

Annual Report for

# European Equity Alpha

30 November 2023



**AmInvest**

Growing Your Investments in a Changing World

## TRUST DIRECTORY

### **Manager**

AmFunds Management Berhad  
9<sup>th</sup> & 10<sup>th</sup> Floor, Bangunan AmBank Group  
55 Jalan Raja Chulan  
50200 Kuala Lumpur

### **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

### **Trustee**

AmanahRaya Trustees Berhad

### **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 audited accounts of European Equity Alpha ("Fund") for the financial year ended 30 November 2023.

### Salient Information of the Fund

<b>Name</b>	European Equity Alpha ("Fund")
<b>Category/ Type</b>	Feeder (European Equity) / Capital growth
<b>Name of Target Fund</b>	Schroder ISF European Value
<b>Fund Objective</b>	<p>To provide capital growth primarily through investment in equity securities of European companies. It will invest in a select portfolio of securities which it believes offer the best potential for future growth.</p> <p><i>Note: Any material change to the investment objective of the Fund would require Unit Holders' approval.</i></p>
<b>Duration</b>	<p>The Fund was established on 8 August 2006 and shall exist for as long as it appears to the Manager and the Trustee that it is in the interest of the unitholders for it to continue. In some circumstances, the unitholders can resolve at a meeting to terminate the Fund.</p>
<b>Performance Benchmark</b>	<p>MSCI Europe Net (Total Return) Index ("MSCI-ENTRI"). (Available at <a href="http://www.aminvest.com">www.aminvest.com</a>)</p> <p><i>Note: The Fund adheres to the benchmark of the Target Fund. The risk profile of the performance benchmark is not the same as the risk profile of the Fund.</i></p> <p><i>Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (<a href="http://www.msci.com">www.msci.com</a>).</i></p>

<b>Income Distribution Policy</b>	Income distribution (if any) is paid at least once every year.
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## Fund Performance Data

<b>Portfolio Composition</b>	Details of portfolio composition of the Fund as at 30 November are as follows:		
	<b>As at 30 November</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Foreign collective investment scheme	96.21	96.51	96.06
Money market deposits and cash equivalents	3.79	3.49	3.94
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
	<i>Note: The abovementioned percentages are calculated based on total net asset value.</i>		
<b>Performance Details</b>	Performance details of the Fund for the financial years ended 30 November are as follows:		
	<b>FYE</b>	<b>FYE</b>	<b>FYE</b>
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Net asset value (RM)	19,358,578	25,314,669	35,184,855*
Units in circulation	15,587,202	20,032,924	26,103,438*
Net asset value per unit (RM)	1.2420	1.2637	1.3479*
Highest net asset value per unit (RM)	1.5247	1.5561	1.4485*
Lowest net asset value per unit (RM)	1.2381	1.1233	1.1153*
Benchmark performance (%)	20.12	-6.94	18.51
Total return (%) <sup>(1)</sup>	15.72	1.93	19.80
- Capital growth (%)	-1.66	-6.48	19.80
- Income distribution (%)	17.38	8.41	-
Gross distribution (sen per unit)	21.96	11.33	-
Net distribution (sen per unit)	21.96	11.33	-
Total expense ratio (%) <sup>(2)</sup>	0.52	0.49	0.46
Portfolio turnover ratio (times) <sup>(3)</sup>	0.44	0.26	0.26
	* Above prices and net asset value per unit are not shown as ex-distribution.		
	<i>Note:</i>		
	(1) Total return is the actual return of the Fund for the respective financial 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. The TER increased by 0.03% as compared to 0.49% per annum for the financial year ended 30 November 2022 mainly due to decrease in average fund size.		
	(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. The increase in the PTR for 2023 was due mainly to investing activities.		

**Average Total Return (as at 30 November 2023)**

	<b>European Equity Alpha<sup>(a)</sup> %</b>	<b>MSCI- ENTRI<sup>(b)</sup> %</b>
One year	15.72	20.12
Three years	12.22	9.83
Five years	5.71	8.82
Ten years	5.11	7.36

**Annual Total Return**

<b>Financial Years Ended (30 November)</b>	<b>European Equity Alpha<sup>(a)</sup> %</b>	<b>MSCI- ENTRI<sup>(b)</sup> %</b>
2023	15.72	20.12
2022	1.93	-6.94
2021	19.80	18.51
2020	-11.79	1.23
2019	5.91	13.83

(a) Source: Novagni Analytics and Advisory Sdn. Bhd.

(b) MSCI Europe Net (Total Return) Index ("MSCI-ENTRI").  
(Available at [www.aminvest.com](http://www.aminvest.com))

The Fund performance is calculated based on 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.**

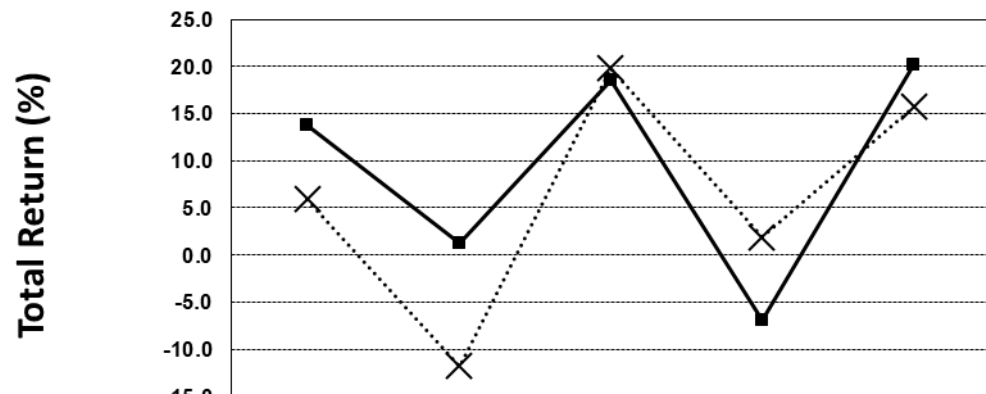
**Fund  
Performance**

For the financial year under review, the Fund registered a return of 15.72% comprising of negative 1.66% capital and 17.38% income distribution.

Thus, the Fund's return of 15.72% has underperformed the benchmark's return of 20.12% by 4.40%.

As compared with the financial year ended 30 November 2022, the net asset value ("NAV") per unit of the Fund decreased by 1.72% from RM1.2637 to RM1.2420, while units in circulation decreased by 22.19% from 20,032,924 units to 15,587,202 units.

The following line chart shows comparison between the annual performances of European Equity Alpha and its benchmark, MSCI-ENTRI, for the financial years ended 30 November.



	2019	2020	2021	2022	2023
···×··· Fund	5.91	-11.79	19.80	1.93	15.72
—■— Benchmark	13.83	1.23	18.51	-6.94	20.12

Financial Years Ended (30 November)

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

**Performance of the Target Fund**

**Fund Performance Review of the Target Fund – Schroder ISF European Value (the “Target Fund”)**

The Target Fund marginally outperformed over the performance period, gross of fees. It was a strong year for Industrial names which came off share price lows last year. Rolls-Royce, the British aerospace business saw shares rally significantly after the outlook for the business improved. UniCredit was one of the fund’s top performers as it benefitted from a rising rate environment and deployed capital via dividends and a large share buyback program.

Elsewhere Software AG, the German tech business was bid for by US private equity which added 100bps to performance.

On the weaker side, Ferrexpo and Petrofac detracted as the two largest underperformers. We continue to have conviction in these names.

*Source: Aladdin, Schroders, November 2023.*

**Strategies and Policies Employed**

**Strategies and Policies employed by Target Fund**

There has been no change in the strategies and policies employed in the review period. We believe that a great investment process is one with a high probability of superior outcomes over time. Our process is focused on producing the best possible long-term results with minimum risk. High risk does not equal high return; low risk equals high return in the long run. Real investment risk is the chance of permanently losing some or all of the money that you have invested. Buying stocks at a discount to their intrinsic value greatly reduces the risk of capital loss. Overpaying for stocks, however it is justified, will ultimately destroy capital.

Value investing’s major strength is the disciplined focus on buying out-of-favour companies at all stages of the investment cycle. Only by being disciplined and consistent can we deliver its long-term performance advantage.

*Source: Aladdin, Schroders, November 2023.*

**Strategies and Policies of the Fund**

For the financial year under review, a minimum of 95% of its NAV was invested in the Target Fund.

**Target Fund's Top 10 Holdings****As at 30 November 2023**

<b>Security</b>	<b>Fund Weight %</b>
Allianz	2.8%
Orange	2.6%
Sanofi Sa	2.6%
Ab Inbev	2.3%
Continental Ag	2.3%
Bnp Paribas	2.3%
Standard Chartered	2.2%
Adecco	2.2%
Gsk	2.2%
British Land	2.2%

**As at 30 November 2022**

<b>Security</b>	<b>Fund Weight %</b>
Allianz	3.3%
Sanofi Sa	3.0%
Axa Sa	3.0%
Unicredit	2.6%
Continental Ag	2.6%
Bayer Ag	2.6%
Natwest Group Plc	2.4%
Ing Groep Nv	2.3%
Itv Plc	2.3%
Henkel Ag	2.3%

*Source: Aladdin, Schroders, November 2023.*

**Portfolio Structure**

The table below is the asset allocation of the Fund as at 30 November 2023 and 30 November 2022.

	<b>As at 30.11.2023 %</b>	<b>As at 30.11.2022 %</b>	<b>Changes %</b>
Foreign collective investment scheme	96.21	96.51	-0.30
Money market deposits and cash equivalents	3.79	3.49	0.30
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	

For the financial year under review, there are no significant changes in the allocation that is permissible in the Fund's strategy. As at 30 November 2023, the Fund has invested 96.21% of its NAV in the foreign collective investment scheme and the balance of 3.79% of its NAV in money market deposits and cash equivalents.



<b>Securities Lending / Repurchase Transactions</b>	The Fund has not undertaken any securities lending or repurchase transactions (collectively referred to as “securities financing transactions”).								
<b>Cross Trade</b>	There were no cross trades undertaken during the financial year under review.								
<b>Distribution/ Unit splits</b>	<p>During the financial year under review, the Fund declared income distribution, detailed as follows:</p> <table border="1"> <thead> <tr> <th>Date of distribution</th> <th>Distribution per unit RM (sen)</th> <th>NAV per unit Cum-Distribution (RM)</th> <th>NAV per unit Ex-Distribution (RM)</th> </tr> </thead> <tbody> <tr> <td>23-Nov-23</td> <td>21.96</td> <td>1.4577</td> <td>1.2381</td> </tr> </tbody> </table> <p>There is no unit split declared for the financial year under review.</p>	Date of distribution	Distribution per unit RM (sen)	NAV per unit Cum-Distribution (RM)	NAV per unit Ex-Distribution (RM)	23-Nov-23	21.96	1.4577	1.2381
Date of distribution	Distribution per unit RM (sen)	NAV per unit Cum-Distribution (RM)	NAV per unit Ex-Distribution (RM)						
23-Nov-23	21.96	1.4577	1.2381						
<b>State of Affairs</b>	<p>Adjourned meeting of the Unit Holders of the Fund was successfully convened on 15 February 2023 with the Resolution below duly passed:</p> <p><b>Change of Investment Objective of the Fund</b></p> <p>That authority be and is hereby given to the Manager to change the investment objective of the Fund as follows:</p> <p>“The Fund seeks to provide capital growth over a three to five year period by investing in the Target Fund which invests in equity and equity related securities of European companies.”</p> <p>and that FURTHER the Manager and/or the trustee of the Fund shall be authorised to do all such things necessary to give effect to the change of investment objective in respect of the Fund in accordance with the relevant laws, guidelines and the provisions of the Deed.</p>								
<b>Rebates and Soft Commission</b>	During the year, the management company did not receive soft commissions by virtue of transactions conducted for the Fund.								
<b>Market Review</b>	<p>Markets were highly volatile over the course of the performance period. The period was characterized by rising interest rates across all markets as central banks look to drive down inflation from record levels. Value had a middling year-performing strongly in the first quarter but then unwinding over the summer.</p> <p><i>Source: Aladdin, Schroders, November 2023.</i></p>								
<b>Market Outlook</b>	<p>Markets remain volatile as investors a new interest rate world. The market continues to grapple with the challenge of a higher rate world.</p> <p>We think this has profound implications for corporate balance sheet strength. We continue to spend a significant amount of time understanding the debt positions of the businesses we look at.</p> <p>We continue to take advantage of cheap opportunities in Europe, more recently this has included those in the materials and chemicals space.</p> <p>The cheapest companies in Europe remain on a significant discount relative to</p>								

	<p>their growth peers and their own history. Earning growth for these business remains favourable.</p> <p><i>Source: Aladdin, Schroders, November 2023.</i></p>
<p><b>Additional Information</b></p>	<p>Conversion from feeder fund to in-house managed fund Schroder Investment Management (Europe) S.A., the target fund manager of Schroder ISF Global Schroder ISF European Value (the “Target Fund”) notified us on 8 August 2023 on their intention to terminate the dealing agreement with us. We are proposing to restructure the Fund from a feeder fund to become an in-house managed fund. As the proposed restructuring to the Fund will involve changes in objective, risk profile, distribution policy, investment strategy, funds’ category and permitted investment of the Fund, we will be convening unit holders’ meeting and subsequently will issue supplemental deed for the Fund and supplementary master prospectus upon passing of the resolutions at the unit holders’ meeting.</p> <p>The following information was updated:</p> <ol style="list-style-type: none"> <li>1) Pn Azian Binti Kassim has been appointed as an Independent Non-Executive Director of AmIslamic Funds Management Sdn Bhd and a member of the Fund Management Division’s Audit and Risk Management Committee with effect 30 June 2023.</li> <li>2) The Tenth Supplementary Master Prospectus dated 31 August 2023 has been registered with the Securities Commission Malaysia. The issuance of the Tenth Supplementary Master Prospectus is to be in line with the revised Guidelines on Unit Trust Funds and the Prospectus Guidelines for Collective Investment Schemes.</li> <li>3) 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.</li> <li>4) 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.</li> <li>5) 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.</li> </ol> <p>Notice of issuance of the Tenth Supplementary Master Prospectus dated 31 August 2023 has been published on our website at <a href="http://www.aminvest.com">www.aminvest.com</a> and sent to the unit holders on 31 August 2023.</p>

Kuala Lumpur, Malaysia  
AmFunds Management Berhad

18 January 2024

## **Independent auditors' report to the unit holders of European Equity Alpha**

### **Report on the audit of the financial statements**

#### *Opinion*

We have audited the financial statements of European Equity Alpha ("the Fund"), which comprise the statement of financial position as at 30 November 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 36.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 November 2023, and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

#### *Basis for opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence and other ethical responsibilities*

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### *Information other than the financial statements and auditors' report thereon*

The Manager is responsible for the other information. The other information comprises the information in the annual report of the Fund, but does not include the financial statements of the Fund and our auditors' report thereon.

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

## **Independent auditors' report to the unit holders of European Equity Alpha (cont'd.)**

### *Information other than the financial statements and auditors' report thereon (cont'd.)*

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

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

### *Responsibilities of the Manager and the Trustees for the financial statements*

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

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

The Trustee is responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

### *Auditor's responsibilities for the audit of the financial statements*

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

## **Independent auditors' report to the unit holders of European Equity Alpha (cont'd.)**

### *Auditor's responsibilities for the audit of the financial statements (cont'd.)*

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

- Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Independent auditors' report to the unit holders of  
European Equity Alpha (cont'd.)**

**Other matters**

This report is made solely to the unit holders of the Fund, as a body, in accordance with the Guidelines on Unit Trust Funds issued by Securities Commission Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Ng Sue Ean  
No. 03276/07/2024 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
18 January 2024

## European Equity Alpha

### STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2023

	Note	2023 RM	2022 RM
<b>ASSETS</b>			
Investment	4	18,624,630	24,430,103
Amount due from Manager	5(a)	90,889	93,116
Amount due from Target Fund Manager	6	-	336,591
Cash at banks		665,203	491,165
<b>TOTAL ASSETS</b>		<u>19,380,722</u>	<u>25,350,975</u>
<b>LIABILITIES</b>			
Amount due to Manager	5(b)	6,228	8,125
Amount due to Trustee	7	1,098	1,487
Distribution payable	12	-	11,449
Sundry payables and accruals		14,818	15,245
<b>TOTAL LIABILITIES</b>		<u>22,144</u>	<u>36,306</u>
<b>NET ASSET VALUE ("NAV") OF THE FUND</b>		<u>19,358,578</u>	<u>25,314,669</u>
<b>EQUITY</b>			
Unit holders' capital	9(a)	2,394,166	9,236,816
Retained earnings	9(b)(c)	16,964,412	16,077,853
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>	9	<u>19,358,578</u>	<u>25,314,669</u>
<b>UNITS IN CIRCULATION</b>	9(a)	<u>15,587,202</u>	<u>20,032,924</u>
<b>NAV PER UNIT (RM)</b>			
- EX-DISTRIBUTION		<u>1.2420</u>	<u>1.2637</u>

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

## European Equity Alpha

### STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023

	Note	2023 RM	2022 RM
<b>INVESTMENT INCOME</b>			
Interest income		1,922	8,155
Net gains from investment:			
– Financial assets at fair value through profit or loss (“FVTPL”)	8	3,924,480	1,288,242
Other net realised losses on foreign currency exchange		(29,759)	(68,210)
		<u>3,896,643</u>	<u>1,228,187</u>
<b>EXPENDITURE</b>			
Manager’s fee	5	(78,290)	(100,737)
Trustee’s fee	7	(15,777)	(20,429)
Audit fee		(8,700)	(8,700)
Tax agent’s fee		(3,800)	(3,800)
Custodian’s fee		(3,047)	(3,892)
Other expenses		(6,799)	(6,531)
		<u>(116,413)</u>	<u>(144,089)</u>
<b>Net income before taxation</b>		3,780,230	1,084,098
<b>Taxation</b>	11	-	-
<b>Net income after taxation, representing total comprehensive income for the financial year</b>		<u>3,780,230</u>	<u>1,084,098</u>
Total comprehensive income comprises the following:			
Realised income		3,153,606	2,196,390
Unrealised gain/(loss)		626,624	(1,112,292)
		<u>3,780,230</u>	<u>1,084,098</u>
<b>Distribution for the financial year</b>			
Net distribution	12	<u>2,893,671</u>	<u>2,081,243</u>
Gross distribution per unit (sen)	12	<u>21.96</u>	<u>11.33</u>
Net distribution per unit (sen)	12	<u>21.96</u>	<u>11.33</u>

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



## European Equity Alpha

### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023

	Note	Unit holders' capital RM	Retained earnings RM	Total equity RM
At 1 December 2022		9,236,816	16,077,853	25,314,669
Total comprehensive income for the financial year		-	3,780,230	3,780,230
Creation of units	9(a)	11,146,258	-	11,146,258
Reinvestment of distribution	9(a),12	2,893,671	-	2,893,671
Cancellation of units	9(a)	(20,882,579)	-	(20,882,579)
Distribution		-	(2,893,671)	(2,893,671)
Balance at 30 November 2023		<u>2,394,166</u>	<u>16,964,412</u>	<u>19,358,578</u>
At 1 December 2021		18,109,857	17,074,998	35,184,855
Total comprehensive income for the financial year		-	1,084,098	1,084,098
Creation of units	9(a)	8,662,741	-	8,662,741
Reinvestment of distribution	9(a),12	2,069,794	-	2,069,794
Cancellation of units	9(a)	(19,605,576)	-	(19,605,576)
Distribution		-	(2,081,243)	(2,081,243)
Balance at 30 November 2022		<u>9,236,816</u>	<u>16,077,853</u>	<u>25,314,669</u>

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

## European Equity Alpha

### STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023

	<b>2023</b>	<b>2022</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Proceeds from sale of investment	14,991,623	12,499,297
Purchase of investment	(4,954,838)	(2,246,195)
Interest received	1,922	8,155
Manager's fee paid	(80,187)	(104,642)
Trustee's fee paid	(16,167)	(21,216)
Tax agent's fee paid	(3,800)	(3,800)
Custodian's fee paid	(3,046)	(3,892)
Payments for other expenses	(15,926)	(16,744)
Net cash generated from operating and investing activities	<u>9,919,581</u>	<u>10,110,963</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from creation of units	11,148,485	8,574,474
Payments for cancellation of units	(20,882,579)	(19,632,353)
Distribution paid	(11,449)	-
Net cash used in financing activities	<u>(9,745,543)</u>	<u>(11,057,879)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	174,038	(946,916)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<u>491,165</u>	<u>1,438,081</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	<u>665,203</u>	<u>491,165</u>
Cash and cash equivalents comprise:		
Cash at banks	<u>665,203</u>	<u>491,165</u>

## European Equity Alpha

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023

#### 1. GENERAL INFORMATION

European Equity Alpha (“the Fund”) was established pursuant to a Deed dated 30 June 2006 as amended by Deeds supplemental thereto (“the Deed”), between AmFunds Management Berhad as the Manager, AmanahRaya Trustees Berhad as the Trustee and all unit holders.

The Fund was set up with the objective of providing investors with capital growth primarily through investment in equity securities of European companies. Being a feeder fund, a minimum of 95% of the Fund’s NAV will be invested in the Luxembourg-based Schroder International Selection Fund European Value (“Target Fund”), which is separately managed by Schroder Investment Management (Europe) S.A. (formerly known as Schroder Investment Management (Luxembourg) S.A.) (“Target Fund Manager”). As provided in the Deeds, the financial year shall end on 30 November and the units in the Fund were first offered for sale on 8 August 2006.

The financial statements were authorised for issue by Manager on 18 January 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 (“MFRS”) as issued by the Malaysian Accounting Standards Board (“MASB”) and International Financial Reporting Standards (“IFRS”).

##### Standards effective during the financial year

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

<b>Description</b>	<b>Effective for financial periods beginning on or after</b>
Amendments to MFRSs contained in the document entitled “ <i>Annual Improvements to MFRS Standards 2018-2020</i> ”	1 January 2022
Reference to the Conceptual Framework (Amendments to MFRS 3 <i>Business Combinations</i> )*	1 January 2022
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to MFRS 116 <i>Property, Plant and Equipment</i> )*	1 January 2022
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> )	1 January 2022
Extension of the Temporary Exemption from applying MFRS 9 (Amendments to MFRS 4 <i>Insurance Contracts</i> )*	1 January 2022

## European Equity Alpha

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023

#### 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
MFRS 17 <i>Insurance Contracts</i> and Amendments to MFRS 17*	1 January 2023
Initial Application of MFRS 17 and MFRS 9 - <i>Comparative Information (Amendments to MFRS 17 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 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 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 SIGNIFICANT 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) Interest income

Interest income on short-term deposits is recognised on an accrual basis using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023**

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

**3.1 Income recognition (cont'd.)**

(ii) Gain or loss on disposal of investment

On disposal of investment, the net realised gain or loss on disposal is measured as the difference between the net disposal proceeds and the carrying amount of the investment. 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 Foreign currency transactions**

Transactions in currencies other than the Fund's functional currency (foreign currencies) are recorded in the functional currency using exchange rates prevailing at the transaction dates. At each reporting date, foreign currency monetary items are translated into RM at exchange rates ruling at the reporting date. All exchange gains or losses are recognised in profit or loss.

**3.5 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 investment that are readily convertible to cash with insignificant risk of changes in value.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023**

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

**3.6 Distribution**

Distributions are at the discretion of the Manager. A distribution to the Fund's unit holders is accounted for as a deduction from the retained earnings and realised income. Realised income is the income earned from interest income and net gain on disposal of investment 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.

**3.7 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").

**3.8 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 YEAR ENDED 30 NOVEMBER 2023**

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

**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 ("SPPI 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 SPPI test determines whether the contractual cash flows are solely for payments of principal and interest and the assessment is performed on a financial instrument basis.

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 interest on the principal amount outstanding. Financial assets include in this category are 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 interest on the outstanding principal.

These 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". Interest earned element of such instrument is recorded in "Interest income". Exchange differences on financial assets at FVTPL are not recognised separately in profit or loss but are included in net gain or net loss on changes in fair value of financial assets at FVTPL.

## European Equity Alpha

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023

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

##### 3.9 Financial assets under MFRS 9 (cont'd.)

###### *Classification and measurement (cont'd.)*

The Fund may classify its financial assets under the following categories: (cont'd.)

###### *Financial assets at FVTPL (cont'd.)*

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.

The Fund subsequently measures its investment in collective investment scheme ("CIS") at FVTPL. Distributions earned whilst holding the investment in CIS is recognised in profit or loss when the right to receive the payment has been established. Gains and losses on the investment in CIS, realised and unrealised, are included in profit or loss.

##### 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 interest 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 interest 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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023**

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

**3.11 Derecognition of financial instruments (cont'd.)**

(i) Derecognition of financial asset (cont'd.)

For 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.

**3.13 Determination of fair value**

For the investment in CIS, fair value is determined based on the closing NAV per unit of the foreign CIS. Purchased cost is the quoted price that the Fund paid when buying its investment. The difference between purchased 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.

## European Equity Alpha

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023

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

##### 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 investment as financial assets at FVTPL as the Fund may sell its investment 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 year.

#### 4. INVESTMENT

	2023 RM	2022 RM
<b>Financial asset at FVTPL</b>		
At cost:		
Foreign CIS	<u>14,158,248</u>	<u>20,590,345</u>
At fair value:		
Foreign CIS	<u>18,624,630</u>	<u>24,430,103</u>

Details of investment are as follows:

Foreign CIS	Number of units	Fair value RM	Purchased cost RM	Fair value as a percentage of NAV %
<b>2023</b>				
Schroder International Selection Fund European Value ("Target Fund")	<u>46,879</u>	<u>18,624,630</u>	<u>14,158,248</u>	<u>96.21</u>
<b>Excess of fair value over purchased cost</b>		<u>4,466,382</u>		

## European Equity Alpha

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023

#### 5. AMOUNT DUE FROM/TO MANAGER

	Note	2023 RM	2022 RM
<b>(a) Due from Manager</b>			
Creation of units	(i)	<u>90,889</u>	<u>93,116</u>
<b>(b) Due to Manager</b>			
Manager's fee payable	(ii)	<u>6,228</u>	<u>8,125</u>

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

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

(ii) As the Fund is investing in the Target Fund, the Manager's fee is charged as follows:

	2023 % p.a.	2022 % p.a.
Manager's fee charged by the Target Fund Manager, on the NAV of the Target Fund	1.50	1.50
Manager's fee charged by the Manager, on the NAV of investment in the Target Fund (Note a)	0.30	0.30
Manager's fee charged by the Manager, on the remaining NAV of the Fund (Note a)	1.80	1.80

Note a) The Manager's fee is charged on 0.30% of the NAV of investment in the Target Fund and 1.80% on the remaining NAV of the Fund.

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

#### 6. AMOUNT DUE FROM TARGET FUND MANAGER

The amount due from the Target Fund Manager arose from the sale of investment.

The settlement period is within 5 business days from the transaction.

## European Equity Alpha

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023

#### 7. AMOUNT DUE TO TRUSTEE

Trustee's fee is at a rate of 0.07% (2022: 0.07%) per annum on the NAV of the Fund, calculated on a daily basis.

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

#### 8. NET GAINS FROM INVESTMENT

	<b>2023</b>	<b>2022</b>
	<b>RM</b>	<b>RM</b>
Net gains on financial assets at FVTPL comprised:		
– Net realised gains on sale of investment	3,263,930	2,704,126
– Net realised gain/(loss) on foreign currency exchange	33,926	(303,592)
– Net unrealised losses on changes in fair value of investment	(1,143,135)	(638,974)
– Net unrealised gain/(loss) on foreign currency fluctuation of investment denominated in foreign currency	1,769,759	(473,318)
	<u>3,924,480</u>	<u>1,288,242</u>

#### 9. TOTAL EQUITY

Total equity is represented by:

	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>RM</b>	<b>RM</b>
Unit holders' capital	(a)	2,394,166	9,236,816
Retained earnings			
– Realised income	(b)	12,498,030	12,238,095
– Unrealised gains	(c)	4,466,382	3,839,758
		<u>19,358,578</u>	<u>25,314,669</u>

## European Equity Alpha

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023

#### 9. TOTAL EQUITY (CONT'D.)

##### (a) Unit holders' capital/units in circulation

	2023		2022	
	Number of units	RM	Number of units	RM
At beginning of the financial year	20,032,924	9,236,816	26,103,438	18,109,857
Creation during the financial year	7,911,967	11,146,258	6,157,961	8,662,741
Reinvestment of distribution (Note 12)	2,337,187	2,893,671	1,591,292	2,069,794
Cancellation during the financial year	<u>(14,694,876)</u>	<u>(20,882,579)</u>	<u>(13,819,767)</u>	<u>(19,605,576)</u>
At end of the financial year	<u>15,587,202</u>	<u>2,394,166</u>	<u>20,032,924</u>	<u>9,236,816</u>

##### (b) Realised - distributable

	2023 RM	2022 RM
At beginning of the financial year	12,238,095	12,122,948
Net realised income for the financial year	3,153,606	2,196,390
Distribution out of realised income (Note 12)	<u>(2,893,671)</u>	<u>(2,081,243)</u>
At end of the financial year	<u>12,498,030</u>	<u>12,238,095</u>

##### (c) Unrealised - non-distributable

	2023 RM	2022 RM
At beginning of the financial year	3,839,758	4,952,050
Net unrealised gain/(loss) for the financial year	<u>626,624</u>	<u>(1,112,292)</u>
At end of the financial year	<u>4,466,382</u>	<u>3,839,758</u>

## European Equity Alpha

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023

#### 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 30 November 2023 and 30 November 2022.

Other than those disclosed elsewhere in the financial statements, the significant related party balances as at the reporting date are as follows:

	<b>2023</b>	<b>2022</b>
	<b>RM</b>	<b>RM</b>
<b>Significant related party balances</b>		
<u>AmBank (M) Berhad</u>		
Cash at banks	319	339

#### 11. TAXATION

Income tax payable is calculated on investment income less deduction for permitted expenses as provided for 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:

	<b>2023</b>	<b>2022</b>
	<b>RM</b>	<b>RM</b>
Net income before taxation	3,780,230	1,084,098
Taxation at Malaysian statutory rate of 24% (2022: 24%)	907,255	260,184
Tax effects of:		
Income not subject to tax	(1,216,689)	(650,947)
Losses not allowed for tax deduction	281,495	356,183
Restriction on tax deductible expenses for unit trust fund	18,790	23,644
Non-permitted expenses for tax purposes	7,062	8,310
Permitted expenses not used and not available for future financial years	2,087	2,626
Tax expense for the financial year	-	-

## European Equity Alpha

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023

#### 12. DISTRIBUTION

Distribution to unit holders declared for the current and previous financial years are from the following sources:

	<b>2023</b>	<b>2022</b>
	<b>RM</b>	<b>RM</b>
Interest income	1,771	6,691
Net realised gains from investment	3,008,313	2,218,641
	<u>3,010,084</u>	<u>2,225,332</u>
Less: Expenses	(116,413)	(144,089)
Total amount of distribution	<u>2,893,671</u>	<u>2,081,243</u>
Gross distribution per unit (sen)	<u>21.96</u>	<u>11.33</u>
Net distribution per unit (sen)	<u>21.96</u>	<u>11.33</u>
Distribution made out of:		
– Realised income [Note 9(b)]	<u>2,893,671</u>	<u>2,081,243</u>
Comprising:		
Reinvestment of distribution [Note 9(a)]	2,893,671	2,069,794
Distribution payable	-	11,449
	<u>2,893,671</u>	<u>2,081,243</u>

#### Financial year ended 30 November 2023

<b>Distribution Ex-date</b>	<b>Gross distribution per unit RM (sen)</b>	<b>Net distribution per unit RM (sen)</b>	<b>Total distribution RM</b>
23 November 2023	<u>21.96</u>	<u>21.96</u>	<u>2,893,671</u>

#### Financial year ended 30 November 2022

<b>Distribution Ex-date</b>	<b>Gross distribution per unit RM (sen)</b>	<b>Net distribution per unit RM (sen)</b>	<b>Total distribution RM</b>
24 November 2022	<u>11.33</u>	<u>11.33</u>	<u>2,081,243</u>

Gross distribution per unit is derived from gross realised income less expenses divided by the number of units in circulation, while net distribution per unit is derived from gross realised income less expenses and taxation divided by the number of units in circulation.

## European Equity Alpha

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023

#### 12. DISTRIBUTION (CONT'D.)

The distribution declared for the financial year ended 30 November 2022 was proposed before taking into account the net unrealised loss of RM1,112,292 during the financial year which was carried forward to the current financial year.

#### 13. TOTAL EXPENSE RATIO (“TER”)

The Fund’s TER is as follows:

	<b>2023</b>	<b>2022</b>
	<b>% p.a.</b>	<b>% p.a.</b>
Manager’s fee	0.35	0.35
Trustee’s fee	0.07	0.07
Fund’s other expenses	0.10	0.07
Total TER	<u>0.52</u>	<u>0.49</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.

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

The PTR of the Fund, which is the ratio of average total acquisitions and disposals of investment to the average NAV of the Fund calculated on a daily basis, is 0.44 times (2022: 0.26 times).

#### 15. SEGMENTAL REPORTING

As stated in Note 1, the Fund is a feeder fund whereby a minimum of 95% of the Fund’s NAV will be invested in the Target Fund.

As the Fund operates substantially as a feeder fund which invests primarily in the Target Fund, it is not possible or meaningful to classify its investment by separate business or geographical segments.

#### 16. TRANSACTIONS WITH THE TARGET FUND MANAGER

Details of transactions with the Target Fund Manager for the financial year ended 30 November 2023 are as follows:

<b>Target Fund Manager</b>	<b>Transaction value</b>	
	<b>RM</b>	<b>%</b>
Schroder Investment Management (Europe) S.A. (formerly known as Schroder Investment Management (Luxembourg) S.A.)	<u>19,639,629</u>	<u>100.00</u>



## European Equity Alpha

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023

#### 16. TRANSACTIONS WITH THE TARGET FUND MANAGER (CONT'D.)

There is no transaction with financial institutions related to the Manager, during the financial year.

The above transactions are in respect of investment in foreign CIS. Transactions in this investment do not involve any commission or brokerage fee.

#### 17. FINANCIAL INSTRUMENTS

##### (a) Classification of financial instruments

The significant accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities of the Fund in the statement of financial position by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

	<b>Financial assets FVTPL RM</b>	<b>Financial assets at amortised cost RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>2023</b>				
<b>Assets</b>				
Investment	18,624,630	-	-	18,624,630
Amount due from Manager	-	90,889	-	90,889
Cash at banks	-	665,203	-	665,203
Total financial assets	<u>18,624,630</u>	<u>756,092</u>	<u>-</u>	<u>19,380,722</u>
<b>Liabilities</b>				
Amount due to Manager	-	-	6,228	6,228
Amount due to Trustee	-	-	1,098	1,098
Total financial liabilities	<u>-</u>	<u>-</u>	<u>7,326</u>	<u>7,326</u>
<b>2022</b>				
<b>Assets</b>				
Investment	24,430,103	-	-	24,430,103
Amount due from Manager	-	93,116	-	93,116
Amount due from Target Fund Manager	-	336,591	-	336,591
Cash at banks	-	491,165	-	491,165
Total financial assets	<u>24,430,103</u>	<u>920,872</u>	<u>-</u>	<u>25,350,975</u>

## European Equity Alpha

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023

#### 17. FINANCIAL INSTRUMENTS (CONT'D.)

##### (a) Classification of financial instruments (cont'd.)

	Financial assets FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
<b>2022</b>				
<b>Liabilities</b>				
Amount due to Manager	-	-	8,125	8,125
Amount due to Trustee	-	-	1,487	1,487
Distribution payable	-	-	11,449	11,449
Total financial liabilities	<u>-</u>	<u>-</u>	<u>21,061</u>	<u>21,061</u>

	<b>Income, expenses, gains and losses</b>	
	<b>2023 RM</b>	<b>2022 RM</b>
Net gains from financial assets at FVTPL	3,924,480	1,288,242
Income, of which derived from:		
– Interest income from financial assets at amortised cost	1,922	8,155
– Other net realised losses on foreign currency exchange	<u>(29,759)</u>	<u>(68,210)</u>

##### (b) Financial instruments that are carried at fair value

The Fund's financial assets and liabilities are carried at fair value.

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable; either directly or indirectly; or

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

## European Equity Alpha

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023

#### 17. FINANCIAL INSTRUMENTS (CONT'D.)

##### (b) Financial instruments that are carried at fair value (cont'd.)

The following table shows an analysis of financial instruments recorded at fair value by the level of the fair value hierarchy:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2023</b>				
Financial assets at FVTPL	-	18,624,630	-	18,624,630
<b>2022</b>				
Financial assets at FVTPL	-	24,430,103	-	24,430,103

##### (c) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value due to their short period to maturity or short credit period:

- Amount due from/to Manager
- Amount due from Target Fund Manager
- Cash at banks
- Amount due to Trustee
- Distribution payable

There are no financial instruments which are not carried at fair value and whose carrying amounts are not reasonable approximation of their respective fair value.

#### 18. 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, country risk, management risk and non-compliance risk.

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

## European Equity Alpha

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023

#### 18. 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) Price risk

Price risk refers to the uncertainty of an investment's future prices. In the event of adverse price movements, the Fund might endure potential loss on its investment in the Target Fund. In managing price risk, the Manager actively monitors the performance and risk profile of the investment portfolio.

The result below summarised the price risk sensitivity of the Fund's NAV due to movements of price by -5.00% and +5.00% respectively:

Percentage movements in price by:	Sensitivity of the Fund's NAV	
	2023 RM	2022 RM
-5.00%	(931,232)	(1,221,505)
+5.00%	931,232	1,221,505

##### (ii) Interest rate risk

Interest rate risk will affect the value of the Fund's investment, given the interest rate movements, which are influenced by regional and local economic developments as well as political developments.

Domestic interest rates on deposits and placements with licensed financial institutions are determined based on prevailing market rates.

##### (iii) Currency risk

Currency risk is associated with the Fund's assets and liabilities that are denominated in currencies other than the Fund's functional currency. Currency risk refers to the potential loss the Fund might face due to unfavorable fluctuations of currencies other than the Fund's functional currency against the Fund's functional currency.

## European Equity Alpha

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023

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

##### (a) Market risk (cont'd.)

##### (iii) Currency risk (cont'd.)

The result below summarised the currency risk sensitivity of the Fund's NAV due to appreciation/depreciation of the Fund's functional currency against currencies other than the Fund's functional currency:

Percentage movements in currencies other than the Fund's functional currency:	Sensitivity of the Fund's NAV	
	2023 RM	2022 RM
-5.00%	(931,359)	(1,238,449)
+5.00%	931,359	1,238,449

The net unhedged financial assets of the Fund that are not denominated in Fund's functional currency are as follows:

Assets denominated in Euro	2023		2022	
	RM equivalent	% of NAV	RM equivalent	% of NAV
Investment	18,624,630	96.21	24,430,103	96.51
Amount due from Target Fund Manager	-	-	336,591	1.33
Cash at bank	2,540	0.11	2,287	0.01
	<u>18,627,170</u>	<u>96.32</u>	<u>24,768,981</u>	<u>97.85</u>

##### (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. Credit risk applies to short-term deposits. The issuer of such instruments may not be able to fulfill the required interest payments or repay the principal invested or amount owing. These risks may cause the Fund's investment to fluctuate in value.

The Fund, as a feeder fund, invests significantly all its assets in the Target Fund. The Target Fund manages the risk by setting internal counterparty limits and undertaking internal credit evaluation to minimise such risk.

Cash at banks are held for liquidity purposes and are not exposed to significant credit risk.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023**

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

**(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. This is also the risk of the Fund experiencing large redemptions, when the Investment Manager could be forced to sell large volumes of its holdings at unfavourable prices to meet redemption requirements. 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 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.

**(d) Single issuer risk**

The Fund, as a feeder fund, invests significantly all its assets in the Target Fund. The Target Fund is restricted from investing in securities issued by any issuer in excess of a certain percentage of its NAV. Under such restriction, the risk exposure to the securities of any single issuer is diversified and managed by the Target Fund Manager 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) Country risk**

The risk of price fluctuation in foreign securities may arise due to political, financial and economic events in foreign countries. If this occurs, there is a possibility that the NAV of the Fund may be adversely affected.

**(g) Management risk**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2023**

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

**(h) Non-compliance risk**

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

The specific risks associated to the Target Fund include market risk, securities risk, emerging market risk, settlement and credit risks, regulatory and accounting standards risks, political risk, custody risk and liquidity risk.

**19. CAPITAL MANAGEMENT**

The primary objective of the Fund's capital management is to ensure that it maximises unit holders' value by expanding its fund size to benefit from economies of scale and achieving growth in NAV from the performance of its investment.

The Fund manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Fund may issue new or bonus units or make distribution payment.

No changes were made in the objective, policies or processes during the financial years ended 30 November 2023 and 30 November 2022.

## **European Equity Alpha**

### **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 and International Financial Reporting Standards so as to give a true and fair view of the financial position of European Equity Alpha (“the Fund”) as at 30 November 2023 and the comprehensive income, the changes in equity and cash flows for the financial year then ended.

For and on behalf of the Manager

**GOH WEE PENG**

Executive Director

Kuala Lumpur, Malaysia

18 January 2024



## **TRUSTEE'S REPORT**

To the unit holders of **EUROPEAN EQUITY ALPHA** ("Fund"),

We have acted as Trustee of the Fund for the financial year ended 30 November 2023 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 year covered by these financial statements in accordance with the following:

1. Limitations imposed on the investment powers of the management company under the deed, securities laws and the Guidelines on Unit Trust Funds;
2. Valuation and pricing is carried out in accordance with the deed; and
3. Any creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement.

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

For **AMANAHRAYA TRUSTEES BERHAD**

**ZAINUDIN BIN SUHAIMI**

Chief Executive Officer

Date: 12 January 2024

## DIRECTORY

Head Office 9<sup>th</sup> & 10<sup>th</sup> Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan, 50200 Kuala Lumpur  
Tel: (03) 2032 2888 Facsimile: (03) 2031 5210  
Email: enquiries@aminvest.com

Postal Address 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.)*

