



United Islamic Cash Fund

**Annual Report
31 December 2017**

UNITED ISLAMIC CASH FUND

GENERAL INFORMATION ABOUT THE FUND

Commencement Date

United Islamic Cash Fund ("Fund") was launched on 25 April 2016 and the initial offer period was 1 day. The Fund commenced investment on 26 April 2016.

Fund Category and Type

Fund Category - Money Market (Islamic Wholesale)

Fund Type - Income

Investment Objective and Strategy

Objective of the Fund

The Fund seeks to provide investors with income¹ and liquidity² by investing in Islamic money market instruments and/or placement of Islamic deposits.

Note:

¹ Unless otherwise indicated by unit holders, income distribution (if any) will be in the form of units.

² Liquidity means that investors will receive their redemption proceeds next business day after redemption application is received by the Manager (i.e. UOB Asset Management (Malaysia) Berhad) on or before the cut-off time .

Strategy

The Fund seeks to achieve its investment objective by investing 100% of its Net Asset Value ("NAV") in Islamic money market instruments and/ or placement of Islamic deposits with licensed financial institutions which have a maturity period of not more than 366 days.

For the Fund's investment in Islamic money market instruments, the credit rating of the Islamic money market instruments will be at least A3/P2 as rated by RAM Rating Services Berhad ("RAM") or its equivalent credit rating by Malaysian Rating Corporation Berhad ("MARC") or any other recognized local rating agencies at the point of purchase.

In the absence of a credit rating for the Islamic money market instrument, the Manager would use the credit rating of the financial institution issuing the instrument.

In order to achieve the investment objective, the Manager may also invest up to 100% of the Fund's NAV in a single financial institution or with multiple financial institutions.

Asset Allocation

100% of the Fund's NAV in Islamic money market instruments and/or Islamic deposits with licensed financial institutions which have a maturity period of not more than 366 days.

Performance Benchmark

With effect from 14 July 2016, the performance benchmark of the Fund is Bank Negara Malaysia Islamic Interbank Overnight Rate.

Prior to 14 July 2016, the performance benchmark of the Fund was 1-month General Investment Account ("GIA") rate by Malayan Banking Berhad.

Permitted Investments and Restrictions

Unless otherwise prohibited by the relevant authorities or any relevant law and provided always that there is no inconsistency with the objective of the Fund, the Fund's permitted investments are:

- (1) Placement of Islamic deposits with financial institutions;
- (2) Islamic money market instruments issued by financial institutions such as Islamic accepted bills, Islamic negotiable instruments, where the instruments carry a minimum credit rating of A3/P2 by RAM or an equivalent credit rating by MARC or any other recognized local rating agencies at the point of purchase. In the absence of a credit rating for the instrument, the Manager would use the credit rating of the financial institution issuing the instrument;
- (3) General Investment Accounts with financial institutions; and
- (4) Any other Shariah-compliant investments as may be advised by the Shariah Adviser or the Shariah committee and agreed upon between the Manager and the Trustee from time to time.

The permitted investments of the Fund as stated above are subject to the following restriction:-
All investments made by the Fund must be Shariah-compliant.

Fund Distribution Policy

Subject to the availability of income, distribution will be made monthly.

Mode of Distribution

Distribution (if any) will be automatically reinvested into the unit holder(s)' accounts in the form of additional units in the Fund at no cost.

The number of units will be computed based on the NAV per unit on the day the distribution is declared ("distribution date") and the reinvestment will be made on the first business day immediately following the distribution date.

MANAGER'S REPORT – UNITED ISLAMIC CASH FUND ANNUAL REPORT (1 JANUARY 2017 – 31 DECEMBER 2017)

Market Review

During the period under review, money market rates traded mostly higher across different tenor while the Malaysia Government Securities ("MGS") yields on the other hand ended lower. Local government bond saw renewed traction in April and May 2017 as interest from foreign investors returned to the scene. Since August 2017, the bond market and MGS yields were seen to be supported by strong demand from domestic institutional investors following a resumption of non-residents inflows.

In March, Malaysia's consumer price index ("CPI") stole the limelight as it spiked higher to 5.1% year-on-year ("yoy"), its highest inflation rate since November 2008. The headline CPI was on an accelerated mode as a result of record jump in transport prices. Nevertheless, after 3 straight months of accelerated jump in headline CPI, April figures finally came off to 4.40% yoy. Malaysia inflation rate have since tapered off. The latest headline CPI in November, moderated further to 3.4% yoy due to slower gains in food and lower average domestic fuel prices.

In its Annual Report release on 14 March 2017, Bank Negara Malaysia ("BNM") projected growth in 2017 to range between 4.3% to 4.8%, whilst inflation outlook was revised higher to 3.0% to 4.0%. BNM growth projection turned out to be a conservative one when the first quarter 2017 gross domestic product ("GDP") number was recorded at 5.6% yoy ahead of the median 4.6% forecast by economists. Subsequent second quarter 2017 GDP continued the positive momentum with growth accelerating to 5.8% yoy, its fastest growth in 3 years. While consensus forecasted a 5.4% growth in the following quarter, Malaysia 3Q2017 GDP data again surprised on the upside with a 6.2% yoy expansion, boosted by robust private consumption and faster rises in government spending, investment and exports.

Meanwhile, 2017 saw the Malaysian Ringgit ("MYR") triumphed against the United States of America Dollar ("USD"). After being the best performer in the region in the 2Q2017, the ringgit continued to appreciate against the USD, more so during the 4th quarter of the year. The rise in ringgit was supported by trade and non-resident portfolio as foreign investors regained interest after the relaxation of the central bank's foreign exchange ("FX") hedging rule to allow a dynamic hedge ratio of 100% from 25% previously. The sharp drop in the USD also saw the ringgit gaining sharply, driven by flows into the bond markets.

With regards to Overnight Policy Rate ("OPR"), the Monetary Policy Committee ("MPC") of BNM has kept the OPR unchanged at 3.0% for the rest of 2017. However, in its recent November meeting, the central bank hinted on the possibility of reviewing the current degree of monetary accommodation in its latest statement. This leaves the likelihood for one 25 basis points ("bps") hike in the OPR in early 2018.

At close, the overnight deposit rate inched down 2 bps to 2.97% while the 1-month, 3-months, 6-months and 12-months rates rose by 1 to 8 bps and last quoted at 3.18%, 3.42%, 3.58% and 3.68% respectively.

Source: UOBAM(M)

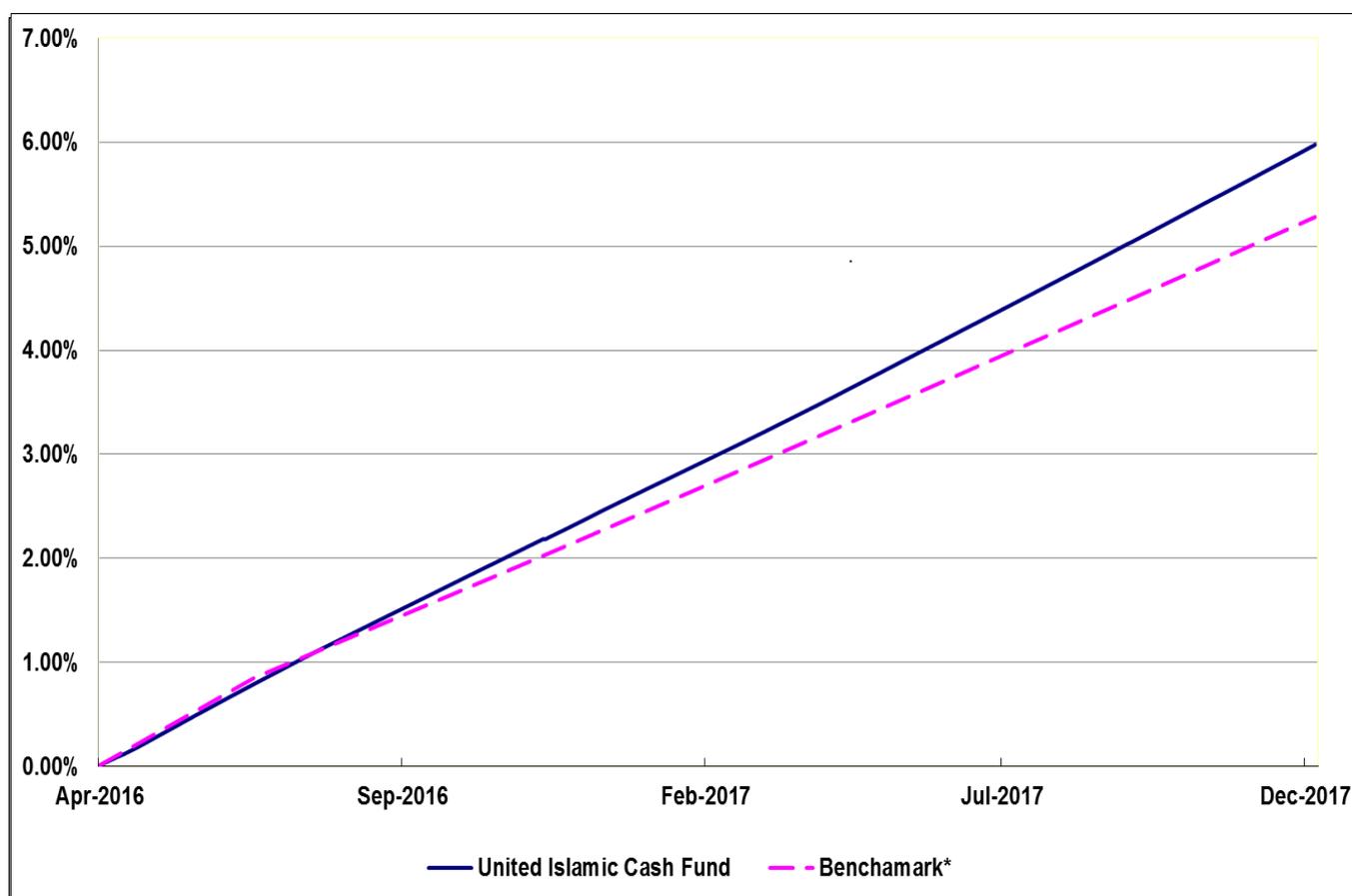
PERFORMANCE REVIEW

During the period under review, the Manager invested the funds in Islamic term deposits with Islamic financial institutions to generate consistent income streams. At the end of the period, the Fund has achieved its objectives of providing investors with reasonable returns and adequate level of liquidity. The Fund managed to register a holding period return of 3.48% as compared to the benchmark return of 2.99%.

Source: UOBAM(M)

PERFORMANCE DATA (as at 31 December 2017)

	1 m	3 m	6 m	12 m	YTD	Since launch
United Islamic Cash Fund	0.30%	0.88%	1.77%	3.48%	3.48%	5.98%
Benchmark*	0.25%	0.75%	1.49%	2.99%	2.99%	5.28%



* Benchmark (Since launch to 13 July 2016) - 1 month GIA rate by Malayan Banking Berhad

* Benchmark (With effect from 14 July 2016) - Bank Negara Malaysia Islamic Interbank Overnight Rate

Source: UOBAM(M)

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 period under review, the Fund reported a total investment income of RM 53.25 million comprising profit income. After taking into consideration the Fund's expenses, the Fund achieved a net income of RM 49.31 million.

PORTFOLIO STRUCTURE

As at 31 December 2017, the Fund was 80.54% invested in Islamic deposits and 19.01% invested in GIA.

ASSET ALLOCATION

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

	As at 31 December 2017
	%
1) Financial Institutions:	
Affin Islamic Bank Berhad	15.99
Alliance Islamic Bank Berhad	0.34
AmIslamic Bank Berhad	0.52
Bank Islam Malaysia Berhad	1.32
Bank Kerjasama Rakyat Malaysia Berhad	22.75
Bank Simpanan Nasional	8.46
CIMB Islamic Bank Berhad	1.99
Hong Leong Islamic Bank Berhad	9.34
Maybank Islamic Berhad	3.88
Public Islamic Bank Berhad	3.48
RHB Islamic Bank Berhad	12.47
	<u>80.54</u>
2) Investment Account:	
Bank Islam Malaysia Berhad	19.01
3) Cash and Net Assets	<u>0.45</u>
	<u><u>100.00</u></u>

The asset allocation was reflective of the Fund's objective of providing investors with income and liquidity.

FUND SIZE

As at 31 December 2017, the Fund's units in circulation stood at 2,009.47 million units.

Fund Size	As at 31 December 2017
Net Asset Value (RM million)	2,009.47
Units In Circulation (million)	2,009.47
Net Asset Value Per Unit (RM)	1.0000

OTHER MATTER

- (a) On 7 December 2017, the Fund has obtained the tax certification letter by the Securities Commission Malaysia ("SC") certifying that the Fund meets the requirements of the Guidelines on Tax Exemption for Wholesale Money Market Funds. As such, the Fund continues to enjoy tax exemption on income in respect of interest under paragraph 35A of Schedule 6 of Income Tax Act 1967. The tax exemption status of the Fund will be valid for the year of assessment 2018.
- (b) With effect from 24 May 2017, En. Izlan Bin Izhab resigned as one of the board of directors of the Manager. Subsequently, En. Syed Naqiz Shahabuddin Bin Syed Abdul Jabbar was appointed to be one of the directors of the Manager effective 25 May 2017.
- (c) With effect from 17 January 2018, Mr. Seow Voon Ping was appointed to be alternate director of Mr. Seow Lun Hoo.

UNITED ISLAMIC CASH FUND

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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TRUSTEE’S REPORT

TO THE UNITHOLDERS OF UNITED ISLAMIC CASH FUND

We have acted as Trustee for United Islamic Cash Fund (“the Fund”) for the financial year ended 31 December 2017. 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 December 2017 by the Manager are not inconsistent with the objective of the Fund.

For Pacific Trustees Berhad

Razak Bin Ahmad
Chief Executive Officer

Kuala Lumpur, Malaysia
23 February 2018

SHARIAH ADVISER'S REPORT

TO THE UNITHOLDERS OF UNITED ISLAMIC CASH FUND

We have acted as the Shariah Adviser of United Islamic Cash Fund ("the Fund"). Our responsibility is to ensure that the procedures and processes employed by UOB Asset Management (Malaysia) Berhad ("the Manager") are in accordance with Shariah principles.

In our opinion, the Manager has managed and administered United Islamic Cash Fund in accordance with Shariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Shariah matters for the financial year ended 31 December 2017.

In addition, we also confirm that the investment portfolio of United Islamic Cash Fund comprises securities which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission ("SACSC"). As for the securities which are not certified by the SACSC, we have reviewed the said securities and opine that these securities are designated as Shariah-compliant.

For and on behalf of the Shariah Adviser

IBFIM

MUHAMMAD KHAIRULNIZAM BIN ALIAS

Consultant (Shariah)/Designated Person Responsible for Shariah Advisory

Kuala Lumpur

UNITED ISLAMIC CASH FUND

STATEMENT BY MANAGER

We, **Lim Suet Ling** and **Khoo Chock Seang**, 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 15 to 37 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 Islamic Cash Fund** as at 31 December 2017 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

KHOO CHOCK SEANG
Director

Kuala Lumpur, Malaysia
23 February 2018

**Independent auditors' report to the unitholders of
United Islamic Cash Fund
Report on the audit of the financial statements**

Opinion

We have audited the financial statements of United Islamic Cash Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2017, 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 15 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 December 2017 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 Islamic Cash Fund
Report on the audit of the financial statements (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 Islamic Cash Fund
Report on the audit of the financial statements (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:

- 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 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.
- 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 Islamic Cash Fund
Report on the audit of the financial statements (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. 2844/02/18 (J)
Chartered Accountant

Kuala Lumpur, Malaysia
23 February 2018

UNITED ISLAMIC CASH FUND**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	2017 RM	2016 RM
ASSETS			
Islamic deposits with licensed financial institutions	3	1,618,457,186	506,004,412
Investment account with licensed financial institutions	3	381,927,472	126,491,378
Profit receivables from Islamic deposits with licensed financial institutions		13,769,590	4,737,129
Profit receivables from investment account with licensed financial institutions		2,179,377	83,140
Cash at a bank		60,624	258,114
TOTAL ASSETS		<u>2,016,394,249</u>	<u>637,574,173</u>
LIABILITIES			
Amount due to Manager	4	455,337	134,960
Amount due to Trustee	5	13,660	5,398
Accruals		52,255	32,484
Distribution payable		6,405,324	1,732,194
TOTAL LIABILITIES		<u>6,926,576</u>	<u>1,905,036</u>
UNITHOLDERS' EQUITY			
Unitholders' capital	6	<u>2,009,467,673</u>	<u>635,669,137</u>
TOTAL EQUITY, REPRESENTING NET ASSET VALUE ("NAV") ATTRIBUTABLE TO UNITHOLDERS			
	6	<u>2,009,467,673</u>	<u>635,669,137</u>
TOTAL EQUITY AND LIABILITIES		<u>2,016,394,249</u>	<u>637,574,173</u>
UNITS IN CIRCULATION	6(a)	<u>2,009,467,673</u>	<u>635,669,137</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.0000</u>	<u>1.0000</u>

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

UNITED ISLAMIC CASH FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Note	01.01.2017 to 31.12.2017 RM	26.04.2016 to 31.12.2016 RM
SHARIAH-COMPLIANT INVESTMENT INCOME			
Profit income from Islamic deposits with licensed financial institutions		43,991,189	13,706,154
Profit income from investment account with licensed financial institutions		9,256,624	83,699
		<u>53,247,813</u>	<u>13,789,853</u>
EXPENSES			
Manager's fee	7	3,576,966	859,229
Trustee's fee	8	113,209	37,141
Auditors' remuneration		8,500	8,500
Tax agent's fee			
- provision for current financial year		3,800	3,200
- under provision in prior financial year		600	-
Other expenses		236,845	68,633
		<u>3,939,920</u>	<u>976,703</u>
NET INCOME BEFORE TAXATION		49,307,893	12,813,150
Tax expense	9	-	-
NET INCOME AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD		<u>49,307,893</u>	<u>12,813,150</u>
Net income after taxation is made up of the following:			
Realised amount		<u>49,307,893</u>	<u>12,813,150</u>
Distributions for the financial year/period	10	<u>49,307,893</u>	<u>12,813,150</u>

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

UNITED ISLAMIC CASH FUND

**STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Note	Unitholders' capital RM	Retained earnings RM	Total net asset value RM
Balance as at 26 April 2016 (date of commencement)		-	-	-
Movement in net asset value:				
Total comprehensive income for the financial period		-	12,813,150	12,813,150
Creation of units	6(a)	1,163,523,118	-	1,163,523,118
Reinvestment of units	6(a)	11,080,956	-	11,080,956
Cancellation of units	6(a)	(538,934,937)	-	(538,934,937)
Distributions	10	-	(12,813,150)	(12,813,150)
Balance as at 31 December 2016		<u>635,669,137</u>	-	<u>635,669,137</u>
Balance as at 1 January 2017		635,669,137	-	635,669,137
Movement in net asset value:				
Total comprehensive income for the financial year		-	49,307,893	49,307,893
Creation of units	6(a)	4,904,862,958	-	4,904,862,958
Reinvestment of units	6(a)	44,634,763	-	44,634,763
Cancellation of units	6(a)	(3,575,699,185)	-	(3,575,699,185)
Distributions	10	-	(49,307,893)	(49,307,893)
Balance as at 31 December 2017		<u>2,009,467,673</u>	-	<u>2,009,467,673</u>

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

UNITED ISLAMIC CASH FUND

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	01.01.2017 to 31.12.2017 RM	26.04.2016 to 31.12.2016 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES			
Placement of Islamic deposits with licensed financial institutions		(991,368,622)	(337,661,030)
Placement of investment account with licensed financial institutions		(360,971,929)	-
Profit received from Islamic deposits with licensed financial institutions		34,958,728	8,969,025
Profit received from investment account with licensed financial institutions		7,160,387	559
Manager's fee paid		(3,256,589)	(724,269)
Trustee's fee paid		(104,947)	(31,743)
Auditors' remuneration paid		(8,500)	-
Tax agent's fee paid		(3,800)	-
Payment of other fees and expenses		(217,675)	(47,849)
Net cash used in operating and investing activities		<u>(1,313,812,947)</u>	<u>(329,495,307)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from creation of units		4,904,862,958	1,163,523,118
Payment for cancellation of units		<u>(3,575,699,185)</u>	<u>(538,934,937)</u>
Net cash generated from financing activities		<u>1,329,163,773</u>	<u>624,588,181</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		15,350,826	295,092,874
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR/ DATE OF COMMENCEMENT		<u>295,092,874</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR/PERIOD		<u>310,443,700</u>	<u>295,092,874</u>
Cash and cash equivalents comprise the following:			
Islamic deposits with licensed financial institutions			
with maturity period less than 3 months	3	289,427,534	168,343,382
Investment account with licensed financial institutions			
with maturity period less than 3 months	3	20,955,542	126,491,378
Cash at a bank		60,624	258,114
		<u>310,443,700</u>	<u>295,092,874</u>

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

UNITED ISLAMIC CASH FUND

NOTES TO THE FINANCIAL STATEMENTS

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

The United Islamic Cash Fund (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of the Deed dated 13 April 2015 and a Supplemental Deeds dated 16 May 2016 and 13 December 2016 between UOB Asset Management (Malaysia) Berhad (“the Manager”) and Pacific Trustees Berhad (“the Trustee”) (collectively referred to as “Deeds”).

The Fund seeks to provide investors with income and liquidity by investing in Islamic money market instruments and/or placement of Islamic deposits. The Fund was launched on 25 April 2016 and commenced for operation on 26 April 2016. As provided in the Deeds, the accrual period or financial year shall end on 31 December.

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

The financial statements were authorised for issue by the Manager on 23 February 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 the historical cost basis except as disclosed in the accounting policies below and are presented in Ringgit Malaysia (“RM”).

2.2 Changes in accounting policies

Standards issued and effective

The accounting policies adopted are consistent with those of the previous financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (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 (without recycling to profit or loss). All Shariah-compliant equity instruments are measured at fair value. A Sukuk is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and profits. 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 Shariah-compliant 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 in the profit or loss, unless this creates an accounting mismatch.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

MFRS 9 Financial Instruments: Impairment

The impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income (with recycling to profit or loss) and certain 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 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.

Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as receivables. The Fund includes Islamic deposits with licensed financial institutions, investment account with licensed financial institutions, cash at a bank and profit receivables in this classification.

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(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 profit 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 profit on Islamic deposits which have not matured as at the reporting date are classified as realised income in the financial statements.

(d) Financial liabilities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(d) Financial liabilities (continued)

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 profit 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.

(h) Cash and cash equivalents

Cash and cash equivalents comprise Islamic deposits with licensed financial institutions and investment account with licensed financial institutions with maturity period less than 3 months and cash at a bank which have an insignificant risk of changes in value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(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.

Profit income from Islamic deposits with licensed financial institutions and investment account with licensed financial institutions are recognised using the effective profit method.

(j) Net asset value attributable to unitholders

Net asset value attributable to unitholders represents the redemption amount that would be payable if the unitholder 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. ISLAMIC DEPOSITS AND INVESTMENT ACCOUNT WITH LICENSED FINANCIAL INSTITUTIONS

	2017 RM	2016 RM
Islamic deposits with licensed financial institutions comprise the following:		
- Maturity less than 3 months	289,427,534	168,343,382
- Maturity more than 3 months	1,329,029,652	337,661,030
	<u>1,618,457,186</u>	<u>506,004,412</u>
Investment account with licensed financial institutions comprise the following:		
- Maturity less than 3 months	20,955,542	-
- Maturity more than 3 months	360,971,930	126,491,378
	<u>381,927,472</u>	<u>126,491,378</u>
	2017	2016
Weighted average effective profit rate	<u>3.88%</u>	<u>3.80%</u>
Average maturities	<u>59 days</u>	<u>76 days</u>

Included in Islamic deposits with licensed financial institutions are deposits amounted to nil (2016: RM93,190,000) placed with United Overseas Bank (Malaysia) Bhd ("UOBM"), a related company of the Manager.

4. AMOUNT DUE TO MANAGER

	2017	2016
	RM	RM
Manager's fee payable	455,337	134,960

The normal credit period for the Manager's fee payable is one month.

5. AMOUNT DUE TO TRUSTEE

	2017	2016
	RM	RM
Trustee's fee payable	13,660	5,398

Amount due to Trustee represents Trustee's fee payable.

6. UNITHOLDERS' EQUITY

Net asset value attributable to unitholders is represented by:

	Note	2017	2016
		RM	RM
Unitholders' capital	(a)	2,009,467,673	635,669,137
Retained earnings - Realised	(b)	-	-
Total equity, representing NAV attributable to unitholders		<u>2,009,467,673</u>	<u>635,669,137</u>

6. UNITHOLDERS' EQUITY (CONTINUED)

(a) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION

	2017		2016	
	Units	RM	Units	RM
At the beginning of the financial year/date of commencement	635,669,137	635,669,137	-	-
Creation of units during the financial year/period	4,904,862,958	4,904,862,958	1,163,523,118	1,163,523,118
Reinvestment of units during the financial year/period	44,634,763	44,634,763	11,080,956	11,080,956
Cancellation of units during the financial year/period	(3,575,699,185)	(3,575,699,185)	(538,934,937)	(538,934,937)
At the end of the financial year/period	<u>2,009,467,673</u>	<u>2,009,467,673</u>	<u>635,669,137</u>	<u>635,669,137</u>

The Manager and parties related to the Manager did hold units amounted to RM20,561,502 in the Fund as at 31 December 2017 (2016: nil).

(b) RETAINED EARNINGS - REALISED

	2017	2016
	RM	RM
At the beginning of the financial year/date of commencement	-	-
Total comprehensive income for the financial year/period	49,307,893	12,813,150
Distributions for the financial year/period	<u>(49,307,893)</u>	<u>(12,813,150)</u>
At the end of the financial year/period	<u>-</u>	<u>-</u>

7. MANAGER'S FEE

Schedule 8 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 1.00% per annum of the net asset value of the Fund, calculated on a daily basis.

The management fee provided in the financial statements are 0.25% per annum (2016: between 0.10% to 0.30% 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 9 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 0.04% per annum of the net asset value of the Fund, calculated on a daily basis; subject to a minimum fee of RM12,000 per annum.

The Trustee's fee provided in the financial statements is 0.01% per annum based on the net asset value of the Fund below RM1,000,000,000 and 0.0075% based on the net asset value of the Fund above RM1,000,000,000, 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 (ITA), 1967. 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.

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:

	01.01.2017 to 31.12.2017 RM	26.04.2016 to 31.12.2016 RM
Net income before taxation	49,307,893	12,813,150
Taxation at Malaysian statutory rate of 24% (2016: 24%)	11,833,894	3,075,156
Tax effects of:		
Income not subject to tax	(12,779,475)	(3,309,565)
Expenses not deductible for tax purposes	945,581	234,409
Tax expense for the financial year/period	-	-

10. DISTRIBUTIONS

Final distributions to unitholders is derived from the following sources:

	01.01.2017 to 31.12.2017	26.04.2016 to 31.12.2016
	RM	RM
Profit income	53,247,813	13,789,853
Less: Expenses	(3,939,920)	(976,703)
	<u>49,307,893</u>	<u>12,813,150</u>

Details of distributions to unitholders during the financial year 31 December 2017 are as follows:

Distributions Ex-date	Reinvestment settlement date	Total distributions RM	Total distributions RM
31 January 2017	2 February 2017	2,147,046	2,147,046
28 February 2017	1 March 2017	2,233,232	2,233,232
31 March 2017	3 April 2017	3,079,191	3,079,191
30 April 2017	2 May 2017	2,494,663	2,494,663
31 May 2017	1 June 2017	3,213,462	3,213,462
30 June 2017	3 July 2017	3,427,589	3,427,589
31 July 2017	1 August 2017	4,352,509	4,352,509
31 August 2017	5 September 2017	4,990,367	4,990,367
30 September 2017	2 October 2017	5,169,303	5,169,303
31 October 2017	1 November 2017	5,207,683	5,207,683
30 November 2017	4 December 2017	6,587,524	6,587,524
31 December 2017	2 January 2018	6,405,324	6,405,324
		<u>49,307,893</u>	<u>49,307,893</u>

Details of distributions to unitholders during the financial period from 26 April 2016 to 31 December 2016 are as follows:

Distributions Ex-date	Reinvestment settlement date	Total distributions RM	Total distributions RM
31 May 2016	1 June 2016	1,048,408	1,048,408
30 June 2016	1 July 2016	1,281,008	1,281,008
31 July 2016	1 August 2016	1,374,829	1,374,829
31 August 2016	1 September 2016	1,521,714	1,521,714
30 September 2016	4 October 2016	1,771,291	1,771,291
31 October 2016	1 November 2016	1,981,521	1,981,521
30 November 2016	1 December 2016	2,102,185	2,102,185
31 December 2016	3 January 2017	1,732,194	1,732,194
		<u>12,813,150</u>	<u>12,813,150</u>

11. TRANSACTIONS WITH RELATED AND OTHER FINANCIAL INSTITUTIONS

Details of transactions with related and other financial institutions for the financial year ended 31 December 2017 are as follows:

Financial institutions	Value of Trade RM	Percentage of Total Trade %	Percentage of Total Brokerage Fees %	Percentage of Total Brokerage Fees %
Bank Kerjasama Rakyat Malaysia Berhad	15,568,885,497	35.07	-	-
Maybank Islamic Berhad	15,549,793,806	35.03	-	-
Bank Islam Malaysia Berhad	6,319,452,608	14.24	-	-
CIMB Islamic Bank Berhad	2,119,700,416	4.78	-	-
RHB Islamic Bank Berhad	1,241,811,156	2.80	-	-
Bank Simpanan Nasional	958,358,962	2.16	-	-
Public Islamic Bank Berhad	889,752,452	2.00	-	-
Hong Leong Islamic Bank Berhad	848,381,442	1.91	-	-
Affin Islamic Bank Berhad	523,399,000	1.18	-	-
United Overseas Bank (Malaysia) Bhd **	154,160,700	0.35	-	-
Others	213,748,000	0.48	-	-
	44,387,444,039	100.00	-	-

** 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”)

	01.01.2017 to 31.12.2017	26.04.2016 to 31.12.2016
	%	%
Manager’s fee	0.25	0.16
Trustee’s fee	0.01	0.01
Other expenses	0.02	0.01
Total MER	<u>0.28</u>	<u>0.18</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”)

	01.01.2017 to 31.12.2017	26.04.2016 to 31.12.2016
PTR (times)	<u>15.51</u>	<u>8.20</u>

The PTR of the Fund is the ratio of average acquisitions and disposals of the Fund for the financial period 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 the Islamic deposits with licensed financial institutions, investment account with licensed financial institutions, profit receivables and cash at a bank, are classified as receivables which are measured at amortised cost; and
- (ii) all of the Fund’s financial liabilities, comprising the amount due to Manager, amount due to Trustee and distribution payable, are classified as other financial liabilities which are measured at amortised cost.

14. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Classification of financial instruments (continued)

	Receivables at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
2017			
Assets			
Islamic deposits with licensed financial institutions	1,618,457,186	-	1,618,457,186
Investment account with licensed financial institutions	381,927,472	-	381,927,472
Profit receivables from Islamic deposits with licensed financial institutions	13,769,590	-	13,769,590
Profit receivables from investment account with licensed financial institutions	2,179,377	-	2,179,377
Cash at a bank	60,624	-	60,624
Total financial assets	<u>2,016,394,249</u>	-	<u>2,016,394,249</u>
Liabilities			
Amount due to Manager	-	455,337	455,337
Amount due to Trustee	-	13,660	13,660
Distribution payable	-	6,405,324	6,405,324
Total financial liabilities	-	<u>6,874,321</u>	<u>6,874,321</u>
2016			
Assets			
Islamic deposits with licensed financial institutions	506,004,412	-	506,004,412
Investment account with licensed financial institutions	126,491,378	-	126,491,378
Profit receivables from Islamic deposits with licensed financial institutions	4,737,129	-	4,737,129
Profit receivables from investment account with licensed financial institutions	83,140	-	83,140
Cash at a bank	258,114	-	258,114
Total financial assets	<u>637,574,173</u>	-	<u>637,574,173</u>
Liabilities			
Amount due to Manager	-	134,960	134,960
Amount due to Trustee	-	5,398	5,398
Distribution payable	-	1,732,194	1,732,194
Total financial liabilities	-	<u>1,872,552</u>	<u>1,872,552</u>

14. FINANCIAL INSTRUMENTS (CONTINUED)

(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:

- Islamic deposits with licensed financial institutions
- Investment account with licensed financial institutions
- Profit receivables from Islamic deposits with licensed financial institutions
- Profit receivables from investment account with licensed financial institutions
- Cash at a bank
- Amount due to Manager
- Amount due to Trustee
- Distribution payable

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 management risk, non-compliance risk, credit/default 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) Management risk

The performance of the Fund is affected by the experience, expertise and investment strategy of the Fund Manager. A lack of experience, knowledge and expertise, as well as poor execution of the investment strategy of the Fund may affect the returns of the Fund and may result in a loss of the capital invested.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(b) Non-compliance risk

This risk refers to the possibility that the Fund Manager may not follow the provisions set out in the Information Memorandum or the Deed or the laws, rules, guidelines or internal operating policies which governs the Fund. Non-compliance may occur due to factors such as human error or system failure. This risk may result in operational disruptions and potential losses to the Fund. The Fund Manager aims to mitigate this risk by placing stringent internal policies and procedures and compliance monitoring processes to ensure that the Fund is in compliance with the relevant regulations or guidelines.

(c) Credit/default 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. 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 profit and principal. Default happens when the financial institutions are not able to make timely payments of profit and/or principal. This may cause the Fund's assets to be written down, resulting in the loss of capital and/or income.

For Islamic deposits with licensed financial institutions and investment account with licensed financial institutions, the Fund only makes placement with financial institutions with sound rating. The following table presents the Fund's portfolio of deposits and investment account by rating category as at financial period:

2017	RM	As a % of deposits	As a % of NAV
Credit rating			
AAA	375,690,048	18.78	18.70
AA2	717,974,530	35.89	35.73
AA3	729,846,870	36.49	36.32
A1	6,900,000	0.34	0.34
Non-rated	169,973,210	8.50	8.46
	<u>2,000,384,658</u>	<u>100.00</u>	<u>99.55</u>

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(c) Credit/default risk (continued)

Credit default (continued)

2016	RM	As a % of deposits	As a % of NAV
Credit rating			
AAA	338,364,760	53.50	53.23
AA2	50,049,180	7.91	7.87
AA3	110,000,000	17.39	17.31
Non-rated	134,081,849	21.20	21.09
	<u>632,495,789</u>	<u>100.00</u>	<u>99.50</u>

(d) 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 unitholder's 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 Islamic deposits with licensed financial institutions and investment account with licensed financial institutions have a remaining maturities of less than 123 days (2016: 76 days) and will reprice in 123 days (2016: 76 days). All of the Fund's financial liabilities and equity have a maturity of less than one month (as unitholders can request for redemption of their units, they have been categorised as having a maturity of "less than 1 month").

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

The 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)

(e) Interest rate risk

Profit rates offered by banks and financial institutions will fluctuate according to the Overnight Policy Rate (“OPR”) determined by Bank Negara Malaysia and this has direct correlation with the return on the Fund’s investment in deposits and investment account. The Fund will enjoy higher profit income when interest rates rise and vice versa. Upon the revision of the OPR, rates for pre-existing deposit placements and investment account will remain unchanged. The change in the OPR will only affect new placements made after such change.

The Fund’s exposure to interest rate risk is managed according to the Manager’s view of the interest rate environment.

The above interest rate is a general economic indicator that will have an impact on the management of the Fund regardless whether it is a Shariah-compliant Unit Trust Fund or otherwise. It does not in any way suggest that the fund will invest in conventional financial instruments. All the investments are carried out for the fund are in accordance with Shariah requirements.

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 interest rate	Sensitivity of profit income increase/ (decrease) RM	Sensitivity of changes in fair value of deposits increase/ (decrease) RM
2017			
Assets			
Islamic deposits with licensed financial institutions	+10/-10	161,845,719 / (161,845,719)	161,845,719 / (161,845,719)
Investment account with licensed financial institutions	+10/-10	38,192,747 / (38,192,747)	38,192,747 (38,192,747)

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Interest rate risk (continued)

	% Change in interest rate	Sensitivity of profit income increase/ (decrease) RM	Sensitivity of changes in fair value of deposits increase/ (decrease) RM
2016			
Assets			
Islamic deposits with licensed financial institutions	+10/-10	50,600,441 / (50,600,441)	50,600,441 / (50,600,441)
Investment account with a licensed financial institution	+10/-10	12,649,138 / (12,649,138)	12,649,138 (12,649,138)

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.

17. SHARIAH INFORMATION OF THE FUND

The Shariah Adviser confirmed that the investment portfolio of the Fund is Shariah-compliant, which comprises liquid assets in local market, which are placed in Shariah-compliant investments and/or instruments.

18. COMPARATIVES FIGURES

The financial statements are for the financial year from 1 January 2017 to 31 December 2017. The comparative amounts for the financial statements and its related notes are for the Fund's first financial period from 26 April 2016 to 31 December 2016. Accordingly, the comparative amounts for the statement of financial position, statement of comprehensive income, statement of changes in net asset value, statement of cash flows and the related notes are not comparable.

CORPORATE INFORMATION

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 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	Pacific Trustees Berhad (317001-A)
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
Shariah Adviser of the Fund	IBFIM (763075-W)

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