



ANNUAL REPORT
31 January 2024

AHAM Strategic Opportunity Fund 3

MANAGER
AHAM Asset Management Berhad
199701014290 (429786-T)

TRUSTEE
CIMB Commerce Trustee Berhad
(313031-A)

Built On Trust

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AHAM STRATEGIC OPPORTUNITY FUND 3

Annual Report and Audited Financial Statements For The Financial Period 17 January 2023 (Date of Launch) - 31 January 2024

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FUND INFORMATION

Fund Name	AHAM Strategic Opportunity Fund 3
Fund Type	Income
Fund Category	Fixed Income (Wholesale)
Investment Objective	The Fund aims to provide income return whilst maintaining capital preservation
Maturity Date	17 February 2025
Distribution Policy	Depending on the level of income the Fund generates, the Fund aims to distribute income on an annual basis

FUND PERFORMANCE DATA

Category	As at 31 Jan 2024 (%)
Portfolio composition	
Deposits with Licensed Financial Institutions	93.86%
Derivatives	5.98%
Cash & cash equivalent	0.16%
Total	100.00
Total NAV (million)	67.365
NAV per Unit	1.0449
Unit in Circulation (million)	64.470
Highest NAV	1.0471
Lowest NAV	0.9922
Return of the Fund (%) ¹	4.49
- Capital Growth (%)	4.49
- Income Distribution (%)	Nil
Gross Distribution per Unit (sen)	Nil
Net Distribution per Unit (sen)	Nil
Total Expense Ratio (%)	0.06
Portfolio Turnover Ratio (times)	0.03

Basis of calculation and assumption made in calculating the returns:-

The performance figures are a comparison of the growth/decline in NAV for the stipulated period taking into account all the distribution payable (if any) during the stipulated period.

An illustration of the above would be as follow:-

Capital return	= NAV per Unit end / NAV per Unit begin – 1
Income return	= Income distribution per Unit / NAV per Unit ex-date
Total return	= (1+Capital return) x (1+Income return) – 1

¹ Return of the Fund is calculated from the date of the Fund's first investment, 15 February 2023.

Income Distribution / Unit Split

No distribution or unit split was declared for the financial period ended 31 January 2024.

Income Distribution Breakdown

No distribution or unit split was declared for the financial period ended 31 January 2024.

Fund Performance

Table 1: Performance of the Fund

	Since Commencement (15/2/23 - 31/1/24)
Fund	4.49%

Table 2: Average Total Return

	Since Commencement (15/2/23 - 31/1/24)
Fund	4.49%

Table 3: Annual Total Return

	FYE 2024 (15/2/23 - 31/1/24)
Fund	4.49%

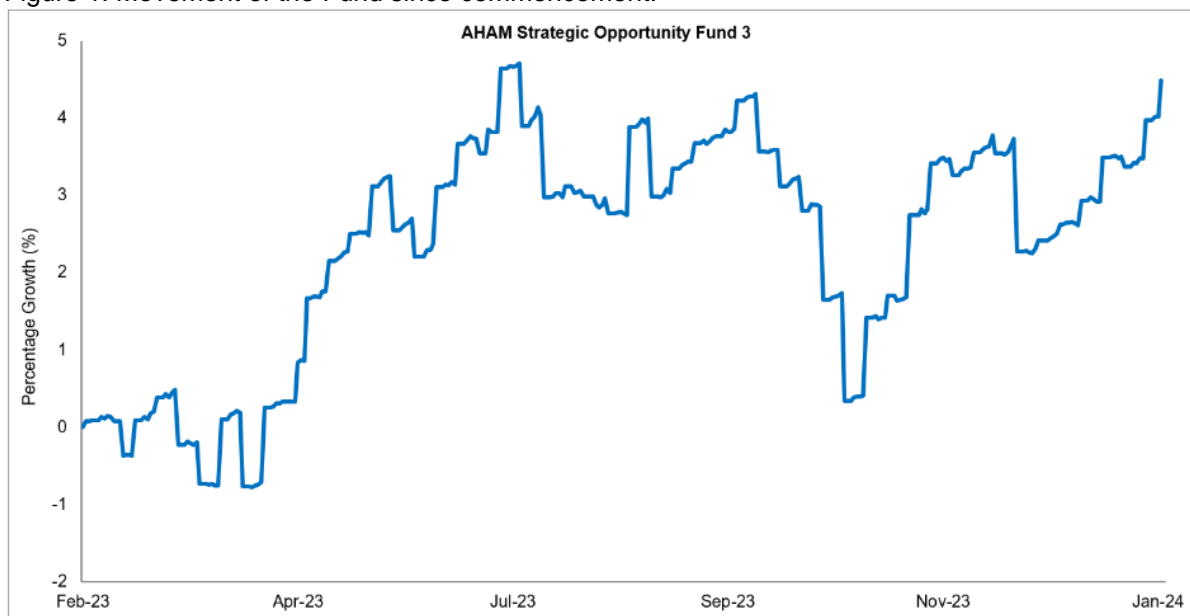
Past performance is not necessarily indicative of future performance and that Unit prices and investment returns may go down, as well as up.

MANAGER'S REPORT

Performance Review (15 February 2023 to 31 January 2024)

For the period 15 February 2023 to 31 January 2024, the Fund registered a return of 4.49% return. The Net Asset Value (NAV) per unit of the Fund as at 31 January 2024 was RM1.0449 while the initial NAV per unit was RM1.0000.

Figure 1: Movement of the Fund since commencement.



"This information is prepared by AHAM Asset Management Berhad for information purposes only. Past earnings or the fund's distribution record is not a guarantee or reflection of the fund's future earnings/future distributions. Investors are advised that unit prices, distributions payable and investment returns may go down as well as up."

Asset Allocation

As at 31 January 2024, the asset allocation of the Fund stood at 93.85% in deposits, 5.98% in unquoted derivatives and the remaining balance in cash and cash equivalents.

Strategies Employed

Over the period under review, the Fund maintained its strategy of employing a buy and hold strategy, remaining invested until the maturity date of the Fund.

Market Review

Over the financial year under review, the Standard and Poor's ("S&P") 500 Index returned 18.42% with the Morgan Stanley Capital International ("MSCI") World index slightly behind at 14.66%. Specific to the Asian region, MSCI AC Asia ex Japan Index saw a return of -5.71% while locally, the Financial Times Stock Exchange ("FTSE") Bursa Malaysia Kuala Lumpur Composite Index ("KLCI") fared better returning 5.45% in Ringgit terms. Within bond markets, Bloomberg Barclays Global Aggregate Index gained 0.75% while domestically, the bond markets' benchmark 10-year Malaysian Government Securities ("MGS") yield closed at 3.79%.

Over the year, market volatility continued to affect economies globally as macro events and policy rate hikes at the start of the financial year influenced both stock and bond markets. The US Federal Reserve ("Fed") have been engaging in a tightening monetary policy stance to address inflationary pressures driven by the economic fallout from the pandemic alongside the various conflicts in 2023 such as geopolitical instability arising from

strained ties between US and China, Russia's invasion of Ukraine and the more recent conflict between Israel and Hamas which weighed heavily on global economic growth. In a notable shift in tone towards the end of 2023, however, Fed Chair Jerome Powell struck a dovish chord and acknowledged that tighter US monetary policy was slowing down the economy with market consensus expecting a rate cut in 2024. At its January Federal Open Market Committee ("FOMC") meeting, the Fed opted to keep benchmark rates unchanged, but pushed back the timing of potential rate cuts until more concrete evidence of easing inflation.

While the sharp pace of policy tightening by the Fed during the earlier part of 2023 has not caused the economic downturn market participants anticipated, it inadvertently played a role in destabilising the banking sector. Signs of tension in the banking sector from the accelerated increase in policy rates were visible in March 2023 through the fallout of Silicon Valley Bank ("SVB") and several other regional US banks. With an abundant of deposits over loans, SVB had placed them into available-for-sale and held-to-maturity securities like Treasuries and mortgage-backed securities when yields were at all-time lows. However, as interest rates began to rise rapidly, it recorded massive outflows in deposits alongside the rest of the banking sector. SVB sold substantially all of its available-for-sale securities to accommodate the outflows, incurring a massive loss which eventually led to a bank run. Smaller US banks were caught also caught in the turmoil as concerns spread.

Looking back on 2023, many predicted at the start of the year that 2023 would be lackluster for US stocks on the back of expectations of economic weakening but to the surprise of investors, the S&P 500 gained 26.3% on a total-return basis over the year. US equities started 2024 on a strong note underpinned by robust economic indicators that fortified the case for a soft landing, surging by 1.60% and reaching a new all-time high in January over the financial year under review. Despite smaller U.S stocks lagging relative to their larger counterparts, the mid-cap S&P 400 and small-cap Russell 2000 recorded solid gains of 16.4% and 16.9% respectively. Growth stocks also performed, in contrast to 2022 where value stocks outperformed. Notably, US Gross Domestic Product ("GDP") surpassed expectations, expanding by 3.30% in the last quarter of 2023, exceeding the forecast of 2.00%.

Chinese equities started 2023 strong as markets anticipated the release of pent-up demand from the lockdown but this was short lived as the market trended downwards with weak consumer confidence, growing local debts and slowing global growth which weighed on jobs and investment activities and China equities remained subdued at the end of 2023 as economic data presented mixed signals in terms of recovery. Data released showed industrial output grew but retail sales missed estimates as analysts had expected a more robust recovery following a low base in 2022 when the economy was still hampered by COVID lockdowns. There was a slight uptick in July 2023, however. The MSCI China Index vaulted 9.30% during the month, driven by stimulus optimism before eventually trending downwards and ending 2023 down by 31.56%. The brief bright spot in July came as top party leaders unveiled measures at its Politburo meeting to reinvigorate growth in the country. Among the measures include a pledge by Beijing to provide stimulus support for its beleaguered property sector. In November, additional stimulus measures were announced to support its property sector. Regulators have drafted whitelist of 50 developers that would be eligible for a range of financing. Shenzhen also lowered the minimum downpayment requirement for second homes as well as loosened the definition of luxury homes. These adjustments are anticipated to lower transaction costs in the sector. Markets however are still apprehensive that the introduced measures are sufficient to stem the sector's decline.

Within the broader Asian regions, the Japan market reached its highest level in 33 years in June 2023, which was partly driven by continuous foreign inflows and finished the year with a 29.15% gain. The gains also come amid expectations of corporate governance reforms, structural shifts and optimism that the Fed has reached peak rates towards the end of the year. South Korea and Taiwan also achieved strong gains over the year due to sentiments over global economic growth. The waning US dollar coupled with improvement in risk appetite also helped the economy. Despite a weak start to the year, India achieved strong gains over the year. Optimism about the nation's growth prospect, greater domestic participation and increased liquidity have all contributed to the strong performance.

Domestically, the benchmark KLCI saw a muted start to the year. With several policy announcements made by the government in July 2023 catching the attention of investors, markets started to gain. These positive sentiments lifted foreign investors' confidence as they poured into local equities. They include the Ekonomi Madani Plan which outlined several key economic targets, Part 1 of the National Energy Transition Roadmap which intends to achieve 70% renewable energy capacity mix by 2050 and Part 2 of the National Energy Transition Roadmap as well as the New Industrial Masterplan. The unveiling of Budget 2024 in October 2023 also helped shed light on the government's policies and laid down the groundwork for the government's path

to fiscal consolidation. According to the Budget, the government aims to narrow the fiscal deficit from 5.0% to 4.3% in 2024 in line with its broader policy objective to bring it down to 3.10% by 2026. Key measures announced to broaden the government's revenue include the increase of Sales and Service tax ("SST") from 6% to 8% as well as the introduction of a 10% capital gains tax for unlisted shares. To further bolster revenue, a luxury goods tax will also be applied to high-value items including jewellery and watches based on predefined thresholds.

US headline Consumer Price Index ("CPI") rose by 3.4% year-on-year (November: 3.1%) in December while core CPI eased to 3.9% (November: 4.0%), signifying a long road for the Fed to achieve its price stability target of 2.0%, especially with geopolitical tension elevating commodity prices. Unemployment rate was held low at 3.7% (November: 3.7%), pointing towards a robust US economy. Nonetheless, market participants drew comfort that most developed economies have approached their terminal rates, and monetary policies should ease as we enter 2024.

Domestically, Bank Negara Malaysia ("BNM") kept Overnight Policy Rate ("OPR") unchanged at 3.00% with a neutral statement during the January 2024 Monetary Policy Meeting ("MPC"). Malaysian Government Securities ("MGS") yield curve shifted lower at the start of 2024 on the back of ample domestic liquidity. Principal dealers were seen building positions at the 3 to 5-year space, while real money continued to cap any rise in long-term bond yields. One notable exception was the 10-year MGS which was re-priced higher (in yield terms) to trade in line with the curve, following its aggressive auction in December 2023. For the month of January 3-year, 10-year, and 30-year MGS yield closed at 3.45% (-8 bps), 3.81% (+8 bps), and 4.22% (-4 bps) respectively.

Investment Outlook

On fixed income, we maintain our positive outlook in 2024 as global growth is expected to moderate on the back of restrictive monetary policies and rising geopolitical tension. Volatility is expected to persist but at a tighter range compared to 2023. Although inflation expectations have peaked, inflationary environment may persist driven by elevated commodity prices. The first half of 2024 appeared to be a smoother runway relative to the second half amid dovish sentiment and less political/policy uncertainties.

With that in mind, we expect yields to be range-bound with a downward skew in the near-term, but cautious on front-loaded rate cut expectations at the global space. The short-end of the curve looks more vulnerable to external shocks such as short-term Treasury yields foreign exchange fluctuations, while the long-end of the curve looks unattractive due to the flatness of the curve. Hence the 6 to 10-year Malaysia Government Securities ("MGS")/Government Investment Issue ("GII") offer better risk-adjusted return in our opinion.

State of Affairs of the Fund

There is neither any significant change to the state affairs of the Fund nor any circumstances that materially affect any interests of the unit holders during the period under review.

Soft Commissions received from Brokers

Soft commissions received from brokers/dealers may be retained by the management company only if the :-

- (i) goods and services provided are of demonstrable benefit to Unit holders of the Fund; and
- (ii) goods and services are in the form of research and advisory services that assist in the decision-making process.

During the financial period under review, no soft commission was received by the Manager on behalf of the Fund.

Cross Trade

No cross trade transactions have been carried out during the reported period.

Securities Financing Transactions

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

Changes Made To the Fund's Information Memorandum

No changes were made to the Fund's Information Memorandum over the period under review.

TRUSTEE'S REPORT

TO THE UNIT HOLDERS OF AHAM STRATEGIC OPPORTUNITY FUND 3 ("Fund")

We have acted as Trustee of the Fund for the financial period 16 January 2023 (Date of Launch) - 31 January 2024 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, AHAM Asset 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 Deeds, securities laws and the the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework;
2. Valuation and pricing are carried out in accordance with the Deeds; and
3. Any creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirement.

For CIMB Commerce Trustee Berhad

Datin Ezreen Eliza binti Zulkiplee
Chief Executive Officer

Kuala Lumpur
Date: 29 March 2024

AHAM STRATEGIC OPPORTUNITY FUND 3

FINANCIAL STATEMENTS

**FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH)
TO 31 JANUARY 2024**

AHAM STRATEGIC OPPORTUNITY FUND 3

FINANCIAL STATEMENTS

**FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH)
TO 31 JANUARY 2024**

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AHAM STRATEGIC OPPORTUNITY FUND 3

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024

	<u>Note</u>	Financial period from 17.1.2023 (date of launch) to <u>31.1.2024</u> RM
INVESTMENT INCOME		
Interest income from financial assets at fair value through profit or loss		2,382,083
Net loss on foreign currency exchange		(30,296)
Net gain on derivatives at fair value through profit or loss	9	582,944
		<u>2,934,731</u>
EXPENSES		
Trustee fee	5	(13,718)
Fund accounting fee	6	(11,493)
Auditors' remuneration		(9,500)
Tax agent's fee		(3,500)
Other expenses		(1,665)
		<u>(39,876)</u>
NET PROFIT BEFORE TAXATION		2,894,855
Taxation	7	-
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u><u>2,894,855</u></u>
Net profit after taxation is made up of the following:		
Realised amount		2,311,911
Unrealised amount		582,944
		<u><u>2,894,855</u></u>

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

AHAM STRATEGIC OPPORTUNITY FUND 3

STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2024

	<u>Note</u>	As at <u>31.1.2024</u> RM
ASSETS		
Cash and cash equivalents		110,170
Financial assets at fair value through profit or loss	8	63,236,296
Derivatives at fair value through profit or loss	9	4,033,991
TOTAL ASSETS		<u>67,380,457</u>
LIABILITIES		
Amount due to Trustee		1,128
Fund accounting fee		1,000
Auditors' remuneration		9,500
Tax agent fee		3,500
Other payables and accruals		474
TOTAL LIABILITIES		<u>15,602</u>
NET ASSET VALUE OF THE FUND		<u>67,364,855</u>
EQUITY		
Unitholders' capital		64,470,000
Retained earnings		2,894,855
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>67,364,855</u>
NUMBER OF UNITS IN CIRCULATION	10	<u>64,470,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.0449</u>

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

AHAM STRATEGIC OPPORTUNITY FUND 3

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 17 January 2023 (date of launch)	-	-	-
Total comprehensive income for the financial period	-	2,894,855	2,894,855
Movement in unitholders' capital:			
Creation of units arising from applications	64,470,000	-	64,470,000
Balance as at 31 January 2024	<u>64,470,000</u>	<u>2,894,855</u>	<u>67,364,855</u>

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

AHAM STRATEGIC OPPORTUNITY FUND 3

STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024

	Financial period from 17.1.2023 (date of launch) to <u>31.1.2024</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES	
Purchase of derivatives	(3,451,047)
Placement of deposits with licensed financial institutions	(60,893,964)
Interest received	39,751
Trustee fee paid	(12,590)
Fund accounting fee paid	(10,493)
Net realised loss on foreign currency exchange	(30,295)
Payment for other fees and expenses	(1,191)
	<hr/>
Net cash flows used in operating activities	(64,359,829)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from creation of units	64,470,000
	<hr/>
Net cash flows generated from financing activities	64,470,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	
	110,171
EFFECTS OF FOREIGN CURRENCY EXCHANGE	
	(1)
CASH AND CASH EQUIVALENTS AT THE DATE OF LAUNCH	
	<hr/> -
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	
	<hr/> <hr/> 110,170

Cash and cash equivalents as at 31 January 2024 comprise of bank balances.

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

AHAM STRATEGIC OPPORTUNITY FUND 3

MATERIAL ACCOUNTING POLICY INFORMATION FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024

The following accounting policies have been used in dealing with items which are considered material in relation to the financial statements.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires the Manager to exercise their judgement in the process of applying the Fund’s accounting policies. Although these estimates and judgement are based on the Manager’s best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note I.

The Fund commenced operations on 17 January 2023 and will continue its operations until terminated by the Trustee as provided under Clause 11.3 of the Deed or on maturity date of the Fund which falls on the second (2nd) anniversary of the investment date, 17 February 2025. As such, the going concern assumption can no longer be used for the preparation of financial statements. Accordingly, the Manager has prepared the financial statements on a non-going concern basis.

- (a) Standards, amendments to published standards and interpretations that are applicable and effective:

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

- (b) Standards and amendments that have been issued that are applicable to the Fund but not yet effective:

- Amendments to MFRS 101 ‘Classification of liabilities as current or non-current’ (effective 1 January 2024) clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity’s expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). In addition, the amendments clarify that when a liability could be settled by the transfer of an entity’s own equity instruments (e.g. a conversion option in a convertible bond), conversion option meeting the definition of an equity instrument in MFRS 132 ‘Financial Instruments: Presentation’ does not impact the current or non-current classification of the convertible instrument.

AHAM STRATEGIC OPPORTUNITY FUND 3

MATERIAL ACCOUNTING POLICY INFORMATION FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

- (b) Standards and amendments that have been issued that are applicable to the Fund but not yet effective (continued):

The amendments also specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

The adoption of the above standards, amendments to standards or interpretations is not expected to have a material effect on the financial statements of the Fund.

B INCOME RECOGNITION

Interest Income

Interest income from short-term deposits with licensed financial institutions are recognised on an effective interest rate method on an accruals basis.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Realised gains and losses on settlement of unquoted derivative – warrants

Realised gains and losses on settlement of unquoted derivative – warrants are recognised on the exercise date based on a pre-determined formula as stipulated in the term sheet of the warrants.

C TAXATION

Current tax expense is determined according to the Malaysian tax laws at the current rate based upon the taxable profits earned during the financial period.

D FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). The financial statements are presented in Ringgit Malaysia (“RM”), which is the Fund’s functional and presentation currency.

AHAM STRATEGIC OPPORTUNITY FUND 3

MATERIAL ACCOUNTING POLICY INFORMATION FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

E FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

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

- those to be measured at fair value through profit or loss, and
- those to be measured at amortised cost.

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

The contractual cash flows of the Fund's debt securities are solely payments of principal and interest ("SPPI"). However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents as financial assets measured at amortised cost as these financial assets are held to collect contractual cash flows consisting of amount outstanding.

The Fund classifies amount due to Trustee, payables for fund accounting fee, auditors' remuneration, tax agent's fee and other payables and accruals as financial liabilities measured at amortised cost.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value.

Financial liabilities, within the scope of MFRS 9, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities are de-recognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

AHAM STRATEGIC OPPORTUNITY FUND 3

MATERIAL ACCOUNTING POLICY INFORMATION FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

E FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category including the effects of foreign transactions are presented in the statement of comprehensive income within 'net gain/(loss) on financial assets at fair value through profit or loss' in the financial period which they arise.

The Fund's investment in unquoted derivatives – warrants is valued on a weekly basis using valuation techniques by BNP Paribas Issuance B.V. (the "Warrant Seller"). Refer to Note F and Note 3 of the financial statements.

Financial assets at amortised cost and other financial liabilities are subsequently carried at amortised cost using the effective interest method.

(iii) Impairment

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

Significant increase in credit risk

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

Definition of default and credit-impaired financial assets

The Fund defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

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

Qualitative criteria:

The debtor meets unlikelihood to pay criteria, which indicates the debtor is in significant financial difficulty. The Fund considers the following instances:

- the debtor is in breach of financial covenants;
- concessions have been made by the lender relating to the debtor's financial difficulty;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- the debtor is insolvent.

Financial instruments that are credit-impaired are assessed on individual basis.

AHAM STRATEGIC OPPORTUNITY FUND 3

MATERIAL ACCOUNTING POLICY INFORMATION FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

E FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (continued)

Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

The Fund may write off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in bad debt recoveries. There are no write-offs/recoveries during the financial period.

F DERIVATIVE FINANCIAL INSTRUMENTS

A derivative financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

The Fund's derivative financial instruments comprise unquoted derivative – warrants. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Financial derivative position will "marked to market" at the close of each valuation day. Foreign exchange gains and losses on the derivative financial instrument are recognised in profit or loss when settled or at the date of the statement of financial position at which time they are included in the measurement of the derivative financial instrument. Derivative instruments that have a positive fair value and negative fair value are presented as financial assets measured at fair value through profit or loss and financial liabilities measured at fair value through profit or loss, respectively.

When the Fund purchases warrants, an amount equal to fair value which is based on the premium paid is recorded as an asset. When warrants are closed, the difference between the premium and the amount paid, net of brokerage commissions, or the full amount of the premium if the warrants expires worthless, is recognised as a gain or loss and is presented in the statement of comprehensive income within 'net gain/(loss) on derivatives at fair value through profit and loss' in the financial period which they arise.

The method of recognising the resulting gains or losses depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as financial assets/liabilities measured at fair value through profit or loss.

G CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances.

AHAM STRATEGIC OPPORTUNITY FUND 3

MATERIAL ACCOUNTING POLICY INFORMATION FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

H UNITHOLDERS' CAPITAL

The unitholders' contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's net asset value;
- the units are the most subordinated class and class features are identical;
- there are no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial period if unit holder exercises the right to put the unit back to the Fund.

Units are created and cancelled at the unitholders' option at prices based on the Fund's net asset value per unit at the time of creation or cancellation. The Fund's net asset value per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units.

I CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information contents on the estimates, certain key variables that are anticipated to have material impacts to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgements are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the Securities Commission's ("SC") Guidelines on Unlisted Capital Market Products under The Lodge and Launch Framework.

AHAM STRATEGIC OPPORTUNITY FUND 3

MATERIAL ACCOUNTING POLICY INFORMATION FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

I CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(i) Fair value of unquoted derivative – warrants

The Fund invests in unquoted derivative – warrants that are not quoted in active markets. Fair value of such instrument are determined by using valuation techniques set out in Note 3 of the financial statements.

Models use observable data, to the extent practicable. However, unobservable input such as implied volatility and net costs of borrowing are based on assumptions that require management to make estimates. Changes in assumptions about this factor could affect the reported fair value of the unquoted derivative – warrants. The sensitivity to unobservable inputs is based on management's expectation of reasonable possible shift in these inputs, taking into consideration historical data and estimations of future market movements.

For the unquoted derivative – warrants, an increase in the implied volatility and the net costs of borrowing would lead to an increase in estimated value. The Manager is of the opinion that it is reasonably possible, based on existing knowledge, that there could be substantial shift in the unobservable inputs in Note 3 to the financial statements within the next financial period which will result in material changes to the fair value of the unquoted derivative – warrants.

J REALISED AND UNREALISED PORTIONS OF INCREASE OR DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The analysis of realised and unrealised increase or decrease in net assets attributable to unitholders as presented on the statement of comprehensive income is prepared in accordance with SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

AHAM STRATEGIC OPPORTUNITY FUND 3

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024

1 INFORMATION ON THE FUND

The Wholesale Fund was constituted under the name AHAM Strategic Opportunity Fund 3 (the “Fund”) pursuant to the execution of a Deed dated 27 December 2022 (the “Deed”) entered into between AHAM Asset Management Berhad (the “Manager”) and CIMB Commerce Trustee Berhad (the “Trustee”).

The Fund commenced operations on 17 January 2023 and will continue its operations until terminated by the Trustee as provided under Clause 11.3 of the Deed or on maturity date of the Fund which falls on the second anniversary of the investment date, 17 February 2025.

The Fund may invest in any of the following investments:

- (a) Debentures;
- (b) Money market instruments;
- (c) Deposits;
- (d) Embedded derivatives;
- (e) Derivatives; and
- (f) Any other form of investments as may be permitted by the SC that is in line with the investment objective of the Fund.

All investments will be subjected to the SC’s Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, the Deed and the objective of the Fund.

The main objective of the Fund is to provide income return whilst maintaining capital preservation.

The Manager is a company incorporated in Malaysia. The principal activities of the Manager are establishment and management of unit trust funds, exchange-traded funds and private retirement schemes as well as providing fund management services to private clients.

The financial statements were authorised for issue by the Manager on 29 March 2024.

AHAM STRATEGIC OPPORTUNITY FUND 3

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	<u>Note</u>	At amortised cost RM	At fair value through profit or loss RM	<u>Total</u> RM
<u>As at 31.1.2024</u>				
<u>Financial assets</u>				
Cash and cash equivalents		110,170	-	110,170
Deposits with licensed financial institutions	8	-	63,236,296	63,236,296
Unquoted derivative – warrants	9	-	4,033,991	4,033,991
		<u>110,170</u>	<u>67,270,287</u>	<u>67,380,457</u>
<u>Financial liabilities</u>				
Amount due to Trustee		1,128	-	1,128
Fund accounting fee		1,000	-	1,000
Auditor's remuneration		9,500	-	9,500
Tax agent's fee		3,500	-	3,500
Other payables		474	-	474
		<u>15,602</u>	<u>-</u>	<u>15,602</u>

The Fund is exposed to a variety of risks which include market risk (including price risk, interest rate risk and currency risk), credit risk, liquidity risk and capital risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated by the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

AHAM STRATEGIC OPPORTUNITY FUND 3

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk

(a) Price risk

Price risk arises mainly from the uncertainty about future prices of investments. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Manager manages the risk of unfavourable changes in prices by continuous monitoring of the performance and risk profile of the investment portfolio. The Fund is not exposed to any price risk as at 31 January 2024.

(b) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows.

The Fund's exposure to the interest rate risk is mainly confined to deposits with licensed financial institutions. The Manager overcomes this exposure by placing deposits with licensed financial institutions with fixed rates of interest and maturity.

(c) Currency risk

Currency risk is associated with investments denominated in foreign currencies. When the foreign currencies fluctuate in an unfavourable movement against Ringgit Malaysia, the investments will face currency losses in addition to the capital gain/(loss). The Manager will evaluate the likely directions of the foreign currency versus Ringgit Malaysia based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels and technical chart considerations.

The following table sets out the foreign currency risk concentrations and counterparties of the Fund:

	Cash and cash equivalents RM	Unquoted derivative – warrants RM	Total RM
<u>As at 31.1.2024</u>			
<u>Financial assets</u>			
Japanese Yen	26	4,033,991	4,034,017

AHAM STRATEGIC OPPORTUNITY FUND 3

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(c) Currency risk (continued)

The table below summarises the sensitivity of the Fund's profit after tax and NAV to changes in foreign exchange movements. The analysis is based on the assumption that the foreign exchange rate changes based on each currency's respective historical volatility, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Any increase/(decrease) in foreign exchange rate will result in a corresponding (decrease)/increase in the net assets attributable to unitholders by each currency's respective historical volatility. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	<u>Change in rate</u> %	<u>Impact on profit after tax/NAV</u> RM
<u>As at 31.1.2024</u>		
Japanese Yen	+/- 9.36	<u>+/- 377,584</u>

Credit risk

Credit risk refers to the ability of an issuer or counterparty to make timely payments of interest, principals and proceeds from realisation of investment. The Manager manages the credit risk by undertaking credit evaluation to minimise such risk.

Credit risk arising from cash and bank balances is managed by ensuring that they are held by parties with credit rating of AA or higher.

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

	<u>Cash and cash equivalents</u> RM	<u>Deposits with licensed financial institution</u> RM	<u>Unquoted derivative – warrants</u> RM	<u>Total</u> RM
<u>As at 31.1.2024</u>				
Financial Services				
- AAA	110,170	-	-	110,170
- AA1	-	63,236,296	-	63,236,296
- NR	-	-	4,033,991	4,033,991
	<u>110,170</u>	<u>63,236,296</u>	<u>4,033,991</u>	<u>67,380,457</u>

AHAM STRATEGIC OPPORTUNITY FUND 3

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations. The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellation of units by unitholders. Liquid assets comprise cash and other instruments, which are capable of being converted into cash within 7 days.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

The amounts in the table below are the contractual undiscounted cash flows:

	<u>Within one month</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>As at 31.1.2024</u>			
Amount due to Trustee	1,128	-	1,128
Fund accounting fee	1,000	-	1,000
Auditors' remuneration	-	9,500	9,500
Tax agent's fee	-	3,500	3,500
Other payables and accruals	-	474	474
	<u>2,128</u>	<u>13,474</u>	<u>15,602</u>

Capital risk

The capital of the Fund is represented by equity consisting of unitholders' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

AHAM STRATEGIC OPPORTUNITY FUND 3

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

3 FAIR VALUE ESTIMATION

Financial instruments comprise financial assets and financial liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets traded in active market (such as trading securities) is based on quoted market prices at the close of trading on the period end date. The Fund utilises the bid price for financial assets which falls within the bid-ask spread.

An active market is a market in which transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques.

(i) Fair value hierarchy

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

AHAM STRATEGIC OPPORTUNITY FUND 3

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>As at 31.1.2024</u>				
Financial asset at fair value through profit or loss:				
- deposits with licensed financial institutions	-	63,236,296	-	63,236,296
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Derivative at fair value through profit or loss:				
- unquoted derivative – warrants	-	-	4,033,991	4,033,991
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Level 3 instrument

The Fund invests in two digital call warrants linked to a basket of 4 Nikkei/Topix listed stocks. These investments have as pricing inputs, components classified within Level 3. As observable prices are not available for these warrants, the Fund has used valuation techniques to derive the fair value.

In determining the valuation, the Warrant Seller utilises the Monte Carlo model. The model needs market observable input factors such as interest rate levels, spot prices of the listed stocks, remaining time to maturity as well as the Warrant Seller's level of Implied Volatility, Implied Correlation and Net Cost of Borrowing.

Unobservable inputs in the warrants valuation are:

- **Implied volatility:** this is based on the Warrant Seller's assumptions of the level of volatility of each the 4 listed stocks. This can be implied from several factors (but not limited to) such as realized historical volatility of the stock prices. The implied volatility is an internal number of Warrant Seller.
- **Implied correlation:** this is based on the Warrant Seller's assumptions of the level of correlation across the 4 listed stocks. This can be implied from several factors (but not limited to) such as realised historical correlation. The implied correlation is an internal number of Warrant Seller.

AHAM STRATEGIC OPPORTUNITY FUND 3

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

Level 3 instrument (continued)

- Net Cost of Borrowing: the cost of holding the stocks on the Warrant Seller's balance sheet net of any dividends received from the stocks. This net cost of borrow is a spread over Tokyo Overnight Average Rate ("TONA") and this is an internal number for Warrant Seller.

Inter-relationship between significant unobservable inputs and fair value are:

- The estimated fair value would increase/(decrease) if the equity correlation were higher/(lower).
- The estimated fair value would increase/(decrease) if the equity volatility were higher/(lower).
- The estimated fair value would increase/(decrease) if the net cost of borrowing were higher/(lower).

The following table presents the movements in Level 3 instruments for the financial period from 17 January 2023 to 31 January 2024:

	Financial period from 17.1.2023 (date of launch) to <u>31.1.2024</u> RM
Opening balance	-
Purchase	3,451,047
Net change in fair value on derivatives at fair value through profit or loss	582,944
	<u>4,033,991</u>

AHAM STRATEGIC OPPORTUNITY FUND 3

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

4 MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 3.00% per annum of the NAV of the Fund, calculated and accrued daily.

The Manager did not impose any management fee on the Fund for the current period.

5 TRUSTEE FEE

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.10% per annum of the NAV of the Fund, calculated and accrued daily, excluding foreign custodian fees and charges.

For the financial period from 17 January 2023 (date of launch) to 31 January 2024, the Trustee fee is recognised at a rate of 0.02% per annum on the NAV of the Fund, calculated on a daily basis as stated in the Fund's Information Memorandum.

There will be no further liability to the Trustee in respect of Trustee fee other than the amounts recognised above.

6 FUND ACCOUNTING FEE

The fund valuation and accounting fee for the Fund is RM11,493 for the financial period.

7 TAXATION

	Financial period from 17.1.2023 (date of launch) to <u>31.1.2024</u> RM
Current taxation	-

AHAM STRATEGIC OPPORTUNITY FUND 3

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

7 TAXATION (CONTINUED)

The numerical reconciliation between net profit before taxation multiplied by the Malaysian statutory tax rate and tax expense of the Fund is as follows:

	Financial period from 17.1.2023 (date of launch) to 31.1.2024 RM
Net profit before taxation	2,894,855
Tax at Malaysian statutory rate of 24%	694,765
Tax effects of:	
Investment income not subject to tax	(704,335)
Expenses not deductible for tax purposes	7,050
Restrictions on tax deductible expenses for Wholesale Funds	2,520
Tax expense	-

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31.1.2024 RM
Financial assets at fair value through profit or loss: - deposits with licensed financial institutions	63,236,296

*Includes interest receivable of RM2,342,332.

Weighted average effective interest rates per annum for deposits that was effective as at balance sheet date was as follows:

	As at 31.1.2024 %
Deposits with licensed financial institutions	4

Deposits with licensed financial institutions have a weighted average remaining maturity period of 383 days.

AHAM STRATEGIC OPPORTUNITY FUND 3

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

9 DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at <u>31.1.2024</u> RM
Derivatives at fair value through profit or loss:	
- unquoted derivative - warrants	<u>4,033,991</u>
Net gain on derivatives at fair value through profit or loss:	
- unrealised gain on changes in fair value	<u>582,944</u>

Unquoted derivative – warrants as at 31 January 2024 are as follows:

<u>Name of issuer</u>	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>Warrants</u>				
BNP Paribas Issuance B.V. 1 Year JPY Digital Warrant Linked	20,000	1,439,021	1,155,058	1.71
BNP Paribas Issuance B.V. 2 Year JPY Digital Warrant Linked	20,000	2,012,026	2,878,933	4.27
Total unquoted derivative – warrants	<u>40,000</u>	<u>3,451,047</u>	<u>4,033,991</u>	<u>5.98</u>
Accumulated unrealised gain on unquoted derivative – warrants		<u>582,944</u>		
Total unquoted derivative – warrants		<u>4,033,991</u>		

AHAM STRATEGIC OPPORTUNITY FUND 3

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

10 NUMBER OF UNITS IN CIRCULATION

	As at <u>31.1.2024</u> No. of units
At the date of launch	-
Creation of units arising from applications	<u>64,470,000</u>
At the end of the financial period	<u><u>64,470,000</u></u>

11 TRANSACTIONS WITH DEALERS

(i) Details of transactions with the dealer for the financial period from 17 January 2023 (date of launch) to 31 January 2024 are as follows:

<u>Name of dealer</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
BNP Paribas Securities Singapore Pte Ltd	<u>3,451,047</u>	<u>100.00</u>

12 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

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

<u>Related parties</u>	<u>Relationship</u>
CVC Capital Partners Asia V L.P. ("CVC Asia V")	Ultimate holding company of the Manager
Lembaga Tabung Angkatan Tentera ("LTAT")	Former ultimate holding corporate body of the Manager and substantial shareholder of the Manager
Starlight TopCo Limited	Penultimate holding company of the Manager
Starlight Universe Limited	Intermediate holding company of the Manager
Starlight Asset Sdn Bhd	Immediate holding company of the Manager
Nikko Asset Management International Limited ("NAMI")	Former substantial shareholder of the Manager

AHAM STRATEGIC OPPORTUNITY FUND 3

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

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

The related parties of and their relationship with the Fund are as follows: (continued)

<u>Related parties</u>	<u>Relationship</u>
Nikko Asset Management Co., Ltd (“NAM”)	Substantial shareholder of the Manager
AHAM Asset Management Berhad	The Manager
Subsidiaries and associated companies of CVC Asia V as disclosed in their financial statements	Subsidiaries and associated companies of the ultimate holding company of the Manager
Directors of AHAM Asset Management Berhad	Directors of the Manager

The number of units held by the Manager as at the end of the financial period as follows:

	<u>As at 31.1.2024</u>	
<u>The Manager:</u>	<u>No. of units</u>	<u>RM</u>
AHAM Asset Management Berhad (The units are held legally for booking purposes)	<u>276,873</u>	<u>289,305</u>

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

AHAM STRATEGIC OPPORTUNITY FUND 3

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

13 TOTAL EXPENSE RATIO (“TER”)

Financial
period from
17.1.2023
(date of
launch) to
31.1.2024
%

TER 0.06

TER is derived from the following calculation:

$$\text{TER} = \frac{(A + B + C + D + E) \times 100}{F}$$

- A = Trustee fee
- B = Fund accounting fee
- C = Auditors' remuneration
- D = Tax agent fee
- E = Other expenses
- F = Average NAV of Fund calculated on a daily basis

The average NAV of the Fund for the financial period calculated on a daily basis is RM63,178,755.

14 PORTFOLIO TURNOVER RATIO (“PTR”)

Financial
period from
17.1.2023
(date of
launch) to
31.1.2024

PTR (times) 0.03

PTR is derived from the following calculation:

$$\frac{(\text{Total acquisition for the financial period} + \text{total disposal for the financial period}) \div 2}{\text{Average NAV of the Fund for the financial period calculated on a daily basis}}$$

where: total acquisition for the financial period = RM3,451,047
total disposal for the financial period = RMNil

AHAM STRATEGIC OPPORTUNITY FUND 3

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 JANUARY 2023 (DATE OF LAUNCH) TO 31 JANUARY 2024 (CONTINUED)

15 COMPARATIVES

There are no comparatives figures as this is the first set of annual financial statements prepared since the launch of the Fund.

16 SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD

Change in substantial shareholders of AHAM Asset Management Berhad

On 19 April 2023, Nikko Asset Management International Limited (“NAMI”) has divested all its equity interest of 27% in AHAM Asset Management Berhad to Nikko Asset Management Co. Ltd (“NAM”) for 20% and remaining 7% of the equity interest to Lembaga Tabung Angkatan Tentera (“LTAT”), resulting in both NAM and LTAT becoming substantial shareholders of the Manager.

AHAM STRATEGIC OPPORTUNITY FUND 3

STATEMENT BY THE MANAGER

I, Dato' Teng Chee Wai, for and on behalf of the board of directors of the Manager, **AHAM Asset Management Berhad**, do hereby state that in the opinion of the Manager, the financial statements set out on pages 1 to 26 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 January 2024 and of its financial performance, changes in equity and cash flows for the financial period from 17 January 2023 (date of launch) to 31 January 2024 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,
AHAM ASSET MANAGEMENT BERHAD

DATO' TENG CHEE WAI
EXECUTIVE DIRECTOR/MANAGING DIRECTOR

Kuala Lumpur
29 March 2024

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AHAM STRATEGIC OPPORTUNITY FUND 3

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of AHAM Strategic Opportunity Fund 3 (“the Fund”) give a true and fair view of the financial position of the Fund as at 31 January 2024, and of its financial performance and its cash flows for the financial period from 17 January 2023 (date of launch) to 31 January 2024 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 January 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial period then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 1 to 26.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

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

Emphasis of matter

We draw attention to Note A on the basis of preparation of the financial statements, which refers to the maturity of the Fund on 17 February 2025. These financial statements have therefore been prepared using a non-going concern basis of accounting. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF AHAM STRATEGIC OPPORTUNITY FUND 3
(CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Manager for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF AHAM STRATEGIC OPPORTUNITY FUND 3
(CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF AHAM STRATEGIC OPPORTUNITY FUND 3
(CONTINUED)

OTHER MATTERS

This report is made solely to the unitholders of the Fund, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
29 March 2024

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