



United Cash Fund

Annual Report
31 May 2018

UNITED CASH FUND

GENERAL INFORMATION ABOUT THE FUND

Commencement Date

United Cash Fund (“Fund”) was launched on 21 October 2010 and the initial offer period was 21 days, up to 10 November 2010. The Fund commenced investment on 11 November 2010.

Fund Category and Type

Fund Category - Money Market Fund

Fund Type - Income Fund

Investment Objective and Strategy

Objective of the Fund

This Fund aims to provide investors with capital preservation, liquidity and reasonable returns by investing its assets in Malaysian Ringgit deposits with a remaining maturity of not more than 366 days with United Overseas Bank (Malaysia) Bhd (“UOBM”).

Strategy

The Fund will invest in a portfolio of Malaysian Ringgit deposits with a remaining maturity of not more than 366 days with UOBM.

A portfolio of money market deposits and fixed deposits with different maturity profiles will be constructed to meet the Fund’s liquidity requirement while maximizing portfolio returns. The Fund Manager (i.e. UOB Asset Management (Malaysia) Berhad) will place short dated deposits with UOBM for liquidity management purposes while extending the tenor of the Fund’s investment in bank deposits for better yield pick-up.

However, in the event that the Fund Manager is not able to place the Fund’s assets with UOBM immediately, such assets may be held in cash account(s) with licensed financial institution(s) until a placement can be made.

Asset Allocation

100% of the Fund’s Net Asset Value (“NAV”) in Malaysian Ringgit deposits with a remaining maturity of not more than 366 days with UOBM.

Performance Benchmark

Malayan Banking Berhad – Basic Savings Account Rate

Permitted Investments and Restrictions

Malaysian Ringgit deposits with a remaining maturity period of not more than 366 days with UOBM.

Fund Distribution Policy

Distribution, if any, will be made monthly on best effort basis. However, the Fund Manager may make distributions at such other frequency at its sole discretion.

Distribution Mode

Distribution will be automatically reinvested into the unit holder(s)' accounts in the form of units.

Such reinvestment will be made on the first business day immediately following the distribution date. The number of units will be computed based on the NAV per unit on the distribution date.

MANAGER'S REPORT – UNITED CASH FUND ANNUAL REPORT (1 JUNE 2017 – 31 MAY 2018)

Market Review

During the period under review, money market rates traded higher across the board as Bank Negara Malaysia ("BNM") hiked the Overnight Policy Rate ("OPR") by 25 basis points ("bps") in January 2018.

Malaysia's Consumer Price Index ("CPI") tapering off in the second half of 2017 on the back of moderating domestic fuel prices amid a stronger Ringgit. The headline inflation moderated further in the first half of 2018 as cost of food and beverages as well as cost of transport continued its decelerating pace. Similarly, core inflation moved in tandem in a declining mode as demand driven inflationary pressures remained stable in absence of significant wage pressures.

Malaysian economy recorded a robust growth during the period under review with the rebound in gross export growth due to strengthening of global demand. The Gross Domestic Product ("GDP") growth was not limited to external sector but was also seen in domestic demand. 4Q2017 GDP growth expanded 5.9% year-on-year ("yoy") while 1Q2018 GDP growth increased by 5.4% yoy. This was in line with Bank Negara Malaysia ("BNM") growth projection of between 5.5% and 6.0% for 2018.

The Monetary Policy Committee ("MPC") of BNM has kept the OPR unchanged at 3.00% throughout 2017 with the view that inflation will remain contained as domestic demand would be mitigated by some degree of spare capacity in the labour market. Nevertheless, the MPC decided to raise the OPR by 25 bps to 3.25% at the January 2018 MPC meeting. The increase in the OPR was a pre-emptive move to prevent the build-up of risks that could arise from low interest rates for a prolonged period of time.

At close, the overnight and 1-month deposit rate rose by 24 bps to 3.23% and 3.41% while the 3-months, 6-months and 12-months rates rose by 25 bps and last quoted at 3.67%, 3.78% and 3.88% respectively.

Source: UOBAM(M)

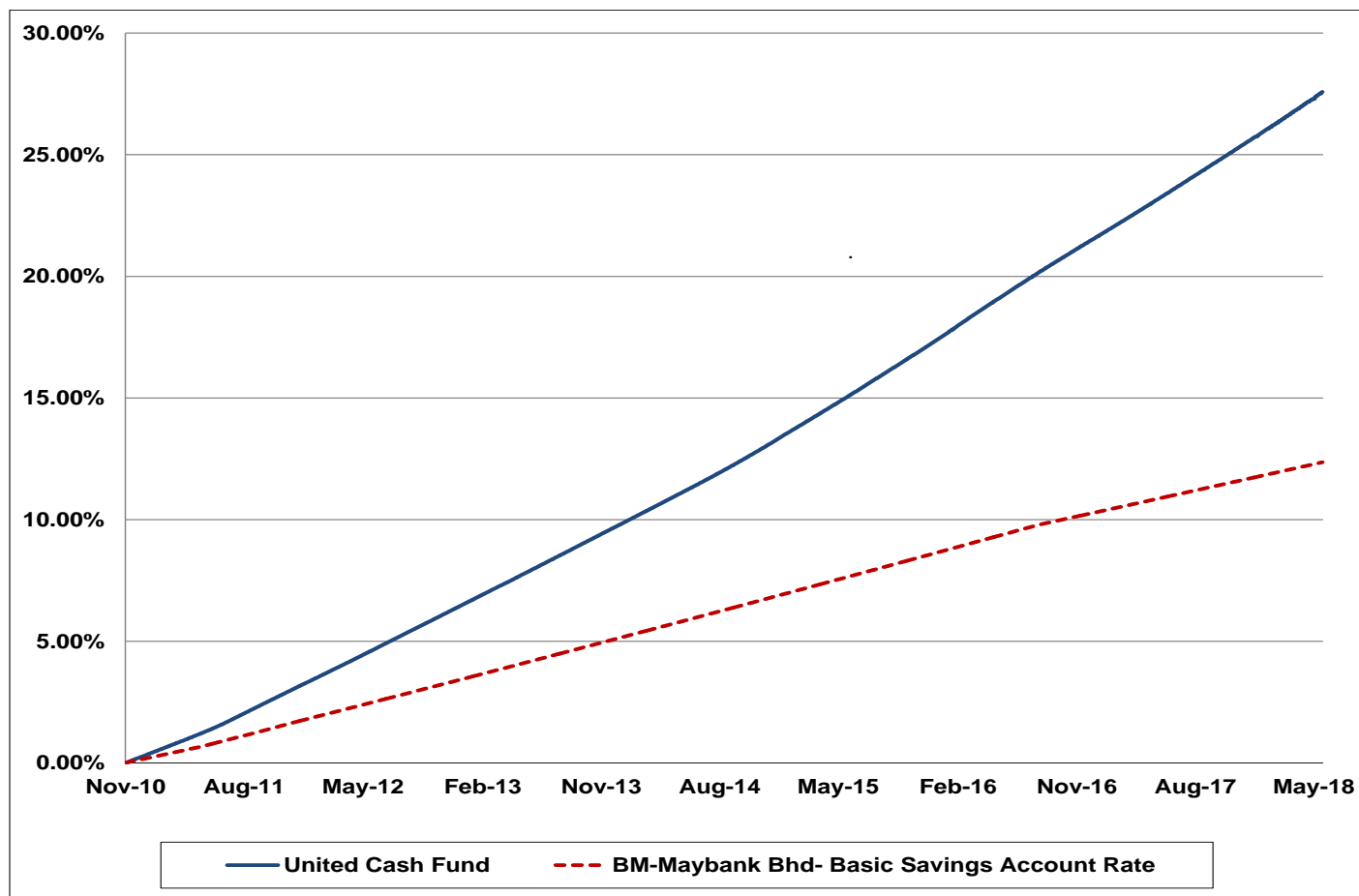
Performance Review

During the period under review, the Fund was fully invested in United Overseas Bank (Malaysia)'s term deposits, of which a portion of the funds were placed in shorter term deposits in view of the Fund's liquidity requirement and the balance were invested in longer tenor deposits that generate higher returns. At the end of the period, the Fund managed to register a holding period return of 3.45% as compared to the benchmark return of 1.30%.

Source: UOBAM(M)

PERFORMANCE DATA (as at 31 May 2018)

	1 m	3 m	6 m	12 m	YTD	3 yr (ann.)	5 yr (ann.)	Since launch (ann.)
United Cash Fund	0.31%	0.89%	1.73%	3.45%	1.46%	3.51%	3.41%	3.28%
Malayan Banking Berhad- Basic Savings Account Rate	0.11%	0.33%	0.65%	1.30%	0.54%	1.44%	1.52%	1.55%



Source: UOBAM(M) as at 31 May 2018

Note: The performance of the Fund is benchmarked against the Malayan Banking Berhad - Basic Savings Account Rate

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

FINANCIAL REVIEW

For the financial year under review, the Fund reported a total investment income of RM75.52 million comprising interest income. After taking into consideration the Fund's expenses, the Fund achieved a net income of RM68.39 million.

PORTFOLIO STRUCTURE

As at 31 May 2018, the Fund was 100.00% invested in cash deposits.

ASSET ALLOCATION

The asset allocation of the Fund as at balance sheet date was as follows:

	As at 31 May 2018	%
Cash deposits with UOBM	<u>100</u>	<u>100</u>

The asset allocation was reflective of the Fund's objective of providing investors with capital preservation, liquidity and reasonable returns.

FUND SIZE

As at 31 May 2018, the Fund's units in circulation stood at 1,855.04 million units.

Fund Size	As at 31 May 2018
Net Asset Value (RM million)	1,872.05
Units In Circulation (million)	1,855.04
Net Asset Value Per Unit (RM)	1.0092

TRUSTEE'S REPORT

TO THE UNIT HOLDERS OF UNITED CASH FUND

We have acted as Trustee for United Cash Fund (the "Fund") for the financial year ended 31 May 2018. To the best of our knowledge, for the financial year under review, UOB Asset Management (Malaysia) Berhad (the "Manager") has operated and managed the Fund in accordance with the following:

- (a) limitations imposed on the investment powers of the Manager under the Deed(s), the Securities Commission's Guidelines on Unlisted Capital Market Products under The Lodge and Launch Framework, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation and pricing for the Fund has been carried out in accordance with the Deed(s) of the Fund and applicable regulatory requirements; and
- (c) creation and cancellation of units for the Fund have been carried out in accordance with the Deed(s) of the Fund and applicable regulatory requirements.

We are of the view that the distributions made during this financial year ended 31 May 2018 by the Manager are not inconsistent with the objective of the Fund.

For Deutsche Trustees Malaysia Berhad

Soon Lai Ching
Senior Manager, Trustee Operations

Richard Lim Hock Seng
Chief Executive Officer

Kuala Lumpur, Malaysia
20 July 2018

UNITED CASH FUND

STATEMENT BY MANAGER

We, **Lim Suet Ling** and **Seow Lun Hoo**, being two of the Directors of UOB Asset Management (Malaysia) Berhad, do hereby state that, in the opinion of the Manager, the accompanying financial statements set out on pages 12 to 32 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 **United Cash Fund** as at 31 May 2018 and of its financial performance, changes in net asset value and cash flows for the financial year then ended and comply with requirements of the Deed(s).

For and on behalf of the Manager,
UOB Asset Management (Malaysia) Berhad

LIM SUET LING
Executive Director/
Chief Executive Officer

SEOW LUN HOO
Director

Kuala Lumpur, Malaysia
20 July 2018

Independent auditors' report to the unitholders of United Cash Fund

Report on the audit of the financial statements

Opinion

We have audited the financial statements of United Cash Fund ("the Fund"), which comprise the statement of financial position as at 31 May 2018, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows of the Fund for the financial year then ended, and notes to the financial statements including a summary of significant accounting policies, as set out on pages 12 to 32.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 May 2018 and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

Basis for opinion

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

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("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 included in the annual report of the Fund, but does not include the financial statements of the Fund and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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 unitholders of United Cash Fund (Continued)

Information other than the financial statements and auditors' report thereon (Continued)

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Manager of the Fund and take appropriate action.

Responsibilities of the Manager and Trustee for the financial statements

The Manager is responsible for the preparation and fair presentation of the financial statements of the Fund in accordance with MFRS and IFRS. 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 but 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.

Auditors' responsibilities for the audit of the financial statements

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

Independent auditors' report to the unitholders of United Cash Fund (Continued)

Auditors' responsibilities for the audit of the financial statements (Continued)

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

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

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

**Independent auditors' report to the unitholders of
United Cash Fund (Continued)**

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Chan Hooi Lam
No. 02844/02/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
20 July 2018

UNITED CASH FUND**STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2018**

	Note	2018 RM	2017 RM
ASSETS			
Deposits with a licensed financial institution	3	1,761,900,385	1,597,578,327
Interest receivables		18,990,085	12,125,593
Amount due from Manager, net	4	268,670	1,579,054
Cash at a bank		90,986,811	93,769,746
TOTAL ASSETS		1,872,145,951	1,705,052,720
LIABILITIES			
Amount due to Trustee	5	21,081	21,773
Accruals		77,578	71,872
TOTAL LIABILITIES		98,659	93,645
UNITHOLDERS' EQUITY			
Unitholders' capital	6(a)	1,854,697,415	1,694,287,033
Retained earnings	6	17,349,877	10,672,042
TOTAL EQUITY, REPRESENTING NET ASSET VALUE ("NAV") ATTRIBUTABLE TO UNITHOLDERS	6	1,872,047,292	1,704,959,075
TOTAL EQUITY AND LIABILITIES		1,872,145,951	1,705,052,720
UNITS IN CIRCULATION	6(a)	1,855,037,742	1,694,597,501
NET ASSET VALUE PER UNIT (RM)		1.0092	1.0061

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

UNITED CASH FUND**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MAY 2018**

	Note	2018 RM	2017 RM
INVESTMENT INCOME			
Interest income from deposits with a licensed financial institution		<u>75,523,907</u>	<u>60,877,578</u>
EXPENSES			
Manager's fee	7	(6,476,855)	(4,818,515)
Trustee's fee	8	(241,381)	(249,234)
Auditors' remuneration		(8,800)	(8,500)
Tax agent's fee		(3,200)	(3,200)
Other expenses		<u>(405,126)</u>	<u>(311,434)</u>
		<u>(7,135,362)</u>	<u>(5,390,883)</u>
NET INCOME BEFORE TAXATION		68,388,545	55,486,695
Tax expense	9	<u>-</u>	<u>-</u>
NET INCOME AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>68,388,545</u>	<u>55,486,695</u>
Net income after taxation is made up of the following: Realised amount		<u>68,388,545</u>	<u>55,486,695</u>
Distributions for the financial year	10	<u>62,384,510</u>	<u>51,968,669</u>

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

UNITED CASH FUND

STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

	Note	Unitholders' capital RM	Retained earnings RM	Total net asset value RM
Balance as at 1 June 2016		1,585,805,115	6,717,459	1,592,522,574
Movement in net asset value:				
Total comprehensive income for the financial year		-	55,486,695	55,486,695
Creation of units	6(a)	1,529,645,491	-	1,529,645,491
Reinvestments of units	6(a),10	51,968,669	-	51,968,669
Cancellation of units	6(a)	(1,472,695,685)	-	(1,472,695,685)
Distributions equalisation	6(a),10	(436,557)	436,557	-
Distributions	10	-	(51,968,669)	(51,968,669)
Balance as at 31 May 2017		<u>1,694,287,033</u>	<u>10,672,042</u>	<u>1,704,959,075</u>
Balance as at 1 June 2017		1,694,287,033	10,672,042	1,704,959,075
Movement in net asset value:				
Total comprehensive income for the financial year		-	68,388,545	68,388,545
Creation of units	6(a)	1,930,327,572	-	1,930,327,572
Reinvestments of units	6(a),10	62,384,510	-	62,384,510
Cancellation of units	6(a)	(1,831,627,900)	-	(1,831,627,900)
Distributions equalisation	6(a),10	(673,800)	673,800	-
Distributions	10	-	(62,384,510)	(62,384,510)
Balance as at 31 May 2018		<u>1,854,697,415</u>	<u>17,349,877</u>	<u>1,872,047,292</u>

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

UNITED CASH FUND

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

	2018	2017
	RM	RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Placement of deposits with a licensed financial institution	(164,322,058)	(1,597,578,327)
Interest received from deposits with a licensed financial institution	68,659,415	54,499,486
Manager's fee paid	(6,346,761)	(4,781,167)
Trustee's fee paid	(242,073)	(247,302)
Auditors' remuneration paid	(8,953)	(8,500)
Tax agent's fee paid	(4,587)	(3,729)
Payment of other fees and expenses	(397,881)	(306,447)
Net cash used in operating and investing activities	<u>(102,662,898)</u>	<u>(1,548,425,986)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	1,930,927,573	1,527,645,491
Payment for cancellation of units	<u>(1,831,047,610)</u>	<u>(1,481,190,021)</u>
Net cash generated from financing activities	<u>99,879,963</u>	<u>46,455,470</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,782,935)	(1,501,970,516)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	93,769,746	1,595,740,262
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	<u>90,986,811</u>	<u>93,769,746</u>
Cash and cash equivalents comprise the following:		
Cash at a bank	<u>90,986,811</u>	<u>93,769,746</u>

The cash at a bank is held with United Overseas Bank (Malaysia) Bhd ("UOBM"), a related company of the Manager.

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

UNITED CASH FUND

NOTES TO THE FINANCIAL STATEMENTS

1. INFORMATION ON THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

The United Cash Fund (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of the Deed dated 10 August 2010 as amended by a First Supplemental Deed dated 23 August 2011, a Second Supplemental Deed dated 15 November 2013, a Third Supplemental Deed dated 16 January 2014 and a Fourth Supplemental Deed dated 26 February 2015 between UOB Asset Management (Malaysia) Berhad (“the Manager”) and Deutsche Trustees Malaysia Berhad (“the Trustee”) (collectively referred to as “the Deeds”).

The Fund aims to provide investors with capital preservation, liquidity and reasonable returns by investing its assets in Malaysian Ringgit deposits with a remaining maturity of not more than 366 days with United Overseas Bank (Malaysia) Berhad. The Fund was launched on 21 October 2010 and commenced for operations on 11 November 2010. As provided in the Deed, the “accrual period” or financial year shall end on 31 May.

The Manager is a subsidiary of UOB Asset Management Limited, headquartered in Singapore.

The financial statements were authorised for issue by the Manager on 20 July 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of the financial statements

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

The financial statements have been prepared on a historical-cost basis except as disclosed in the accounting policies below and are presented in Ringgit Malaysia (“RM”).

2.2 Changes in accounting policies and disclosures

Standards issued and effective

The accounting policies adopted that could have material impact to the financial statements are consistent with those of the previous financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective

The Fund has not yet adopted the MFRS and amendments to MFRS that have been issued but not yet effective as at the reporting date. The Manager expects that the adoption of these MFRS and amendments which have been issued but not yet effective will have no material impact on the financial statements in the period of initial application except as described below. The Fund is in the process of assessing financial implication for adopting the MFRS 9.

MFRS 9 Financial Instruments (“MFRS 9”)

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The standard introduces new requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

MFRS 9 Financial Instruments: Classification and measurement

MFRS 9 has three measurement categories - amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investment in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For financial liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of profit or loss, unless this creates an accounting mismatch.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

MFRS 9 Financial Instruments: Impairment

The impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income and certain loan commitments as well as financial guarantee contracts. At initial recognition, allowance for impairment is required for expected credit losses ('ECL'). In the event of a significant increase in credit risk, allowance for impairment is required for ECL resulting from all possible default events over the expected life of the financial instrument. The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

2.3 Summary of significant accounting policies

(a) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Fund determines the classification of its financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss ("FVTPL"), available for sale ("AFS") financial assets and loans and receivables. As at the reporting date, the Fund does not have any investments which are categorised as financial assets at FVTPL or AFS financial assets.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. The Fund includes deposits with a licensed financial institution, amount due from manager and cash at a bank in this classification.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(a) Financial assets (continued)

Loans and receivables (continued)

Loans and receivables are derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition, the difference between the carrying amount and the sum of the consideration received is recognised in the profit or loss.

(b) Impairment of financial assets

The Fund assesses at each reporting date whether there is any objective evidence that its financial assets carried at amortised cost is impaired.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred; the Fund considers factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in the profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

(c) Classification of realised and unrealised gains and losses

Accrued interest on deposits which have not matured as at the reporting date are classified as realised income in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(d) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

The Fund's financial liabilities which include the amount due to Manager and amount due to Trustee are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

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

(e) Functional and presentation currency

The financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates ("the functional currency"). The financial statements are presented in RM, which is also the Fund's functional currency.

(f) Unitholders' capital

Unitholders' capital of the Fund meets the definition of puttable instruments classified as equity instruments under the revised MFRS 132 Financial Instruments: Presentation and is classified as equity instruments. Any distribution to unitholders is recorded as a reduction from retained earning within equity.

(g) Distribution of income

Distribution of income is made at the discretion of the Manager. A distribution to the Fund's unitholders is accounted for as a deduction from realised reserves except where distribution is sourced out of distribution equalisation which is accounted for as a deduction from unitholders' capital. A proposed distribution is recognised as a liability in the period in which it is approved.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at a bank which have an insignificant risk of changes in value.

(i) 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.

Interest income from deposits with a licensed financial institution is recognised using the effective interest method.

(j) Net asset value attributable to unitholders

Net asset value attributable to unitholders represents the redemption amount that would be payable if the unitholders exercised the right to redeem units of the Fund at the end of the reporting year.

(k) 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 rate and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

No deferred tax is recognised as there are no material temporary differences.

(l) Segment reporting

For internal management reporting purposes, all of the investments of the Fund are managed as one portfolio and reviewed as such by the Manager. The Manager is the decision maker for performance assessment purposes and makes decisions about resource allocation. Accordingly, the Fund does not have any operating segment information to be disclosed in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(m) 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.

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.

3. DEPOSITS WITH A LICENSED FINANCIAL INSTITUTION

	2018	2017
	RM	RM
Deposits with a licensed financial institution comprise the following:		
- maturity more than 3 months	<u>1,761,900,385</u>	<u>1,597,578,327</u>
	2018	2017
Weighted average effective interest rate	<u>3.99%</u>	<u>3.72%</u>
Average maturities	<u>102 days</u>	<u>97 days</u>

The deposits are placed with United Overseas Bank (Malaysia) Bhd ("UOBM"), a related company of the Manager.

4. AMOUNT DUE FROM MANAGER, NET

	2018	2017
	RM	RM
Creation of units	1,400,000	2,000,000
Cancellation of units	(580,290)	-
Manager's fee payable	<u>(551,040)</u>	<u>(420,946)</u>
	<u>268,670</u>	<u>1,579,054</u>

The normal credit period for the Manager's fee payable is one month (2017: one month).

5. AMOUNT DUE TO TRUSTEE

	2018	2017
	RM	RM
Trustee's fee payable	<u>21,081</u>	<u>21,773</u>

Amount due to Trustee represents Trustee's fee payable.

6. UNITHOLDERS' EQUITY

Net asset value attributable to unitholders is represented by:

	Note	2018	2017
		RM	RM
Unitholders' capital	(a)	1,854,697,415	1,694,287,033
Retained earnings - Realised	(b)	<u>17,349,877</u>	<u>10,672,042</u>
Total equity, representing NAV attributable to unitholders		<u>1,872,047,292</u>	<u>1,704,959,075</u>

(a) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION

	2018		2017	
	Units	RM	Units	RM
At the beginning of the financial year	1,694,597,501	1,694,287,033	1,586,155,600	1,585,805,115
Creation of units during the financial year	1,914,693,613	1,930,327,572	1,521,508,912	1,529,645,491
Reinvestment for the financial year	61,946,188	62,384,510	51,759,217	51,968,669
Cancellation of units during the financial year	(1,816,199,560)	(1,831,627,900)	(1,464,826,228)	(1,472,695,685)
Distributions equalisation	<u>-</u>	<u>(673,800)</u>	<u>-</u>	<u>(436,557)</u>
At the end of the financial year	<u>1,855,037,742</u>	<u>1,854,697,415</u>	<u>1,694,597,501</u>	<u>1,694,287,033</u>

The Manager and parties related to the Manager did not hold any units in the Fund as at 31 May 2018 (2017: Nil)

6. UNITHOLDERS' EQUITY (CONTINUED)

(b) RETAINED EARNINGS - REALISED

	2018	2017
	RM	RM
At the beginning of the financial year	10,672,042	6,717,459
Total comprehensive income for the financial year	68,388,545	55,486,695
Distributions for the financial year	(62,384,510)	(51,968,669)
Distributions equalisation	673,800	436,557
At the end of the financial year	<u>17,349,877</u>	<u>10,672,042</u>

7. MANAGER'S FEE

Schedule 7 of the Deed provides that the Manager shall be entitled to a fee at a rate agreed between the Manager and the Trustee which the rate shall not exceed 0.60% (2017: 0.06%) per annum of the net asset value of the Fund, calculated on a daily basis.

The management fee provided in the financial statements is 0.33% (2017: 0.29%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial year.

8. TRUSTEE'S FEE

Schedule 8 of the Deed provides that the Trustee shall be entitled to a fee at a rate agreed between the Manager and the Trustee which the rate shall not exceed 0.045% (2017: 0.045%) per annum of the net asset value of the Fund, calculated on a daily basis; subject to a minimum fee of RM22,500 (2017: RM22,500) per annum.

The Trustee's fee provided in the financial statements is 0.012% (2017: 0.015%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial year.

9. INCOME TAX EXPENSE

Income from deposit placements is exempted from tax in accordance with Schedule 6, Paragraph 35 of the Income Tax Act, 1967 ("ITA"). Pursuant to Section 61(1)(b) of the ITA, 1967, gains from realisation of investment will not be treated as income of the Fund and hence are not subject to income tax. In accordance with Sections 61 and 63B of the Income Tax Act, 1967, interest income and gain on sale of investment are exempted from tax.

9. INCOME TAX EXPENSE (CONTINUED)

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

	2018	2017
	RM	RM
Net income before taxation	<u>68,388,545</u>	<u>55,486,695</u>
Taxation at Malaysian statutory rate of 24% (2017: 24%)	16,413,251	13,316,807
Tax effects of:		
Income not subject to tax	(18,125,738)	(14,610,619)
Restriction on tax deductible expenses for funds	1,556,831	1,159,695
Expenses not deductible for tax purposes	<u>155,656</u>	<u>134,117</u>
Tax expense for the financial year	<u>-</u>	<u>-</u>

10. DISTRIBUTIONS

Final distributions to unitholders is derived from the following sources:

	2018	2017
	RM	RM
Interest income	58,174,030	50,205,536
Distribution equalisation	673,800	436,557
Previous financial year's realised gain	<u>10,672,042</u>	<u>6,717,459</u>
	69,519,872	57,359,552
Less:		
Expenses	<u>(7,135,362)</u>	<u>(5,390,883)</u>
Net distributable amount	<u>62,384,510</u>	<u>51,968,669</u>

Included in the above distributions was an amount of RM10,672,042 (2017: RM6,717,459) made from previous financial years' realised gain.

10. DISTRIBUTIONS (CONTINUED)

Details of distributions to unitholders during the financial year are as follows:

Financial year ended 31 May 2018

Distributions Ex-date	Reinvestments settlement date	Distributions per unit RM	Total distributions RM
22 June 2017	23 June 2017	0.0026	4,622,069
25 July 2017	26 July 2017	0.0025	4,619,652
24 August 2017	25 August 2017	0.0026	5,130,364
25 September 2017	26 September 2017	0.0026	5,103,487
25 October 2017	26 October 2017	0.0026	5,266,032
23 November 2017	24 November 2017	0.0026	5,280,259
21 December 2017	22 December 2017	0.0026	5,377,673
25 January 2018	26 January 2018	0.0026	5,645,773
22 February 2018	23 February 2018	0.0026	5,825,453
22 March 2018	23 March 2018	0.0026	5,323,985
25 April 2018	26 April 2018	0.0026	5,309,031
24 May 2018	25 May 2018	0.0026	4,880,732
		<u>0.0311</u>	<u>62,384,510</u>

Financial year ended 31 May 2017

Distributions Ex-date	Reinvestments settlement date	Distributions per unit RM	Total distributions RM
23 June 2016	24 June 2016	0.0027	4,395,824
25 July 2016	26 July 2016	0.0025	3,958,847
25 August 2016	26 August 2016	0.0038	6,203,955
26 September 2016	27 September 2016	0.0038	6,264,512
27 October 2016	28 October 2016	0.0025	4,284,129
28 November 2016	29 November 2016	0.0020	3,494,926
27 December 2016	28 December 2016	0.0020	3,040,378
26 January 2017	27 January 2017	0.0024	3,636,522
23 February 2017	24 February 2017	0.0024	4,005,248
23 March 2017	24 March 2017	0.0024	4,116,934
25 April 2017	26 April 2017	0.0024	4,189,113
29 May 2017	30 May 2017	0.0026	4,378,281
		<u>0.0315</u>	<u>51,968,669</u>

11. TRANSACTIONS WITH A RELATED FINANCIAL INSTITUTION

Details of transactions with a related financial institution for the financial year ended 31 May 2018 are as follows:

Financial institution	Value of Trade RM	Percentage of Total Trade %
United Overseas Bank (Malaysia) Bhd*	<u>10,465,536,098</u>	<u>100.00</u>

*A financial institution related to the Manager.

The Directors of the Manager are of the opinion that any transactions with related parties have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. These dealings with related parties have been transacted at arm's length basis.

12. MANAGEMENT EXPENSE RATIO ("MER")

	2018	2017
	%	%
Manager's fee	0.32	0.29
Trustee's fee	0.01	0.02
Other expenses	0.02	0.01
Total MER	<u>0.35</u>	<u>0.32</u>

The MER 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")

	2018	2017
PTR (times)	<u>2.59</u>	<u>3.65</u>

The PTR of the Fund is the ratio of average acquisitions and disposals of the Fund for the financial year to the average NAV of the Fund calculated on a daily basis.

14. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

The Fund's financial assets and financial liabilities are measured on an ongoing basis based on their respective classification. The significant accounting policies in Note 2.3 describe how the classes of financial instruments are measured, and how income and expenses are recognised:

- (i) the Fund's financial assets, comprising deposits with a licensed financial institution, interest receivables, net amount due from Manager and cash at a bank, are classified as loans and receivables which are measured at amortised cost; and
- (ii) the Fund's financial liability, comprising amount due to Trustee, is classified as other financial liabilities which is measured at amortised cost.

	Loans and receivables at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
2018			
Assets			
Deposits with a licensed financial institution	1,761,900,385	-	1,761,900,385
Interest receivables	18,990,085	-	18,990,085
Amount due from Manager, net	268,670	-	268,670
Cash at a bank	90,986,811	-	90,986,811
Total financial assets	<u>1,872,145,951</u>	-	<u>1,872,145,951</u>
Liability			
Amount due to Trustee	-	21,081	21,081
Total financial liability	<u>-</u>	<u>21,081</u>	<u>21,081</u>

14. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Classification of financial instruments (continued)

	Loans and receivables at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
2017			
Assets			
Deposits with a licensed financial institution	1,597,578,327	-	1,597,578,327
Interest receivables	12,125,593	-	12,125,593
Amount due from Manager, net	1,579,054	-	1,579,054
Cash at a bank	93,769,746	-	93,769,746
Total financial assets	<u>1,705,052,720</u>	-	<u>1,705,052,720</u>
Liability			
Amount due to Manager, net	-	21,773	21,773
Total financial liability	-	<u>21,773</u>	<u>21,773</u>

(b) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations 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:

- Deposits with a licensed financial institution
- Interest receivables
- Amount due from Manager, net
- Cash at a bank
- Amount due to Trustee

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

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks including credit risk, liquidity risk and interest rate risk. Whilst these are the most important types of financial risks inherent in each type of financial instrument, the Manager and the Trustee would like to highlight that this list does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Fund.

The Fund's overall risk management programme seeks to minimise potential adverse effects on the Fund's financial performance. Specific guidelines on exposures to individual securities and certain industries are in place for the Fund at any time as part of the overall financial risk management to reduce the Fund's risk exposures.

(a) Credit risk

Credit concentration

Credit concentration risk is associated with the number of underlying investments or financial institutions which a fund invests in or places deposits with. For example a Fund which invests its assets in a single underlying instrument or with a single institution is more risky compared to a Fund with two or more underlying investments or institutions. This is because if the single issuer/financial institution defaults, it would have a significant impact to that Fund.

The Fund's Deed provides that it only invests in Malaysian Ringgit deposits with United Overseas Bank (Malaysia) Bhd ("UOBM"). This represents a credit concentration risk for the Fund.

At the reporting date, the Fund's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Credit default

This refers to the creditworthiness of the financial institutions and its expected ability to make timely payment of interest and principal. Default happens when the financial institutions are not able to make timely payments of interest and/or principal. This may cause the Fund's assets to be written down, resulting in the loss of capital and/or income.

The credit rating of UOBM as at the reporting date is AAA (2017: AAA) as rated by the Rating Agency of Malaysia. The Manager will continuously monitor the creditworthiness of UOBM. Should the credit rating of UOBM fall below AA3, the Manager will have the sole discretion to terminate the Fund.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Credit default (continued)

The following table analyses the Fund's cash and deposits by rating categories:

	RM	As a % of deposit	As a % of NAV
2018			
Credit rating			
AAA	<u>1,871,877,281</u>	<u>100.00</u>	<u>99.99</u>
2017			
Credit rating			
AAA	<u>1,703,473,666</u>	<u>100.00</u>	<u>99.91</u>

(b) Liquidity risk

This is the risk that the Fund will have insufficient cash to meet redemptions by unitholders. The Fund is exposed to cash redemptions of its units on a regular basis. Units sold to unitholders by the Manager are redeemable at the unitholders' option based on the Fund's NAV per unit at the time of redemption calculated in accordance with the Fund's Deed. The Manager monitors the Fund's liquidity position on a daily basis.

As at the reporting date, all of the Fund's deposits with a licensed financial institution have a remaining maturity of less than 316 days (2017: 316 days) and will reprice in 316 days (2017: 316 days).

Where necessary, the Manager can withdraw its deposits ahead of the contractual maturity dates to meet its liquidity requirements.

The natures of undiscounted contractual cash flows for financial assets and financial liabilities of the Fund are:

- (i) Other financial assets and financial liabilities will contractually mature less than one year from the reporting date at amounts not significantly different from that presented on the statement of financial position.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk

The following table demonstrates the sensitivity of the Fund's profit or loss for the year to change in interest rates, with all other variables held constant.

	Change in basis points	Sensitivity of interest income increase/ (decrease) RM	Sensitivity of changes in fair value of deposits increase/ (decrease) RM
2018			
Assets			
Deposits with a licensed financial institution	+10/-10	176,190,039 / (176,190,039)	176,190,039 / (176,190,039)
2017			
Assets			
Deposits with a licensed financial institution	+10/-10	159,757,833 / (159,757,833)	159,757,833 / (159,757,833)

16. CAPITAL MANAGEMENT

The capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund's units in issue at the end of the financial year are disclosed in Note 6(a).

No changes were made to the Fund's objectives, policies or processes during the current financial year.

CORPORATE INFORMATION

Fund Manager	UOB Asset Management (Malaysia) Berhad (219478-X)
Registered & Principal Office	Level 22 Vista Tower The Intermark 348 Jalan Tun Razak 50400 Kuala Lumpur Tel: 03-2732 1181 Fax: 03-2164 8188 Website: www.uobam.com.my
Board of Directors	Mr Wong Kim Choong Mr Thio Boon Kiat (alternate to Mr Wong Kim Choong) Mr Seow Lun Hoo Mr Seow Voon Ping (alternate to Mr Seow Lun Hoo) Dato' Dr Choong Tuck Yew Mr Khoo Chock Seang En Syed Naqiz Shahabuddin Bin Syed Abdul Jabbar Ms Lim Suet Ling (Executive Director & CEO)
Trustee	Deutsche Trustees Malaysia Berhad (763590-H)
Fund Valuation Service Provider	Deutsche Trustees Malaysia Berhad (763590-H)
Auditor of the Fund	Ernst & Young (AF0039)
Tax Agent of the Fund	Deloitte Tax Services Sdn Bhd (36421-T)
Solicitor of the Fund	Wei Chien & Partners

This page is intentionally left blank.

This page is intentionally left blank.

This page is intentionally left blank.