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MAYBANK SMALLCAP TRUST FUND

(formerly known as **AMB SMALLCAP TRUST FUND**)

Annual report
For the financial year ended 31 July 2019

CORPORATE INFORMATION

MANAGER (with effect from 1 November 2018)

Maybank Asset Management Sdn Bhd (421779-M)

BUSINESS OFFICE

Level 12 Tower C
Dataran Maybank
No 1 Jalan Maarof
59000 Kuala Lumpur, Malaysia
Telephone +603 2297 7888
Facsimile +603 2715 0071
www.maybank-am.com

The previous Manager and External Investment Manager were:

MANAGER (until 31 October 2018)

Amanah Mutual Berhad (195414-U)
34th Floor Menara PNB
201-A Jalan Tun Razak
50400 Kuala Lumpur, Malaysia

EXTERNAL INVESTMENT MANAGER (until 31 October 2018)

UOB Asset Management (Malaysia) Berhad
Level 22 Vista Tower
The Intermark
348 Jalan Tun Razak
50400 Kuala Lumpur

TRUSTEE

CIMB Commerce Trustee Berhad (313031-A)
Level 21 Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50100 Kuala Lumpur
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MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

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MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

Manager's report

For the financial year ended 31 July 2019

A. Fund Information

1. Name of the Fund

Maybank SmallCap Trust Fund (formerly known as AMB SmallCap Trust Fund) ("Fund")

2. Type of Fund

Growth Fund

3. Category of Fund

Equity Fund

4. Duration of the Fund

The Fund is an open-ended Fund.

5. Fund launch date / commencement date

3 March 2004 / 24 March 2004

6. Fund's investment objective

The Fund aims to achieve Medium to Long Term capital growth by primarily investing into securities of small and medium sized companies:

- (i) listed on the Bursa Malaysia's Main Market, ACE Market and/or any other boards approved by the Securities Commission Malaysia ("SC");
- (ii) with market capitalisation of not more than the limit considered by the SC to be appropriate for fund similar to this Fund; and
- (iii) which have the potential for capital appreciation over the Medium to Long Term.

7. Fund distribution policy

It is not the main objective of the Fund to distribute income as the main focus of the Fund is to secure capital growth in line with the performance of the Fund's benchmark. Any distribution is at the Manager's discretion, subject to Trustee's approval.

8. Fund's performance benchmark

Effective 1 March 2019, the Fund's benchmark is FTSE Bursa Malaysia ("FBM") SmallCap Index ("FBMSC"). Prior to 1 March 2019, the Fund's composite benchmark comprises of:

- 70% of the performance of the FBMSC; and
- 30% of the performance of the FBM Top 100 Index ("FBM100")

9. The Fund's investment policy and principal investment strategy

The Fund invests in securities of companies which have obtained approval from the relevant authorities for listing on the Main Market or ACE Market of Bursa Malaysia. The Fund invests primarily in selected small and medium sized companies with market capitalisation of not more than Ringgit Malaysia ("RM") 3 billion at the point of purchase of stocks which have the potential for capital appreciation over the Medium to Long Term. The Fund may also invest in companies with market capitalisation exceeding RM3 billion in order to increase the benefit of diversification and enhance the stability of the Fund. The Fund may consider investment in unlisted equities. However, investment in unlisted equities is limited to a maximum of 10% of the NAV of the Fund.

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

Manager's report

For the financial year ended 31 July 2019 (cont'd)

A. Fund Information (cont'd)

10. Breakdown of unitholdings by size

Fund size

As at 31 July 2019, the size of the Fund was 232,215,726 units.

Breakdown of unitholdings as at 31 July 2019

Unitholdings	No. of unitholders	%	No. of units ('000)	%
5,000 units and below	438	36.44	956	0.41
5,001 to 10,000 units	188	15.64	1,232	0.53
10,001 to 50,000 units	402	33.44	7,894	3.40
50,001 to 500,000 units	173	14.39	16,412	7.07
500,001 units and above	1	0.09	* 205,722	88.59
Total	1,202	100.00	** 232,216	100.00

* Represent 205,722,214 units held by Malayan Banking Berhad

** Included units held under Institutional Unit Trust Scheme Advisers ("IUTA"s)

B. Performance Review

1. Key performance data of the Fund

Category	FY2019	FY2018	FY2017
----------	--------	--------	--------

Portfolio composition (%)

Quoted equities - local

Construction	6.18	2.93	9.22
Consumer Products	9.48	16.89	7.41
Energy	5.05	-	-
Finance	9.19	12.61	13.34
Healthcare	6.89	10.62	-
Industrial Products	17.92	15.51	16.41
Infrastructure	-	-	3.07
Plantations	0.75	4.83	2.16
Properties	3.57	3.73	4.21
Real Estate Investment Trust ("REIT")	1.12	1.47	1.73
Technology	18.68	4.55	4.10
Telecommunication	5.35	6.94	0.14
Trading/Services	-	-	19.04
Transportation	1.06	1.63	2.08
Utilities	4.32	4.67	-
Cash and other net assets	10.43	13.62	17.09
Total	100.00	100.00	100.00

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

Manager's report

For the financial year ended 31 July 2019 (cont'd)

B. Performance Review (cont'd)

1. Key performance data of the Fund (cont'd)

Category	FY2019	FY2018	FY2017
NAV (RM'000)	114,307	121,710	119,581
Units in circulation (units'000)	232,216	235,387	222,932
NAV per unit (RM)	0.4922	0.5171	0.5364
Highest NAV per unit (RM)	0.5233	0.5786	0.5806
Lowest NAV per unit (RM)	0.4461	0.4879	0.4834
Net income distributed (RM'000)	-	-	8,917
Distribution date	-	-	31 July 2017
Gross/net distribution per unit (sen)	-	-	4.00
Annual total return (%) ⁽¹⁾	(4.80)	(3.60)	19.88
Benchmark (%)	(5.41)	(9.47)	10.69
Management Expense Ratio ("MER") (%)	1.57	1.69	1.87
Portfolio Turnover Ratio ("PTR") (times)	0.59	0.46	0.65

Notes:

(1) Actual return of the Fund for the financial period is computed based on the daily average NAV per unit, net of Manager's and Trustee's fees.

Investors are reminded that past performance of the Fund is not necessarily an indicative of its future performance and that unit prices and investment returns may fluctuate.

2. Performance of the Fund up to 31 July 2019

Category	1 year to 31.07.2019 %	3 years to 31.07.2019 %	5 years to 31.07.2019 %
Capital growth	(4.80)	2.39	(19.89)
Income distribution	-	7.46	14.96
Total return of the Fund	(4.80)	10.03	(7.90)
Benchmark	(5.41)	(5.22)	(20.29)
Average total return	(4.80)	3.24	(1.63)

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

Manager's report
For the financial year ended 31 July 2019 (cont'd)

B. Performance Review (cont'd)

2. Performance of the Fund up to 31 July 2019 (cont'd)



Source: Lipper, as at 31 July 2019

During the 1-year period under review, the Fund's performance went down by -4.80%, outperformed the FBM Small Cap's loss of -5.41%. The outperformance was mainly due to overweight of the financial sector as well as underweighting the construction sector. The Fund's higher cash position also helped cushion the fund's downside over the review period. The overall market however saw a decline due to the uncertainty of the local equity market as the change of the Malaysia government took place.

Has the Fund met its objective?

Due to poor performance of overall local market, the Fund did not meet its objective of capital growth for the 1-year and 5-year period ended July 2019, but provided a positive growth for the 3-year period ended 31 July 2019. Its benchmark, the FBM Small Cap index, also registered negative returns over the same period.

3. Annual total return of the Fund

For the financial year ended	31.07.2019 %	31.07.2018 %	31.07.2017 %	31.07.2016 %	31.07.2015 %
Capital growth	(4.80)	(3.60)	11.56	(0.02)	(16.35)
Income distribution	-	-	8.32	-	-
Total return	(4.80)	(3.60)	19.88	(0.02)	(16.35)
Benchmark	(5.41)	(9.47)	10.69	(3.57)	(12.77)

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

Manager's report

For the financial year ended 31 July 2019 (cont'd)

B. Performance Review (cont'd)

4. Basis of calculation made in calculating the returns:

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

An illustration of the above would be as follows:

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

C. Market Review

During the year under review, markets were mixed as United States ("US"), China, Thailand, Indonesia and Philippines recorded gain whereas Hong Kong, Taiwan, Singapore and Malaysia posted losses for the year. The last quarter of 2018 have been rough for almost all asset classes, with most of the equity markets posting double digit losses for 2018. Concerns on the ongoing US-China trade war, tech sector correction and a slowdown in the global economy growth expectation continues to put pressure on the market. However, a change in tone by the US Federal Reserve ("Fed") and more constructive US-China trade talks, set the ground for a strong rebound in the first quarter of 2019. Most markets closed green for the first quarter of 2019.

However, the party ended early when the US-China trade war talks took a turn for the worse in the month of May 2019. US announced its plan of increasing tariff on United States Dollar ("USD") 200 billion worth of Chinese import from 10% to 25% from 10th May 2019 onwards and China retaliated by increasing the tariff range from 5-10% to 5-25% on USD60 billion worth of US import. Coupled with the ban on Huawei, markets dip as investors grew concerned about the implications of the trade war to the global economy.

Subsequently, the US and China agreed to restart negotiations following the G20 meeting in June 2019 whilst further tariff increases were put on hold temporarily. Coupled with increased expectations of the US Fed cutting interest rates, markets staged a relief rally. Macroeconomic data released throughout July 2019 continued to be soft, causing dovish monetary expectations to climb up. A slew of dovish policy actions made headlines as more emerging countries such as Indonesia, South Africa and South Korea decided to go ahead with a rate cut, ahead of any decision by the US Fed. By the end of July 2019, the US Fed announced a cut in the Fed Fund rate as widely expected, lowering the target range by 25 basis points ("bps") to 2% to 2.25%.

For the US, Dow Jones and S&P500 registered a 5.7% and 5.8% return respectively for the year despite the sharp fall in October 2018, December 2018 and May 2019. However, in Europe, slowdown in growth as well as political tensions continue to drag the market. Euro Stoxx 50 registered a negative return of 1.7% for the year, despite rebounding 15.5% in year to date. Regionally, China, Thailand, Jakarta and Philippines managed to close with a gain of 2.0%, 0.6%, 7.7% and 4.9% for the year. Hong Kong, Singapore and Malaysia closed in the negative territory for the year.

MAYBANK SMALLCAP TRUST FUND
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Manager's report

For the financial year ended 31 July 2019 (cont'd)

C. Market Review (cont'd)

Domestically, the large cap FBM Kuala Lumpur Composite Index ("KLCI") closed -8.4% for the period, while the broader market FBM Emas Index also posted a loss of 8.3 %. The local market failed to see strong rally in early 2019 as compared to its peers due to the overhang on the potential exclusion of Malaysia from FTSE Russell World government Bond Index, political uncertainties as well as government policies. Meanwhile, the FBMSC Index still registered a decline of 8.4% for the year, despite recovering 19.9% in the first 7 months of 2019.

For the year, foreign funds have taken out RM7.9 billion net worth of equities with a strong outflow in the month of March 2019 to May 2019. Fund flow reversed in January 2019 and June 2019 at +RM1.0billion and RM0.1 billion respectively but in the subsequent months, foreigners sold off their position, ending with a net outflow of RM4.7 billion year to date.

Since taking over in May 2018, the Pakatan Harapan ("PH") coalition has brought a couple of changes in several policies that affected the local equity market such as the abolition of the Goods and Services Tax ("GST") on 1 June 2019 and reintroduction of Sales and Service Tax ("SST") on 1 September 2019, review of mega infrastructure projects, change and restructuring of government-linked companies as well as introduction of cheaper broadband services in the country. Some of these changes sent the construction and telecommunication stocks as well as stocks that were perceived to be closely linked to previous government on a downward spiral.

In November 2018, the local government announced its Budget 2019 focusing on fiscal discipline and alleviating the rising cost of living for the lower income household. The government expects the Malaysian economy to expand at 4.9% in 2019, slightly higher than 4.8% in 2018 supported by domestic demand. However, following the release of Bank Negara Malaysia ("BNM") Annual Report 2018 in March 2019, the Gross Domestic Product ("GDP") growth forecast for 2019 has been revised to a range of 4.3%-4.8%. Besides that, the fiscal deficit targets were set at 3.4% for 2019 as they continue to exercise prudent spending in 2019. In terms of the introduction of new taxes which was briefly talked about in "The New Dawn" conference held by local brokers, the absence of the highly speculated capital gain tax and inheritance tax which spooked the market post the conference was a relief to the market but the soda and casino tax were raised, sending the casino stocks down. Overall, Budget 2019 could be viewed as slightly negative for certain sectors but positive in the medium to long-term to the Malaysian economy as the government lays out appropriate measures in the short term for a longer term view.

Earnings numbers were weak, with second, third and fourth quarter 2018 earnings generally seeing more disappointments than outperformances due to the challenging operating environment locally and externally. Sector wise, key disappointments came from the construction (slower recognition as most projects were being reviewed), plantations (lower crude palm oil prices), property (weak progress billings and compression in margins as a result of tougher competition) and technology (slower demand growth, impacted from the ongoing US-China trade war). However, in the recent first quarter 2019 reporting season, decent corporate earnings were announced throughout the month of May 2019, with lesser companies missing expectations this time round.

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

Manager's report

For the financial year ended 31 July 2019 (cont'd)

D. Market Outlook

Post the relief rally in June 2019 to early July 2019 following increased expectations of policy easing by Central Banks, focus has now shifted to the health of the global economy. Activity readings globally were generally weak with the latest June 2019 global manufacturing Purchasing Managers Index ("PMI") reiterating that view. Indeed, the largest declines were Asian economies linked to the China's supply chain. In the near term, investors will continue to watch very closely on developments on the ongoing US-China trade talks, Federal Open Market Committee ("FOMC") action and Brexit. Volatility will likely continue due to both external and internal factors, fluid capital flows and BNM's policy.

Despite the recent easing in May 2019 (Overnight Policy Rate ("OPR") reduction to 3.00% from 3.25%), BNM views that it still has monetary ammunition given the depressed inflation although this is taking account the fluctuations of the Ringgit. Furthermore, the government's initiative to resume fiscal spending should provide support to economic growth going forward. Nevertheless, we think Malaysian equities remains fairly positioned to face these various headwinds further supported by the ample liquidity represented by the large pension funds, life insurance and other institutional investor.

E. Investment Strategy

We continue to seek for fundamentally solid companies with sustainable earnings. As the market continue to be volatile, we remain defensive with steady companies which includes consumer, REITs and utility sectors. We also seek bashed down companies with good fundamentals as the market remains jittery from the US-China trade tension. For trading, we remain constructive on the construction and water infrastructure sector as we think they are beneficiaries to the fiscal initiatives as well as the potential rise in water tariffs.

F. Significant Changes in the State of Affairs of the Fund

The following changes are with effect from 1 November 2018:

- The name of the Fund has been changed to Maybank SmallCap Trust Fund; and
- The Manager has been changed to Maybank Asset Management Sdn Bhd.

G. Soft Commissions and Rebates

The Manager and its delegates will not retain any form of soft commissions and rebates from or otherwise share in any commission with any broker in consideration for directing dealings in the investments of the Fund unless the commission received is retained in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Fund. All dealings with brokers are executed on best available terms.

During the financial year under review, the Manager and its delegates did not receive any rebates from the brokers or dealers but have retained soft commissions in the form of goods and services such as research materials and advisory services that assist in decision making process relating to the investment of the Fund (i.e. research materials, data and quotation services, computer hardware and software incidental to the investment management of the Fund and investment advisory services) which were of demonstrable benefits to the unitholders.

TRUSTEE'S REPORT

TO THE UNITHOLDERS OF MAYBANK SMALLCAP TRUST FUND (formerly known as AMB SMALLCAP TRUST FUND)

We, **CIMB Commerce Trustee Berhad** being the trustee of **Maybank SmallCap Trust Fund (formerly known as AMB SmallCap Trust Fund)** (“the Fund”) are of the opinion that **Amanah Mutual Berhad and Maybank Asset Management Sdn Bhd** (“the Managers”), acting in the capacity as Managers of the Fund, has fulfilled its duties in the following manner for the financial year ended 31 July 2019.

- (a) The Fund has been managed in accordance with the limitations imposed on the investment powers of the Managers under the Deed and Supplemental Deeds, the Securities Commission Malaysia’s Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 (as amended from time to time) and other applicable laws;
- (b) Valuation and pricing for the Fund has been carried out in accordance with the Deed and Supplemental Deeds and relevant regulatory requirements; and
- (c) Creation and cancellation of units have been carried out in accordance with the Deed and Supplemental Deeds and relevant regulatory requirements.

For and on behalf of the Trustee
CIMB Commerce Trustee Berhad

Lee Kooi Yoke
Chief Operating Officer

Kuala Lumpur, Malaysia
13 September 2019

STATEMENT BY MANAGER

**TO THE UNITHOLDERS OF
MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019**

We, Dr Hasnita Binti Dato' Hashim and Ahmad Najib Bin Nazlan, being two of the Directors of Maybank Asset Management Sdn Bhd (the "Manager") do hereby state that, in the opinion of the Manager, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Maybank SmallCap Trust Fund (formerly known as AMB SmallCap Trust Fund) as at 31 July 2019 and of its results, changes in equity and cash flows for the financial year ended 31 July 2019 and comply with the requirements of the Deeds.

For and on behalf of the Manager

Dr Hasnita Binti Dato' Hashim
Director

Ahmad Najib Bin Nazlan
Director

Kuala Lumpur, Malaysia
13 September 2019

**Independent auditors' report to the Unitholders of
MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Maybank SmallCap Trust Fund (formerly known as AMB SmallCap Trust Fund) (the "Fund"), which comprise the statement of financial position as at 31 July 2019 of the Fund, and statement of comprehensive income, statement of changes in equity and statement of cash flows of the Fund for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 14 to 48.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the as at 31 July 2019 and of its financial performance and cash flows for the period then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *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 audit opinion.

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

The Manager of the Fund ("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.

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
MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND) (cont'd)**

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

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

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

Responsibilities of the Manager and Trustee for the financial statements

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

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

The Trustee is responsible for overseeing the Fund's financial reporting process. The Trustee is also 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 a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Independent auditors' report to the Unitholders of
MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND) (cont'd)**

Auditors' responsibilities for the audit of the financial statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional 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 the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- 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
MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND) (cont'd)**

Other matters

This report is made solely to the unitholders of the Fund, as a body, in accordance with the Guidelines on Unit Trust Funds issued by the Securities Commission Malaysia 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

Kuala Lumpur, Malaysia
13 September 2019

Lee Pei Yin
No. 03189/05/2021 J
Chartered Accountant

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

	Note	2019 RM	2018 RM
INCOME			
Dividend income		3,047,180	3,258,337
Interest income		506,355	775,382
Net loss on fair value changes of fair value through profit or loss ("FVTPL") investments	6(b)		
- Unrealised loss		(4,811,508)	(12,987,639)
- Realised (loss)/gain		(2,489,504)	7,009,968
		<u>(3,747,477)</u>	<u>(1,943,952)</u>
EXPENSES			
Manager's fee	3	1,705,459	1,935,376
Trustee's fee	4	79,588	90,318
Auditors' remuneration		6,500	15,000
Tax agent's fee		5,000	5,000
Brokerage and other transaction fees		272,272	277,128
Administrative expenses		11,671	139,732
		<u>2,080,490</u>	<u>2,462,554</u>
NET LOSS BEFORE TAXATION		(5,827,967)	(4,406,506)
TAXATION	5	(24,879)	-
NET LOSS AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		<u>(5,852,846)</u>	<u>(4,406,506)</u>
Total comprehensive loss for the financial year is made up of the following:			
Realised (loss)/income		(1,041,338)	8,581,133
Unrealised loss		(4,811,508)	(12,987,639)
		<u>(5,852,846)</u>	<u>(4,406,506)</u>

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

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2019

	Note	2019 RM	2018 RM
ASSETS			
Investments at FVTPL	6	102,382,950	105,143,527
Deposits with licensed financial institutions	7	13,276,842	16,603,651
Tax recoverable		-	12,735
Dividend receivable		127,179	125,080
Interest receivable		1,055	1,461
Cash at bank		60,116	78,270
TOTAL ASSETS		<u>115,848,142</u>	<u>121,964,724</u>
LIABILITIES			
Amount due to Manager	8	182,048	176,047
Amount due to Trustee	9	6,841	7,100
Amount due to brokers	10	1,297,472	-
Other payables and accruals	11	54,694	71,769
TOTAL LIABILITIES		<u>1,541,055</u>	<u>254,916</u>
NET ASSET VALUE ("NAV") OF THE FUND		<u>114,307,087</u>	<u>121,709,808</u>
EQUITY			
Unitholders' capital	12(a)	134,501,140	136,051,015
Accumulated losses	12(b)&(c)	<u>(20,194,053)</u>	<u>(14,341,207)</u>
NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS		<u>114,307,087</u>	<u>121,709,808</u>
NUMBER OF UNITS IN CIRCULATION	12(a)	<u>232,215,726</u>	<u>235,386,500</u>
NAV PER UNIT		<u>0.4922</u>	<u>0.5171</u>

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

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

	Unitholders' capital Note 12(a) RM	Accumulated losses Note 12(b) & 12(c) RM	Total equity RM
At 1 August 2017	129,515,298	(9,934,701)	119,580,597
Total comprehensive loss for the financial year	-	(4,406,506)	(4,406,506)
Creation of units	1,938,903	-	1,938,903
Reinvestment of units	8,917,260	-	8,917,260
Cancellation of units	(4,320,446)	-	(4,320,446)
At 31 July 2018	<u>136,051,015</u>	<u>(14,341,207)</u>	<u>121,709,808</u>
At 1 August 2018	136,051,015	(14,341,207)	121,709,808
Total comprehensive loss for the financial year	-	(5,852,846)	(5,852,846)
Creation of units	26,777	-	26,777
Cancellation of units	(1,576,652)	-	(1,576,652)
At 31 July 2019	<u>134,501,140</u>	<u>(20,194,053)</u>	<u>114,307,087</u>

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

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

	2019	2018
	RM	RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Net proceeds from disposal of investments at FVTPL	65,082,808	53,597,314
Net payment for purchase of investments at FVTPL	(68,604,054)	(65,520,127)
Net dividend received	3,032,937	3,325,657
Interest received	506,752	778,878
Manager's fee paid	(1,734,906)	(1,931,938)
Trustee's fee paid	(79,847)	(91,272)
Other expenses paid	(34,226)	(160,345)
Net cash used in operating and investing activities	<u>(1,830,536)</u>	<u>(10,001,833)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	26,777	2,031,271
Payments for cancellation of units	(1,541,204)	(4,320,446)
Net cash used in financing activities	<u>(1,514,427)</u>	<u>(2,289,175)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,344,963)	(12,291,008)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	16,681,921	28,972,929
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u>13,336,958</u>	<u>16,681,921</u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash at bank	60,116	78,270
Deposits with licensed financial institutions with maturity of less than 3 months (Note 7)	13,276,842	16,603,651
	<u>13,336,958</u>	<u>16,681,921</u>

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

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

Maybank SmallCap Trust Fund (formerly known as AMB SmallCap Trust Fund) ("the Fund") was constituted pursuant to the execution of a Deed dated 11 February 2004 between Amanah Mutual Berhad as the Manager, and Malaysian Trustee Berhad as the Trustee and the Registered Holders of the Fund. A Second Supplemental Deed dated 28 January 2014, which was entered into between the Manager, Malaysian Trustee Berhad and the new Trustee, CIMB Commerce Trustee Berhad, was issued to amend the principal Deed. Also, Third Supplemental Deed was also issued on 27 January 2016. The Fund commenced operations on 3 March 2004 and will continue to be in operations until terminated by the Trustee as provided under the Deeds.

The Manager, a company incorporated in Malaysia, is principally engaged in the management of unit trust funds. Amanah Saham Nasional Berhad ("ASNB") and Permodalan Nasional Berhad, companies incorporated in Malaysia, were the holding and ultimate holding company of the Manager until 16 May 2018.

Following the acquisition of AMB by Maybank Asset Management Sdn Bhd ("MAM"), the immediate and ultimate holding companies of the Manager has been changed to MAM and Malayan Banking Berhad ("MBB") respectively effective 17 May 2018.

MAM and CIMB Commerce Trustee Berhad as the Trustee had entered into a Fourth Supplemental Deed dated 4 September 2018 to change the name of the Fund and to appoint MAM as the replacement Manager of the Fund effective 1 November 2018.

The principal activity of the Fund is to invest in a selected portfolio of investments in small and medium size companies listed on the Main Market of Bursa Malaysia Securities Berhad and other approved investments.

The Manager of the Fund is Maybank AM, a company incorporated in Malaysia. It is a holder of the Capital Markets Services License with fund management as its regulated activity under the Capital Markets and Services Act 2007 ("CMSA"). The principal place of business of Maybank AM is at Level 12, Tower C, Dataran Maybank, No. 1 Jalan Maarof, 59000 Kuala Lumpur, Malaysia. Maybank AM is a subsidiary of Maybank Asset Management Group Berhad ("MAMG"), which in turn is a subsidiary of Malayan Banking Berhad ("MBB").

The financial statements were authorised for issue by the Board of Directors of the Manager (the "Directors") in accordance with a resolution of the Directors on 13 September 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

The Fund has adopted the MFRS, Amendments to Standards and Interpretations Committee ("IC") Interpretations which have become effective during the financial year. The adoption of the new pronouncements did not result in any material impact to the financial statements.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies in Note 2.3 to 2.14 to the financial statements. The financial statements are presented in Ringgit Malaysia ("RM").

2.2 Standards, amendments to standards and interpretations issued but not yet effective

The following are standards, amendments to standards and interpretations issued by the MASB, but not yet effective, up to the date of issuance of the Fund's financial statements. The Fund intends to adopt the relevant standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS contained in the document entitled <i>"Annual Improvements to MFRS Standards document 2015 - 2017 Cycle"</i>	1 January 2019
Amendments to MFRS 3 and MFRS 11: <i>Previously Held Interest in a Joint Operation contained in the document entitled "Annual Improvements to MFRS Standards 2015 - 2017 Cycle"</i>	1 January 2019
Amendments to MFRS 112: <i>Income Tax Consequences of Payments on Financial Instruments Classified as Equity contained in the document entitled "Annual Improvements to MFRS Standards 2015 - 2017 Cycle"</i>	1 January 2019
Amendments to MFRS 123: <i>Borrowing Costs Eligible for Capitalisation contained in the document entitled "Annual Improvements to MFRS Standards 2015 - 2017 Cycle"</i>	1 January 2019
MFRS 16: <i>Leases</i>	1 January 2019
Amendments to MFRS 9: <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 119: <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 128: <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
IC Interpretation 23: <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 2: <i>Share-based Payment</i>	1 January 2020
Amendments to MFRS 3: <i>Business Combinations</i>	1 January 2020
Amendments to MFRS 3: <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 6: <i>Exploration for and Evaluation of Mineral Resources</i>	1 January 2020
Amendments to MFRS 14: <i>Regulatory Deferral Accounts</i>	1 January 2020
Amendments to MFRS 101: <i>Presentation of Financial Statements</i>	1 January 2020
Amendments to MFRS 108: <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Standards, amendments to standards and interpretations issued but not yet effective (cont'd)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101 & 108: <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 134: <i>Interim Financial Reporting</i>	1 January 2020
Amendment to MFRS 137: <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2020
Amendment to MFRS 138: <i>Intangible Assets</i>	1 January 2020
Amendments to IC Interpretation 12: <i>Service Concession Arrangements</i>	1 January 2020
Amendments to IC Interpretation 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 January 2020
Amendments to IC Interpretation 20: <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2020
Amendments to IC Interpretation 22: <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2020
Amendments to IC Interpretation 132: <i>Intangible Assets - Web Site Costs</i>	1 January 2020
MFRS 17: <i>Insurance Contracts</i>	1 January 2022
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be announced by MASB

The Fund expects that the adoption of the above standards will not have any material impact on the financial statements in the period of initial application.

2.3 Financial instruments

Financial assets and liabilities are recognised when the Fund becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.4 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. All recognised financial assets are subsequently measured in their entirety at amortised cost or fair value, depending on the classification of the assets.

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial assets (cont'd)

(i) Classification

Unless designated as at FVTPL on initial recognition, debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss:

- the assets are held within a business model whose objectives is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that do not meet the criteria above are classified as either fair value through other comprehensive income ("FVTOCI") or FVTPL.

The Fund classifies cash and cash equivalents, interest receivable, dividend receivable and amount due from brokers as loan and receivables, and are subsequently measured at amortised cost. Quoted equities is classified as FVTPL.

(ii) Financial assets at FVTPL

Investments in equity instruments are classified as FVTPL, unless the Fund designates an investment that is not held for trading as FVTOCI on initial recognition.

A financial asset is recognised at FVTPL if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of the portfolio of identified financial instruments that the Fund manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Debt instruments that do not meet the amortised cost criteria are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial assets (cont'd)

(ii) Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting year, with any gains or losses arising on remeasurement recognised in profit or loss.

Interest income on debt instruments as at FVTPL is disclosed separately in the profit or loss.

Dividend income on investments in equity instruments at FVTPL is recognised when the Fund's right to receive the dividends is established in accordance with MFRS 9 and is disclosed separately in the profit or loss.

(iii) Impairment of financial assets

Credit losses are recognised based on the 'Expected Credit Loss' ("ECL") model. The Fund recognises loss allowances for ECL on financial instruments that are not measured at FVTPL (financial assets that are debt instruments). The impairment model does not apply to equity investments.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date:
As the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive);
- Financial assets that are credit-impaired at the reporting date:
As the difference between the gross carrying amount and the present value of estimated future cash flows.

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the issuer or counterparty;
- Significant downgrade in credit rating of the instrument by a rating agency;
- A breach of contract such as a default or past due event; or
- The disappearance of an active market for a security because of financial difficulties.

For balances with short-term nature (e.g. interest receivable, dividend receivable, amount due from brokers and amount due from Manager), full impairment will be recognised on uncollected balances after the grace period.

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial assets (cont'd)

(iv) Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of financial asset classified as FVTOCI, the cumulative gain or loss previously accumulated in unrealised reserve is not reclassified to profit or loss, but is reclassified to distributable realised reserve.

On derecognition of financial asset classified as FVTPL, the cumulative unrealised gain or loss previously recognised is transferred to realised gain or loss on disposal in profit or loss.

2.5 Financial liabilities

(i) Classification

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. The Fund classifies amount due to Manager, amount due to Trustee, amount due to brokers, and other payables and accruals as other financial liabilities.

(ii) Recognition and measurement

Financial liabilities 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 are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method.

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

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Unitholders' capital

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

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

The outstanding units are carried at the redemption amount that is payable at each financial year if unitholder exercises the right to put the unit back to the Fund. Units are created and cancelled at prices based on the Fund's NAV per unit at the time of creation or cancellation. The Fund's NAV per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units.

Distribution equalisation represents the average distributable amount included in the creation and cancellation prices of units. The amount is either refunded to unitholders by way of distribution and/or adjusted accordingly when units are cancelled.

2.7 Revenue / Income

Revenue is recognised when control of the goods or services are transferred at an amount that reflects the consideration to be entitled in exchange for the goods or services. Revenue is measured at the fair value of consideration received or receivable.

Dividend income is recognised when the right to receive is established. Interest income is recognised using the effective interest rate method.

Realised gain or loss on disposal of investments is accounted for as the difference between net disposal proceeds and the carrying amounts of the investments.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank and deposits with licensed financial institutions with maturities of 3 months or less, which have an insignificant risk of changes in value.

2.9 Distribution

Any 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 to the unitholders' capital. A proposed distribution is recognised as a liability in the year in which it is approved.

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Income tax

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

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

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

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

2.11 Fair value measurement

The Fund measures its investments at FVTPL at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Functional and foreign currency

(a) 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 Ringgit Malaysia ("RM"), which is also the Fund's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

2.13 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for the allocating resources and assessing performance of the operating segments.

2.14 Critical accounting estimates and judgements

The preparation of the Fund's financial statements requires the Manager to make judgements, 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 require a material adjustment to the carrying amount of the asset or liability in the future.

No major judgements 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.

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

3. MANAGER'S FEE

The Manager's fee is computed daily based on 1.50% (2018: 1.50%) per annum ("p.a.") of the NAV of the Fund, before deducting Manager's fee and Trustee's fee for the day.

4. TRUSTEE'S FEE

The Trustee fee is calculated and accrued daily. The Trustee fee is computed based on 0.07% (2018: 0.07%) p.a. of the NAV of the Fund, before deducting Manager's fee and Trustee's fee for the day, subject to a minimum of RM 18,000 p.a.

5. TAXATION

	2019	2018
	RM	RM
Tax charge for the financial year:		
Current income tax expense	<u>24,879</u>	<u>-</u>

Income tax is calculated at the Malaysian statutory rate of 24% (2018: 24%) of the estimated assessable income for the financial year.

The tax expense for the financial period is in relation to the taxable income earned by the Fund after deducting tax allowable expenses. In accordance with Schedule 6 of the Income Tax Act 1967, interest income and dividend income earned by the Fund is exempted from tax.

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

	2019	2018
	RM	RM
Net loss before taxation	<u>(5,827,967)</u>	<u>(4,406,506)</u>
Taxation at Malaysian statutory rate of 24% (2018: 24%)	(1,398,712)	(1,057,561)
Income not subject to tax	(852,848)	(968,093)
Effect of income tax at source	12,144	2,025,654
Expenses not deductible for tax purposes	2,251,560	-
Underprovision in prior years	12,735	-
Tax expense for the financial year	<u>24,879</u>	<u>-</u>

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

6. INVESTMENTS AT FVTPL

The equities held by the Fund are categorised based on their principal business activities according to Bursa Malaysia sector classification as at reporting dates.

			2019 RM	2018 RM
Investments at FVTPL			102,382,950	105,143,527
2019	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
Construction				
Gabungan AQRS Bhd	2,040,000	2,397,600	2,856,000	2.50
IJM Corp Bhd	500,000	986,192	1,165,000	1.02
Mitrajaya Holdings Bhd - WD	7	-	-	-
Muhibbah Engineering (M) Bhd	780,000	1,855,838	2,098,200	1.84
TRC Synergy Bhd	1,529,200	1,108,170	940,458	0.82
	<u>4,849,207</u>	<u>6,347,800</u>	<u>7,059,658</u>	<u>6.18</u>
Consumer Products				
Bermaz Auto Bhd	500,000	250,000	1,275,000	1.12
Cocoaland Holdings Bhd	1,188,000	2,219,507	2,257,200	1.97
Guan Chong Bhd	823,100	2,469,300	2,971,391	2.60
Hai-O Enterprise Bhd	265,900	592,633	603,593	0.53
Lii Hen Industries Bhd	830,000	2,458,145	2,456,800	2.15
Malayan Flour Mills Bhd	1,890,900	3,671,417	1,266,903	1.11
	<u>5,497,900</u>	<u>11,661,002</u>	<u>10,830,887</u>	<u>9.48</u>

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

6. INVESTMENTS AT FVTPL (CONT'D)

2019 (cont'd)	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
Energy				
Hibiscus Petroleum Bhd	2,800,000	3,590,940	2,940,000	2.57
KNM Group Bhd	7,000,000	2,520,000	2,835,000	2.48
	<u>9,800,000</u>	<u>6,110,940</u>	<u>5,775,000</u>	<u>5.05</u>
Finance				
Aeon Credit Service (M) Bhd	275,231	2,766,883	4,552,321	3.98
CIMB Group Holdings Bhd	440,567	2,297,652	2,238,080	1.96
Malayan Banking Bhd **	276,804	2,208,852	2,394,355	2.09
RHB Banking Bhd	240,000	1,248,103	1,320,000	1.15
RHB Capital Bhd *	370,000	-	-	-
	<u>1,602,602</u>	<u>8,521,490</u>	<u>10,504,756</u>	<u>9.19</u>
Healthcare				
Kossan Rubber Industries Bhd	680,000	2,578,469	2,767,600	2.42
KPJ Healthcare Bhd	2,850,000	2,981,098	2,664,750	2.33
Supermax Corporation Bhd	500,000	762,800	830,000	0.73
Top Glove Corp Bhd	356,000	1,612,911	1,616,240	1.41
	<u>4,386,000</u>	<u>7,935,278</u>	<u>7,878,590</u>	<u>6.89</u>

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

6. INVESTMENTS AT FVTPL (CONT'D)

2019 (cont'd)	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
Industrial Products				
Cahaya Mata Sarawak Bhd	1,180,000	4,667,624	3,351,200	2.93
Cypark Resources Bhd	1,973,100	3,210,786	2,841,264	2.49
Foundpac Group Bhd	4,260,000	1,414,931	1,448,400	1.27
HPMT Holdings Bhd	4,000,000	2,240,000	1,580,000	1.38
Pantech Group Holdings Bhd	2,369,965	1,354,090	1,184,983	1.04
Pestech International Bhd	2,000,000	2,868,250	2,880,000	2.52
SKP Resources Bhd	2,000,000	2,491,050	2,480,000	2.17
SLP Resources Bhd	1,211,300	1,548,089	1,538,351	1.35
Superlon Holdings Bhd	690,600	752,793	614,634	0.54
Techbond Group Bhd	400,000	264,000	302,000	0.26
Uchi Technologies Bhd	830,000	2,522,492	2,257,600	1.98
	20,914,965	23,334,105	20,478,432	17.92
Plantation				
Ta Ann Holdings Bhd	383,500	1,378,234	862,875	0.75
Property				
Malaysian Resources Corporation Bhd	2,880,000	2,565,112	2,620,800	2.29
MKH Bhd	964,600	2,148,390	1,167,166	1.02
S P Setia Bhd - PA	320,000	320,000	288,000	0.25
	4,164,600	5,033,502	4,075,966	3.57

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

6. INVESTMENTS AT FVTPL (CONT'D)

2019 (cont'd)	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
Real Estate Investment Trust (REIT)				
MRCB-Quill REIT	1,200,000	1,475,279	1,284,000	1.12
Technology				
Datasonic Group Bhd	1,200,000	822,700	816,000	0.71
Frontken Corp Bhd	3,300,000	3,322,360	5,148,000	4.50
Globetronics Technology Bhd	1,500,000	2,845,200	2,670,000	2.34
JHM Consolidation Bhd	1,638,500	1,944,519	2,064,510	1.81
K-One Technology Bhd	4,031,800	984,532	907,155	0.79
MY E.G. Services Bhd	1,880,000	2,421,018	2,914,000	2.55
Pentamaster Corporation Bhd	1,581,600	3,948,711	5,551,416	4.86
UWC Bhd	928,900	1,182,303	1,281,882	1.12
	<u>16,060,800</u>	<u>17,471,343</u>	<u>21,352,963</u>	<u>18.68</u>
Telecommunications				
Digi.Com Bhd	540,000	2,468,241	2,700,000	2.36
TIME dotCom Bhd	380,000	1,481,674	3,420,000	2.99
	<u>920,000</u>	<u>3,949,915</u>	<u>6,120,000</u>	<u>5.35</u>

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

6. INVESTMENTS AT FVTPL (CONT'D)

2019 (cont'd)	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
Transportation				
Suria Capital Holdings Bhd	869,000	1,640,497	1,216,600	1.06
Utilities				
Ranhill Holdings Bhd	3,569,960	4,324,752	4,569,549	4.00
Taliworks Corp Bhd	412,900	342,153	373,674	0.33
	<u>3,982,860</u>	<u>4,666,905</u>	<u>4,943,223</u>	<u>4.32</u>
Total FVTPL investments	<u>74,631,434</u>	<u>99,526,290</u>	<u>102,382,950</u>	<u>89.57</u>
Unrealised gain on FVTPL investments			<u>2,856,660</u>	
2018				
Construction				
IJM Corp Bhd	600,000	1,206,869	1,176,000	0.97
Mitrajaya Holdings Bhd - WD	106,707	-	12,271	0.01
Muhibbah Engineering (M) Bhd	780,000	1,855,838	2,371,200	1.95
	<u>1,486,707</u>	<u>3,062,707</u>	<u>3,559,471</u>	<u>2.93</u>
Consumer Products				
AirAsia Group Bhd	730,000	2,484,397	2,598,800	2.14
Berjaya Auto Bhd	500,000	250,000	1,090,000	0.90
Cocoaland Holdings Bhd	1,188,000	2,219,507	2,732,400	2.25
DKSH Holdings (M) Bhd	680,000	3,977,113	2,604,400	2.14
Fraser & Neave Holdings Bhd	98,000	2,799,626	3,659,320	3.01

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

6. INVESTMENTS AT FVTPL (CONT'D)

2018 (cont'd)	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
Consumer Products (cont'd)				
Hai-O Enterprise Bhd	880,000	1,961,328	3,872,000	3.18
Malayan Flour Mills Bhd	1,180,000	2,810,671	1,510,400	1.24
Sime Darby Bhd	980,000	2,491,566	2,469,600	2.03
	<u>6,236,000</u>	<u>18,994,207</u>	<u>20,536,920</u>	<u>16.89</u>
Finance				
Aeon Credit Service (M) Bhd	333,131	3,348,949	4,983,640	4.09
Alliance Bank Malaysia Bhd	180,000	745,392	721,800	0.59
CIMB Group Holdings Bhd	430,000	2,241,753	2,511,200	2.06
Malayan Banking Bhd **	268,000	2,135,984	2,629,080	2.16
RHB Bank Bhd	540,000	2,809,532	2,937,600	2.41
RHB Capital Bhd *	370,000	-	-	-
Tune Protect Group Bhd	1,680,000	2,376,753	1,579,200	1.30
	<u>3,801,131</u>	<u>13,658,363</u>	<u>15,362,520</u>	<u>12.61</u>
Healthcare				
Kossan Rubber Industries Bhd	780,000	2,958,642	3,424,200	2.81
KPJ Healthcare Bhd	2,800,000	2,911,198	2,940,000	2.42
Supermax Corporation Bhd	880,000	1,838,108	3,845,600	3.16
Top Glove Corporation Bhd	268,000	2,434,214	2,717,520	2.23
	<u>4,728,000</u>	<u>10,142,162</u>	<u>12,927,320</u>	<u>10.62</u>

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

6. INVESTMENTS AT FVTPL (CONT'D)

2018 (cont'd)	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
Industrial Products				
Cahaya Mata Sarawak Bhd	1,180,000	4,667,624	3,717,000	3.05
Comfort Glove Bhd	50,000	42,442	43,750	0.04
Cypark Resources Bhd	1,415,400	3,454,878	3,396,960	2.79
Petronas Chemicals Group Bhd	288,000	2,412,927	2,571,840	2.11
Press Metal Aluminium Holdings Bhd	600,000	503,264	2,868,000	2.36
SKP Resources Bhd	1,600,000	2,137,896	2,384,000	1.96
VS Industry Bhd				
- Ordinary shares	2,180,000	3,185,360	3,662,400	3.01
- WA	587,500	-	235,000	0.19
	<u>7,900,900</u>	<u>16,404,391</u>	<u>18,878,950</u>	<u>15.51</u>
Plantation				
Genting Plantations Bhd				
- Ordinary shares	228,000	2,107,611	2,131,800	1.75
- WA	48,240	79,596	78,149	0.06
Jaya Tiasa Holdings Bhd	1,880,000	2,450,316	1,287,800	1.06
Ta Ann Holdings Bhd	930,000	3,342,263	2,390,100	1.96
	<u>3,086,240</u>	<u>7,979,785</u>	<u>5,887,849</u>	<u>4.83</u>
Property				
MKH Bhd	1,380,000	3,073,584	1,987,200	1.63

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

6. INVESTMENTS AT FVTPL (CONT'D)

2018 (cont'd)	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
Property (cont'd)				
Malaysian Resources Corporation Bhd				
- Ordinary shares	2,680,000	2,392,112	2,077,000	1.71
- WB	576,001	-	158,400	0.13
S P Setia Bhd - PA	320,000	320,000	316,800	0.26
	<u>4,956,001</u>	<u>5,785,696</u>	<u>4,539,400</u>	<u>3.73</u>
REIT				
MRCB-Quill REIT	<u>1,600,000</u>	<u>1,967,039</u>	<u>1,792,000</u>	<u>1.47</u>
Technology				
Inari Amertron Bhd	1,000,000	2,443,406	2,450,000	2.01
Unisem (M) Bhd	1,180,000	2,598,191	3,091,600	2.54
	<u>2,180,000</u>	<u>5,041,597</u>	<u>5,541,600</u>	<u>4.55</u>
Telecommunications				
Digi.Com Bhd	540,000	2,468,241	2,457,000	2.02
OCK Group Bhd - WA	983,300	-	172,077	0.14
Telekom Malaysia Bhd	680,000	2,406,121	2,699,600	2.22
TIME dotCom Bhd	380,000	1,481,674	3,116,000	2.56
	<u>2,583,300</u>	<u>6,356,036</u>	<u>8,444,677</u>	<u>6.94</u>
Transportation				
Suria Capital Holdings Bhd	<u>1,188,000</u>	<u>2,691,246</u>	<u>1,983,960</u>	<u>1.63</u>

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

6. INVESTMENTS AT FVTPL (CONT'D)

	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
2018 (cont'd)				
Utilities				
Petronas Gas Bhd	163,000	2,800,895	3,054,620	2.51
Tenaga Nasional Bhd	168,000	2,591,237	2,634,240	2.16
	<u>331,000</u>	<u>5,392,132</u>	<u>5,688,860</u>	<u>4.67</u>
Total FVTPL investments	<u>40,077,279</u>	<u>97,475,359</u>	<u>105,143,527</u>	<u>86.38</u>
Unrealised gain on FVTPL investments			<u>7,668,168</u>	

* As at the reporting date, the Fund holds shares in RHB Capital Bhd, which has been delisted to facilitate the transfer of shares and listing status to RHB Bank Bhd. Following the spin-off event on 2 June 2016, there is no cost and market value for the said security as all assets and liabilities have been vested to RHB Bank Bhd.

** Malayan Banking Bhd is the ultimate holding company of the Manager.

(b) Changes in the fair value of FVTPL investments are recognised in 'unrealised gain/(loss) on FVTPL investments' in the profit and loss. Accumulated unrealised gains or losses are reclassified to 'realised (loss)/gain on FVTPL investments' in the profit or loss when the associated assets are sold. See accounting policy Note 2.4 (ii) for details.

7. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

	2019 RM	2018 RM
Licensed banks	<u>13,276,842</u>	<u>16,603,651</u>

The weighted average effective interest rates ("WAEIR") of deposits and the average maturity of deposits as at the reporting date were as follows:

	2019		2018	
	WAEIR % p.a.	Average maturity Days	WAEIR % p.a.	Average maturity Days
Licensed banks				
- less than 3 months	<u>2.90</u>	<u>1</u>	<u>3.21</u>	<u>2</u>

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

8. AMOUNT DUE TO MANAGER

		2019	2018
		RM	RM
Amount due to Manager is in respect of:			
Manager's fee	(i)	146,600	176,047
Cancellation of units	(ii)	35,448	-
		<u>182,048</u>	<u>176,047</u>

(i) The amount relates to the amount payable to the Manager arising from the accruals for Manager's fee at the end of the financial year. The normal credit term for Manager's fee is 15 days (2018: 15 days)

(ii) The amount represented amount payable to the Manager for units cancelled.

9. AMOUNT DUE TO TRUSTEE

Amount due to Trustee relates to the amount payable arising from the accrual for Trustee's fee at the end of the financial year. The normal credit term is 15 days.

10. AMOUNT DUE TO BROKERS

Amount due to brokers relates to the amount payable to brokers arising from the purchase of investments. The settlement period for this payable is within 2 working days from the deal date.

11. OTHER PAYABLES AND ACCRUALS

	2019	2018
	RM	RM
Due to external auditors	12,084	19,000
Due to tax agents	8,681	3,681
Other payables and accruals	33,929	49,088
	<u>54,694</u>	<u>71,769</u>

MAYBANK SMALLCAP TRUST FUND
(formerly known as AMB SMALLCAP TRUST FUND)

12. TOTAL EQUITY

	Note	2019 RM	2018 RM
Unitholders' capital	12 (a)	134,501,140	136,051,015
Accumulated realised loss	12 (b)	(23,050,713)	(22,009,375)
Accumulated unrealised income	12 (c)	2,856,660	7,668,168
		<u>114,307,087</u>	<u>121,709,808</u>

(a) Unitholder's capital	2019		2018	
	Units	RM	Units	RM
As at beginning of the financial year	235,386,500	136,051,015	222,931,500	129,515,298
Creation of units	55,888	26,777	3,550,000	1,938,903
Reinvestment of units	-	-	16,630,000	8,917,260
Cancellation of units	(3,226,662)	(1,576,652)	(7,725,000)	(4,320,446)
As at end of the financial year	<u>232,215,726</u>	<u>134,501,140</u>	<u>235,386,500</u>	<u>136,051,015</u>

As at end of financial year, the total number and value of units held by the Manager are as follows:

	2019		2018	
	Units	RM	Units	RM
MBB, the ultimate holding of the Manager	<u>205,722,214</u>	<u>101,265,782</u>	<u>205,722,214</u>	<u>106,371,483</u>

The units are held beneficially by the Manager for booking purposes, and are within the prescribed limit allowed by the SC's Guidelines on Unit Trust Funds. Other than the above, there were no units held by the directors or parties related to the Manager.

(b) Accumulated realised loss

	2019 RM	2018 RM
At the beginning of the financial year	(22,009,375)	(30,590,508)
Net realised income for the financial year	(1,041,338)	8,581,133
At the end of the financial year	<u>(23,050,713)</u>	<u>(22,009,375)</u>

Disposal of certain underperforming investment prior to 1 August 2011 resulted in the significant accumulated realised losses brought forward.

MAYBANK SMALLCAP TRUST FUND
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12. TOTAL EQUITY (CONT'D)

(c) Accumulated unrealised income

	2019	2018
	RM	RM
At the beginning of the financial year	7,668,168	20,655,807
Net unrealised loss for the financial year	(4,811,508)	(12,987,639)
At the end of the financial year	<u>2,856,660</u>	<u>7,668,168</u>

13. TRANSACTIONS WITH BROKERS/DEALERS/FINANCIAL INSTITUTIONS

The transactions with top 10 brokers/dealers for the current and previous financial year are as follows:

	Value of trade	Percent of total trade	Brokerage fees	Percent of brokerage fees
2019	RM	%	RM	%
JF Apex Securities Bhd	24,091,854	18.77	24,186	12.61
TA Securities Bhd	22,591,495	17.60	22,729	11.85
Kenanga Investment Bank Bhd	13,892,664	10.82	27,826	14.50
Hong Leong Investment Bank Bhd	10,052,639	7.83	16,947	8.83
Maybank Investment Bank Bhd ("MIBB") *	9,673,658	7.54	14,834	7.73
M&A Securities Sdn Bhd	9,378,191	7.31	9,472	4.94
Affin Investment Bank Bhd	6,516,773	5.08	13,035	6.79
CIMB Investment Bank Bhd	6,150,272	4.79	12,293	6.41
UOB Kay Hian Securities (M) Sdn Bhd	6,152,184	4.79	11,694	6.10
RHB Investment Bank Bhd	4,859,421	3.79	9,783	5.10
Others	14,999,633	11.68	29,044	15.14
	<u>128,358,784</u>	<u>100.00</u>	<u>191,843</u>	<u>100.00</u>
2018				
MIBB *	26,285,545	23.99	52,571	24.53
CIMB Investment Bank Bhd	16,725,864	15.26	33,452	15.61
RHB Investment Bank Bhd	12,283,065	11.21	24,566	11.46
Affin Hwang Investment Bank Bhd	7,471,777	6.82	14,944	6.97
Kenanga Investment Bank Bhd	7,383,027	6.74	14,766	6.89

MAYBANK SMALLCAP TRUST FUND
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13. TRANSACTIONS WITH BROKERS/DEALERS/FINANCIAL INSTITUTIONS (CONT'D)

	Value of trade RM	Percent of total trade %	Brokerage fees RM	Percent of brokerage fees %
2018 (cont'd)				
UOB Kay Hian Securities (M) Sdn Bhd	7,349,181	6.71	11,135	5.20
Credit Suisse Securities (M) Sdn Bhd	6,977,780	6.37	13,956	6.51
CLSA Securities (M) Sdn Bhd	5,864,414	5.35	11,729	5.47
Alliance Investment Bank Bhd	4,990,296	4.55	8,654	4.04
JP Morgan Securities (M) Bhd	4,985,418	4.55	9,971	4.65
Others	9,273,935	8.46	18,548	8.66
	<u>109,590,302</u>	<u>100.00</u>	<u>214,292</u>	<u>100.00</u>

* MIBB is a wholly owned subsidiary of Malayan Banking Bhd ("MBB"), the ultimate holding company of the Manager.

14. SIGNIFICANT RELATED PARTY TRANSACTION AND BALANCES

For the purpose of these financial statements, parties are considered to be related to the Fund or the Manager if the Fund or the Manager has the ability directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Fund or the Manager and the party are subject to common control or common significant influence. Related parties maybe individuals or other entities. In addition to the related party information disclosed elsewhere in the financial statements, the following is the significant related party transaction and balances of the Fund during the financial year.

Other than those disclosed elsewhere in the financial statements, the significant related party transactions and balances as at the reporting date are as below.

	2019 RM	2018 RM
(a) Significant related party transactions		
MBB:		
Interest income from deposits	244,959	-
Dividend income	153,734	171,371
	<u>398,693</u>	<u>171,371</u>
(b) Significant related party balances		
MBB:		
Deposit with a licensed financial institution	2,922,842	-
Interest income receivable	232	-
	<u>2,923,074</u>	<u>-</u>

MAYBANK SMALLCAP TRUST FUND
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15. MANAGEMENT EXPENSE RATIO ("MER")

MER is calculated based on the ratio of the total fees and recovered expenses for the year, to the average daily NAV of the Fund. For the financial year ended 31 July 2019, the MER of the Fund stood at 1.57% (2018: 1.69%).

16. PORTFOLIO TURNOVER RATIO ("PTR")

The PTR of the Fund is the ratio of average of the total acquisitions and disposals of the investment in the Fund for the financial year to the daily average NAV of the Fund. For the financial year ended 31 July 2019, the PTR of the Fund stood at 0.59 times (2018: 0.46 times).

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(a) Classification of financial instruments

The Fund's financial assets and financial liabilities were measured on an ongoing basis at either fair value or at amortised cost based on their respective classifications. The significant accounting policies in Note 2 to the financial statements describe how the classes of financial instruments are measured and how income and expenses are recognised.

The following table analyses the financial assets and liabilities (excluding tax-related matters) of the Fund in the statement of financial position as at the reporting date by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

2019	Financial assets or liabilities at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
Assets				
Investments at FVTPL	102,382,950	-	-	102,382,950
Deposits with licensed financial institutions	-	13,276,842	-	13,276,842
Dividend receivable	-	127,179	-	127,179
Interest receivable	-	1,055	-	1,055
Cash at bank	-	60,116	-	60,116
Total financial assets	102,382,950	13,465,192	-	115,848,142

MAYBANK SMALLCAP TRUST FUND
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17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONT'D)

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

2019 (cont'd)

Liabilities	Financial assets or liabilities at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
Amount due to brokers			1,297,472	1,297,472
Amount due to Manager	-	-	182,048	182,048
Amount due to Trustee	-	-	6,841	6,841
Other payables and accruals	-	-	54,694	54,694
Total financial liabilities	-	-	1,541,055	1,541,055

2018

Assets

Investments at FVTPL	105,143,527	-	-	105,143,527
Deposits with licensed financial institutions	-	16,603,651	-	16,603,651
Dividend receivable	-	125,080	-	125,080
Interest receivable	-	1,461	-	1,461
Cash at bank	-	78,270	-	78,270
Total financial assets	105,143,527	16,808,462	-	121,951,989

Liabilities

Amount due to Manager	-	-	176,047	176,047
Amount due to Trustee	-	-	7,100	7,100
Other payables and accruals	-	-	71,769	71,769
Total financial liabilities	-	-	254,916	254,916

(b) Financial instruments that are carried at fair value

The fair value of quoted investments in shares, warrants and REITs are determined by reference to the last bid price on the Bursa Malaysia as at the statement of financial position date.

MAYBANK SMALLCAP TRUST FUND
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17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONT'D)

(c) Fair value hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
2019				
Investments at FVTPL	102,382,950	-	-	102,382,950
2018				
Investments at FVTPL	105,143,527	-	-	105,143,527

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

Other than its investments at FVTPL, the Fund's financial instruments were not carried at fair value but their carrying amounts were reasonable approximations of fair value due to their short-term maturity.

18. SEGMENTAL REPORTING

The Portfolio Management Committee (the "PMC") of the Manager, being the chief operating decision-maker of the Manager makes the strategic decisions on the resources allocation of the Fund. The decisions are based on an integrated investment strategy to ensure the Fund achieve its targeted return with an acceptable level of risk within the portfolio.

The chief operating decision-maker is responsible for the performance of the Fund by investing a minimum of 70% of the Fund's assets in equities and equity-related securities, and a minimum of 2% of the Fund's NAV will be invested in liquid assets.

The internal reporting for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and IFRS.

There were no changes in the reportable operating segments during the financial year.

MAYBANK SMALLCAP TRUST FUND
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19. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

(a) Introduction

The Fund maintains investment portfolios in a variety of listed financial instruments as dictated by its Deeds and investment management strategy. The Fund is exposed to a variety of risks including market risk (which includes price risk) and liquidity risk. Whilst these are the most important types of financial risks inherent in each type of financial instruments, 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.

(b) Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices. The maximum risk resulting from financial instruments equals their fair value. The market risk is managed through consistent monitoring and swift response to various factors that may adversely affect the Fund.

(i) Equity price risk

Equity price risk is the risk of unfavourable changes in the fair values of equities as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Fund's investments in quoted equities. This risk can be minimised through investing in a wide range of companies in different sectors, which function independently from one another.

Equity price risk sensitivity

Management's best estimate of the effect on profit for the year due to a reasonable change in equity index, with all other variables held constant is indicated in the table below:

	2019	Effects on profit	2018	Effects on profit
	Changes in equity price %	for the year Increase/ (decrease) RM	Changes in equity price %	for the year Increase/ (decrease) RM
Quoted equities	+ 5	5,119,148	+ 5	5,257,176
	- 5	(5,119,148)	- 5	(5,257,176)

Equity price risk concentration

The Fund's exposure to equity price risk based on its portfolio of investments as at the reporting date is disclosed in Note 6 to the financial statements.

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

(d) Liquidity risk

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

The Manager's policy is to always maintain a prudent and sufficient level of liquid assets so as to meet normal operating requirements and expected redemption requests by unitholders. Liquid assets comprise of cash, deposits with licensed financial institutions and other instruments which are capable of being converted into cash within 7 days.

The following table summarises the maturity profile of the Fund's financial liabilities. Balances due within twelve months equal their carrying amounts, as the impact of discounting is insignificant.

2019	Less than 1 month RM	1 month to 1 year RM	Total RM
Financial assets:			
Investments at FVTPL	102,382,950	-	102,382,950
Deposits with licensed financial institutions	13,276,842	-	13,276,842
Dividend receivable	127,179	-	127,179
Interest receivable	1,055	-	1,055
Cash at bank	60,116	-	60,116
Total undiscounted financial assets	<u>115,848,142</u>	<u>-</u>	<u>115,848,142</u>
Financial liabilities:			
Amount due to Brokers	1,297,472	-	1,297,472
Amount due to Manager	182,048	-	182,048
Amount due to Trustee	6,841	-	6,841
Other payables and accruals	54,694	-	54,694
Unitholders' equity	<u>114,307,087</u>	<u>-</u>	<u>114,307,087</u>
Total undiscounted and unitholders' equity	<u>115,848,142</u>	<u>-</u>	<u>115,848,142</u>
Liquidity gap	<u>-</u>	<u>-</u>	<u>-</u>

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

(d) Liquidity risk (cont'd)

2018	Less than 1 month RM	1 month to 1 year RM	Total RM
Financial assets:			
Investments at FVTPL	105,143,527	-	105,143,527
Deposits with licensed financial institutions	16,603,651	-	16,603,651
Dividend receivable	125,080	-	125,080
Interest receivable	1,461	-	1,461
Cash at bank	78,270	-	78,270
Total undiscounted financial assets	<u>121,951,989</u>	<u>-</u>	<u>121,951,989</u>
Financial liabilities:			
Due to Manager	176,047	-	176,047
Due to Trustee	7,100	-	7,100
Other payables and accruals	71,769	-	71,769
Unitholders' equity	<u>121,709,808</u>	<u>-</u>	<u>121,709,808</u>
Total undiscounted financial liabilities and unitholders' equity	<u>121,964,724</u>	<u>-</u>	<u>121,964,724</u>
Liquidity surplus	<u>(12,735)</u>	<u>-</u>	<u>(12,735)</u>

Notes:

(i) Financial assets

Analysis of financial assets at FVTPL and deposits into maturity groupings is based on the expected date on which these assets will be realised. The Fund's equities have been included in the "less than 1 month" category on the assumption that these are highly liquid investments which can be realised should all of the Fund's unitholders' equity be required to be redeemed. The other assets shall not comprise of tax recoverable in view that it is not a financial asset. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date on which the assets will be realised.

(ii) Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund can be required to pay.

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

(d) Liquidity risk (cont'd)

(iii) Unitholders' capital

The unitholders can request for redemption on their units by giving the Manager a T + 7 calendar day notice period, the unitholders' capital have been categorised as having a maturity of "less than 1 month".

As at 31 July 2019, the Fund has no liquidity gap.

(e) Credit risk

Credit risk is the risk that the issuer/counterparty to a financial instrument will default on its contractual obligation resulting in a financial loss to the Fund. The Fund is exposed to the risk of credit-related losses that can occur as a result of an issuer/counterparty's inability or unwillingness to honour its contractual obligations to make timely repayments of interest, principal and proceeds from realisation of investments. These credit exposures exist within financing relationships and other transactions.

The Manager manages the Fund's credit risk by undertaking credit evaluation and close monitoring of any changes to the issuer/counterparty's credit profile to minimise such risk. It is the Fund's policy to enter into financial instruments with reputable counterparties. The Manager also closely monitors the creditworthiness of the Fund's other counterparties (e.g. brokers, custodian, banks, etc.) by reviewing their credit ratings and credit profile on a regular basis.

Credit risk exposure

At the reporting date, the Fund's maximum exposure to credit risk is represented by the carrying amount of each class of financial asset recognised in the statement of financial position. None of the Fund's financial assets were past due or impaired as at the reporting date.

Credit quality of financial assets

The following table analyses the Fund's deposits with licensed financial institutions, cash at bank and interest receivables from financial institutions by rating categories. The rating is obtained from RAM Holdings Bhd's official website.

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

(e) Credit risk (cont'd)

Deposits with licensed financial institutions, cash at bank and interest receivable	2019		2018	
	RM	As a percentage of NAV %	RM	As a percentage of NAV %
AAA	13,338,013	21.82	4,181,190	6.35
AA-	-	-	12,502,192	19.00
	<u>13,338,013</u>	<u>21.82</u>	<u>16,683,382</u>	<u>25.35</u>

20. CAPITAL MANAGEMENT

The capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund.

The Fund's objectives for managing capital are:

- (a) To invest in investments meeting the description, risk exposure and expected returns as indicated in its prospectus;
- (b) To achieve consistent returns while safeguarding capital by using various investment strategies;
- (c) To maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise; and
- (d) To maintain sufficient fund size to ensure that the operations of the Fund are cost-efficient.

No changes were made to the capital management objectives, policies or processes during current financial year.