82,705	0.79
		135,229	130,870	1.26
Plantation				
Sime Darby Plantation Berhad	24,000	104,881	105,360	1.01
Ta Ann Holdings Berhad	28,800	106,557	104,544	1.00
		211,438	209,904	2.01
Transportation & Logistics				
MISC Berhad	20,600	148,399	148,320	1.42
Westports Holdings Berhad	44,300	155,914	155,050	1.49
		304,313	303,370	2.91
Information Technology				
Genetec Technology Berhad	84,000	205,640	199,920	1.92
Food				
Farm Fresh Berhad	68,600	82,327	82,320	0.79
Industrial				
Solarvest Holdings Berhad	39,100	52,042	51,221	0.49
TOTAL QUOTED SHARIAH-COMPLIANT INVESTMENTS - LOCAL		2,590,042	2,587,534	24.84

6. INVESTMENTS (CONTINUED)

Investments as at 31 August 2023 are as follows: (continued)

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Net Asset Value</u>
		RM	RM	%
ISLAMIC COLLECTIVE INVESTMENT SCHEME				
<u>MALAYSIA</u>				
REAL ESTATE INVESTMENT TRUST				
AME Real Estate Investment Trust	91,900	114,611	115,794	1.11
TOTAL ISLAMIC COLLECTIVE INVESTMENT SCHEME		114,611	115,794	1.11

6. INVESTMENTS (CONTINUED)

Investments as at 31 August 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-LOCAL					
<u>MALAYSIA</u>					
2.60% MEX I Capital Berhad – 21/01/2028	A2*	786,524	790,494	811,711	7.79
2.60% MEX I Capital Berhad – 22/01/2029	A2*	2,287,038	2,298,652	2,367,595	22.73
2.60% MEX I Capital Berhad – 21/01/2037	A2*	1,053,175	891,587	1,104,079	10.60
2.60% MEX I Capital Berhad – 21/01/2038	A2*	2,769,231	2,341,418	2,914,625	27.98
2.60% MEX I Capital Berhad – 21/01/2039	A2*	226,635	191,412	239,520	2.30
6.00% MEX II Sdn Bhd – 29/04/2030	D**	300,000	313,524	-	-
TOTAL UNQUOTED SUKUK - LOCAL			6,827,087	7,437,530	71.40
TOTAL INVESTMENTS			9,531,740	10,140,858	97.35

6. INVESTMENTS (CONTINUED)

Investments as at 28 February 2023 are as follows:

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair</u> <u>Value</u> RM	<u>% of</u> <u>Net Asset</u> <u>Value</u> %
QUOTED SHARIAH-COMPLIANT INVESTMENTS - LOCAL				
<u>MALAYSIA</u>				
Construction				
Gamuda Berhad	24,855	72,736	104,391	1.02
Consumer Products & Services				
MBM Resources Berhad	32,700	109,619	128,511	1.26
Energy				
Dayang Enterprise Holdings Berhad	113,500	133,936	160,035	1.57
Dialog Group Berhad	69,000	230,498	155,250	1.52
Hibiscus Petroleum Berhad	92,700	94,000	99,189	0.97
		458,434	414,474	4.06
Financial Services				
Bank Islam Malaysia Berhad	27,400	80,945	62,198	0.61
Syarikat Takaful Malaysia Keluarga Berhad	42,488	164,758	140,636	1.38
		245,703	202,834	1.99
Industrial Products & Services				
Petronas Chemicals Group Berhad	18,400	158,945	131,744	1.29
Press Metal Aluminium Holdings Berhad	23,800	84,211	122,808	1.20
Sunway Berhad	89,700	152,452	146,211	1.43
		395,608	400,763	3.92
Plantation				
Sime Darby Plantation Berhad	43,900	216,594	185,697	1.82
TSH Resources Berhad	51,300	57,079	52,839	0.51
		273,673	238,536	2.33

6. INVESTMENTS (CONTINUED)

Investments as at 28 February 2023 are as follows: (continued)

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair</u> <u>Value</u> RM	<u>% of</u> <u>Net Asset</u> <u>Value</u> %
QUOTED SHARIAH-COMPLIANT INVESTMENTS - LOCAL (CONTINUED)				
<u>MALAYSIA (CONTINUED)</u>				
Property				
Sime Darby Property Berhad	317,000	201,276	152,160	1.49
Telecommunications & Media				
Telekom Malaysia Berhad	35,500	172,191	178,565	1.75
Technology				
Frontken Corporation Berhad	15,800	50,712	49,454	0.48
Globetronics Technology Berhad	41,300	52,170	45,017	0.44
		102,882	94,471	0.92
Transportation & Logistics				
MISC Berhad	40,700	293,196	307,692	3.01
Utilities				
Gas Malaysia Berhad	18,300	57,140	60,573	0.59
TOTAL QUOTED SHARIAH-COMPLIANT INVESTMENTS - LOCAL		2,382,458	2,282,970	22.34
QUOTED SHARIAH-COMPLIANT INVESTMENTS - FOREIGN				
<u>HONG KONG</u>				
CONSUMER PRODUCTS & SERVICES				
BYD Company Ltd	500	68,227	60,329	0.59

6. INVESTMENTS (CONTINUED)

Investments as at 28 February 2023 are as follows: (continued)

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of</u>
		RM	RM	Net Asset Value %
TOTAL QUOTED SHARIAH-COMPLIANT INVESTMENTS - FOREIGN (CONTINUED)		68,227	60,329	0.59
TOTAL QUOTED SHARIAH-COMPLIANT INVESTMENTS		2,450,685	2,343,299	22.93
ISLAMIC COLLECTIVE INVESTMENT SCHEME				
<u>MALAYSIA</u>				
<u>REAL ESTATE</u>				
INVESTMENT TRUST				
AME Real Estate Investment Trust	8,000	9,040	9,280	0.09
TOTAL ISLAMIC COLLECTIVE INVESTMENT SCHEME		9,040	9,280	0.09

6. INVESTMENTS (CONTINUED)

Investments as at 28 February 2023 are as follows: (continued)

<u>Name of Instrument</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-LOCAL					
<u>MALAYSIA</u>					
2.60% MEX I Capital Berhad IMTN 21/01/2028	A2*	786,524	789,701	804,248	7.87
2.60% MEX I Capital Berhad IMTN 22/01/2029	A2*	2,287,038	2,296,381	2,341,182	22.91
2.60% MEX I Capital Berhad IMTN 21/01/2037	A2*	1,053,175	886,778	1,084,196	10.61
2.60% MEX I Capital Berhad IMTN 21/01/2038	A2*	2,769,231	2,329,711	2,857,166	27.96
2.60% MEX I Capital Berhad IMTN 21/01/2039	A2*	226,635	190,521	234,378	2.29
6.00% MEX II Sdn Bhd 29/04/2030	D**	300,000	313,525	-	-
TOTAL UNQUOTED SUKUK - LOCAL			6,806,617	7,321,170	71.64
TOTAL INVESTMENTS			9,266,342	9,673,749	94.66

6. INVESTMENTS (CONTINUED)

*MEX I Capital Berhad (“MEX I Capital”) (formerly known as Bright Focus Berhad) RM1.126 billion Sukuk Musharakah

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

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

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

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

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

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

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

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.

6. INVESTMENTS (CONTINUED)

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

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

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

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

On 5 January 2022, MEX II applied for a Judicial Management Order (“JM Application”), resulting in an automatic moratorium against enforcement and such other creditor action. The Court 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.

6. INVESTMENTS (CONTINUED)

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

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

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

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

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

On 15 May 2023, the Court of Appeal has ruled in favour of the Sukukholders whereby the appeal sought by MEX II has been unsuccessful. However, on 15 Jun 2023, MEX II filed Motions to Appeal to Federal Court. A hearing has been set for 26 Sep 2023. Notwithstanding this, the R&M is still entitled to carry out its duties and exercise all powers of an R&M. The R&M continues to work on a restructuring proposal for MEX II.

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) Equity securities listed in Bursa Malaysia which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission of Malaysia;**
- (ii) Equity securities in foreign markets which have been classified as Shariah-compliant under the Shariah screening methodology accepted and duly verified by the Shariah Adviser and/or these securities which have been reviewed and classified as Shariah-compliant by the Shariah Adviser;**

7. SHARIAH INFORMATION OF THE FUND (CONTINUED)

- (iii) Sukuk as listed in the list of approved sukuk issued by the Securities Commission of Malaysia;
 - (iv) Sukuk in foreign markets which have been classified as Shariah-compliant under the Shariah screening methodology accepted and duly verified by the Shariah Adviser and/or these securities which have been reviewed and classified as Shariah-compliant by the Shariah Adviser;
 - (v) 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.
- (b) Interest from foreign currency accounts shall not be recognised as income.

A portion of the cash is maintained in foreign currency accounts outside Malaysia to facilitate the purchase and selling of securities in a particular country. Interest earned, if any, from these accounts shall not be recognised as income to the Fund. The Fund will compute the interest amount received and the interest will be channelled to *Baitulmal* or any other charitable bodies as advised by the Shariah Adviser as part of the Fund's cleansing process.

There is nil interest amount received (28.02.2023 : Nil) during the financial period of the Fund.

8. UNITS IN CIRCULATION

	<u>31.08.2023</u>	<u>28.02.2023</u>
	Units	Units
At the beginning of the financial period/year	18,647,000	23,178,000
Creation of units arising from applications during the financial period/year	-	385,000
Cancellation of units during the financial period/year	-	(4,916,000)
At the end of the financial period/year	<u>18,647,000</u>	<u>18,647,000</u>

9. MANAGEMENT FEE

In accordance with the Prospectus, the management fee provided in the financial statements is 1.50% (01.03.2022-31.08.2022: 1.50%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial period.

10. TRUSTEE'S FEE

In accordance with the Prospectus, the Trustee's fee provided in the financial statements is 0.06% (01.03.2022-31.08.2022: 0.06%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial period.

11. TAXATION

(a) Tax charge for the financial period

	<u>01.03.2023-</u> <u>31.08.2023</u> RM	<u>01.03.2022-</u> <u>31.08.2022</u> RM
Current taxation	-	180

11. TAXATION (CONTINUED)

(b) Numerical reconciliation of income tax expense

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

	<u>01.03.2023-</u> <u>31.08.2023</u> RM	<u>01.03.2022-</u> <u>31.08.2022</u> RM
Net gain/(loss) before taxation	197,694	(300,842)
Tax calculated at statutory income tax rate of 24%	47,447	(72,202)
Tax effects of:		
- Income not subject to tax/Loss not deductible for tax purposes	(77,437)	46,456
- Expenses not deductible for tax purposes	9,952	4,275
- Restriction on tax deductible expenses	20,038	21,471
- Income subject to different tax rate	-	180
Tax expense	<u>0</u>	<u>180</u>

12. TOTAL EXPENSE RATIO (“TER”)

	<u>01.03.2023-</u> <u>31.08.2023</u> %	<u>01.03.2022-</u> <u>31.08.2022</u> %
TER	<u>0.87</u>	<u>0.85</u>

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

13. PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>01.03.2023-</u> <u>31.08.2023</u>	<u>01.03.2022-</u> <u>31.08.2022</u>
PTR (times)	<u>0.38</u>	<u>0.10</u>

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

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

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

	<u>31.08.2023</u>		<u>28.02.2023</u>	
	Units	RM	Units	RM
The Manager	9,800,527	5,475,554	9,097,249	4,986,202
RHB Capital Nominees (Tempatan) Sdn Bhd	<u>1,575,299</u>	<u>880,120</u>	<u>1,603,651</u>	<u>878,961</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 nominee structure.

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

14. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER (CONTINUED)

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.

15. TRANSACTIONS BY THE FUND

Details of transactions by the Fund with financial institutions for the financial period ended 31 August 2023 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> %
KAF Equities Sdn Bhd	205,640	2.66	617	2.68
RHB Investment Bank Berhad*	4,111,356	53.22	12,558	54.44
Maybank Investment Bank Berhad	692,421	8.96	2,002	8.68
MIDF Amanah Investment Bank Berhad	253,538	3.28	760	3.30
Affin Hwang Investment Bank Berhad	1,581,845	20.48	4,746	20.57
CGS-CIMB Securities Sdn Bhd	623,000	8.06	1,869	8.10
Nomura Securities Malaysia Sdn Bhd	101,768	1.32	204	0.88
UOB Kay Hian Securities Sdn Bhd	155,914	2.02	312	1.35
	<u>7,725,482</u>	<u>100.00</u>	<u>23,068</u>	<u>100.00</u>

15. TRANSACTIONS BY THE FUND (CONTINUED)

Details of transactions by the Fund with financial institutions for the financial year ended 28 February 2023 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*	1,316,444	45.90	4,013	48.01
Maybank Investment Bank Berhad	405,103	14.13	1,145	13.70
Affin Hwang Investment Bank Berhad	338,284	11.80	1,015	12.14
MIDF Amanah Investment Bank Berhad	337,641	11.77	1,013	12.12
Hong Leong Investment Bank Berhad	169,056	5.89	338	4.04
KAF Equities Sdn Bhd	144,264	5.03	433	5.18
CGS-CIMB Securities Sdn Bhd	87,042	3.04	261	3.13
CLSA Securities Malaysia Sdn Bhd	69,993	2.44	140	1.68
	<u>2,867,827</u>	<u>100.00</u>	<u>8,358</u>	<u>100.00</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 companies have been entered into in the normal course of business at agreed terms between the related parties.

16. FINANCIAL INSTRUMENTS BY CATEGORIES

	<u>31.08.2023</u>	<u>28.02.2023</u>
	RM	RM
Financial assets		
Financial assets at FVTPL		
• Quoted Shariah-compliant investments	2,587,534	2,343,299
• Islamic collective investment scheme	115,794	9,280
• Unquoted investments	7,437,530	7,321,170
• Islamic deposits with licensed financial institutions	180,041	178,745
	<u>10,320,899</u>	<u>9,852,494</u>
Financial assets at amortised cost		
• Bank balances	124,032	53,294
• Amount due from brokers	-	387,087
• Dividend receivables	4,958	6,377
	<u>128,990</u>	<u>446,758</u>
Financial liabilities		
Financial liabilities at amortised cost		
• Amount due to brokers	-	50,502
• Accrued management fee	13,190	11,815
• Amount due to Trustee	528	473
• Distribution Payable	2,382	
• Other payables and accruals	16,364	16,731
	<u>32,464</u>	<u>79,521</u>

**STATEMENT BY MANAGER
RHB DANA HAZEEM**

We, Dato' Darawati Hussain and Syed Ahmad Taufik Albar, 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 unaudited statement of financial position, unaudited statement of income and expenses, unaudited statement of changes in net asset value, unaudited 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 August 2023 and of its financial performance and cash flows for the financial period then ended and comply with the provisions of the Deeds.

On behalf of the Manager,

Dato' Darawati Hussain
Director

Syed Ahmad Taufik Albar
Director

23 October 2023

TRUSTEE'S REPORT

To the unit holders of RHB Dana Hazeem (“Fund”)

We have acted as Trustee of the Fund for the financial period ended 31 August 2023 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 period 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 71.40% of Fund's NAV (as at 31 August 2023) and total value of investment in Maju Holdings Sdn Bhd (comprises of MEX II Sdn Bhd and MEX I Capital Bhd) amounting to 71.40% have inadvertently exceeded the investment spread limits as prescribed in paragraph (5), (7) and (10) respectively under Schedule B* of SC Guidelines on Unit Trust Funds. The Management Company will continue to monitor the position until rectified.

For HSBC (Malaysia) Trustee Bhd

Yap Lay Guat
Manager, Investment Compliance Monitoring

Kuala Lumpur
23 October 2023

*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, 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; 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.

REPORT OF THE SHARIAH ADVISER RHB DANA HAZEEM

To the unit holders of RHB Dana Hazeem, (“the Fund”),

We have acted as the Shariah Adviser of RHB Dana Hazeem (“the Fund”). Our responsibility is to ensure that the procedures and processes employed by RHB Asset Management Berhad (“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 period ended 31 August 2023.

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

Kuala Lumpur
23 October 2023

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: www.rhbgroup.com

BOARD OF DIRECTORS

Mr Yap Chee Meng (*Independent Non-Executive Chairman*)

(*Resigned with effect from 22 May 2023*)

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

(*Redesignated with effect from 22 May 2023*)

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

(*Redesignated with effect from 22 May 2023*)

Tuan Syed Ahmad Taufik Albar (*Non-Independent Non-Executive Director*)

Mohd Farid Bin Kamarudin (*Chief Executive Officer / Managing Director*)

(*Appointed with effect from 1 August 2023*)

Puan Hijah Arifakh Binti Othman (*Independent Non-Executive Director*)

(*Resigned with effect from 1 June 2023*)

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

(*Appointed with effect from 22 May 2023*)

INVESTMENT COMMITTEE MEMBERS

Mr Yap Chee Meng (*Independent Chairman*)

(*Resigned with effect from 22 May 2023*)

YBhg Dato' Darawati Hussain (*Independent Chairperson*)

(*Redesignated with effect from 22 May 2023*)

Puan Hijah Arifakh Binti Othman

(*Resigned with effect from 1 June 2023*)

Mr Chin Yoong Kheong (*Appointed with effect from 22 May 2023*)

Puan Sharizad Binti Juma'at (*Appointed with effect from 22 May 2023*)

CORPORATE INFORMATION (CONTINUED)

CHIEF EXECUTIVE OFFICER / MANAGING DIRECTOR

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

SECRETARIES

Encik Azman Shah Md Yaman (LS No. 0006901)

Izafaniz Binti Abdullah Kamir (MACS01851)

Filza Zainal Abidin (LS No. 0008413)

BRANCH OFFICE

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

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

TRUSTEE	HSBC (Malaysia) 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 Areca Capital Sdn Bhd Genexus Advisory Sdn Bhd HSBC Amanah (Malaysia) Berhad HSBC Bank (Malaysia) Berhad iFAST Capital Sdn Bhd Kenanga Investors Berhad OCBC Al-Amin Bank Berhad OCBC Bank (Malaysia) Berhad Phillip Mutual Berhad Standard Chartered Bank Malaysia Berhad

RHB ♦ Asset Management

RHB Asset Management Sdn Bhd 198801007231 (174588-X)

Head Office

Level 8, Tower 2 & 3,

RHB Centre, Jalan Tun Razak,

50400 Kuala Lumpur

Tel: +603 9205 8000

Fax: +603 9205 8100

www.rhbgroup.com