

Semi-Annual Report for

AmIslamic Fixed Income Conservative

29 February 2024



AmInvest

Growing Your Investments in a Changing World

TRUST DIRECTORY

Manager

AmFunds Management Berhad
9th & 10th Floor, Bangunan AmBank Group
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Board of Directors

Jeyaratnam A/L Tamotharam Pillai
Ng Chih Kaye
Jas Bir Kaur A/P Lol Singh
Arnold Lim Boon Lay
Goh Wee Peng

Investment Committee

Arnold Lim Boon Lay
Tracy Chen Wee Keng
Goh Wee Peng

Investment Manager

AmIslamic Funds Management Sdn Bhd

Trustee

Deutsche Trustees Malaysia Berhad

Shariah Adviser

Amanie Advisors Sdn Bhd

Auditors and Reporting Accountants

Ernst & Young PLT

Taxation Adviser

Deloitte Tax Services Sdn Bhd

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MANAGER'S REPORT

Dear Unitholders,

We are pleased to present you the Manager's report and the unaudited accounts of Amlslamic Fixed Income Conservative ("Fund") for the financial period from 1 September 2023 to 29 February 2024.

Salient Information of the Fund

| | |
|-----------------------------------|---|
| Name | Amlslamic Fixed Income Conservative ("Fund") |
| Category/ Type | Sukuk / Growth |
| Objective | <p>The Fund aims to provide capital appreciation over the short to medium-term by investing in a portfolio consisting of fixed income instruments that comply with Shariah Principles.</p> <p><i>Note: Any material change to the investment objective of the Fund would require Unit Holders' approval.</i></p> |
| Duration | The Fund was established on 9 January 2012 and shall exist for as long as it appears to the Manager and the Trustee that it is in the interests of the unitholders for it to continue. In some circumstances, the unitholders can resolve at a meeting to terminate the Fund. |
| Performance Benchmark | <p>Maybank 12-months General Investment Account rate-i ("MBB"). (Available at www.aminvest.com / www.maybank2u.com.my)</p> <p><i>Note: The risk profile of the Fund's investment is higher than the risk profile of the performance benchmark and consequently, the Fund is expected to outperform the performance benchmark.</i></p> |
| Income Distribution Policy | Income distribution (if any) is incidental and will be reinvested. |

Fund Performance Data

| | | | | | |
|--|--|-----------------------------------|------------------------|-------------------|-------------------|
| Portfolio Composition | Details of portfolio composition of the Fund as at 29 February 2024 and for the past three financial years are as follows: | | | | |
| | | As at 29.02.2024 % | As at 31 August | | |
| | | | 2023 % | 2022 % | 2021 % |
| | Corporate sukuk | 30.16 | 43.56 | 86.61 | 86.32 |
| | Government Investment Issue | 60.12 | 45.66 | - | 5.25 |
| | Money market deposits and cash equivalents | 9.72 | 10.78 | 13.39 | 8.43 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | |
| <i>Note: The abovementioned percentages are calculated based on total net asset value.</i> | | | | | |

Performance Details

Performance details of the Fund for the financial period ended 29 February 2024 and three financial years ended 31 August are as follows:

| | FPE 29.02.2024 % | FYE 2023 % | FYE 2022 % | FYE 2021 % |
|---|---------------------------------|---------------------------|---------------------------|---------------------------|
| Net asset value (RM) | 8,580,554 | 22,499,720 | 40,553,806 | 81,396,392 |
| Units in circulation | 5,940,807 | 15,795,849 | 29,215,713 | 58,309,877 |
| Net asset value per unit (RM) | 1.4443 | 1.4244 | 1.3881 | 1.3959 |
| Highest net asset value per unit (RM) | 1.4444 | 1.4375 | 1.4169 | 1.3959 |
| Lowest net asset value per unit (RM) | 1.4237 | 1.3838 | 1.3871 | 1.3757 |
| Benchmark performance (%) | 1.45 | 2.95 | 2.08 | 1.95 |
| Total return (%) ⁽¹⁾ | 1.40 | 3.65 | 1.59 | 1.48 |
| - Capital growth (%) | 1.40 | 2.61 | -0.56 | 1.48 |
| - Income distribution (%) | - | 1.04 | 2.15 | - |
| Gross distribution (sen per unit) | - | 1.44 | 3.00 | - |
| Net distribution (sen per unit) | - | 1.44 | 3.00 | - |
| Total expense ratio (%) ⁽²⁾ | 0.49 | 0.91 | 0.86 | 0.84 |
| Portfolio turnover ratio (times) ⁽³⁾ | 0.70 | 0.66 | 0.50 | 0.41 |

Note:

- (1) Total return is the actual return of the Fund for the respective financial period/years computed based on the net asset value per unit and net of all fees.
- (2) Total expense ratio ("TER") is calculated based on the total fees and expenses incurred by the Fund divided by the average fund size calculated on a daily basis.
- (3) Portfolio turnover ratio ("PTR") is calculated based on the average of the total acquisitions and total disposals of investment securities of the Fund divided by the average fund size calculated on a daily basis.

Average Total Return (as at 29 February 2024)

| | Amlslamic Fixed Income Conservative^(a) % | MBB^(b) % |
|-------------|--|--------------------------------|
| One year | 3.36 | 2.99 |
| Three years | 2.39 | 2.49 |
| Five years | 3.22 | 2.60 |
| Ten years | 3.42 | 3.07 |

Annual Total Return

| Financial Years Ended (31 August) | Amlslamic Fixed Income Conservative^(a) % | MBB^(b) % |
|--|--|--------------------------------|
| 2023 | 3.65 | 2.95 |
| 2022 | 1.59 | 2.08 |
| 2021 | 1.48 | 1.95 |
| 2020 | 4.58 | 2.85 |
| 2019 | 5.52 | 3.52 |

(a) Source: Novagni Analytics and Advisory Sdn. Bhd.
 (b) Maybank 12-months General Investment Account rate-i (“MBB”).
 (Available at www.aminvest.com / www.maybank2u.com.my)

The Fund performance is calculated based on the net asset value per unit of the Fund. Average total return of the Fund and its benchmark for a period is computed based on the absolute return for that period annualised over one year.

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

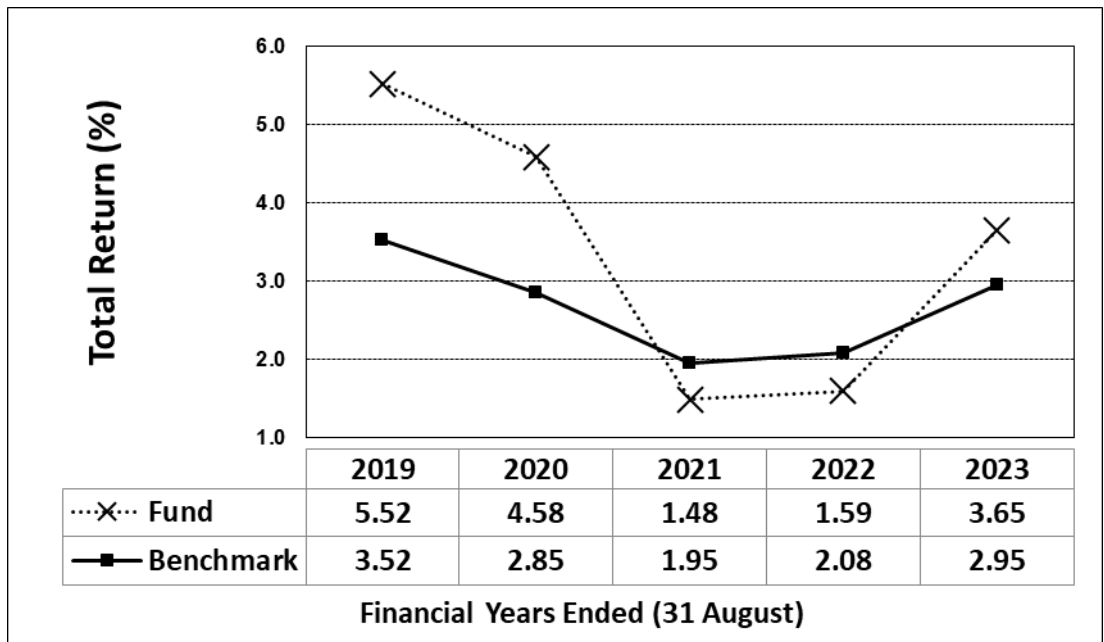
Fund Performance

For the financial period under review, the Fund registered a return of 1.40% which is entirely capital growth in nature.

Thus, the Fund’s return of 1.40% has underperformed the benchmark’s return of 1.45% by 0.05%.

As compared with the financial year ended 31 August 2023, the net asset value (“NAV”) per unit of the Fund increased by 1.40% from RM1.4244 to RM1.4443, while units in circulation decreased by 62.39% from 15,795,849 units to 5,940,807 units.

The following line chart shows comparison between the annual performances of Amlslamic Fixed Income Conservative and its benchmark, MBB, for the financial years ended 31 August.



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

| Strategies and Policies Employed | <p>The Fund seeks to achieve its objective by investing a minimum 70% of its net asset value (NAV) in Sukuk, while maintaining a weighted average portfolio duration of one (1) to three (3) years.</p> <p>The Fund will place maximum 30% of its NAV in Islamic deposits and/or Islamic money market instruments.</p> <p>The Fund is actively managed. However, the frequency of its trading strategy will depend on investment opportunities.</p> | | | | | | | | | | | | | | | | | | | | |
|---|---|--------------------------|--------------------------|--------------------------|--------------|-----------------|-------|-------|--------|-----------------------------|-------|-------|-------|--|------|-------|-------|--------------|---------------|---------------|--|
| Portfolio Structure | <p>The table below is the asset allocation of the Fund as at 29 February 2024 and 31 August 2023.</p> <table border="1" data-bbox="363 593 1476 869"> <thead> <tr> <th></th> <th>As at 29.02.2024 %</th> <th>As at 31.08.2023 %</th> <th>Changes %</th> </tr> </thead> <tbody> <tr> <td>Corporate sukuk</td> <td>30.16</td> <td>43.56</td> <td>-13.40</td> </tr> <tr> <td>Government Investment Issue</td> <td>60.12</td> <td>45.66</td> <td>14.46</td> </tr> <tr> <td>Money market deposits and cash equivalents</td> <td>9.72</td> <td>10.78</td> <td>-1.06</td> </tr> <tr> <td>Total</td> <td>100.00</td> <td>100.00</td> <td></td> </tr> </tbody> </table> <p>For the financial period under review, the Fund invested 30.16% of its NAV in corporate sukuk, 60.12% of its NAV in government investment issue and the remaining balance of 9.72% was held in money market deposits and cash equivalents.</p> | | As at 29.02.2024 % | As at 31.08.2023 % | Changes % | Corporate sukuk | 30.16 | 43.56 | -13.40 | Government Investment Issue | 60.12 | 45.66 | 14.46 | Money market deposits and cash equivalents | 9.72 | 10.78 | -1.06 | Total | 100.00 | 100.00 | |
| | As at 29.02.2024 % | As at 31.08.2023 % | Changes % | | | | | | | | | | | | | | | | | | |
| Corporate sukuk | 30.16 | 43.56 | -13.40 | | | | | | | | | | | | | | | | | | |
| Government Investment Issue | 60.12 | 45.66 | 14.46 | | | | | | | | | | | | | | | | | | |
| Money market deposits and cash equivalents | 9.72 | 10.78 | -1.06 | | | | | | | | | | | | | | | | | | |
| Total | 100.00 | 100.00 | | | | | | | | | | | | | | | | | | | |
| Securities Lending / Repurchase Transactions | <p>The Fund has not undertaken any securities lending or repurchase transactions (collectively referred to as “securities financing transactions”).</p> | | | | | | | | | | | | | | | | | | | | |
| Cross Trade | <p>There were no cross trades undertaken during the financial period under review.</p> | | | | | | | | | | | | | | | | | | | | |
| Distribution/ unit splits | <p>There is no income distribution and unit split declared for the financial period under review.</p> | | | | | | | | | | | | | | | | | | | | |
| State of Affairs | <p>There has been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unitholders during the financial period under review.</p> | | | | | | | | | | | | | | | | | | | | |
| Rebates and Soft Commission | <p>During the period, the management company did not receive soft commissions by virtue of transactions conducted for the Fund.</p> | | | | | | | | | | | | | | | | | | | | |
| Market Review | <p>The Malaysian Government Securities (MGS) saw yields rises across the curve in the month of September 2023 as the local fixed income market took cue from the sell-off in the United States (US) Treasuries (UST) coupled with defensive positioning due to absence of significant local catalyst – albeit a no change in the September 2023 Overnight Policy Rate (OPR) decision. The MGS bear-steepened as rates rose 13-15bps month-over-month (MoM) across the curve while the UST rose at a higher magnitude of 24 - 49 basis points (bps) across the curve. Much of UST movement was due to the more hawkish guidance from the Federal Open Market Committee (FOMC) - despite a no-hike decision in its September FOMC meeting.</p> | | | | | | | | | | | | | | | | | | | | |

| | |
|--------------------------------------|---|
| | <p>Malaysia's bond market sentiments continued to weaken at the start of the fourth quarter 2023 amid the backdrop of (1) a global bond market rout as both 10-year and 30-year UST touched the 5.00% psychological level and (2) concerns over Malaysian government bond supply following the announcement on more refinancing with long-term funding. Malaysia bond market rebounded in November and ended the year in a positive territory as investors sentiment were buoyed on the narrative that the Federal Reserve's period of rate tightening may be over and setting the stage for rate cuts to occur in 2024. Over the fourth quarter 2023, UST curve shifted lower with yields fell by 67-80 bps across the 2-year and 30-year tenure while MGS yields fell by 10 – 25 bps across the curve during the same period.</p> <p>Malaysia bond market in the large part of January 2024 saw some sell-down amid profit taking activities following the strong year-end rally and stronger US economic data coupled with hawkish Fed member's comments. Local market sentiment turned better toward the end of January in tandem with the UST amid lower US inflation readings resulted in an expectation the Fed would start unwinding its policy tightening. Similarly, the Malaysian bond market saw some sell-down in MGS in the belly of the curve in the first three weeks of February as the US Fed pushed back on dovish market expectations of US rate cuts following the 31 January FOMC meeting, coupled with strong US jobs data and higher than expected US inflation prints. Some buying interest returned to ringgit bonds in the final week of February as US rates began to show some signs of stabilization but failed to reverse the sell-off in the earlier part of the month. MGS ended the month of February with 7Y, 10Y and 15Y MGS yields higher by 4bps, 15bps and 4bps MoM.</p> |
| <p>Market Outlook</p> | <p>US economy remains resilient, with some signs of picking up in the manufacturing sector. Given the inflation is no longer surprising on the downside, US Fed can stand pat for now. We still maintain three rate cuts in second half of 2024, perhaps with some delay.</p> <p>As such, we expect Malaysian Ringgit to remain weak against US Dollar in near term. Bank Negara Malaysia is likely to keep the OPR at 3.0% for this year, even with slight uptick in inflation, arising from fiscal reform.</p> <p>We maintain tactically overweight on duration, while very selective on credits. Credit spreads have narrow further, driven by strong demand from local.</p> <p>Risk to our view above includes: 1) sticky global inflation, which require the Developed Market central banks to continue tighten beyond the current expectation; 2) extended emerging market currency weakness; and 3) geo-political risks.</p> |
| <p>Additional Information</p> | <p>The following information was updated:</p> <ol style="list-style-type: none"> 1) Mr Tai Terk Lin, an Independent Non-Executive Director of AmFunds Management Berhad (AFM), has retired from the Board and the Fund Management Division's Audit and Risk Management Committee with effect from 15 December 2023. 2) Mdm Jas Bir Kaur A/P Lol Singh, an Independent Non-Executive Director of AFM, has resigned as the Chairperson of the Investment Committee and has been appointed as a member of the Fund Management Division's Audit and Risk Management Committee with effect from 15 December 2023. 3) Mr Arnold Lim Boon Lay has been appointed as an Independent Non-Executive Director of AFM and the Chairman of the Investment Committee with effect from 15 December 2023. |

| | |
|--|---|
| | 4) The Eleventh Supplementary Master Prospectus 1 March 2024 has been registered with the Securities Commission Malaysia. Notice of the issuance for the Eleventh Supplementary Master Prospectus dated 1 March 2024 has been published on our website at www.aminvest.com and sent to the Unit Holders on 13 March 2024. |
|--|---|

Kuala Lumpur, Malaysia
AmFunds Management Berhad

18 April 2024

Amlslamic Fixed Income Conservative

STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2024

| | Note | 29.02.2024 (unaudited) RM | 31.08.2023 (audited) RM |
|---|---------|---------------------------------|-------------------------------|
| ASSETS | | | |
| Shariah-compliant investments | 4 | 7,746,755 | 20,074,093 |
| Amount due from Manager | 5(a) | - | 10,910 |
| Shariah-compliant deposit with a licensed financial institution | 6 | 895,071 | 2,434,393 |
| Cash at bank | | 11,538 | 10,623 |
| TOTAL ASSETS | | 8,653,364 | 22,530,019 |
| LIABILITIES | | | |
| Amount due to Manager | 5(b) | 60,192 | 16,111 |
| Amount due to Trustee | 7 | 409 | 1,142 |
| Sundry payables and accruals | | 12,209 | 13,046 |
| TOTAL LIABILITIES | | 72,810 | 30,299 |
| NET ASSET VALUE (“NAV”) OF THE FUND | | 8,580,554 | 22,499,720 |
| EQUITY | | | |
| Unit holders’ capital | 9(a) | (19,478,831) | (5,363,666) |
| Retained earnings | 9(b)(c) | 28,059,385 | 27,863,386 |
| NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS | 9 | 8,580,554 | 22,499,720 |
| UNITS IN CIRCULATION | 9(a) | 5,940,807 | 15,795,849 |
| NAV PER UNIT (RM) | | 1.4443 | 1.4244 |

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

Amlslamic Fixed Income Conservative

STATEMENT OF COMPREHENSIVE INCOME *(Unaudited)* FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 29 FEBRUARY 2024

| | | 01.09.2023 to 29.02.2024 | 01.09.2022 to 28.02.2023 |
|--|------|-----------------------------|-----------------------------|
| | Note | RM | RM |
| SHARIAH-COMPLIANT INVESTMENT INCOME | | | |
| Profit income | | 303,158 | 623,535 |
| Net losses from Shariah-compliant investments: | | | |
| - Financial assets at fair value through profit or loss ("FVTPL") | 8 | <u>(29,325)</u> | <u>(85,767)</u> |
| | | <u>273,833</u> | <u>537,768</u> |
| EXPENDITURE | | | |
| Manager's fee | 5 | (59,703) | (117,748) |
| Trustee's fee | 7 | (4,776) | (9,420) |
| Audit fee | | (4,219) | (4,204) |
| Tax agent's fee | | (2,039) | (2,033) |
| Other expenses | | <u>(7,097)</u> | <u>(6,706)</u> |
| | | <u>(77,834)</u> | <u>(140,111)</u> |
| Net income before taxation | | 195,999 | 397,657 |
| Taxation | 11 | <u>-</u> | <u>-</u> |
| Net income after taxation, representing total comprehensive income for the financial period | | <u>195,999</u> | <u>397,657</u> |
| Total comprehensive income comprises the following: | | | |
| Realised income | | 365,839 | 170,352 |
| Unrealised (loss)/gain | | <u>(169,840)</u> | <u>227,305</u> |
| | | <u>195,999</u> | <u>397,657</u> |

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

Amlslamic Fixed Income Conservative

STATEMENT OF CHANGES IN EQUITY *(Unaudited)*

FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 29 FEBRUARY 2024

| | Note | Unit holders' capital RM | Retained earnings RM | Total RM |
|--|------|--------------------------------|----------------------------|-------------------|
| At 1 September 2023 | | (5,363,666) | 27,863,386 | 22,499,720 |
| Total comprehensive income for the financial period | | - | 195,999 | 195,999 |
| Creation of units | 9(a) | 961,458 | - | 961,458 |
| Cancellation of units | 9(a) | (15,076,623) | - | (15,076,623) |
| Balance at 29 February 2024 | | <u>(19,478,831)</u> | <u>28,059,385</u> | <u>8,580,554</u> |
| At 1 September 2022 | | 13,288,505 | 27,265,301 | 40,553,806 |
| Total comprehensive income for the financial period | | - | 397,657 | 397,657 |
| Creation of units | | 985,447 | - | 985,447 |
| Cancellation of units | | (20,272,992) | - | (20,272,992) |
| Balance at 28 February 2023 | | <u>(5,999,040)</u> | <u>27,662,958</u> | <u>21,663,918</u> |

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

Amlslamic Fixed Income Conservative

STATEMENT OF CASH FLOWS (Unaudited)

FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 29 FEBRUARY 2024

| | 01.09.2023 to 29.02.2024 RM | 01.09.2022 to 28.02.2023 RM |
|---|-----------------------------------|-----------------------------------|
| CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES | | |
| Proceeds from sale of Shariah-compliant investments | 17,221,200 | 19,989,758 |
| Purchases of Shariah-compliant investments | (5,081,000) | (5,049,500) |
| Profit received | 460,970 | 815,536 |
| Manager's fee paid | (70,360) | (132,065) |
| Trustee's fee paid | (5,510) | (10,569) |
| Payments for other expenses | (14,191) | (8,220) |
| Net cash generated from operating and investing activities | <u>12,511,109</u> | <u>15,604,940</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from creation of units | 972,368 | 985,447 |
| Payments for cancellation of units | (15,021,884) | (20,272,992) |
| Net cash used in financing activities | <u>(14,049,516)</u> | <u>(19,287,545)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (1,538,407) | (3,682,605) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD | <u>2,445,016</u> | <u>5,475,164</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD | <u>906,609</u> | <u>1,792,559</u> |
| Cash and cash equivalents comprise: | | |
| Shariah-compliant deposit with a licensed financial institution | 895,071 | 1,782,132 |
| Cash at bank | 11,538 | 10,427 |
| | <u>906,609</u> | <u>1,792,559</u> |

Amlslamic Fixed Income Conservative

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 29 FEBRUARY 2024

1. GENERAL INFORMATION

Amlslamic Fixed Income Conservative (the “Fund”) was established pursuant to a Deed dated 18 July 2011 as amended by Deeds supplemental thereto (the “Deeds”), between AmFunds Management Berhad as the Manager, Deutsche Trustees Malaysia Berhad as the Trustee and all unit holders.

The Fund was set up with the objective of providing capital appreciation over the short to medium term by investing in a portfolio consisting of fixed income instruments that comply with Shariah principles. As provided in the Deeds, the financial year shall end on 31 August and the units in the Fund were first offered for sale on 9 January 2012.

The financial statements were authorised for issue by the Manager on 18 April 2024.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Fund have been prepared on a historical cost basis, except as otherwise stated in the accounting policies and comply with Malaysian Financial Reporting Standards 134: *Interim Financial Reporting* (“MFRS 134”) as issued by the Malaysian Accounting Standards Board (“MASB”).

Standards effective during the financial period

The adoption of the following MFRS which became effective during the financial period did not have any material financial impact to the financial statements.

| Description | Effective for financial periods beginning on or after |
|---|---|
| MFRS 17 <i>Insurance Contracts and Amendments to MFRS 17*</i> | 1 January 2023 |
| Initial Application of MFRS 17 and MFRS 9 - <i>Comparative Information</i> (Amendments to MFRS 17 <i>Insurance Contracts</i>)* | 1 January 2023 |
| Amendments to MFRS 101 <i>Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current</i> | 1 January 2023 |
| Amendments to MFRS 101 <i>Presentation of Financial Statements: Disclosure of Accounting Policies</i> | 1 January 2023 |
| Amendments to MFRS 108 <i>Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates</i> | 1 January 2023 |
| Amendments to MFRS 112 <i>Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> | 1 January 2023 |
| Amendments to MFRS 112 <i>Income Taxes: International Tax Reform - Pillar Two Model Rules</i> | 1 January 2023 |

Amlslamic Fixed Income Conservative

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 29 FEBRUARY 2024

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D.)

Standards issued but not yet effective

The standards and amendments to standards that have been issued but not yet effective up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these new pronouncements, if applicable, when they become effective.

| Description | Effective for financial periods beginning on or after |
|--|---|
| Amendments to MFRS 16 <i>Leases: Lease Liability in a Sale and Leaseback*</i> | 1 January 2024 |
| Amendments to MFRS 101 <i>Presentation of Financial Statements: Non-current Liabilities with Covenants</i> | 1 January 2024 |
| Amendments to MFRS 107 <i>Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements</i> | 1 January 2024 |
| Amendments to MFRS 121 <i>The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability</i> | 1 January 2025 |
| Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*</i> | Deferred |

* These MFRS and Amendments to MFRSs are not relevant to the Fund.

3. SUMMARY OF ACCOUNTING POLICIES

3.1 Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. Income is measured at the fair value of consideration received or receivable.

(i) Profit income

For all profit-bearing financial assets, profit income is calculated using the effective profit method. Effective profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective profit rate, but not future credit losses.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, profit income continues to be recognised using the rate of return used to discount the future cash flows for the purpose of measuring the impairment loss.

Amlslamic Fixed Income Conservative

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 29 FEBRUARY 2024

3. SUMMARY OF ACCOUNTING POLICIES (CONT'D.)

3.1 Income recognition (cont'd.)

- (ii) Gain or loss on disposal of Shariah-compliant investments

On disposal of Shariah-compliant investments, the net realised gain or loss on disposal is measured as the difference between the net disposal proceeds and the carrying amount of the Shariah-compliant investments. The net realised gain or loss is recognised in profit or loss.

3.2 Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

3.3 Functional and presentation currency

Functional currency is the currency of the primary economic environment in which the Fund operates that most faithfully represents the economic effects of the underlying transactions. The functional currency of the Fund is Ringgit Malaysia ("RM") which reflects the currency in which the Fund competes for funds, issues and redeems units. The Fund has also adopted RM as its presentation currency.

3.4 Statement of cash flows

The Fund adopts the direct method in the preparation of the statement of cash flows.

Cash and cash equivalents are short-term, highly liquid Shariah-compliant investments that are readily convertible to cash with insignificant risk of changes in value.

3.5 Distribution

Distribution is at the discretion of the Manager. A distribution to the Fund's unit holders is accounted for as a deduction from retained earnings and realised income. Realised income is the income earned from profit income and net gain on disposal of Shariah-compliant investments after deducting expenses and taxation. A proposed distribution is recognised as a liability in the period in which it is approved. Distribution is either reinvested or paid in cash to the unit holders on the distribution payment date. Reinvestment of units is based on the NAV per unit on the distribution payment date, which is also the time of creation.

Amlslamic Fixed Income Conservative

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 29 FEBRUARY 2024

3. SUMMARY OF ACCOUNTING POLICIES (CONT'D.)

3.6 Unit holders' capital

The unit holders' capital of the Fund meets the definition of puttable instruments and is classified as equity instruments under MFRS 132 *Financial Instruments: Presentation* ("MFRS 132").

3.7 Financial assets – initial recognition and measurement

(i) Initial recognition

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised using trade date accounting or settlement date accounting. The method used is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets.

(ii) Initial measurement

All financial assets are recognised initially at fair value, in the case of financial assets not recorded at FVTPL, transaction costs that are attributable to the acquisition of the financial asset. All financial liabilities are recognised initially at fair value and, in the case of financial liabilities not recorded at FVTPL, net of directly attributable transaction costs.

(iii) "Day 1" profit or loss

At initial measurement, if the transaction price differs from the fair value, the Fund immediately recognises the difference between the transaction price and fair value (a "Day 1" profit or loss) in profit or loss provided that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets. In all other cases, the difference between the transaction price and model value is recognised in profit or loss on a systematic and rational basis that reflects the nature of the instrument over its tenure.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 29 FEBRUARY 2024**

3. SUMMARY OF ACCOUNTING POLICIES (CONT'D.)

3.8 Financial assets – classification and subsequent measurement

The classification and subsequent measurement of debt instruments held by the Fund are determined based on their business model and cash flow characteristics.

Business model

The business model reflects how the Fund manages the financial assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets, or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. the financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model. Factors considered by the Fund in determining the business model for a portfolio of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, and how risks are assessed and managed.

Cash flow characteristics

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Fund assesses whether the financial assets' contractual cash flows represent solely payment of principal and profit ("SPPP"). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic financing arrangement, i.e. profit includes only consideration for time value of money, credit risk, other basic financing risks and a profit margin that is consistent with a basic financing arrangement. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPP.

3.9 Financial assets under MFRS 9

Classification and measurement

The classification of financial assets depends on the Fund's business model of managing the financial assets in order to generate cash flows ("business model test") and the contractual cash flow characteristics of the financial instruments ("SPPP test"). The business model test determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both and the assessment is performed on a portfolio basis. The SPPP test determines whether the contractual cash flows are solely for payments of principal and profit and the assessment is performed on a financial instrument basis.

Amlslamic Fixed Income Conservative

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 29 FEBRUARY 2024

3. SUMMARY OF ACCOUNTING POLICIES (CONT'D.)

3.9 Financial assets under MFRS 9

Classification and measurement (cont'd.)

The Fund may classify its financial assets under the following categories:

Financial assets at amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding. Financial assets include in this category are shariah-compliant deposits with licensed financial institutions, cash at banks, amount due from Target Fund Manager, amount due from Manager, amount due from brokers/financial institutions, dividend/distribution receivables and other receivables.

Financial assets at FVOCI

A financial asset is measured at fair value through other comprehensive income ("FVOCI") if its business model is both to hold the asset to collect contractual cash flows and to sell the financial asset. In addition, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and profit on the outstanding principal.

These Shariah-compliant investments are initially recorded at fair value and transaction costs are expensed in the profit or loss. Subsequent to initial recognition, these investments are remeasured at fair value. All fair value adjustments are initially recognised through OCI. Debt instruments at FVOCI are subject to impairment assessment.

Financial assets at FVTPL

Any financial assets that are not measured at amortised cost or FVOCI are measured at FVTPL. Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Changes in the fair value of those financial instruments are recorded in "Net gain or loss on financial assets at FVTPL". Profit earned element of such instrument is recorded in "Profit income".

Instruments that qualify for amortised cost or FVOCI may be irrevocably designated as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments are normally measured at FVTPL, nevertheless, the Fund is allowed to irrevocably designate equity instruments that are not held for trading as FVOCI, with no subsequent reclassification of gains or losses to profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 29 FEBRUARY 2024**

3. SUMMARY OF ACCOUNTING POLICIES (CONT'D.)

3.10 Financial liabilities – classification and subsequent measurement

Financial liabilities issued by the Fund are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Fund having an obligation either to deliver cash or another financial asset to the holders. After initial measurement, financial liabilities are subsequently measured at amortised cost using the effective profit method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective profit rate.

3.11 Derecognition of financial instruments

(i) Derecognition of financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired, or
- the Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either:
 - the Fund has transferred substantially all the risks and rewards of the asset, or
 - the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

For Shariah-compliant investments classified as FVOCI - debt instruments, the cumulative fair value change recognised in OCI is recycled to profit or loss.

(ii) Derecognition of financial liability

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Gains and losses are recognised in profit or loss when the liabilities are recognised, and through the amortisation process.

3.12 Financial instruments – expected credit losses (“ECL”)

The Fund assesses the ECL associated with its financial assets at amortised cost using simplified approach. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The ECL in respect of financial assets at amortised cost, if any, is recognised in profit or loss.

Financial assets together with the associated allowance are written off when it has exhausted all practical recovery efforts and there is no realistic prospect of future recovery. The Fund may also write-off financial assets that are still subject to enforcement activity when there is no reasonable expectation of full recovery. If a write-off is later recovered, the recovery is credited to profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 29 FEBRUARY 2024**

3. SUMMARY OF ACCOUNTING POLICIES (CONT'D.)

3.13 Determination of fair value

For Shariah-compliant investments in local unquoted fixed income securities, nominal value is the face value of the securities and fair value is determined based on the indicative prices from Bond Pricing Agency Malaysia Sdn. Bhd. plus accrued profit, which includes the accretion of discount and amortisation of premium. Adjusted cost of Shariah-compliant investments relates to the purchased cost plus accrued profit, adjusted for amortisation of premium and accretion of discount, if any, calculated over the period from the date of acquisition to the date of maturity of the respective securities as approved by the Manager and the Trustee. The difference between adjusted cost and fair value is treated as unrealised gain or loss and is recognised in profit or loss. Unrealised gains or losses recognised in profit or loss are not distributable in nature.

3.14 Classification of realised and unrealised gains and losses

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised (i.e. sold, redeemed or matured) during the reporting period.

Realised gains and losses on disposals of financial instruments classified at FVTPL are calculated using the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount.

3.15 Significant accounting estimates and judgments

The preparation of the Fund's financial statements requires the Manager to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future.

The Fund classifies its Shariah-compliant investments as financial assets at FVTPL as the Fund may sell its Shariah-compliant investments in the short-term for profit-taking or to meet unit holders' cancellation of units.

No major judgments have been made by the Manager in applying the Fund's accounting policies. There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 29 FEBRUARY 2024

4. SHARIAH-COMPLIANT INVESTMENTS

| | 29.02.2024 RM | 31.08.2023 RM |
|----------------------------------|------------------|-------------------|
| Financial assets at FVTPL | | |
| At nominal value: | | |
| Corporate sukuk | 2,500,000 | 9,500,000 |
| Government Investment Issue | 5,000,000 | 10,000,000 |
| | <u>7,500,000</u> | <u>19,500,000</u> |
| At fair value: | | |
| Corporate sukuk | 2,588,185 | 9,800,560 |
| Government Investment Issue | 5,158,570 | 10,273,533 |
| | <u>7,746,755</u> | <u>20,074,093</u> |

Details of Shariah-compliant investments as at 29 February 2024 are as follows:

| Maturity date | Issuer | Nominal value RM | Fair value RM | Adjusted cost RM | Fair value as a percentage of NAV % |
|------------------------------------|--|---------------------|------------------|---------------------|--|
| Corporate sukuk | | | | | |
| 30.01.2026 | Malayan Banking Berhad | 1,000,000 | 1,021,981 | 1,003,871 | 11.91 |
| 19.03.2026 | IJM Land Berhad | 1,500,000 | 1,566,204 | 1,571,542 | 18.25 |
| | Total corporate sukuk | <u>2,500,000</u> | <u>2,588,185</u> | <u>2,575,413</u> | <u>30.16</u> |
| Government Investment Issue | | | | | |
| 30.09.2026 | Government of Malaysia | 5,000,000 | 5,158,570 | 5,162,705 | 60.12 |
| | Total financial assets at FVTPL | <u>7,500,000</u> | <u>7,746,755</u> | <u>7,738,118</u> | <u>90.28</u> |
| | Excess of fair value over adjusted cost | | <u>8,637</u> | | |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 29 FEBRUARY 2024

5. AMOUNT DUE FROM/TO MANAGER

| | Note | 29.02.2024 RM | 31.08.2023 RM |
|-----------------------------|-------|------------------|------------------|
| (a) Due from Manager | | | |
| Creation of units | (i) | - | 10,910 |
| (b) Due to Manager | | | |
| Cancellation of units | (ii) | 54,738 | - |
| Manager's fee payable | (iii) | 5,454 | 16,111 |
| | | <u>60,192</u> | <u>16,111</u> |

(i) This represents amount receivable from the Manager for units created.

(ii) This represents amount payable to the Manager for units cancelled.

The normal credit period in the previous financial year and current financial period for creation and cancellation of units is three business days.

(iii) Manager's fee is at a rate of 0.75% (31.08.2023: 0.75%) per annum on the NAV of the Fund, calculated on a daily basis.

The normal credit period in the previous financial year and current financial period for Manager's fee payable is one month.

6. SHARIAH-COMPLIANT DEPOSIT WITH A LICENSED FINANCIAL INSTITUTION

| | 29.02.2024 RM | 31.08.2023 RM |
|--------------------|------------------|------------------|
| At nominal value: | | |
| Short-term deposit | <u>895,000</u> | <u>2,434,000</u> |
| At carrying value: | | |
| Short-term deposit | <u>895,071</u> | <u>2,434,393</u> |

Details of Shariah-compliant deposit with a licensed financial institution are as follows:

| Maturity date | Financial Institution | Nominal value RM | Carrying value RM | Carrying value as a percentage of NAV % |
|---------------------------|-------------------------|---------------------|----------------------|--|
| 29.02.2024 | | | | |
| Short-term deposit | | | | |
| 01.03.2024 | RHB Islamic Bank Berhad | <u>895,000</u> | <u>895,071</u> | <u>10.43</u> |

Amlslamic Fixed Income Conservative

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 29 FEBRUARY 2024

7. AMOUNT DUE TO TRUSTEE

Trustee's fee is at a rate of 0.06% (31.08.2023: 0.06%) per annum on the NAV of the Fund, calculated on a daily basis, subject to a minimum fee of RM10,000 per annum.

The normal credit period in the previous financial year and current financial period for Trustee's fee payable is one month.

8. NET LOSSES FROM SHARIAH-COMPLIANT INVESTMENTS

| | 01.09.2023 to 29.02.2024 RM | 01.09.2022 to 28.02.2023 RM |
|---|-----------------------------------|-----------------------------------|
| Net losses on financial assets at FVTPL comprised: | | |
| - Net realised gain/(loss) on sale of Shariah-compliant investments | 140,515 | (313,072) |
| - Net unrealised (loss)/gain on changes in fair values of Shariah-compliant investments | (169,840) | 227,305 |
| | <u>(29,325)</u> | <u>(85,767)</u> |

9. TOTAL EQUITY

Total equity is represented by:

| | Note | 29.02.2024 RM | 31.08.2023 RM |
|-----------------------|------|------------------|-------------------|
| Unit holders' capital | (a) | (19,478,831) | (5,363,666) |
| Retained earnings | | | |
| - Realised income | (b) | 28,050,748 | 27,684,909 |
| - Unrealised gains | (c) | 8,637 | 178,477 |
| | | <u>8,580,554</u> | <u>22,499,720</u> |

(a) Unit holders' capital/units in circulation

| | 29.02.2024 | | 31.08.2023 | |
|---|---------------------|---------------------|---------------------|---------------------|
| | Number of units | RM | Number of units | RM |
| At beginning of the financial period/year | 15,795,849 | (5,363,666) | 29,215,713 | 13,288,505 |
| Creation during the financial period/year | 671,615 | 961,458 | 1,394,535 | 1,964,528 |
| Reinvestment of distribution | - | - | 158,262 | 225,222 |
| Cancellation during the financial period/year | <u>(10,526,657)</u> | <u>(15,076,623)</u> | <u>(14,972,661)</u> | <u>(20,841,921)</u> |
| At end of the financial period/year | <u>5,940,807</u> | <u>(19,478,831)</u> | <u>15,795,849</u> | <u>(5,363,666)</u> |

Amlslamic Fixed Income Conservative

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 29 FEBRUARY 2024

9. TOTAL EQUITY (CONT'D.)

(a) Unit holders' capital/units in circulation (cont'd.)

The negative balance of unit holders' capital was due to the cancellation of units at a higher NAV per unit following the price appreciation of the Fund as compared to the units being created at a lower NAV per unit in prior years.

(b) Realised – distributable

| | 29.02.2024 | 31.08.2023 |
|---|-------------------|-------------------|
| | RM | RM |
| At beginning of the financial period/year | 27,684,909 | 27,393,041 |
| Net realised income for the financial period/year | 365,839 | 517,090 |
| Distribution out of realised income | - | (225,222) |
| At end of the financial period/year | <u>28,050,748</u> | <u>27,684,909</u> |

(c) Unrealised – non-distributable

| | 29.02.2024 | 31.08.2023 |
|--|------------------|----------------|
| | RM | RM |
| At beginning of the financial period/year | 178,477 | (127,740) |
| Net unrealised (loss)/gain for the financial period/year | <u>(169,840)</u> | <u>306,217</u> |
| At end of the financial period/year | <u>8,637</u> | <u>178,477</u> |

10. SIGNIFICANT RELATED PARTIES TRANSACTIONS AND BALANCES

The related parties and their relationships with the Fund are as follows:

| <u>Related parties</u> | <u>Relationships</u> |
|---|--|
| AmFunds Management Berhad | The Manager |
| AmInvestment Bank Berhad | Holding company of the Manager |
| AMMB Holdings Berhad ("AMMB") | Ultimate holding company of the Manager |
| Subsidiaries and associates of AMMB as disclosed in its financial statements | Subsidiaries and associate companies of the ultimate holding company of the Manager |

There are no units held by the Manager or any related party as at 29 February 2024 and 31 August 2023.

Amlslamic Fixed Income Conservative

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 29 FEBRUARY 2024

11. TAXATION

Income tax payable is calculated on Shariah-compliant investments income less deduction for permitted expenses as provided under Section 63B of the Income Tax Act, 1967.

A reconciliation of income tax expense applicable to net income before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Fund is as follows:

| | 01.09.2023 to 29.02.2024 | 01.09.2022 to 28.02.2023 |
|--|-------------------------------------|-------------------------------------|
| | RM | RM |
| Net income before taxation | <u>195,999</u> | <u>397,657</u> |
| Taxation at Malaysian statutory rate of 24% (2023: 24%) | 47,040 | 95,438 |
| Tax effects of: | | |
| Income not subject to tax | (106,482) | (204,201) |
| Losses not allowed for tax deduction | 40,762 | 75,137 |
| Restriction on tax deductible expenses for unit trust fund | 13,807 | 26,342 |
| Non-permitted expenses for tax purposes | 3,339 | 4,358 |
| Permitted expenses not used and not available for future financial periods | <u>1,534</u> | <u>2,926</u> |
| Tax expense for the financial period | <u>-</u> | <u>-</u> |

12. TOTAL EXPENSE RATIO (“TER”)

The Fund’s TER is as follows:

| | 01.09.2023 to 29.02.2024 | 01.09.2022 to 28.02.2023 |
|-----------------------|-------------------------------------|-------------------------------------|
| | % p.a. | % p.a. |
| Manager’s fee | 0.37 | 0.37 |
| Trustee’s fee | 0.03 | 0.03 |
| Fund’s other expenses | <u>0.09</u> | <u>0.05</u> |
| Total TER | <u>0.49</u> | <u>0.45</u> |

The TER of the Fund is the ratio of the sum of fees and expenses incurred by the Fund to the average NAV of the Fund calculated on a daily basis.

Amlslamic Fixed Income Conservative

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 29 FEBRUARY 2024

13. PORTFOLIO TURNOVER RATIO (“PTR”)

The PTR of the Fund, which is the ratio of average total acquisitions and disposals of Shariah-compliant investments to the average NAV of the Fund calculated on a daily basis, is 0.70 times (01.09.2023 to 29.02.2024: 0.40 times).

14. SEGMENTAL REPORTING

In accordance with the objective of the Fund, substantially all of the Fund’s Shariah-compliant investments are made in the form of Shariah-compliant fixed income securities and Islamic money market instruments in Malaysia. The Manager is of the opinion that the risk and rewards from these Shariah-compliant investments are not individually or segmentally distinct and hence the Fund does not have a separately identifiable business or geographical segments.

15. TRANSACTIONS WITH BROKERS

Details of transactions with brokers for the financial period ended 29 February 2024 are as follows:

| | Transaction value | |
|-----------------------------------|-------------------|---------------|
| | RM | % |
| Malayan Banking Berhad | 15,318,022 | 67.94 |
| Hong Leong Investment Bank Berhad | 4,047,340 | 17.95 |
| Hong Leong Bank Berhad | 3,182,299 | 14.11 |
| Total | <u>22,547,661</u> | <u>100.00</u> |

The Manager is of the opinion that the above transactions have been entered into normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

The above transactions are in respect of Shariah-compliant fixed income instruments. Transactions in these Shariah-compliant investments do not involve any commission or brokerage fee.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks that include market risk, credit risk, liquidity risk, single issuer risk, regulatory risk, management risk, non-compliance risk and Shariah non-compliance risk.

Risk management is carried out by closely monitoring, measuring and mitigating the above said risks, careful selection of Shariah-compliant investments coupled with stringent compliance to Shariah-compliant investments restrictions as stipulated by the Capital Market and Services Act 2007, Securities Commission Malaysia’s Guidelines on Unit Trust Funds, Securities Commission Malaysia’s Guidelines on Islamic Capital Market Products and Services, and the Deeds as the backbone of risk management of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 29 FEBRUARY 2024**

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Market risk

The Fund's principal exposure to market risk arises primarily due to changes in the market environment, global economic and geo-political developments.

The Fund's market risk is affected primarily by the following risks:

(i) Rate of return risk

Rate of return risk will affect the value of the Fund's Shariah-compliant investments, given the rate of return movements, which are influenced by regional and local economic developments as well as political developments.

Domestic profit rates on Shariah-compliant deposits and placements with a licensed financial institutions are determined based on prevailing market rates.

Although Islamic Fund does not deal with profit-bearing accounts and products, the fluctuation of profit rate may affect the performance of an Islamic Fund.

(b) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge an obligation. The Fund is exposed to the risk of sukuk issuers and licensed financial institutions defaulting on their repayment obligations which in turn would affect the NAV of the Fund.

For Shariah-compliant deposits with financial institutions, the Fund makes placements with financial institutions with sound rating of P1/MARC-1 and above. Cash at bank is held for liquidity purposes and is not exposed to significant credit risk.

(c) Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected. The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unit holders. Liquid assets comprise of Shariah-compliant deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 5 to 7 days. The Fund's policy is to always maintain a prudent level of liquid assets so as to reduce liquidity risk.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 29 FEBRUARY 2024

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Single issuer risk

Internal policy restricts the Fund from investing in securities issued by any issuer of not more than a certain percentage of its NAV. Under such restriction, the risk exposure to the securities of any single issuer is diversified and managed based on internal/external ratings.

(e) Regulatory risk

Any changes in national policies and regulations may have effects on the capital market and the NAV of the Fund.

(f) Management risk

Poor management of the Fund may cause considerable losses to the Fund that in turn may affect the NAV of the Fund.

(g) Non-compliance risk

This is the risk of the Manager or the Trustee not complying with their respective internal policies, the Deed and its Supplemental Deed, securities law or guidelines issued by the regulators relevant to each party, which may adversely affect the performance of the Fund.

(h) Shariah non-compliance risk

This is the risk of the Fund not conforming to Shariah Investment Guidelines. The Shariah Adviser for the Fund would be responsible for ensuring that the Fund is managed and administered in accordance with Shariah Investment Guidelines. Note that as the Fund can only invest in Shariah-compliant instruments, non-compliance may adversely affect the NAV of the Fund when the rectification of non-compliance results in losses.

AmIslamic Fixed Income Conservative

STATEMENT BY THE MANAGER

I, Goh Wee Peng, being the Director of and on behalf of the Board of Directors of AmFunds Management Berhad (the "Manager"), do hereby state that, in the opinion of the Manager, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards 134: *Interim Financial Reporting* ("MFRS 134") so as to give a true and fair view of the financial position of AmIslamic Fixed Income Conservative (the "Fund") as at 29 February 2024 and of the comprehensive income, the changes in equity and cash flows for the financial period then ended.

For and on behalf of the Manager

GOH WEE PENG

Executive Director

Kuala Lumpur, Malaysia

18 April 2024

TRUSTEE'S REPORT

TO THE UNIT HOLDERS OF AMISLAMIC FIXED INCOME CONSERVATIVE ("Fund")

We have acted as Trustee of the Fund for the financial period ended 29 February 2024 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, AmFunds Management Berhad 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 deed, securities laws and the Guidelines on Unit Trust Funds;
2. Valuation and pricing is carried out in accordance with the deed; and
3. Any creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement.

For Deutsche Trustees Malaysia Berhad

Ng Hon Leong
Head, Fund Operations

Sylvia Beh
Chief Executive Officer

Kuala Lumpur
18 April 2024

SHARIAH ADVISER'S REPORT FOR ISLAMIC UNIT TRUST FUND

To the unit holders of AmIslamic Fixed Income Conservative ("Fund"),

We hereby confirm the following:

1. To the best of our knowledge, after having made all reasonable enquiries, AmFunds Management Berhad has operated and managed the Fund during the period covered by these financial statements 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: and
2. The assets of the Fund comprise instruments that have been classified as Shariah-compliant.

For Amanie Advisors Sdn Bhd

Tan Sri Dr Mohd Daud Bakar

Executive Chairman

Date: 18 April 2024

DIRECTORY

Head Office

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55, Jalan Raja Chulan, 50200 Kuala Lumpur
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AmFunds Management Berhad
P.O Box 13611, 50816 Kuala Lumpur

*For enquiries about this or any of the other Funds offered by AmFunds Management Berhad
Please call 2032 2888 between 8.45 a.m. to 5.45 p.m. (Monday to Thursday),
Friday (8.45 a.m. to 5.00 p.m.)*

