

Information Memorandum

Areca Situational Income 2.0 Fund

Management Company



(740840-D)

Trustee
RHB Trustees Berhad (573019-U)

THIS INFORMATION MEMORANDUM IS DATED 28 AUGUST 2017. INVESTORS ARE ADVISED TO READ THE CONTENTS OF THE INFORMATION MEMORANDUM. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVICER BEFORE SUBSCRIBING TO THE ARECA SITUATIONAL INCOME 2.0 FUND.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 13.

RESPONSIBILITY STATEMENTS AND STATEMENTS OF DISCLAIMER

This Information Memorandum has been seen and approved by the directors of Areca Capital Sdn Bhd and they collectively and individually accept full responsibility for the accuracy of all information contained herein and confirm, having made all enquiries which are reasonable in the circumstances, that to the best of their knowledge and belief, there are no other facts omitted which would make any statement herein misleading.

The Securities Commission Malaysia will not be liable for any non-disclosure on the part of Areca Capital Sdn Bhd and takes no responsibility for the contents of this Information Memorandum, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from, or in reliance upon the whole or any part of the contents of this Information Memorandum.

SPECIFIC RISK DISCLOSURE STATEMENTS

The Fund may invest in illiquid assets such as unlisted securities. Potential Sophisticated Investors are warned that they may face difficulties in redeeming their investments as the Manager may not be able to dispose the investments.

ADDITIONAL STATEMENT

The Areca Situational Income 2.0 Fund may only be offered for sale to Sophisticated Investors and investors must ensure that they are Sophisticated Investors before making an investment in the Fund. In the event that the Manager becomes aware that a person is not eligible to apply for Units is in fact holding Units, the Manager shall be deemed to have received a redemption request in respect of such Units on the Business Day following the day the Manager first became aware of the Unit Holder's ineligibility.

Sophisticated Investors should note that they may seek recourse under the Capital Markets and Services Act 2007 for breaches of securities laws including any statement in the Information Memorandum that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the Information Memorandum or the conduct of any other person in relation to the Fund.

WE DO NOT ACCEPT ANY FORM OF CASH PAYMENT

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GLOSSARY

| | |
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| Business Day | A day on which Bursa Malaysia Securities Berhad, the stock exchange managed or operated by Bursa Malaysia Berhad, is open for trading; |
| CMSA | The Capital Markets and Services Act, 2007 including all amendments thereto; |
| Deed(s) | The deed in relation to the Fund and any other supplemental deeds that may be entered into between the Manager and the Trustee; |
| Financial Institution | <p>if the institution is in Malaysia –</p> <ul style="list-style-type: none"> i. licensed bank; ii. licensed investment bank; and iii. Islamic bank. <p>if the institution is outside Malaysia, any institution that is licensed, registered, approved or authorised to provide financial services by the relevant banking regulator;</p> <p>“licensed bank” has the same meaning as given under the Financial Services Act 2013;</p> <p>“licensed investment bank” has the same meaning as given under the Financial Services Act 2013;</p> <p>“islamic bank” means a bank licensed under the Islamic Financial Services Act 2013”;</p> |
| Fixed Income Investments | Debentures, money market instruments, corporate bonds, deposits with licensed institutions and any other fixed income related instruments that are in line with the Fund’s objective; |
| Fund | Areca Situational Income 2.0 Fund; |
| GST | Goods and Services Tax; |

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| Guidelines | Guidelines on unlisted Capital Market Products Under the Lodge and Launch Framework as may be amended from time to time; |
| Information Memorandum | Information Memorandum in relation to the Fund and includes any supplemental or replacement Information Memorandum; |
| Jointholder | A person who holds Units together with another person or persons; |
| Manager/We/Us | Areca Capital Sdn Bhd; |
| Medium to Long Term | A period of two to above five years, |
| NAV | The net asset value of the Fund, which is the value of all the assets of the Fund less the total liabilities of the Fund at the valuation point; |
| NAV per Unit | The NAV of the Fund divided by the number of Units in circulation at the valuation point; |
| Redemption | The repurchase by the manager of the Units owned by the Unit Holders upon a proper redemption request: |
| SC | The Securities Commission Malaysia which was established under the Securities Commission Malaysia Act 1993; |

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| <p>Sophisticated Investor</p> | <ul style="list-style-type: none"> ▪ An individual whose total net personal assets, or total net joint assets with his or her spouse, exceed RM3 million or its equivalent in foreign currencies, excluding the value of the individual's primary residence; ▪ An individual who has a gross annual income exceeding RM300,000 or its equivalent in foreign currencies per annum in the preceding twelve months; ▪ An individual who, jointly with his or her spouse, has a gross annual income exceeding RM400,000 or its equivalent in foreign currencies per annum in the preceding twelve months; ▪ A corporation with total net assets exceeding RM10 million or its equivalent in foreign currencies based on the last audited accounts; ▪ A partnership with total net assets exceeding RM10 million or its equivalent in foreign currencies; ▪ A unit trust scheme or prescribed investment scheme; ▪ A private retirement scheme; ▪ A closed-end fund approved by the SC; ▪ A company that is registered as a trust company under the Trust Companies Act 1949 which has assets under management exceeding RM10 million or its equivalent in foreign currencies; ▪ A corporation that is a public company under the Companies Act 1965 which is approved by the SC to be a trustee under the CMSA and has assets under management exceeding RM10 million or its equivalent in foreign currencies; ▪ A statutory body established by an Act of Parliament or an enactment of any State; |
|--------------------------------------|--|

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|-------------------------|--|
| | <ul style="list-style-type: none"> ▪ A pension fund approved by the Director General of Inland Revenue under section 150 of the Income Tax Act 1967; ▪ Central Bank of Malaysia established under the Central Bank of Malaysia Act 2009; ▪ A holder of a capital markets services licence or an executive director or a chief executive officer of a holder of a capital markets services license; ▪ A licensed institution as defined in the Financial Services Act 2013; ▪ An Islamic bank as defined in the Islamic Financial Services Act 2013; ▪ An insurance company registered under the Financial Services Act 2013; ▪ A takaful operator registered under the Islamic Financial Services Act 2013; ▪ A bank licensee or insurance licensee as defined under the Labuan Financial Services and Securities Act 2010; ▪ An Islamic bank licensee or takaful licensee as defined under the Labuan Islamic Financial Services and Securities Act 2010; and ▪ Any other investor as may be defined by the SC from time to time; |
| Trustee | RHB Trustees Berhad; |
| Units | units of the Fund and includes a fraction of a unit of the Fund; |
| Unit Holder/You | A person for the time being who is registered pursuant to the Deed as a holder of Units, including a Jointholder; |
| Watermark Return | A return of 9% per annum on NAV to NAV basis. |

CORPORATE DIRECTORY

MANAGER

Areca Capital Sdn Bhd (740840-D)

Registered Office:

Suite 30C, 3rd Floor, Wisma TCL,
470 Jalan Ipoh, 3rd Mile,
51200 Kuala Lumpur

Business Address:

107, Blok B, Pusat Dagangan Phileo Damansara 1,
No.9, Jalan 16/11, Off Jalan Damansara,
46350 Petaling Jaya

Tel: 603-7956 3111

Fax: 603-7955 4111

Website: www.arecacapital.com

E-mail: invest@arecacapital.com

TRUSTEE

RHB Trustees Berhad (573019-U)

Registered Office:

Level 9. Tower One,
RHB Center, Jalan Tun Razak,
50400 Kuala Lumpur.

Business Address:

Level 11, Tower One,
RHB Center, Jalan Tun Razak,
50400 Kuala Lumpur.

Tel: 03-9280 8799, Fax: 03-9280 8796

BOARD OF DIRECTORS

Dato' Wee Hoe Soon @ Gooi Hoe Soon (Independent)

Dr. Junid Saham (Independent)

Danny Wong Teck Meng (Executive)

Raja Datuk Zaharaton binti Raja Dato' Zainal Abidin (Non-Independent)

INVESTMENT COMMITTEE MEMBERS

Dato' Wee Hoe Soon @ Gooi Hoe Soon (Independent)

Dr. Junid Saham (Independent)

Raja Datuk Zaharaton binti Raja Dato' Zainal Abidin (Non-Independent)

AUDITORS

Deloitte PLT (LLP0010145 –LCA)

Chartered Accountants (AF0080)

Level 16, Menara LGB, 1 Jalan Wan Kadir,
Taman Tun Dr. Ismail, 60000 Kuala Lumpur, Malaysia

TAX ADVISERS

Deloitte Tax Services Sdn Bhd (36421-T)

Level 16, Menara LGB, 1 Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur, Malaysia

SOLICITOR

Naqiz & Partners

Suite 9B.01 & 9B.02, Level 9B, Wisma E&C, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia

INFORMATION OF THE FUND

| Areca Situational Income 2.0 Fund | |
|--|---|
| CATEGORY OF THE FUND | Wholesale Fund with flexible asset allocation |
| TYPE OF FUND | Income and Growth |
| TRUSTEE | RHB Trustees Berhad |
| INVESTMENT OBJECTIVE | The Fund aims to provide Medium to Long Term combination of income and capital growth. Any material changes to the Fund's objective would require Unit Holder's approval. |
| ASSET ALLOCATION | Flexible allocation between equity and fixed income |
| INITIAL OFFER PERIOD (IOP) | 30 days from the Launch Date. The Manager may shorten the IOP. |
| INITIAL OFFER PRICE | RM1.0000 |
| FINANCIAL YEAR END | 31 August |
| INVESTORS' PROFILE | <p>The Fund is suitable for Sophisticated Investor who:</p> <ul style="list-style-type: none"> • Have Medium to Long Term investment horizon; • Seek combination of income and capital growth that is higher than performance benchmark rate of returns; and • The Units are only offered to Sophisticated Investors (applicable for principal and Jointholder). |

Areca Situational Income 2.0 Fund

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| <p>INVESTMENT STRATEGY</p> | <p>The Fund may invest up to 100% of its NAV in authorised investments with flexible allocation in its assets to achieve a higher possible return by freely changing risk degree according to current market conditions. Depending on the market conditions, the Fund may concentrate its investments on few selected asset classes or a single investment that has potential for capital growth or that will minimize the Fund exposure to market risks. For instance the Fund may just fully invest in only preference shares for dividends and income.</p> <p>The Fund may also invest in collective investment schemes and place deposits with financial institutions.</p> |
| <p>PRINCIPAL RISKS</p> | <ul style="list-style-type: none"> ▪ Illiquidity risk ▪ Market risk ▪ Stock specific risk ▪ Equity related securities risk ▪ Concentration risk ▪ Currency risk ▪ Country risk ▪ Credit and default risk ▪ Interest rate risk ▪ Counterparty risk |
| <p>PERMITTED INVESTMENTS</p> | <p>The Fund may invest in the followings:</p> <ul style="list-style-type: none"> • Securities listed on Bursa Malaysia Securities Berhad or any other permitted foreign stock exchanges; • Unlisted securities; • Debentures; • Preference shares; • Fixed income related structured products; • Derivatives; • Deposits with Financial Institutions; • Any other form of investment as may be agreed upon by the Manager and the Trustee from time to time. |

| Areca Situational Income 2.0 Fund | |
|--|--|
| PERFORMANCE BENCHMARK | <p>Maybank's 12-month fixed deposit rate.</p> <p>The risk profile of the Fund is different from the risk profile of the performance benchmark. There is no guarantee that the Fund will outperform the performance benchmark.</p> |
| CHARGES - This table describes the charges that you may directly incur when you buy or redeem Units in the Fund | |
| ENTRY FEE (SALES CHARGE) | <ul style="list-style-type: none"> ▪ Direct investment with Manager: Up to 4% of the net investment amount ▪ Third-party distributors: Up to 4% of the net investment amount <p>Net investment amount is the number of Units at the NAV per Unit.</p> <p>Please note that the entry fee is subject to 6% GST. If you make a RM100,000 payment for investment in the Fund with an entry fee of 4%, your net investment amount is RM95,932.46 (i.e. $RM100,000 \div [1 + (0.04 \times 1.06)]$).</p> |
| EXIT FEE | <p>You will not be able to redeem any Units within 12 months from the Launch Date of the Fund. An exit fee will be imposed on redemption between 12 to 24 months from the Launch Date of the Fund. The exit fee are as follows:</p> <p>Between 12 to 18 months : 8%</p> <p>Between 18 to 24 months : 5%</p> <p>The exit fee will be credited to the Fund.</p> |
| FEES AND EXPENSES - This table describes the fees that you may indirectly incur when you buy or redeem Units in the Fund. | |
| ANNUAL MANAGEMENT FEE | Up to 2.00% per annum of the NAV of the Fund. |
| PERFORMANCE FEE | The Manager is entitled to a performance fee of 30% on any excess of aggregate total returns of above the Watermark Return per annum, computed on each investor's account individually. |

| Areca Situational Income 2.0 Fund | |
|---|---|
| ANNUAL TRUSTEE FEE | Up to 0.07% per annum of the NAV of the Fund. |
| ANY OTHER FEES PAYABLE INDIRECTLY BY AN INVESTOR | <p>These include but are not limited to:</p> <ul style="list-style-type: none"> ▪ Commissions or fees paid to brokers ▪ Auditor’s fee; ▪ Tax adviser’s fee; ▪ Valuation fee; ▪ remuneration and out of pocket expenses of the independent members of the investment committee of the Fund; ▪ Taxes and other duties charged on the Fund by the government and/or other authorities; ▪ Tax vouchers; ▪ Annual/quarterly reports/statements; ▪ Cost incurred for the modification of the Deed other than those for the benefit of the Manager and/or Trustee; and ▪ Cost, fees and expenses incurred for any meeting of the Unit Holders save where such meeting is convened for the benefit of the Manager and/or the Trustee. |
| TRANSACTIONS | |
| MINIMUM INITIAL INVESTMENT | RM50,000 or such other limit at the Manager’s discretion. |
| MINIMUM ADDITIONAL INVESTMENT | RM10,000 or such other limit at the Manager’s discretion. |
| COOLING-OFF RIGHT | Not available. |

Areca Situational Income 2.0 Fund

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| <p>REDEMPTION RESTRICTIONS</p> | <p>You will not be able to redeem your Units within the first 12 months from the Launch Date of the Fund. After the first 12 months, any redemption between 12 to 24 months is subject to an Exit Fee. You can only redeem once a month on the 15th of each month. If the transaction date falls on a weekend or holiday, your transaction date will take place on the next business day.</p> <p>Please note that you might not be able to redeem Units if the Fund is not able to dispose its assets and has insufficient cash.</p> |
| <p>MINIMUM REDEMPTION</p> | <p>RM50,000 or 50,000 Units or such other amount as decided by the Manager. However, if the redemption request leaves you with less than 50,000 Units (minimum balance), all the Units in your account will be redeemed automatically.</p> |
| <p>REDEMPTION PAYMENT</p> | <p>We will pay you within 10 days upon receipt of the duly completed original redemption form.</p> |
| <p>MINIMUM BALANCE</p> | <p>50,000 Units or such other limit at the Manager's discretion.</p> |
| <p>SWITCHING FACILITY</p> | <p>Not Available.</p> |
| <p>TRANSFER FACILITY</p> | <p>Not available, unless by operations of law or under the provision of the Deed.</p> |
| <p>DISTRIBUTION OF INCOME</p> | <p>Subject to the availability of distributable income, the Fund will distribute income at least once a year.</p> |
| <p>CAPITAL DISTRIBUTION</p> | <p>The Manager may make capital repayment to the Unit Holders in a form of cash. The capital repayment is pursuant to the maturity of the investment, disposal by Manager or early redemption by issuer, if any and the Manager does not intend to reinvest the investment proceeds. The Capital Distribution is subject to performance fee as stated below.</p> |

| Areca Situational Income 2.0 Fund | |
|--|---|
| PERFORMANCE FEE | The Manager is entitled to a performance fee of 30% on any excess of annualized aggregate total returns of above the Watermark Return upon capital distribution, computed on each investor's account individually. |
| INCOME RE-INVESTMENT POLICY | In the absence of any instructions, we will, at our discretion, reinvest the income into another unit trust fund as determined by the Manager at the NAV per Unit of the distribution day without any entry fee. |
| SOFT COMMISSION | The Manager will retain soft commissions received from stockbrokers, provided these are of demonstrable benefit to the Unit Holders and in the form of research and advisory services that assist in the decision making process relating to the Fund's investments. The soft commissions may take the form of goods and services such as data and quotation services, computer software incidental to the management of the Fund and investment related publications. Cash rebates, if any, will be directed to the account of the Fund. |

There are fees and charges involved and you are advised to consider the fees and charges before investing in the Fund.

Unit prices and distributions payable, if any, may go down as well as up.

You should read and understand the contents of Information Memorandum and, if necessary, consult your adviser. For information concerning certain risk factors which should be considered by you, see "Risk Factors" commencing on page 13.

RISKS FACTORS

General risks of investing in a wholesale fund

- **Market Risk**

Market risk refers to the possibility that an investment will lose value because of a general decline in financial markets, due to economic, political and/or other factors, which will result in a decline in the Fund's NAV.

- **Manager's Risk**

This risk refers to the day-to-day management of the fund by the manager which will impact the performance of the fund. For example, investment decisions undertaken by the manager, as a result of an incorrect view of the market or any non-compliance with internal policies, investment mandate, the deed, relevant law or guidelines due to factors such as human error or weaknesses in operational process and systems, may adversely affect the performance of the fund.

- **Inflation Risk**

This is the risk that investors' investment in the fund may not grow or generate income at a rate that keeps pace with inflation. This would reduce investors' purchasing power even though the value of the investment in monetary terms has increased.

Specific risks associated to the Fund

- **Illiquidity Risk**

The investment to be made by the Fund would be generally illiquid. The eventual liquidity of all investment of the Fund will be dependent upon the success of the realisation strategy proposed for each investment which could adversely be affected by a variety of risk factors. The period of time required to liquidate the Fund's assets cannot be predicted with certainty.

- **Stock Specific Risk**

Prices of a particular stock may fluctuate in response to the circumstances affecting individual companies such as adverse financial performance, news of a possible merger or loss of key personnel of a company. Any adverse price movements of such stocks will adversely affect the Fund's NAV.

- **Equity-related Securities Risk**

The Fund invests in equity-related securities such as rights and warrants, where price movement is dependent on the price movement of the underlying equities. The risk is generally higher than their underlying equities as these equity related securities are leveraged form of investment. The price of equity-related securities generally fluctuates more than the underlying equities and consequently may affect the volatility of the Fund's NAV.

- **Concentration risk**

Concentration risk is the probability of loss arising from lack of diversification, investing with a single issuer. The strength of the issuer may be affected due to changes of financial performance, news of a possible merger or loss of key personnel of the issuer.

- **Country Risk**

Investments of the Fund in any foreign countries may be affected by changes in the economic and political climate, restriction on currency repatriation or other developments in the law or regulations of the countries in which the Funds invests in. For example, the deteriorating economic condition of the countries may adversely affect the value of the investments undertaken by the Fund in those affected countries. This in turn may cause the NAV or prices of Units to fall.

- **Currency Risk**

As the base currency of the Fund is in Malaysian Ringgit, any fluctuation in the exchange rate between the base currency and the currencies in which the investments are denominated may have an impact on the value of these investments. Investors should be aware that if the currencies in which the investments are denominated depreciate against the base currency, this will have an adverse effect on the NAV of the Fund in the base currency and vice-versa. Investors should note that any gains or losses arising from the fluctuation in the exchange rate may further increase or decrease the returns of the investment.

- **Credit and default risk**

Credit risk relates to the creditworthiness of the issuers of the debt instruments and its expected ability to make timely payment of interest and/or principal. Any adverse situations faced by the issuer may impact the value as well as liquidity of the debt instrument. Default risk relates to the risk than an issuer of a debt instrument either defaulting on payments or failing to make payments in a timely manner which will in turn adversely affect the value of the debt instruments. This could adversely affect the value of the Fund.

- **Interest Rate Risk**

Interest rate risk refers to the impact of interest rate changes on the valuation of debt instruments whenever is applicable. When interest rates rise, debt instruments prices generally decline and this may lower the market value of the Fund's investment in debt instruments. The reverse may apply when interest rates fall.

- **Counterparty risk**

The Fund's placements of deposits and/or investments in money market instruments with financial institutions are subject to the risk of the counterparty. Counterparty risk also refers to the possibility that the counterparty being unable to make timely payments of interest and/or principal payment on the maturity date. This may then lead to a default in the payment and/or interest and ultimately, affect the NAV per Unit of the Fund.

Specific risks of investing in the Fund

The Fund may invest in non-tradable and non-transferable equity related securities. The Fund is suitable only for investors who have a Medium to Long term investment horizon. You will not be able to redeem your Units within the first year from the Launch Date. You can only redeem once a month on the 15th of each month after the first year from the Launch Date. An exit fee will be imposed on redemption between 12 to 24 months from the Launch Date. An exit fee of 8% will be imposed on redemption made between 12 to 18 months from the Launch Date and 5% for redemption made between 18 to 24 months from the Launch Date. The Fund may invest up to 100% of its NAV in equity related-securities by a single issuer.

You are advised not to invest in this Fund if you are not able to accept the risks.

The abovementioned risks which you should consider before investing into a wholesale fund should not be considered to be an exhaustive list.

You should be aware that investments in the Fund may be exposed to other risks of an exceptional nature from time to time.

Transaction Information

Bases of Valuation of the Assets of the Fund

| | |
|----------------------------|--|
| Listed securities | <p>Investment in listed securities shall be valued at the last done market price available at the close of the Business Day. However, if-</p> <ul style="list-style-type: none">a) a valuation based on the market price does not represent the fair value of the securities for example during abnormal market conditions; orb) no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the securities will be valued at fair value. The fair value shall be determined in good faith by the Manager, based on the method or bases approved by the Trustee after appropriate technical consultation. |
| Unlisted securities | <p>Unlisted securities will be valued at fair value as determined in good faith by the Manager on method or bases which have been verified by the auditor of the Fund and approved by the Trustee.</p> |
| Deposits | <p>Deposits are valued by reference to the value of such investments and the profit accrued thereon for the relevant period.</p> |

| | |
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| <p>Collective investment schemes</p> | <p>Investment in units or shares in other collective investment schemes will be valued based on the last published repurchase price of the collective investment scheme.</p> |
| <p>Debentures</p> | <p>Investment in debentures shall be valued based on the appropriate price by referring to quotes / yields published by approved bond pricing agency (BPA). Where the Manager is of the view that the price / yield quoted by BPA differs from the "market price" by more than 20 basis points, the Manager may use the "market price" provided that the Manager records its basis for using a non-BPA price, obtains the necessary internal approvals to use the non-BPA price and keeps an audit trail of all decisions and basis for adopting the "market price".</p> |
| <p>Any other instruments</p> | <p>Fair value as determined in good faith by the Manager, on methods or bases which have been verified by the auditors of the Fund and approved by the Trustee.</p> |

Calculation Of Unit Prices

Valuation Point

Valuation point refers to the time(s) on a Business Day as may be decided by the Manager wherein the NAV of the Fund is calculated. The Fund will be valued once a week on the first Business Day of the week.

The manager, at its discretion, may consider additional valuation point(s) for the Fund when there is a material market movement within the week (more than 5% of the last valuation point). The daily price of Units will be published on the next Business Day and shall be available upon Unit Holder's request.

For avoidance of doubt, the Manager may recognise gain/income to the Fund proportionately.

How Is The NAV (actual value) Per Unit Calculated?

The Manager will calculate the NAV of the Fund at the end of valuation point. The NAV is defines as the total value of the Fund's investment, assets and properties less any liabilities or provisions. Where applicable, investment income, interest payable, fees and other liabilities will be accrued daily in arriving at the NAV of the Fund. The NAV per Unit is then determined by dividing the NAV of the Fund by the number of Units in circulation at the valuation point rounded nearest to four (4) decimal places or as agreed between Manager and Trustee.

| Illustration 1: Computation of NAV | | RM |
|---|---|-----------------------|
| | Investment | 180,000,000.00 |
| Add: | Assets / Gain & Income | 10,000.00 |
| | | 180,010,000.00 |
| Less: | Liabilities / Fees & Expenses | 8,000.00 |
| | NAV before deducting annual management fee and annual trustee fee for the day | 180,002,000.00 |
| Less: | Annual management fee for the day (2.0% per annum) | 9,863.12 |
| | GST* (6% of the management fee) | 591.79 |
| Less: | Annual trustee fee for the day (0.05% per annum) | 246.58 |
| | GST* (6% of the trustee fee) | 14.79 |
| | NAV | 179,991,283.72 |

NAV per Unit

The NAV per Unit is then determined by dividing the NAV of the Fund by the number of Units in circulation at the valuation point. If the Units in circulation are 180,000,000 Units at the point of valuation, therefore;

Illustration 2: Computation of NAV per Unit

| | |
|-----------------|--|
| NAV per Unit of | = NAV ÷ Units in Circulation |
| | = RM179,991,283.72 ÷ 180,000,000 |
| | = RM0.999951576 |
| | = RM1.0000 (rounded to 4 decimal places) |

Computation of Net Investment Amount and Units Entitlement

The number of Units invested is determined by dividing the net investment amount (excluding fee and taxes), with the NAV per Unit at the next valuation point after the Manager receives the investment application and rounded up to two (2) decimal places.

Illustration 3: Allocation of Units to Investor

| | |
|--|---------|
| Assuming you invest RM100,000 into the Fund, and the NAV per Unit of the | |
| | RM |
| Net Investment amount | 100,000 |
| Add: Entry Fee of 5% (RM100,000 x 5%) | 5,000 |
| Add: GST* (6% x RM5,000) | 300 |
| Total amount payable by investor | 105,300 |
| Net Investment Amount | 100,000 |
| Divided by NAV per Unit | 1.0000 |
| Units credited to investor's account | 100,000 |

Calculation of Redemption Value

The Redemption value is the number of Units to be liquidated multiplied by the NAV per Unit at the next valuation point, after the Manager receives the Redemption request.

| <i>Illustration 4: Calculation of Redemption proceeds paid to investor</i> | |
|---|---------|
| Assuming you request to liquidate 150,000 Units on the 14 th month from the Launch Date and the NAV per unit of the Fund is RM1.5000, therefore; | |
| | RM |
| Number of Units liquidated | 150,000 |
| Multiply by NAV per Unit | 1.500 |
| Redemption Value | 225,000 |
| Less: Exit fee of 8% (RM225,000x 8%) | 18,000 |
| Net amount payable to investor | 207,000 |

Distribution Channels

The Fund is distributed through the Manager's head office, branches and authorized distributors. Please refer to the directory on page 31 or call us at 03-7956 3111 for list of contacts.

Making An Investment

If you are investing for the first time, you are required to complete account opening documents. Individual or joint application must be accompanied by either a copy of the applicant's identity card, passport or other identification.

Application by a corporation must be accompanied by a certified true copy of its constitution, certificate of incorporation (if applicable), form 24, form 44, form 49, board resolution relating to the investment and other related documents required by the Manager. Existing investors are required to complete the investment form to purchase additional Units.

You must submit the completed forms with the necessary payment by 3.00p.m on any Business Day. We will process your transaction on the next Business day if we receive your application after the cut-off time.

The Areca Situational Income 2.0 Fund may only be offered for sale to Sophisticated Investors and investors must ensure that they are Sophisticated Investors before making an investment in the Fund. In the event that the

Manager becomes aware that a person is not eligible to apply for Units is in fact holding Units, the Manager shall be deemed to have received a redemption request in respect of such Units on the Business Day following the day the Manager first became aware of the Unit Holder's ineligibility.

The minimum initial investments and the minimum additional investment for Units in any of the Fund are as follows:

| Minimum Initial Investments | Investment Notice |
|---|--------------------------------|
| Direct Investment through the Manager: RM50,000 or such other limit at the Manager's discretion | Before 3.00p.m on Business Day |
| Third party distributors: RM50,000 or such other limit at the Manager's discretion | |
| Minimum Additional Investments | |
| RM10,000 or such other limit at the Manager's discretion | Before 3.00p.m on Business Day |

We will process your transaction on the next Business Day if we receive your application after the cut-off time.

Payment Methods

- Via telegraphic or online transfer.
- By a crossed cheque or banker's cheque made payable to "**Areca Capital Sdn Bhd**".

WE DO NOT ACCEPT ANY FORM OF CASH PAYMENT AND PAYMENT MADE BY A THIRD PARTY

INVESTOR SHOULD NOT MAKE PAYMENT IN CASH TO A UNIT TRUST CONSULTANT OR ISSUE A CHEQUE IN THE NAME OF A UNIT TRUST CONSULTANT.

Redemption

You must submit the completed redemption form in the following manner;

| Minimum Redemption | Redemption Notice |
|---|---|
| RM50,000 or 50,000 Units or such other amount as decided by the Manager. However, if the redemption request leaves you with less than 50,000 Units (minimum balance), all the Units in your account will be redeemed automatically. | Redemption is restricted to once a month on the 15 th of every month after the first year from the Launch Date. Redemption notice must be submitted before 3 p.m |

You will not be able redeem your units within the first 12 months from the Launch Date. After the first 12 months, you can only redeem once a month on the 15th of each month.

We will not process your transaction if we receive your application after the cut-off time. If the transaction date falls on a weekend or holiday, your transaction date will take place on the next Business Day.

We will pay you within 10 days, upon receipt of the duly completed original redemption form.

Suspension of Fund

We may, after consultation with the Trustee, suspend the redemption of Units if in our opinion, it is not in the interests of the Unit Holders to permit the assets of the Fund to be sold or that the assets cannot be liquidated at an appropriate price or on adequate terms or when there is good and sufficient reason to do so having regard to the interests of the Unit Holders.

THE MANAGER: ARECA CAPITAL SDN BHD

Areca Capital Sdn Bhd was incorporated on 13 July 2006 under the Companies Act, 1965. It has an issued and paid-up share capital of RM12,000,000.00 divided into 5,000,000 ordinary shares and 7,000,000 redeemable preference shares.

Areca is a licensed fund manager approved by the SC in February 2007. We are engaged in the business of managing, administering, marketing and distributing unit trust funds and managing and administering funds under private mandates. We launched our 3 maiden funds in April 2007. As at 31 July 2017, we are managing 10 unit trust funds, namely Areca *income***TRUST**, Areca *equity***TRUST**, Areca *money***TRUST**, Areca *enhanced***INCOME**, Areca Dividend Income Fund, Areca *Steady fixed***INCOME**, Areca *Flexi fixed***INCOME**, Areca Islamic Cash Fund, Areca Situational Income Fund and Areca Dynamic Growth Fund.

Duties and Responsibilities of the Manager

The Manager is engaged in the business of managing, administering, marketing and distributing unit trust funds and managing and administering funds under private mandates. Its principal duty is to manage and administer the Fund in a proper and efficient manner in accordance with the Deed, the Guidelines and relevant laws, acceptable and efficacious business practice within the unit trust industry and the internal controls and policies of the Manager.

Litigation and Arbitration

As at 31 July 2017, Areca Capital Sdn Bhd is not engaged in any material litigation and arbitration, including those pending or threatened, and is not aware of any fact likely to give rise to any proceedings which might materially affect the business or financial position of Areca Capital Sdn Bhd.

Roles and Functions of the Board of Directors and Investment Committee

Board of Directors of Areca Capital Sdn Bhd (“Board”)

The Board plays an active part in the affairs of the Manager. The Board meets at least once every quarter to receive recommendations and reports on investment activities from the investment committee of the Fund and the senior representatives of the Manager.

Investment Committee of the Fund

The investment committee is fully responsible for the Fund’s investment policies and guidelines, and shall review and approve the investment strategies undertaken by the fund managers for the Fund. The investment committee meets every month or more frequently if required.

Designated Person Responsible For The Management Of The Fund

Mr. Danny Wong Teck Meng is the designated person responsible for the management of the Fund.

THE TRUSTEE: RHB TRUSTEES BERHAD

RHB Trustees Berhad [“RHB Trustees Berhad”] was incorporated in Malaysia under the Companies Act, 1965 on 6 March 2002. It is registered as a trust company under the Trust Companies Act, 1949 and is also registered with the SC to conduct unit trust business. The principal activity of RHB Trustees Berhad is providing retail and corporate trustee services. RHB Trustees Berhad has been in the trustee business since 2002.

Experience in Trustee Business

RHB Trustees Berhad undertakes all types of trustee business allowed under the Trust Companies Act, 1949, ranging from corporate trustee services to retail services. RHB Trustees Berhad offers corporate trustee services such as trustee for real estate investment trusts (REITs), unit trust funds and custodian services. Its retail services include estate planning services (will writing, custodian and executor/trustee services) and private trustee services (private purpose trust, investment trust, charitable trust, insurance trust, business succession trust, estate administration trust, custodian and stakeholder services).

Duties and Responsibilities of the Trustee

The Trustee’s functions, duties and responsibilities are set out in the Deed. The general function, duties and responsibility of the Trustee include, but are not limited to, the following:

- a) Acting as trustee and safeguarding the rights and interests of the Unit Holders;
- b) Holding the assets of the Fund for the benefit of the Unit Holders; and
- c) Exercising all the powers of a trustee and the powers that are incidental to the ownership of the assets of the Fund.

The Trustee has covenanted in the Deed that it will exercise all due diligence and vigilance in carrying out its functions and duties, and in safeguarding the rights and interests of Unit Holders.

Litigation and Arbitration

As at 31 July 2017, RHB Trustees Berhad is not engaged in any material litigation and arbitration, including those pending or threatened, and is not aware of any fact likely to give rise to any proceedings which might materially affect the business or financial position of RHB Trustees Berhad.

ADDITIONAL INFORMATION

You may always contact our team who would be happy to assist you in your:

- enquiry on balance account and market value;
- investment, redemption, and transfer request; request to update personal details; and
- Fund's NAV or any other queries regarding the Fund's performance.

You may choose to communicate with us via:-

- Telephone : 603 7956 3111
- Facsimile : 603 7955 4111
- E-mail : invest@arecacapital.com

In addition, you may also review the NAV per Unit of the Fund in any major local newspaper or visit our website at www.arecacapital.com to obtain more information on us, our products and services.

Investors can constantly keep abreast of their investment portfolio's via:-

- Quarterly report containing information of the Fund, a report on the Fund's performance and financial statements for the accounting period. The quarterly report will be dispatched to all Unit Holders within 2 months from the close of each financial quarter;
- An annual report containing information of the Fund, a report on the Fund's performance, audited financial statements for the accounting period and auditor's report. The annual report will be dispatched to all Unit Holders within 2 months from the close of each financial year;
- Areca Online at www.arecacapital.com

Investors are advise to keep their statement for record purposes.

In the event of joint accounts, the principal holder shall receive the confirmation advices, all notices and correspondence with respect to the account, as well as any redemption proceeds or income distributions.

UNIT HOLDERS' RIGHTS & LIABILITIES

PLEASE BE ADVISED THAT IF YOU INVEST IN UNITS THROUGH AN IUTA WHICH ADOPTS THE NOMINEE SYSTEM OF OWNERSHIP, YOU WOULD NOT BE CONSIDERED TO BE A UNIT HOLDER UNDER THE DEED AND YOU MAY CONSEQUENTLY NOT HAVE ALL THE RIGHTS ORDINARILY EXERCISABLE BY A UNIT HOLDER (FOR EXAMPLE, THE RIGHT TO CALL FOR A UNIT HOLDERS' MEETING AND TO VOTE THEREAT AND THE RIGHT TO HAVE YOUR PARTICULARS APPEARING IN THE REGISTER OF UNIT HOLDERS OF THE FUND).

Rights

As a Unit Holder of the Fund, and subject to the provisions of the Deed, you have the right to:

- receive distributions of income, if any;
- participate in any increase in the value of the Units;
- call for Unit Holders' meetings and to vote for the removal of the Trustee or the Manager through a special resolution;
- receive monthly statements, quarterly and annual reports on the Fund;
- exercise such other rights and privileges as provided for in the Deed.
- No Unit Holder shall be entitled to require the transfer to him of any of the assets of the Fund or be entitled to interfere with or question the exercise by the Trustee, or the Manager on its behalf, of the rights of the Trustee as the registered owner of such assets.

Liabilities

- No Unit Holder is liable for any amount in excess of the purchase price paid for the Units as determined pursuant to the Deed at the time the Units were purchased.
- A Unit Holder shall not be under any obligation to indemnify the Manager and/or the Trustee in the event that the liabilities incurred by the Manager and/or the Trustee in the name of or on behalf of the Fund pursuant to and/or in the performance of the provisions of the Deed exceed the value of the assets of the Fund, and any right of indemnity of the Manager and/or the Trustee shall be limited to recourse to the Fund.

Unit Holders' Meeting

A Unit Holders' meeting may be called by the Manager, Trustee and/or Unit Holders. Any such meeting must be convened in accordance with the Deed.

The Unit Holders may direct the Manager to summon a meeting for any purpose including without limitation, for the purpose of:

- (a) Requiring the retirement or removal of the Manager;
- (b) Requiring the retirement or removal of the Trustee;
- (c) Considering the most recent audited financial statements of the Fund;
- (d) Giving to the Trustee such directions as the meeting thinks proper; or
- (e) Considering any matter in relation to the Deed,

provided always that the Manager shall not be obliged to summon such a meeting unless a direction has been received from not less than fifty (50) or one-tenth (1/10) of all the Unit Holders, whichever is the lesser number.

Every question arising at any Unit Holders' meeting shall be decided in the first instance by a show of hands unless a poll be demanded or, if it be a question which under the Deed requires a special resolution, a poll shall be taken. On a show of hands every Unit Holder who is present or by proxy shall have one vote.

The quorum for a meeting of Unit Holders of the Fund is five (5) Unit Holders, whether present in person or by proxy, provided that if the Fund has five (5) or less Unit Holders, the quorum required for a meeting of the Unit Holders of the Fund shall be two (2) Unit Holders, whether present in person or by proxy; if the meeting has been convened for the purpose of voting on a special resolution, the Unit Holders present in person or by proxy must hold in aggregate at least seventy five per centum (75%) of the Units in circulation at the time of the meeting.

Termination of the Fund

The Manager may terminate the trust and wind up the Fund in accordance with the Deed. Notwithstanding the aforesaid, if the Fund is left with no Unit Holders, the Manager shall be entitled to terminate the Fund.

Directory

Units can be bought and sold on any Business Day from Monday to Friday at the following locations:

Our offices:

Head Office

107, Blok B, Pusat Dagangan
Phileo Damansara I
No.9 Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya
Tel: 603-7956 3111
Fax: 603-7955 4111
Email: invest@arecacapital.com

Branches:

Ipoh branch

11A, (First Floor)
Persiaran Greentown 5
Greentown Business Centre
30450 Ipoh, Perak.
Tel: 605-249 6697
Fax : 605-249 6696

Penang branch

368-2-02 Belissa Row
Jalan Burma,
Georgetown
10350 Pulau Pinang
Tel : 604-210 2011
Fax : 604-210 2013

Malacca branch

95A, Jalan Melaka
Raya 24
Taman Melaka Raya
75000 Melaka
Tel : 606-282 9111
Fax : 606-283 9112

We may appoint additional third party distributors to distribute the Fund. Please contact us at 03-7956 3111 for the updated list of appointed distributors.



ARECA CAPITAL SDN BHD (740840-D)

107, Blok B, Pusat Dagangan Phileo
Damansara I, No.9, Jalan 16/11
Off Jalan Damansara, 46350 Petaling Jaya
Selangor, Malaysia

T 603•7956 3111 **F** 603•7955 4111

E invest@arecacapital.com

www.arecacapital.com

Penang Branch

368-2-02 Belissa Row, Jalan Burma
Georgetown, 10350 Pulau Pinang

T 604•210 2011 **F** 604•210 2013

Ipoh Branch

11A, (First Floor) Persiaran Greentown 5
Greentown Business Centre, 30450 Ipoh, Perak

T 605•249 6697 **F** 605•249 6696

Malacca Branch

95A, Jalan Melaka Raya 24
Taman Melaka Raya, 75000 Melaka

T 606•282 9111 **F** 606•283 9112