

Annual Report for

# Precious Metals Securities

31 May 2023



**AmInvest**

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## TRUST DIRECTORY

### **Manager**

AmFunds Management Berhad  
9<sup>th</sup> & 10<sup>th</sup> Floor, Bangunan AmBank Group  
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### **Board of Directors**

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Tai Terk Lin  
Ng Chih Kaye  
Jas Bir Kaur A/P Lol Singh  
Goh Wee Peng

### **Investment Committee**

Jas Bir Kaur A/P Lol Singh  
Izad Shahadi Bin Mohd Sallehuddin  
(Resigned with effect from 30 June 2023)  
Goh Wee Peng

### **Investment Manager**

AmIslamic Funds Management Sdn Bhd

### **Shariah Adviser**

Amanie Advisors Sdn Bhd

### **Trustee**

Deutsche Trustees Malaysia Berhad

### **Auditors and Reporting Accountants**

Ernst & Young PLT

### **Taxation Adviser**

Deloitte Tax Services Sdn Bhd

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## MANAGER'S REPORT

Dear Unitholders,

We are pleased to present you the Manager's report and the audited accounts of Precious Metals Securities ("Fund") for the financial year ended 31 May 2023.

### Salient Information of the Fund

|   |   |
|---|---|
| <b>Name</b>                               | Precious Metals Securities ("Fund")   |
| <b>Category/<br/>Type</b>                 | Feeder (Global Islamic Equity) / Growth   |
| <b>Name of<br/>Target Fund</b>            | DWS Noor Precious Metals Securities Fund  |
| <b>Fund<br/>Objective</b>                 | <p>To achieve capital appreciation by investing in a portfolio of global Shariah-compliant equity and Shariah-compliant equity-related securities (including, without limitation, Islamic depository receipts, but excluding Shariah-compliant preferred shares and sukuk), of companies engaged in activities (exploration, mining and processing) related to gold, silver, platinum or other precious metals or minerals.</p> <p><i>Note: Any material change to the investment objective of the Fund would require Unit Holders' approval.</i></p>   |
| <b>Duration</b>                           | The Fund was established on 15 November 2007 and shall exist for as long as it appears to the Manager and the Trustee that it is in the interest of the unitholders for it to continue. In some circumstances, the unitholders can resolve at a meeting to terminate the Fund.  |
| <b>Performance<br/>Benchmark</b>          | <p>FTSE Gold Mines Index ("FGMI")<br/>(Available at <a href="http://www.aminvest.com">www.aminvest.com</a>)</p> <p><i>Note: The Fund adheres to the benchmark of the Target Fund. The risk profile of the performance benchmark is not the same as the risk profile of the Fund.</i></p> <p><i>Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). ©LSE Group 2023. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" "FTSE Russell®", is a trade mark(s) of the relevant LSE Group companies and is used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.</i></p> |
| <b>Income<br/>Distribution<br/>Policy</b> | Income distribution (if any) will be reinvested.  |

## Fund Performance Data

|                              |   |   |                           |                 |
|------------------------------|---|---|---------------------------|-----------------|
| <b>Portfolio Composition</b> | Details of portfolio composition of the Fund as at 31 May are as follows:   |   |                           |                 |
|                              |   | <b>As at 31 May</b>   |                           |                 |
|                              |   | <b>2023</b>   | <b>2022</b>               | <b>2021</b>     |
|                              |   | <b>%</b>  | <b>%</b>                  | <b>%</b>        |
|                              | Foreign collective investment scheme  | 97.06   | 95.59                     | 94.41           |
|                              | Money market deposits and cash equivalents  | 2.94  | 4.41                      | 5.59            |
|                              | <b>Total</b>  | <b>100.00</b>   | <b>100.00</b>             | <b>100.00</b>   |
|                              | <i>Note: The abovementioned percentages are calculated based on total net asset value.</i>  |   |                           |                 |
| <b>Performance Details</b>   | Performance details of the Fund for the financial years ended 31 May are as follows:  |   |                           |                 |
|                              |   | <b>FYE 2023</b>   | <b>FYE 2022</b>           | <b>FYE 2021</b> |
|                              | Net asset value (RM)*   | 178,937,412   | 199,355,013               | 296,555,429     |
|                              | Units in circulation*   | 371,860,991   | 390,509,662               | 493,729,735     |
|                              | Net asset value per unit (RM)*  | 0.4812  | 0.5105                    | 0.6006          |
|                              | Highest net asset value per unit (RM)*  | 0.5457  | 0.6064                    | 0.6723          |
|                              | Lowest net asset value per unit (RM)*   | 0.3742  | 0.4574                    | 0.4839          |
|                              | Benchmark performance (%)   | -3.78   | -15.13                    | 5.07            |
|                              | Total return (%) <sup>(1)</sup>   | -5.74   | -15.00                    | 9.20            |
|                              | - Capital growth (%)  | -5.74   | -15.00                    | 9.20            |
|                              | Total expense ratio (%) <sup>(2)</sup>  | 1.15  | 1.14                      | 1.17            |
|                              | Portfolio turnover ratio (times) <sup>(3)</sup>   | 0.21  | 0.24                      | 1.15            |
|                              |   | * Above prices and net asset value per unit are not shown as ex-distribution. |                           |                 |
|                              |   | <i>Note:</i>  |                           |                 |
|                              | (1) Total return is the actual return of the Fund for the respective financial years computed based on the net asset value per unit and net of all fees.  |   |                           |                 |
|                              | (2) Total expense ratio ("TER") is calculated based on the total fees and expenses incurred by the Fund divided by the average fund size calculated on a daily basis. The TER increased by 0.01% as compared to 1.14% per annum for the financial year ended 31 May 2022 mainly due to decrease in average fund size. |   |                           |                 |
|                              | (3) Portfolio turnover ratio ("PTR") is calculated based on the average of the total acquisitions and total disposals of investment securities of the Fund divided by the average fund size calculated on a daily basis. The decrease in the PTR for 2023 and 2022 were due mainly to investing activities.           |   |                           |                 |
|                              | <b>Average Total Return (as at 31 May 2023)</b>   |   |                           |                 |
|                              |   | <b>Precious Metals Securities<sup>(a)</sup></b>                               | <b>FGMI<sup>(b)</sup></b> |                 |
|                              |   | <b>%</b>  | <b>%</b>                  |                 |
|                              | One year  | -5.74   | -3.78                     |                 |
|                              | Three years   | -4.36   | -4.97                     |                 |
|                              | Five years  | 4.95  | 8.27                      |                 |
|                              | Ten years   | 0.42  | 4.18                      |                 |

## Annual Total Return

| Financial Years Ended<br>(31 May) | Precious<br>Metals<br>Securities <sup>(a)</sup><br>% | FGMI <sup>(b)</sup><br>% |
|-----------------------------------|--|--------------------------|
| 2023                              | -5.74  | -3.78                    |
| 2022                              | -15.00   | -15.13                   |
| 2021                              | 9.20   | 5.07                     |
| 2020                              | 45.81  | 69.57                    |
| 2019                              | -0.21  | 2.28                     |

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

(b) FTSE Gold Mines Index ("FGMI") (Available at [www.aminvest.com](http://www.aminvest.com))

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

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

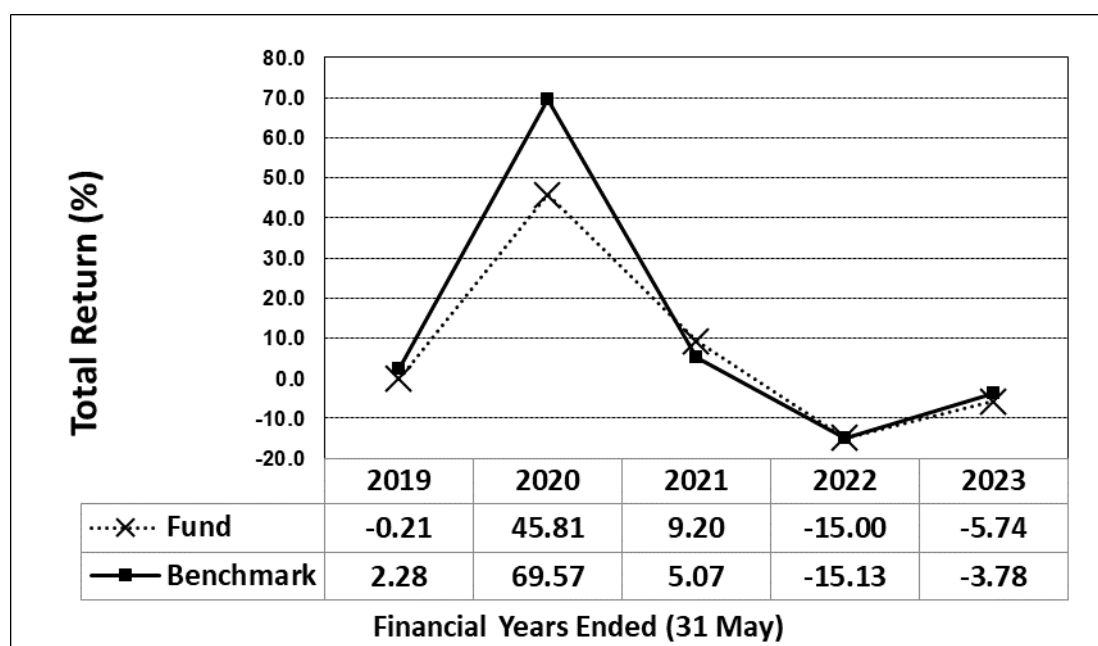
## Fund Performance

For the financial year under review, the Fund registered a negative return of 5.74% which is entirely capital in nature.

Thus, the Fund's negative return of 5.74% has underperformed the benchmark's negative return of 3.78% by 1.96%.

As compared with the financial year ended 31 May 2022, the net asset value ("NAV") per unit of the Fund decreased by 5.74% from RM0.5105 to RM0.4812, while units in circulation have decreased by 4.78% from 390,509,662 units to 371,860,991 units.

The following line chart shows comparison between the annual performances of Precious Metals Securities and its benchmark, FGMI, for the financial years ended 31 May.



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

**Performance of the Target Fund**

**Fund Performance Review of the Target Fund – DWS Noor Precious Metals Securities Fund (“Target Fund”)**

During the year, Silver, Platinum, and Gold each had positive returns of 8.98%, 3.05%, and 6.82%, respectively, while Palladium had a negative return of -31.66%. Gold and precious metals equities, as measured by the S&P BMI Gold and Precious Metals Index (non-Sharia compliant), lost -7.31% during the period. Additionally, Gold ETFs had net outflows of 10.74mm oz, or about -10.2% of total known gold ETFs over the same time frame.

During the year, the Target Fund lost -8.75% in USD. The top 3 individual contributors to the Target Fund were Gold Fields Limited, AngloGold Ashanti Limited, and Northern Star Resources Ltd. The top 3 detractors were Newmont Corporation, Barrick Gold Corporation, and Impala Platinum Holdings Limited.

*Source: DWS, as at 31 May 2023*

**Strategies and Policies Employed**

**Strategies and Policies employed by Target Fund**

We continue to observe that performance for firms that rate highly on our framework (falling capital investment and rising cash flow) has improved since the end of last year. We see the most favorable conditions for the companies that can maintain strong cash flows by controlling operational cost better than their peers. Companies that can maintain the best cash flow margins should outperform, especially during periods of cost inflation. The types of companies we seek to invest in can grow production capacity more efficiently than their peers and we are looking for production gains over simply increasing capital expenditures. Companies with existing large built out projects tend to see the best margin gains and thus we prefer companies transitioning from incremental capital expenditures to cash flow generation. As a result, we believe these companies will prove most resilient to the current environment and have the most potential to outperform the broader universe. We believe the companies our process emphasizes offer a compelling combination of upside capture, by delivering shareholder returns and funding development activities from ongoing cash flows, and downside protection due to superior margins and declining cost profiles.

*Source: DWS, as at 31 May 2023*

**Strategies and Policies of the Fund**

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

**Target Fund’s Top 10 Holdings**

| <b>Fund Name</b>                    | <b>Holding/Security Name</b> | <b>% of NAV<br/>(as of 31 May 2022)</b> |
|-------------------------------------|------------------------------|---|
| DWS Noor Precious Metals Securities | Barrick Gold Corporation     | 9.32                                    |
|                                     | Franco-Nevada Corporation    | 9.27                                    |
|                                     | Agnico Eagle Mines Limited   | 8.92                                    |
|                                     | Newmont Corporation          | 8.39                                    |
|                                     | Newcrest Mining Limited      | 4.80                                    |
|                                     | Wheaton Precious Metals Corp | 4.63                                    |
|                                     | Royal Gold Inc               | 4.25                                    |
|                                     | Northern Star Resources Ltd  | 3.90                                    |

|   | <b>Fund Name</b>   | <b>Holding/Security Name</b>       | <b>% of NAV<br/>(as of 31 May 2022)</b> |                      |
|---|--|------------------------------------|---|----------------------|
|   | DWS Noor Precious Metals Securities  | Gold Fields Limited                | 3.61                                    |                      |
|   |  | ZiJin Mining Group Co.,Ltd.Class H | 3.41                                    |                      |
|   |  | <b>Total</b>                       | <b>60.50</b>                            |                      |
|   | <b>Fund Name</b>   | <b>Holding/Security Name</b>       | <b>% of NAV<br/>(as of 31 May 2023)</b> |                      |
|   | DWS Noor Precious Metals Securities  | Franco-Nevada Corporation          | 9.61                                    |                      |
|   |  | Agnico Eagle Mines Limited         | 9.40                                    |                      |
|   |  | Barrick Gold Corporation           | 9.27                                    |                      |
|   |  | Newmont Corporation                | 9.09                                    |                      |
|   |  | U.S. Dollar                        | 6.05                                    |                      |
|   |  | Gold Fields Limited                | 4.77                                    |                      |
|   |  | Royal Gold Inc                     | 4.72                                    |                      |
|   |  | Wheaton Precious Metals Corp       | 4.70                                    |                      |
|   |  | Northern Star Resources Ltd        | 4.64                                    |                      |
|   |  | AngloGold Ashanti Limited          | 4.59                                    |                      |
|   |  | <b>Total</b>                       | <b>66.84</b>                            |                      |
|   | <i>Source: DWS, as at 31 May 2023</i>  |                                    |   |                      |
| <b>Portfolio Structure</b>                          | The table below is the asset allocation of the Fund as at 31 May 2023 and 31 May 2022.   |                                    |   |                      |
|   |  | <b>As at<br/>31.05.2023<br/>%</b>  | <b>As at<br/>31.05.2022<br/>%</b>       | <b>Changes<br/>%</b> |
|   | Foreign collective investment scheme   | 97.06                              | 95.59                                   | 1.47                 |
|   | Money market deposits and cash equivalents   | 2.94                               | 4.41                                    | -1.47                |
|   | <b>Total</b>   | <b>100.00</b>                      | <b>100.00</b>                           |                      |
|   | As at 31 May 2023, the Fund has invested 97.06% of its NAV in the foreign collective investment scheme and 2.94% in money market deposits and cash equivalents. There have been no significant changes to the asset allocation since the last reporting. |                                    |   |                      |
| <b>Securities Lending / Repurchase Transactions</b> | The Fund has not undertaken any securities lending or repurchase transactions (collectively referred to as “securities financing transactions”).   |                                    |   |                      |
| <b>Cross Trade</b>                                  | There were no cross trades undertaken during the financial year under review.  |                                    |   |                      |
| <b>Distribution/ Unit splits</b>                    | There is no income distribution and unit split declared for the financial year under review.   |                                    |   |                      |
| <b>State of Affairs</b>                             | There has been neither significant changes to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unitholders during the financial year under review.   |                                    |   |                      |



|                                    |  |
|------------------------------------|--|
| <b>Rebates and Soft Commission</b> | During the year, the management company did not receive soft commissions by virtue of transactions conducted for the Fund.   |
| <b>Market Review</b>               | <p>To start the review period, Precious Metals fared better than their industrial metals counterparts in June but were still lower for the month. Gold likely derived support from the U.S. Federal Reserve's (Fed's) focus on longer-term inflation expectations, which had risen to their highest levels in 10 years. Elsewhere across the complex, Platinum and Palladium prices were initially pressured as macro sentiment waned, but stabilized during the back half of the month, the latter drawing support from mine stoppages in the U.S. due to flooding.</p> <p>In July, Precious Metals were mixed with the overall complex down for the month. Gold prices fell sharply to start the month, sagging under the weight of hawkish central banks and worries that increasingly large interest rate hikes might be deemed appropriate. As the month continued, Gold prices recovered as economic data pointed to a potential. Platinum and Silver managed to end July in positive territory but with just marginal gains. Palladium ended higher benefitting from the bounce in sentiment and price recovery in broader industrial metals. Moving through August, all members of the complex fell. Gold prices were pressured as persistently hawkish commentary from Fed speakers drove expectations for rate increases higher, lending support to the U.S. dollar. Retail investors continued to show declining interest in Gold, with Gold backed ETFs seeing their fourth straight month of declines. Silver was the weakest performer as the outlook for both industrial and precious commodities soured during August. Palladium and Platinum both underperformed broader precious metals, though Palladium prices fell less than Platinum. Prices failed to rally despite production cut announcements by major global miners and reported easing in the semiconductor supply shortage. In September, Gold was the only precious metal to decline as Silver, Palladium, and Platinum rebounded, taking direction from broad support for industrial metals. Gold prices fell as hotter than expected CPI and PCE prints renewed investor focus on increasingly constrictive monetary policy. September marked the sixth straight monthly decline for Gold prices as souring sentiment and an ultra-strong U.S. dollar remained a formidable headwind, along with a relentlessly hawkish Fed. Platinum and Palladium were aided after a major producer announced that refined volumes were expected to be lower after maintenance issues drove delays in production. Furthermore, conditions improved for Platinum and Palladium with risks to supply as power outage conditions in South Africa put the country's production at risk.</p> <p>Precious Metals were down during October in aggregate. Gold prices slipped mildly and were range-bound near the low \$1,600/oz levels as persistent inflationary pressures, along with relatively benign jobs reports, continued to limit upside. Silver was close to flat but outperformed Gold during the month as its industrial use attracted interest from market participants. Platinum rose in October as it continued to benefit from supply disruptions in refined material due to continuing power outages in South Africa. Palladium fell and was the clear laggard as demand was weak due to soft auto-demand. In November, Precious Metals ended up as markets priced in a higher probability of slowing policy increases for U.S. interest rates. This welcome development helped temper the relative strength of the U.S. dollar versus other currencies and, by extension, supported the price of Gold which marked a reversal of trends following seven straight monthly declines for the metal. Higher-beta Silver outperformed Gold during the month as it moved sharply higher as risks remained to refining capacity with high energy prices in Europe and with the physical market remaining tight. Platinum continued to rise in November from ongoing issues in South Africa. Palladium dipped slightly as demand remained weak due to soft auto-demand and a lack of hedging activities from automakers. In December, Precious Metals rose with Gold, Silver, and Platinum pricing higher while Palladium fell. Gold continued its rebound in December ending the year at \$1,824/oz, a level not seen since June of 2022 and experienced a strong pickup in investor demand</p> |

and hedging needs from some global central banks. With its industrial uses still high in demand, Silver outperformed Gold for the month. Platinum also marginally outperformed Gold during December as supply disruptions continued, while Palladium slumped on the back of ongoing negative sentiment in automobile manufacturing. Precious metals also benefitted from year-end profit taking as investors closed out certain short positions.

In January of 2023, Gold prices continued the trend from the end of the prior year, climbing higher in January to end the month at \$1,928/oz, the highest price since April of 2022. Gold prices continued their resiliency and maintained their premium versus real rates despite ongoing hawkish comments from the Fed, the European Central Bank, the Bank of England. On the other hand, Silver, Platinum, and Palladium all ended January lower. Palladium continued to be pressured by concerns over sustained weak automobile demand. Turning to February, Gold prices declined reversing most of January's gains and ended the month at \$1,827/oz. Ongoing hawkish comments from the Fed and the European Central Bank (ECB) reset interest rate expectations which saw the U.S. dollar grow stronger. Real rates in the U.S. also reversed their January trend and climbed for most of February, placing additional pressure on Gold as did subdued equity market volatility and the absence of any geopolitical shock events. Other precious metals performed even worse in February. Silver ended the month only slightly behind Gold while the Platinum Group Metals (PGMs), including Platinum and Palladium, saw steeper declines. Palladium corrected sharply and continued to face headwind in demand as higher rates in the U.S. and Europe continued to dampen auto demand. In March, Gold reversed its February decline and climbed sharply higher. Gold was helped by the short-lived banking crisis in the U.S., which led to expectations for lower interest rates, and a weakening of the U.S. dollar. This led to Gold resuming its upward trend which began in November of last year, and after February's breather, ended the month higher around \$1,969/oz, after briefly eclipsing the \$2,000 level during March. Other precious metals also performed well in March. Silver, with its industrial uses, saw strong demand from India and China and was the best performing precious metal during March. The Platinum Group Metals (PGMs), including Platinum and Palladium, also saw positive price movements in March, but not to the same degree as Gold and Silver. Ongoing power disruption in South Africa forced PGM producers to reduce their output. While the lower production was a negative for the equity performance of the miners and smelters in the region, it continued to support the prices of Platinum and Palladium.

Gold prices climbed for the first half of April, briefly touching \$2,040/oz around mid-month before pulling back, but still ended the month higher with front-month Gold futures contracts trading at \$1,990/oz. Gold continued to experience a strong pickup in investor demand, especially from certain global central banks (e.g. China, Singapore, Turkey, and India), while holdings by ETFs have picked up over the last two months. The U.S. dollar did weaken slightly over the course of April, with its low for the month coinciding with the spike in Gold prices mid-month. Other precious metals performed even better than Gold during April. Platinum was the best performer while Palladium rose as well. Platinum continued to gain as it has been used as a substitute for Palladium in the auto catalyst market, and its use should remain strong as long as Palladium maintains a price premium. Gold prices climbed for the first few days of May, briefly cresting \$2,050/oz before pulling back for the balance of the month to end at a lower level, with front-month Gold futures contracts trading around \$1,960/oz. Other precious metals performed worse than Gold during May. Palladium saw the steepest decline during May, while Platinum and Silver also made moves materially lower. Auto demand continues to remain tepid, limiting the demand outlook for the Platinum Group Metals (PGMs). There also continues to be instances of Platinum being used as a substitute for Palladium in the auto catalyst market, which should remain as long as Palladium maintains a price premium. The PGMs have benefitted from the impact of South Africa's ongoing power and labor disruptions which has forced producers to reduce their output, though these issues

|                                      |  |
|--------------------------------------|--|
|                                      | <p>now appear closer to be resolved. Silver also declined in May as manufacturing activity in China remains at a subdued level, though demand for photovoltaic cells and solar panels could drive the price higher in the future as the Silver market is expected to remain in a production deficit this year.</p> <p><i>Source: DWS, as at 31 May 2023</i></p>  |
| <p><b>Market Outlook</b></p>         | <p>Gold miners' cash flows continues to remain resilient in the face of rising costs, making the case for continued allocations.</p> <p>Recent quarterly earnings for the gold miners have shown continuing strong cost inflation, but full year guidance ranges have been indicative of some stabilization and some easing of cost pressures. Specifically, costs are moderating in fuel and other commodity linked costs, but labor remains a major source of cost inflation. We continue to see production volumes declining among many major producers, with some miners shifting their focus to growth as prices remain elevated. Grades and realized prices have been stable, but free cash flows are down, nonetheless. This situation sets up an opportunity for differentiation between firms as those operators that have continued to invest in operational resiliency and cost control should be able to showcase those traits as the rest of the sector falters. We believe the companies with the strongest free cash flow generation ability are likely also best positioned in this respect. We have seen an uptick in M&amp;A activity and expect more deals to surface as acquiring companies seek existing pipelines to increase production growth.</p> <p>What does the future hold for Gold?</p> <p>Gold remains an attractive safe haven as the markets sort out re-opening crosscurrents and developed markets' recession risk. Although higher rates could remain a headwind near-term, we believe an end to the current hiking cycle is imminent. We continue to expect more investor participation in the space should global central banks slow or end the pace of rate hikes. The continued purchases of bullion by central banks (e.g. China and India) is a positive indicator but we need to see softer inflation data, labor market data, and Fed-speak to support further near-term upside in precious metals. We have also found Gold to be correlated to changes in the global money supply, which has now fallen for two months in a row. In the medium to longer-term, the fundamental case for the metal remains intact as global economic uncertainty remains. Additionally, we expect Gold to find additional support going forward as our house-view is for U.S. dollar to continue to weaken over the next 12-months. We currently favor companies that can better main their dividend yield despite cost inflation. We also continue to favor companies that can deliver production gains with efficient capital spending.</p> <p><i>Source: DWS, as at 31 May 2023</i></p> |
| <p><b>Additional Information</b></p> | <p>The following information was updated:</p> <ol style="list-style-type: none"> <li>1) En Izad Shahadi Bin Mohd Sallehuddin, an Independent Non-Executive Director of AIFM, has resigned from the Investment Committee with effect from 30 June 2023.</li> <li>2) Ms Tracy Chen Wee Keng, the Chief Executive Officer of AmInvestment Bank Berhad has been appointed as Member of the Investment Committee with effect from 30 June 2023.</li> </ol>  |

Kuala Lumpur, Malaysia  
AmFunds Management Berhad

24 July 2023

## **Independent auditors' report to the unit holders of Precious Metals Securities**

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

#### *Opinion*

We have audited the financial statements of Precious Metals Securities ("the Fund"), which comprise the statement of financial position as at 31 May 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 37.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 May 2023, and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

#### *Basis for opinion*

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

#### *Independence and other ethical responsibilities*

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

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

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

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

## **Independent auditors' report to the unit holders of Precious Metals Securities (cont'd.)**

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

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

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

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

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

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

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

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

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

**Independent auditors' report to the unit holders of  
Precious Metals Securities (cont'd.)**

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

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

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

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

**Independent auditors' report to the unit holders of  
Precious Metals Securities (cont'd.)**

**Other matters**

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

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

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

Kuala Lumpur, Malaysia  
24 July 2023



## Precious Metals Securities

### STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2023

|  | Note    | 2023<br>RM           | 2022<br>RM           |
|--|---------|----------------------|----------------------|
| <b>ASSETS</b>                                  |         |                      |                      |
| Shariah-compliant investment                   | 4       | 173,682,967          | 190,570,038          |
| Amount due from Manager                        | 5(a)    | 3,336,856            | 132,094              |
| Other receivables                              |         | -                    | 144                  |
| Cash at banks                                  |         | 7,759,987            | 9,133,071            |
| <b>TOTAL ASSETS</b>                            |         | <u>184,779,810</u>   | <u>199,835,347</u>   |
| <b>LIABILITIES</b>                             |         |                      |                      |
| Amount due to Target Fund Manager              | 6       | 5,472,048            | -                    |
| Amount due to Manager                          | 5(b)    | 347,954              | 456,899              |
| Amount due to Trustee                          | 7       | 9,596                | 10,635               |
| Sundry payables and accruals                   |         | 12,800               | 12,800               |
| <b>TOTAL LIABILITIES</b>                       |         | <u>5,842,398</u>     | <u>480,334</u>       |
| <b>NET ASSET VALUE ("NAV") OF THE FUND</b>     |         | <u>178,937,412</u>   | <u>199,355,013</u>   |
| <b>EQUITY</b>                                  |         |                      |                      |
| Unit holders' capital                          | 9(a)    | 311,501,394          | 324,484,775          |
| Accumulated losses                             | 9(b)(c) | <u>(132,563,982)</u> | <u>(125,129,762)</u> |
| <b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b> | 9       | <u>178,937,412</u>   | <u>199,355,013</u>   |
| <b>UNITS IN CIRCULATION</b>                    | 9(a)    | <u>371,860,991</u>   | <u>390,509,662</u>   |
| <b>NAV PER UNIT (RM)</b>                       |         | <u>0.4812</u>        | <u>0.5105</u>        |

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

## Precious Metals Securities

### STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

|  | Note | 2023<br>RM         | 2022<br>RM          |
|--|------|--------------------|---------------------|
| <b>SHARIAH-COMPLIANT INVESTMENT LOSSES</b>   |      |                    |                     |
| Profit income  |      | 113,026            | 99,678              |
| Other income   | 9(a) | 10,415             | 205,187             |
| Net losses from Shariah-compliant investment:  |      |                    |                     |
| – Financial assets at fair value through profit or loss (“FVTPL”)                                | 8    | (4,989,277)        | (35,612,724)        |
| Other net realised losses on foreign currency exchange   |      | (501,251)          | (620,565)           |
|  |      | <u>(5,367,087)</u> | <u>(35,928,424)</u> |
| <b>EXPENDITURE</b>   |      |                    |                     |
| Manager’s fee  | 5    | (1,931,521)        | (2,471,394)         |
| Trustee’s fee  | 7    | (107,692)          | (138,406)           |
| Audit fee  |      | (9,000)            | (9,000)             |
| Tax agent’s fee  |      | (3,800)            | (3,800)             |
| Other expenses   |      | (15,120)           | (14,942)            |
|  |      | <u>(2,067,133)</u> | <u>(2,637,542)</u>  |
| <b>Net losses before taxation</b>  |      | (7,434,220)        | (38,565,966)        |
| <b>Taxation</b>  | 11   | -                  | -                   |
| <b>Net losses after taxation, representing total comprehensive losses for the financial year</b> |      | <u>(7,434,220)</u> | <u>(38,565,966)</u> |
| Total comprehensive losses comprises the following:  |      |                    |                     |
| Realised (loss)/income   |      | (3,898,749)        | 260,439             |
| Unrealised losses  |      | (3,535,471)        | (38,826,405)        |
|  |      | <u>(7,434,220)</u> | <u>(38,565,966)</u> |

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

## Precious Metals Securities

### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

|  | Note | Unit holders'<br>capital<br>RM | Accumulated<br>losses<br>RM | Total<br>equity<br>RM |
|--|------|--------------------------------|-----------------------------|-----------------------|
| At 1 June 2022                                     |      | 324,484,775                    | (125,129,762)               | 199,355,013           |
| Total comprehensive loss for<br>the financial year |      | -                              | (7,434,220)                 | (7,434,220)           |
| Creation of units                                  | 9(a) | 102,826,377                    | -                           | 102,826,377           |
| Cancellation of units                              | 9(a) | (115,809,758)                  | -                           | (115,809,758)         |
| Balance at 31 May 2023                             |      | <u>311,501,394</u>             | <u>(132,563,982)</u>        | <u>178,937,412</u>    |
| At 1 June 2021                                     |      | 383,119,225                    | (86,563,796)                | 296,555,429           |
| Total comprehensive loss for<br>the financial year |      | -                              | (38,565,966)                | (38,565,966)          |
| Creation of units                                  | 9(a) | 36,261,386                     | -                           | 36,261,386            |
| Cancellation of units                              | 9(a) | (94,895,836)                   | -                           | (94,895,836)          |
| Balance at 31 May 2022                             |      | <u>324,484,775</u>             | <u>(125,129,762)</u>        | <u>199,355,013</u>    |

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

## Precious Metals Securities

### STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

|   | 2023<br>RM          | 2022<br>RM          |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>               |                     |                     |
| Proceeds from sale of Shariah-compliant investment                      | 42,898,888          | 81,616,618          |
| Purchase of Shariah-compliant investment                                | (26,030,296)        | (28,449,091)        |
| Profit received   | 113,026             | 99,678              |
| Other income  | 10,558              | 205,044             |
| Manager's fee paid  | (1,942,327)         | (2,572,364)         |
| Trustee's fee paid  | (108,731)           | (143,269)           |
| Tax agent's fee paid  | (3,800)             | (3,800)             |
| Payments for other expenses   | (24,120)            | (23,941)            |
| Net cash generated from operating and investing activities              | <u>14,913,198</u>   | <u>50,728,875</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                             |                     |                     |
| Proceeds from creation of units   | 99,621,615          | 36,129,292          |
| Payments for cancellation of units                                      | (115,907,897)       | (94,644,282)        |
| Net cash used in financing activities                                   | <u>(16,286,282)</u> | <u>(58,514,990)</u> |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                        | (1,373,084)         | (7,786,115)         |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b> | <u>9,133,071</u>    | <u>16,919,186</u>   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>       | <u>7,759,987</u>    | <u>9,133,071</u>    |
| Cash and cash equivalents comprise:                                     |                     |                     |
| Cash at banks   | <u>7,759,987</u>    | <u>9,133,071</u>    |

## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

#### 1. GENERAL INFORMATION

Precious Metals Securities (“the Fund”) was established pursuant to a Deed dated 20 September 2007 as amended by Deeds supplemental thereto (“the Deed”), between AmFunds Management Berhad as the Manager, Deutsche Trustees Malaysia Berhad as the Trustee and all unit holders. By a Supplemental Deed dated 10 December 2015, the Fund has changed its name from AmPrecious Metals to Precious Metals Securities.

The Fund was set up with the objective of providing investors to achieve capital appreciation by investing in a portfolio of global Shariah observant equity and equity-related securities (including, without limitation, depository receipts and convertible securities, but excluding preferred shares, bonds, convertible bonds and warrants) of companies engaged in activities related to gold, silver, platinum or other precious metals. Being a feeder fund, a minimum of 95% of the Fund’s NAV will be invested in the Ireland-based DWS Noor Precious Metals Securities Fund (“Target Fund”), which is a separate unit trust fund managed by DWS Investment S.A. (“Target Fund Manager”). As provided in the Deed, the financial year shall end on 31 May and the units in the Fund were first offered for sale on 15 November 2007.

The financial statements were authorised for issue by the Manager on 24 July 2023.

#### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

##### Standards effective during the financial year

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

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

## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

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

##### Standards issued but not yet effective

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

| Description   | Effective for financial periods beginning on or after |
|---|---|
| MFRS 17 <i>Insurance Contracts and Amendments to MFRS 17*</i>   | 1 January 2023  |
| Initial Application of MFRS 17 and MFRS 9 - <i>Comparative Information (Amendments to MFRS 17 Insurance Contracts)*</i>           | 1 January 2023  |
| Amendments to MFRS 101 <i>Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current</i>       | 1 January 2023  |
| Amendments to MFRS 101 <i>Presentation of Financial Statements: Disclosure of Accounting Policies</i>                             | 1 January 2023  |
| Amendments to MFRS 108 <i>Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates</i> | 1 January 2023  |
| Amendments to MFRS 112 <i>Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>      | 1 January 2023  |
| Amendments to MFRS 16 <i>Leases: Lease Liability in a Sale and Leaseback*</i>   | 1 January 2024  |
| Amendments to MFRS 101 <i>Presentation of Financial Statements: Non-Current Liabilities with Covenants</i>                        | 1 January 2024  |
| Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*</i> | Deferred  |

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

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 3.1 Income recognition

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

(i) Profit income

Profit income on Islamic short-term deposits is recognised on an accrual basis using the effective profit method.

## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

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

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

(ii) Gain or loss on disposal of investment

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

##### 3.2 Income tax

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

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

##### 3.3 Functional and presentation currency

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

##### 3.4 Foreign currency transactions

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

##### 3.5 Statement of cash flows

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

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

## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

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

##### 3.6 Distribution

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

##### 3.7 Unit holders' capital

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

##### 3.8 Financial assets – initial recognition and measurement

###### (i) Initial recognition

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

###### (ii) Initial measurement

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

###### (iii) "Day 1" profit or loss

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



## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

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

##### 3.9 Financial assets – classification and subsequent measurement

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

##### 3.10 Financial assets under MFRS 9

###### (i) Classification and measurement

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

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

###### Financial assets at amortised cost

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

###### Financial assets at FVOCI

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

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

## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

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

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

(i) Classification and measurement (cont'd.)

Financial assets at FVTPL

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

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

##### 3.11 Financial liabilities – classification and subsequent measurement

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

##### 3.12 Derecognition of financial instruments

(i) Derecognition of financial asset

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

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

## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

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

##### 3.12 Derecognition of financial instruments (cont'd.)

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

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

(ii) Derecognition of financial liability

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

##### 3.13 Financial instruments – expected credit losses (“ECL”)

The Fund assesses on a forward-looking basis the ECL associated with its financial assets at amortised cost. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL in respect of financial assets at amortised cost, if any, is recognised in profit or loss.

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

##### 3.14 Determination of fair value

For the Shariah-compliant investment in CIS, fair value is determined based on the closing NAV per unit of the foreign CIS. Purchased cost is the quoted price that the Fund paid when buying it Shariah-compliant investment. The difference between purchased cost and fair value is treated as unrealised gain or loss and is recognised in profit or loss. Unrealised gains or losses recognised in profit or loss are not distributable in nature.

## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

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

##### 3.15 Classification of realised and unrealised gains and losses

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

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

##### 3.16 Significant accounting estimates and judgments

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

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

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

#### 4. SHARIAH-COMPLIANT INVESTMENT

|                                 | 2023<br>RM         | 2022<br>RM         |
|---------------------------------|--------------------|--------------------|
| <b>Financial asset at FVTPL</b> |                    |                    |
| At cost:                        |                    |                    |
| Foreign CIS                     | <u>184,207,043</u> | <u>197,558,643</u> |
| At fair value:                  |                    |                    |
| Foreign CIS                     | <u>173,682,967</u> | <u>190,570,038</u> |

## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

#### 4. SHARIAH-COMPLIANT INVESTMENT (CONT'D.)

Details of Shariah-compliant investment are as follows:

| Foreign CIS  | Number<br>of units | Fair<br>value<br>RM | Purchased<br>cost<br>RM | Fair<br>value as a<br>percentage<br>of NAV<br>% |
|--|--------------------|---------------------|-------------------------|---|
| <b>2023</b>  |                    |                     |                         |   |
| DWS Noor Precious<br>Metals Securities<br>Fund ("Target Fund") | 51,576,387         | 173,682,967         | 184,207,043             | 97.06   |
| <b>Shortfall of fair value over<br/>purchased cost</b>         |                    | <b>(10,524,076)</b> |                         |   |
| <b>2022</b>  |                    |                     |                         |   |
| DWS Noor Precious<br>Metals Securities<br>Fund ("Target Fund") | 54,423,703         | 190,570,038         | 197,558,643             | 95.59   |
| <b>Shortfall of fair value over<br/>purchased cost</b>         |                    | <b>(6,988,605)</b>  |                         |   |

Based on the Fund's prospectus, a minimum of 95% of its NAV will be invested in the Target Fund. However, if the asset allocation does not achieve the minimum requirement, it will be adjusted back to the minimum level after the reporting period.

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

|                             | Note  | 2023<br>RM     | 2022<br>RM     |
|-----------------------------|-------|----------------|----------------|
| <b>(a) Due from Manager</b> |       |                |                |
| Creation of units           | (i)   | 3,336,856      | 132,094        |
| <b>(b) Due to Manager</b>   |       |                |                |
| Redemption of units         | (ii)  | 153,415        | 251,554        |
| Manager's fee payable       | (iii) | 194,539        | 205,345        |
|                             |       | <b>347,954</b> | <b>456,899</b> |

## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

#### 5. AMOUNT DUE FROM/TO MANAGER (CONT'D.)

- (i) The amount represents amount receivable from the Manager for units created.
- (ii) The amount represents amount payable to the Manager for units redeemed.

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

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

|  | <b>2023</b>   | <b>2022</b>   |
|--|---------------|---------------|
|  | <b>% p.a.</b> | <b>% p.a.</b> |
| Manager's fee charged by the Target Fund Manager, on the NAV of the Target Fund            | 0.75          | 0.75          |
| Manager's fee charged by the Manager, on the NAV of investment in the Target Fund (Note a) | 1.05          | 1.05          |
| Manager's fee charged by the Manager, on the remaining NAV of the Fund (Note a)            | 1.80          | 1.80          |

Note a) The Manager's fee is charged on 1.05% of the NAV of investment in the Target Fund and 1.80% on the remaining NAV of the Fund.

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

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

The amount is related to the amount payable to Target Fund Manager arising from the purchase of investments. The normal trade credit period is five business days.

#### 7. AMOUNT DUE TO TRUSTEE

Trustee's fee is at a rate of 0.06% (2022: 0.06%) per annum on the NAV of the Fund, calculated on a daily basis.

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

## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

#### 8. NET LOSSES FROM SHARIAH-COMPLIANT INVESTMENT

|  | 2023<br>RM         | 2022<br>RM          |
|--|--------------------|---------------------|
| Net losses on financial assets at FVTPL comprised:   |                    |                     |
| – Net realised (loss)/gain on sale of Shariah-compliant investment   | (4,035,304)        | 1,918,860           |
| – Net realised gains on foreign currency exchange  | 2,581,498          | 1,294,821           |
| – Net unrealised losses on changes in fair value of Shariah-compliant investment                                       | (11,508,241)       | (50,649,941)        |
| – Net unrealised gains on foreign currency fluctuation of Shariah-compliant investment denominated in foreign currency | 7,972,770          | 11,823,536          |
|  | <u>(4,989,277)</u> | <u>(35,612,724)</u> |

#### 9. TOTAL EQUITY

Total equity is represented by:

|                       | Note | 2023<br>RM         | 2022<br>RM         |
|-----------------------|------|--------------------|--------------------|
| Unit holders' capital | (a)  | 311,501,394        | 324,484,775        |
| Accumulated losses    |      |                    |                    |
| – Realised losses     | (b)  | (122,039,906)      | (118,141,157)      |
| – Unrealised losses   | (c)  | (10,524,076)       | (6,988,605)        |
|                       |      | <u>178,937,412</u> | <u>199,355,013</u> |

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

|  | 2023               |                    | 2022               |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | Number of<br>units | RM                 | Number of<br>units | RM                 |
| At beginning of the financial year     | 390,509,662        | 324,484,775        | 493,729,735        | 383,119,225        |
| Creation during the financial year     | 226,959,252        | 102,826,377        | 68,954,466         | 36,261,386         |
| Cancellation during the financial year | (245,607,923)      | (115,809,758)      | (172,174,539)      | (94,895,836)       |
| At end of the financial year           | <u>371,860,991</u> | <u>311,501,394</u> | <u>390,509,662</u> | <u>324,484,775</u> |

The Manager imposed an exit penalty of 1.00%, (2022: 1.00%) if redemption is made within 90 days of purchase on the NAV per unit of the Fund during the financial year. The exit penalty will be recognised as income of the Fund.

## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

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

##### (b) Realised

|   | 2023<br>RM           | 2022<br>RM           |
|---|----------------------|----------------------|
| At beginning of the financial year                | (118,141,157)        | (118,401,596)        |
| Net realised (loss)/income for the financial year | (3,898,749)          | 260,439              |
| At end of the financial year                      | <u>(122,039,906)</u> | <u>(118,141,157)</u> |

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

|  | 2023<br>RM          | 2022<br>RM         |
|--|---------------------|--------------------|
| At beginning of the financial year           | (6,988,605)         | 31,837,800         |
| Net unrealised losses for the financial year | (3,535,471)         | (38,826,405)       |
| At end of the financial year                 | <u>(10,524,076)</u> | <u>(6,988,605)</u> |

#### 10. SIGNIFICANT RELATED PARTIES TRANSACTIONS AND BALANCES

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

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

There are no units held by the Manager or any related party as at 31 May 2023 and 31 May 2022.

#### 11. TAXATION

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



## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

#### 11. TAXATION (CONT'D.)

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

|  | <b>2023</b><br><b>RM</b> | <b>2022</b><br><b>RM</b> |
|--|--------------------------|--------------------------|
| Net losses before taxation   | <u>(7,434,220)</u>       | <u>(38,565,966)</u>      |
| Taxation at Malaysian statutory rate of 24% (2022: 24%)                  | (1,784,213)              | (9,255,832)              |
| Tax effects of:  |                          |                          |
| Income not subject to tax  | (2,562,650)              | (3,682,100)              |
| Loss not allowed for tax deduction                                       | 3,850,751                | 12,304,921               |
| Restriction on tax deductible expenses                                   | 419,475                  | 535,945                  |
| Non-permitted expenses for tax purposes                                  | 30,029                   | 37,516                   |
| Permitted expenses not used and not available for future financial years | <u>46,608</u>            | <u>59,550</u>            |
| Tax expense for the financial years                                      | <u>-</u>                 | <u>-</u>                 |

#### 12. TOTAL EXPENSE RATIO (“TER”)

The Fund’s TER is as follows:

|                       | <b>2023</b><br><b>% p.a.</b> | <b>2022</b><br><b>% p.a.</b> |
|-----------------------|------------------------------|------------------------------|
| Manager’s fee         | 1.08                         | 1.07                         |
| Trustee’s fee         | 0.06                         | 0.06                         |
| Fund’s other expenses | <u>0.01</u>                  | <u>0.01</u>                  |
| Total TER             | <u>1.15</u>                  | <u>1.14</u>                  |

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

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

The PTR of the Fund, which is the ratio of average total acquisitions and disposals of Shariah-compliant investment to the average NAV of the Fund calculated on a daily basis, is 0.21 times (2022: 0.24 times).

## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

#### 14. SEGMENTAL REPORTING

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

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

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

Details of transactions with the Target Fund Manager for the financial year ended 31 May 2023 are as follows:

| Target Fund Manager | Transaction value |               |
|---------------------|-------------------|---------------|
|                     | RM                | %             |
| DWS Investment S.A. | <u>74,902,484</u> | <u>100.00</u> |

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

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

#### 16. FINANCIAL INSTRUMENTS

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

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

## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

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

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

|  | Financial<br>assets<br>at FVTPL<br>RM | Financial<br>assets at<br>amortised<br>cost<br>RM | Financial<br>liabilities at<br>amortised<br>cost<br>RM | Total<br>RM        |
|--|---------------------------------------|---|--|--------------------|
| <b>2023</b>  |                                       |   |  |                    |
| <b>Assets</b>  |                                       |   |  |                    |
| Shariah-compliant investment                             | 173,682,967                           | -   | -  | 173,682,967        |
| Amount due from Manager                                  | -                                     | 3,336,856   | -  | 3,336,856          |
| Cash at banks  | -                                     | 7,759,987   | -  | 7,759,987          |
| <b>Total financial assets</b>                            | <b>173,682,967</b>                    | <b>11,096,843</b>                                 | <b>-</b>   | <b>184,779,810</b> |
| <b>Liabilities</b>                                       |                                       |   |  |                    |
| Amount due to Target Fund Manager                        | -                                     | -   | 5,472,048  | 5,472,048          |
| Amount due to Manager                                    | -                                     | -   | 347,954  | 347,954            |
| Amount due to Trustee                                    | -                                     | -   | 9,596  | 9,596              |
| <b>Total financial liabilities</b>                       | <b>-</b>                              | <b>-</b>  | <b>5,829,598</b>                                       | <b>5,829,598</b>   |
| <b>2022</b>  |                                       |   |  |                    |
| <b>Assets</b>  |                                       |   |  |                    |
| Shariah-compliant investment                             | 190,570,038                           | -   | -  | 190,570,038        |
| Amount due from Manager                                  | -                                     | 132,094   | -  | 132,094            |
| Other receivables  | -                                     | 144   | -  | 144                |
| Cash at banks  | -                                     | 9,133,071   | -  | 9,133,071          |
| <b>Total financial assets</b>                            | <b>190,570,038</b>                    | <b>9,265,309</b>                                  | <b>-</b>   | <b>199,835,347</b> |
| <b>Liabilities</b>                                       |                                       |   |  |                    |
| Amount due to Manager                                    | -                                     | -   | 456,899  | 456,899            |
| Amount due to Trustee                                    | -                                     | -   | 10,635   | 10,635             |
| <b>Total financial liabilities</b>                       | <b>-</b>                              | <b>-</b>  | <b>467,534</b>   | <b>467,534</b>     |
| <b>Income, expenses, gains and losses</b>                |                                       |   |  |                    |
|  |                                       |   | <b>2023</b>  | <b>2022</b>        |
|  |                                       |   | <b>RM</b>  | <b>RM</b>          |
| Net losses from financial assets at FVTPL                |                                       |   | (4,989,277)  | (35,612,724)       |
| Income, of which derived from:                           |                                       |   |  |                    |
| – Profit income from financial assets at amortised cost  |                                       |   | 113,026  | 99,678             |
| – Other net realised losses on foreign currency exchange |                                       |   | (501,251)  | (620,565)          |

## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

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

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

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

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

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

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

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

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

|                           | Level 1<br>RM | Level 2<br>RM<br>(Note 4) | Level 3<br>RM | Total<br>RM |
|---------------------------|---------------|---------------------------|---------------|-------------|
| <b>2023</b>               |               |                           |               |             |
| Financial assets at FVTPL | -             | 173,682,967               | -             | 173,682,967 |
| <b>2022</b>               |               |                           |               |             |
| Financial assets at FVTPL | -             | 190,570,038               | -             | 190,570,038 |

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

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

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

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

## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

#### 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

##### (a) Market risk

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

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

##### (i) Price risk

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

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

| Percentage movements in price by: | Sensitivity of the Fund's NAV |             |
|-----------------------------------|-------------------------------|-------------|
|                                   | 2023<br>RM                    | 2022<br>RM  |
| -5.00%                            | (8,684,148)                   | (9,528,502) |
| +5.00%                            | 8,684,148                     | 9,528,502   |

##### (ii) Profit rate risk

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

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

## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

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

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

##### (iii) Currency risk

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

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

| Percentage movements in currencies<br>other than the Fund's functional currency: | Sensitivity of the Fund's NAV |             |
|--|-------------------------------|-------------|
|  | 2023<br>RM                    | 2022<br>RM  |
| -5.00%   | (8,410,658)                   | (9,528,506) |
| +5.00%   | 8,410,658                     | 9,528,506   |

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

| Assets/(liability)<br>denominated<br>in United States<br>Dollar | 2023               |              | 2022               |              |
|---|--------------------|--------------|--------------------|--------------|
|   | RM<br>equivalent   | % of<br>NAV  | RM<br>equivalent   | % of<br>NAV  |
| Shariah-compliant<br>investment                                 | 173,682,967        | 97.06        | 190,570,038        | 95.59        |
| Cash at banks   | 2,233              | ~*           | 77                 | ~*           |
| Amount due to<br>Target Fund<br>Manager                         | (5,472,048)        | (3.06)       | -                  | -            |
|   | <u>168,213,152</u> | <u>94.00</u> | <u>190,570,115</u> | <u>95.59</u> |

\* represents less than 0.01%.

## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

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

##### (b) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge an obligation. Credit risk applies to short-term deposits and distributions receivable. The issuer of such instruments may not be able to fulfill the required profit payments or repay the principal invested or amount owing. These risks may cause the Fund's Shariah-compliant investment to fluctuate in value.

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

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

##### (c) Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected.

The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unit holders. Liquid assets comprise of deposit with licensed financial institution and other instruments, which are capable of being converted into cash within 5 to 7 days. The Fund's policy is to always maintain a prudent level of liquid assets so as to reduce liquidity risk.

The Fund's financial liabilities have contractual maturities of not more than six months.

##### (d) Single issuer risk

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

##### (e) Regulatory risk

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

## Precious Metals Securities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

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

**(f) Country risk**

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

**(g) Management risk**

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

**(h) Non-compliance risk**

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

**(i) Shariah non-compliance risk**

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

#### 18. CAPITAL MANAGEMENT

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

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

No changes were made in the objective, policies or processes during the financial years ended 31 May 2023 and 31 May 2022.



## **Precious Metals Securities**

### **STATEMENT BY THE MANAGER**

I, Goh Wee Peng, being the Director of and on behalf of the Board of Directors of AmFunds Management Berhad (“the Manager”), do hereby state that in the opinion of the Manager, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Precious Metals Securities (“the Fund”) as at 31 May 2023 and the comprehensive income, the changes in equity and cash flows for the financial year then ended.

For and on behalf of the Manager

**GOH WEE PENG**  
Executive Director

Kuala Lumpur, Malaysia  
24 July 2023

## **TRUSTEE'S REPORT**

### **TO THE UNIT HOLDERS OF PRECIOUS METALS SECURITIES ("Fund")**

We have acted as Trustee of the Fund for the financial year ended 31 May 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, AmFunds Management Berhad has operated and managed the Fund during the year covered by these financial statements in accordance with the following:-

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

For Deutsche Trustees Malaysia Berhad

**Ng Hon Leong**  
Head, Fund Operations

**Sylvia Beh**  
Chief Executive Officer

Kuala Lumpur  
24 July 2023

## SHARIAH ADVISER'S REPORT FOR ISLAMIC UNIT TRUST FUND

To the unit holders of Precious Metals Securities ("Fund"),

We hereby confirm the following:

1. To the best of our knowledge, after having made all reasonable enquiries, AmFunds Management Berhad has operated and managed the Fund during the period covered by these financial statements in accordance with the Shariah principles and requirements and complied with the applicable guidelines, rulings or decisions issued by the Securities Commission Malaysia pertaining to Shariah matters: and
2. The assets of the Fund comprise instruments that have been classified as Shariah-compliant.

For Amanie Advisors Sdn Bhd

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Tan Sri Dr Mohd Daud Bakar

Executive Chairman

Date: 24 July 2023

## DIRECTORY

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

Postal Address AmFunds Management Berhad  
P.O Box 13611, 50816 Kuala Lumpur

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

