



**Maybank**  
Asset Management

Maybank Asset Management Sdn Bhd  
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# MAYBANK ENHANCED CASH XII FUND

Annual report  
For the financial year ended 31 March 2020

## **CORPORATE INFORMATION**

### **MANAGER**

Maybank Asset Management Sdn Bhd (199701006283 (421779-M))

### **BUSINESS OFFICE**

Level 12 Tower C  
Dataran Maybank  
No.1 Jalan Maarof  
59000 Kuala Lumpur, Malaysia  
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### **TRUSTEE**

PB Trustee Services Berhad  
17th Floor, Menara Public Bank  
146 Jalan Ampang  
50450 Kuala Lumpur  
Telephone +603 2176 6651  
Facsimile +603 2164 3285

## **MAYBANK ENHANCED CASH XII FUND**

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## **MAYBANK ENHANCED CASH XII FUND**

### **Manager's report**

**For the financial year ended 31 March 2020**

#### **A. Fund Information**

**1. Name of Fund**

Maybank Enhanced Cash XII Fund (the "Fund")

**2. Type of Fund**

Income

**3. Category of Fund**

Wholesale money market fund

**4. Duration of Fund**

The Fund is an open-ended fund.

**5. Fund launch date**

10 March 2008

**6. Fund's investment objectives**

The Fund is a short term money market fund that invests in instruments which generate income. The Fund is targeted for corporate and institutional investors who are generally risk averse and prefer Short Term investments. The Fund aims to provide liquidity at any time (T+1) without forgoing interest earned and generate better returns compared to fixed deposits and/or over-the-counter repurchase agreements rates.

Note: T is the day where a request/application to redeem is received by the Manager before the cut-off time.

**7. Fund distribution policy**

The Fund will distribute income on a half yearly basis, subject to availability.

**8. Fund's performance benchmark**

Maybank Overnight Deposit Rate

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

The Fund seeks to obtain a yield that exceeds the benchmark by placing up to 100% of the Net Asset Value ("NAV") of the Fund in fixed deposits and money market instruments that are highly liquid with maturity not exceeding one (1) year and invest into private debt securities with maturities not exceeding one (1) year.

## MAYBANK ENHANCED CASH XII FUND

### Manager's report

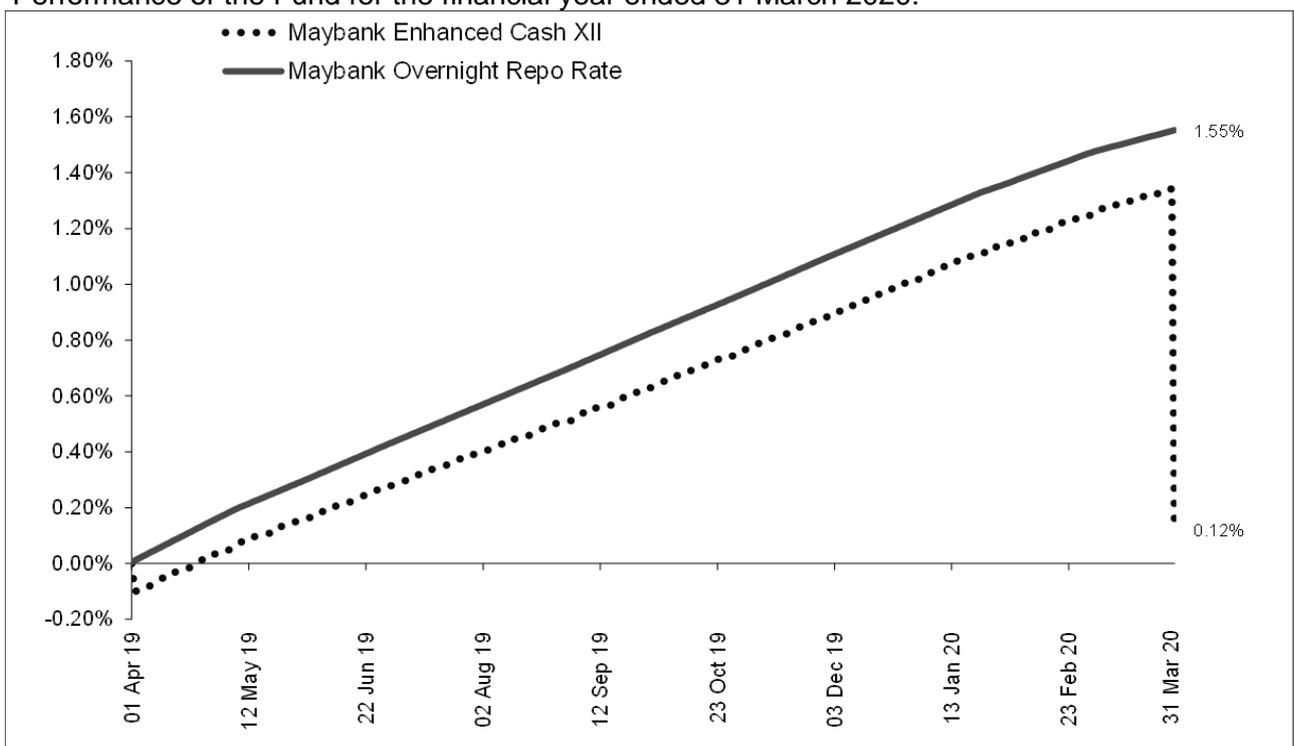
For the financial year ended 31 March 2020 (cont'd)

#### B. Performance Review

Returns of the Fund and its benchmark for the year ended 31 March 2020 are as follows:

Financial Year	The Fund %	Benchmark %
1 April 2019 to 31 March 2020	0.12	1.55

Performance of the Fund for the financial year ended 31 March 2020:



Source: Novagni Analytics and Advisory Sdn Bhd, as at 31 March 2020

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

The Fund has generated a net return of 0.12% per annum for the financial year ended 31 March 2020, compared to the benchmark which registered a return of 1.55% per annum over the year.

The underperformance was mainly due to total payment of expenses are more than total income generated from the funds during the period.

## **MAYBANK ENHANCED CASH XII FUND**

### **Manager's report**

**For the financial year ended 31 March 2020 (cont'd)**

#### **C. Market Review**

Year to date, Bank Negara Malaysia ("BNM") had executed two Overnight Policy Rate ("OPR") cuts of 25 basis points ("bps") each during the 21 January 2020 and 3 March 2020 Monetary Policy Committee ("MPC") meetings, with OPR currently standing at 2.50%. Having had 75bps cut in OPR since May 2019, the dovish sounding Monetary Policy Statement centered on downside risks to global and economic growth implies continued easing bias, with a prospect of further OPR cut as soon as the next MPC meet in early May 2020. Similarly in the United States ("US"), the Federal Reserve ("Fed") lowered the Fed Funds Rate ("FFR") during an intermeeting by 50bps - taking the range down to 1.00% - 1.25%, citing evolving risks to economic activity due to CoVID-19. Fed's action was a dovish signal and is likely to hold down rates and will use any tools appropriate to support the economy if necessary.

#### **D. Market Outlook**

Malaysia started 2020 amidst a confluence of CoVID-19 worries and domestic political concerns. Amid the country's political limbo, a Ringgit Malaysia ("RM") 20 billion stimulus package was announced on 27 February 2020 aimed to support the domestic economy from repercussions of CoVID-19. The largest chunk of the package was the measure taken to boost local consumption which was delivered via a cut in employee's minimum monthly contribution to Employees Provident Fund ("EPF") from 7% to 11% effective 1 April 2020 – 31 December 2020. This is expected to boost disposable income by up to RM10 billion. There is also a focus on spurring demand for travel and tourism as well as assisting related affected businesses.

#### **E. Investment Strategies**

The Manager monitors the liquidity requirements closely in order to place money market deposits in appropriate tenures which will satisfy the liquidity requirements and also position of the Fund to capitalise on any profit rate movement. The Manager also actively looks for products from licensed financial institutions that provide better yields. Hence, the Manager has resorted to maintain the deposit placement on short tenure basis to cater possibility of redemption from investor in the nearest future.

#### **F. Asset Allocation**

All assets of the Fund were invested in cash at bank and deposits with licensed financial institutions as at 31 March 2020.

#### **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 soft commissions received are 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 ended 31 March 2020, the Manager and its delegates did not receive any soft commissions and rebates from brokers or dealers.

## **TRUSTEE'S REPORT**

### **TO THE UNITHOLDERS OF MAYBANK ENHANCED CASH XII FUND FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

We have acted as Trustee of Maybank Enhanced Cash XII Fund (the "Fund") for the financial year ended 31 March 2020. In our opinion, Maybank Asset Management Sdn Bhd (the "Manager"), has operated and managed the Fund in accordance with the following:

- (a) Limitations imposed on the investment powers of the Management Company and of the Trustee under the Deeds, the Securities Commission Malaysia's Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework, the Capital Markets and Services Act 2007 ("CMSA"), and other applicable laws;
- (b) Valuation and pricing is carried out in accordance with the Deeds and relevant regulatory requirements;
- (c) Creation and cancellation of units of the Fund have been carried out in accordance with the Deeds and relevant regulatory requirements; and
- (d) The distributions to the unitholders during the financial year ended 31 March 2020 are consistent with the objectives of the Fund.

For and on behalf of  
**PB Trustee Services Berhad**

**Cheah Kuan Yoon**  
Chief Executive Officer

Kuala Lumpur, Malaysia  
13 May 2020

**STATEMENT BY MANAGER**

**TO THE UNITHOLDERS OF  
MAYBANK ENHANCED CASH XII FUND  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

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 set out are drawn up in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Maybank Enhanced Cash XII Fund as at 31 March 2020 and of its financial performance and cash flows for the financial year then ended.

On behalf of the Manager

**Dr Hasnita Binti Dato' Hashim**  
Director

**Ahmad Najib Bin Nazlan**  
Director

Kuala Lumpur, Malaysia  
13 May 2020

## **Independent auditors' report to the Unitholders of Maybank Enhanced Cash XII Fund**

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

#### *Opinion*

We have audited the financial statements of Maybank Enhanced Cash XII Fund (the "Fund"), which comprise the statement of financial position as at 31 March 2020 of the Fund, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 34.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 March 2020, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

#### *Basis for opinion*

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

Maybank Asset Management Sdn Bhd (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, which 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 Maybank Enhanced Cash XII 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.

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 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 Enhanced Cash XII 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 Enhanced Cash XII 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 Unlisted Capital Market Products Under the Lodge and Launch Framework 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 PLT  
20200600000 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Yeo Beng Yean  
No. 03013/10/2020 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
13 May 2020

**MAYBANK ENHANCED CASH XII FUND****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

	Note	2020 RM	2019 RM
<b>INVESTMENT INCOME</b>			
Interest income		48,942	124,902
<b>EXPENSES</b>			
Manager's fee	3	4,126	9,563
Trustee's fee	4	18,000	9,000
Auditors' remuneration		5,500	5,500
Tax agent's fee		3,953	3,500
Administrative expenses		2,300	4,007
		<u>33,879</u>	<u>31,570</u>
<b>Net income before taxation</b>		15,063	93,332
Taxation	5	(11,106)	(29,101)
<b>Net income after tax, and total comprehensive income for the financial year</b>		<u>3,957</u>	<u>64,231</u>
<b>Net income after taxation is made up of the following:</b>			
Net realised income		<u>3,957</u>	<u>64,231</u>
<b>Distributions for the financial year:</b>			
Net distributions	11	<u>12,953</u>	<u>34,660</u>
Gross distribution per unit (sen)	11	<u>1.54</u>	<u>1.42</u>
Net distribution per unit (sen)	11	<u>0.80</u>	<u>0.98</u>
Distribution date (ex date)	11	<u>30/09/2019</u>	<u>30/09/2018</u>

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

**MAYBANK ENHANCED CASH XII FUND**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2020**

	Note	2020 RM	2019 RM
<b>ASSETS</b>			
Deposits with licensed financial institutions	6	1,667,000	2,211,000
Interest receivables		114	627
Cash at bank		576	1,134
<b>TOTAL ASSETS</b>		<u>1,667,690</u>	<u>2,212,761</u>
<b>LIABILITIES</b>			
Amount due to Manager	7	349	529
Amount due to Trustee	8	17,698	8,278
Other payables and accruals	9	15,816	10,812
Provision for taxation		2,175	10,351
<b>TOTAL LIABILITIES</b>		<u>36,038</u>	<u>29,970</u>
<b>NET ASSET VALUE ("NAV") OF THE FUND</b>		<u>1,631,652</u>	<u>2,182,791</u>
<b>EQUITY</b>			
Unitholders' capital	10(a)	1,626,556	2,159,256
Retained earnings	10(b)	5,096	23,535
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>1,631,652</u>	<u>2,182,791</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNIT)</b>	10(a)	<u>1,631,959</u>	<u>2,170,959</u>
<b>NAV PER UNIT (RM) *</b>		<u>0.9998</u>	<u>1.005450</u>

\* Effective 1 April 2019, the published NAV price of the Fund changed from 6 decimal places to 4 decimal places.

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

**MAYBANK ENHANCED CASH XII FUND**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

	<b>Unitholders' capital Note 10(a) RM</b>	<b>Distributable retained earnings Note 10(b) RM</b>	<b>Total equity RM</b>
At 1 April 2019	2,159,256	23,535	2,182,791
Total comprehensive income for the financial year	-	3,957	3,957
Creation of units	-		
Reinvestment of units	12,953	-	12,953
Cancellation of units	(555,096)	-	(555,096)
Distributions (Note 11)	9,443	(22,396)	(12,953)
At 31 March 2020	<u>1,626,556</u>	<u>5,096</u>	<u>1,631,652</u>
At 1 April 2018	8,975,088	7,104	8,982,192
Total comprehensive income for the financial year	-	64,231	64,231
Creation of units	3,017,839	-	3,017,839
Reinvestment of units	158,501	-	158,501
Cancellation of units	(10,005,312)	-	(10,005,312)
Distributions (Note 11)	13,140	(47,800)	(34,660)
At 31 March 2019	<u>2,159,256</u>	<u>23,535</u>	<u>2,182,791</u>

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

**MAYBANK ENHANCED CASH XII FUND****STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Interest received	49,455	126,885
Manager's fee paid	(4,306)	(11,341)
Trustee's fee paid	(8,580)	(906)
Taxation paid	(19,282)	(18,750)
Payment of other fees and expenses	(6,749)	(15,217)
Net cash generated from operating and investing activities	<u>10,538</u>	<u>80,671</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from units created	-	3,017,839
Cash paid on units cancelled	(555,096)	(10,005,312)
Cash distributions to unitholders	-	(51)
Net cash used in financing activities	<u>(555,096)</u>	<u>(6,987,524)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL YEAR</b>	<b>(544,558)</b>	<b>(6,906,852)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<b>2,212,134</b>	<b>9,118,986</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	<b><u>1,667,576</u></b>	<b><u>2,212,134</u></b>
Cash and cash equivalents comprise:		
Cash at bank	576	1,134
Deposits with licensed financial institutions with maturity of less than 3 months (Note 6)	1,667,000	2,211,000
	<u>1,667,576</u>	<u>2,212,134</u>

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

## **MAYBANK ENHANCED CASH XII FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

#### **1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES**

Maybank Enhanced Cash XII Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 11 February 2008 and amended by the following supplemental Deeds between the Manager, Maybank Asset Management Sdn Bhd ("Maybank AM") and the Trustee, PB Trustee Services Berhad and the registered unitholders of the Fund.

- First supplemental Deed dated 11 February 2008 and amended on 12 October 2010
- Second supplemental Deed dated 8 October 2012
- Third supplemental Deed dated 30 March 2015

The Deed and supplemental deeds are hereinafter referred to as "Deeds".

The Fund was launched on 10 March 2008. The principal activity of the Fund is to invest a maximum of 100% of the Fund's NAV in fixed deposits and money market instruments, and a maximum of 15% of the Fund's NAV in short term fixed income securities issued by the private sector.

The Manager of the Fund is Maybank AM, a company incorporated in Malaysia. It is a holder of the Capital Markets Services Licence 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, 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") on 13 May 2020.

#### **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"), the Deeds and any regulatory requirements.

The Fund has adopted the MFRS, Amendments to Standards and Interpretations Committee ("IC") Interpretations which have become effective during the financial year ended 31 March 2020. The adoption of the new pronouncements did not result in any material impact to the financial statements.

The financial statements are prepared on a historical cost basis except as disclosed in the accounting policies in Note 2.3 to Note 2.14 to the financial statements.

The financial statements are presented in Ringgit Malaysia ("RM").

## MAYBANK ENHANCED CASH XII FUND

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

#### 2.2 Standards and amendments to standards issued but not yet effective

The following are Standards and 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
Revised Conceptual Framework for Financial Reporting	1 January 2020
<i>Amendments to MFRS 3: Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108: Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 7, MFRS 9 and MFRS 139: Interest Rate Benchmark Reform</i>	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
<i>Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

#### 2.3 Financial instruments

Financial assets and financial 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 ENHANCED CASH XII FUND

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

#### 2.4 Financial assets (cont'd)

##### (i) Financial assets at amortised cost

Unless designated as at fair value through profit and loss ("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 classified cash and cash equivalents and interest receivables as financial assets at amortised cost. These assets are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. The EIR is a method of calculating the amortised cost of the financial asset and of allocating and recognising the interest income in profit or loss over the relevant period.

##### (ii) 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. The impairment model does not apply to equity investments.

ECL is a probability-weighted estimate of credit losses. It is 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.

## MAYBANK ENHANCED CASH XII FUND

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

#### 2.4 Financial assets (cont'd)

##### (ii) Impairment of financial assets (cont'd)

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 receivables), full impairment will be recognised on uncollected balances after the grace period.

##### (iii) Derecognition of financial asset

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 transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained profit 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 at amortised cost, gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

#### 2.5 Financial liabilities

##### 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, and other payables and accruals as other financial liabilities.

##### Recognition and measurement

Financial liabilities, within the scope of MFRS 9, 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.

## **MAYBANK ENHANCED CASH XII FUND**

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

#### **2.5 Financial liabilities (cont'd)**

##### Derecognition

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.

#### **2.6 Fair value measurement**

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 the asset or transfer the liability takes place either:

- (i) In the principal market for the asset or liability; or
- (ii) 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 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 and liabilities 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:

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

For assets and liabilities 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 date.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## **MAYBANK ENHANCED CASH XII FUND**

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

#### **2.7 Functional and foreign 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, which is also the Fund's functional currency.

#### **2.8 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:

- (i) the units entitle the holder to a proportionate share of the Fund's NAV;
- (ii) the units are the most subordinated class and class features are identical;
- (iii) there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- (iv) 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. This amount is either refunded to unitholders by way of distribution and/or adjusted accordingly when units are cancelled.

#### **2.9 Distributions**

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 an adjustment to the unitholders' capital. A proposed distribution is recognised as a liability in the period in which it is approved. Distribution is either reinvested or paid in cash to the unitholders on the income payment date. Reinvestment is based on the NAV per unit on the income payment date, which is also the time of creation.

## **MAYBANK ENHANCED CASH XII FUND**

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

#### **2.10 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and deposit with a financial institution with original maturity of three (3) months or less which have an insignificant risk of changes in value.

#### **2.11 Revenue/ Income**

Revenue is measured at the fair value of consideration received or receivable:

- Interest income from deposits with a licensed financial institution is recognised on the accruals basis using the effective interest rate method.
  
- Other revenue/income is generally recognised when the Fund satisfies a performance obligation by transferring a promised good or service or an asset to a customer. An asset is transferred when (or as) the customer obtains control of the asset.

#### **2.12 Income tax**

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

No deferred tax is recognised as no temporary differences have been identified.

#### **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 allocating resources and assessing performance of the operating segments.

#### **2.14 Critical accounting estimates and judgments**

The preparation of the Fund's financial statements requires the Manager to make judgements, estimates and assumption 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 judgement 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 ENHANCED CASH XII FUND

### 3. MANAGER'S FEE

The Manager's fee is computed on a daily basis at 0.25% (2019: 0.25%) per annum ("p.a.") of the NAV of the Fund before deducting the Manager's fee and Trustee's fees.

### 4. TRUSTEE'S FEE

The Trustee's fee is computed on a daily basis at 0.02% (2019: 0.02%) p.a. for the first RM1.0 billion of the NAV of the Fund and 0.01% p.a. of the NAV of the Fund above RM1.0 billion before deducting the Manager's fee and Trustee's fees for that particular day, subject to a minimum fee of RM9,000 (2019: RM18,000) p.a.

In the previous financial year, the Trustee had agreed to reduce the minimum fee from RM18,000 to RM9,000 p.a.

### 5. TAXATION

Income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable income for the financial year.

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 is as follows:

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Net income before taxation	<u>15,063</u>	<u>93,332</u>
Tax at Malaysian statutory rate of 24% (2019: 24%)	3,615	22,400
Effects of expenses not deductible for tax purposes	5,716	3,939
Restriction on tax deductible expenses for unit trust funds	<u>1,775</u>	<u>2,762</u>
Tax expense for the financial year	<u>11,106</u>	<u>29,101</u>

## MAYBANK ENHANCED CASH XII FUND

### 5. TAXATION (CONT'D)

Under paragraph 35 of Schedule 6, Income Tax Act 1967 ("ITA"), any interest income earned by the Fund derived from Malaysia and paid or received from a bank licensed under the Financial Services Act 2013, an Islamic bank licensed under Islamic Financial Services Act 2013 or any development financial institutions prescribed under the Development Financial Institutions Act 2002 (hereafter referred to as "licensed financial institutions") is exempted from tax.

Pursuant to paragraph 29(h) of Finance Act 2017 which was enacted on 16 January 2017, an amendment to paragraph 35A of Schedule 6 of ITA was made. The amendment seeks to provide that in the case of a wholesale fund which is a money market fund, tax exemption shall only apply to a wholesale fund which complies with the criteria as set out in the relevant guidelines of SC in respect of interest income derived from Malaysia and paid or credited by licensed financial institutions.

On 23 December 2016, SC issued 'The Guidelines on Tax Exemption for Wholesale Money Market Funds'. The Guidelines set out the qualifying criteria referred to in the aforementioned Finance Act 2017 for the tax exemption of any interest income. The Guidelines further clarify that any interest income earned or accrued up to 31 December 2016, derived from Malaysia and paid or credited before or after 31 December 2016 by any licensed financial institution is exempt from tax.

Any interest income earned from 1 January 2017, tax exemption will only be accorded if the:

- (a) Said fund complies with the qualifying criteria; and
- (b) Obtain a certification from the SC, prior to 1 January 2017 for the year of assessment 2017. For subsequent years of assessment, application for the tax exemption certification must be submitted to the SC on the second business day of the last month of the proceeding year of assessment.

The Fund obtained the tax exemption for the prior financial year as the Fund complied with the qualifying criteria. Hence, the interest income on deposits placed with licensed financial institutions earned from 1 April 2017 to 31 March 2018 is not subject to tax.

The Fund did not received a certification from SC for YA 2019 which certified that the Fund meets the requirements of the aforementioned tax exemption guidelines. Hence, the interest income on deposits placed with licensed financial institutions earned from 1 April 2018 to 31 March 2019 is subject to Malaysian tax.

With the passing of the Finance Bill 2018, the tax exemption on profit income earned by wholesale money market funds ceased with effect from 1 January 2019. Following the cessation, any profit income paid or received from licensed financial institutions will be subject to tax at the statutory rate of 24%. This new regulation did not increase the tax liability of the Fund.

## MAYBANK ENHANCED CASH XII FUND

### 6. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Deposits with licensed financial institutions with maturity of:		
- less than 3 months	<u>1,667,000</u>	<u>2,211,000</u>

The weighted average effective interest rates ("WAEIR") p.a. and average maturity of deposits with licensed financial institutions as at the reporting date were as follows:

	<b>2020</b>		<b>2019</b>	
	<b>WAEIR</b>	<b>Average</b>	<b>WAEIR</b>	<b>Average</b>
	<b>% p.a.</b>	<b>maturity</b>	<b>% p.a.</b>	<b>maturity</b>
		<b>Days</b>		<b>Days</b>
Deposits with maturity of less than 3 months	<u>2.50</u>	<u>1</u>	<u>3.45</u>	<u>3</u>

### 7. AMOUNT DUE TO MANAGER

The amount due to Manager relates to 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 (2019: 15 days).

### 8. AMOUNT DUE TO TRUSTEE

The amount due to Trustee relates to the amount payable to the Trustee arising from the accruals for Trustee's fee at the end of the financial year. The normal credit term for Trustee's fee is 15 days (2019: 15 days).

### 9. OTHER PAYABLES AND ACCRUALS

Included in the other payables and accruals as at reporting date are:

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Amount due to external auditor	6,731	5,500
Amount due to tax agent	9,010	3,500
Other payables	75	1,812
	<u>15,816</u>	<u>10,812</u>

## MAYBANK ENHANCED CASH XII FUND

### 10. TOTAL EQUITY

	Note	2020 RM	2019 RM
Unitholders' capital	10 (a)	1,626,556	2,159,256
Distributable retained earnings	10 (b)	5,096	23,535
		<u>1,631,652</u>	<u>2,182,791</u>

#### (a) Unitholders' capital

	2020		2019	
	No. of units	RM	No. of units	RM
At the beginning of the financial year	2,170,959	2,159,256	8,977,695	8,975,088
Creation of units	-	-	3,009,612	3,017,839
Reinvestment of units	12,887	12,953	161,442	158,501
Cancellation of units	(551,887)	(555,096)	(9,977,790)	(10,005,312)
Distribution equalisation (Note 11)	-	9,443	-	13,140
At the end of the financial year	<u>1,631,959</u>	<u>1,626,556</u>	<u>2,170,959</u>	<u>2,159,256</u>

As at the end of the financial year, there were no units held by the Manager or parties related to the Manager (2019: Nil).

#### (b) Distributable retained earnings

	2020 RM	2019 RM
At the beginning of the financial year	23,535	7,104
Net realised income for the financial year	3,957	64,231
Distributions out of realised reserve (Note 11)	(22,396)	(47,800)
At the end of the financial year	<u>5,096</u>	<u>23,535</u>

## MAYBANK ENHANCED CASH XII FUND

### 11. DISTRIBUTIONS

Distributions to unitholders are from the following sources:

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Interest income	-	66,019
Prior year realised income *	22,396	7,104
Less: Expenses	-	(9,796)
Taxation	-	(15,527)
Distribution out of realised reserve (Note 10(b))	<u>22,396</u>	<u>47,800</u>
Effect of distribution equalisation (Note 10(a))	<u>(9,443)</u>	<u>(13,140)</u>
Distribution for the financial year	<u><u>12,953</u></u>	<u><u>34,660</u></u>
Analysed by:		
Cash distribution	-	21
Reinvestment of units	<u>12,953</u>	<u>34,639</u>
	<u><u>12,953</u></u>	<u><u>34,660</u></u>

\* Part of the distribution in the current financial year are made from previous year's net realised income.

The gross and net distributions per unit and the distribution dates in the current and previous financial year are as follows:

<b>2020</b>	<b>Gross</b>	<b>Net</b>
<b>Distribution dates</b>	<b>distribution</b>	<b>distribution</b>
	<b>per unit (sen)</b>	<b>per unit (sen)</b>
30 September 2019	<u>1.54</u>	<u>0.80</u>
<b>2019</b>	<b>Gross</b>	<b>Net</b>
<b>Distribution dates</b>	<b>distribution</b>	<b>distribution</b>
	<b>per unit (sen)</b>	<b>per unit (sen)</b>
30 September 2018	<u>1.42</u>	<u>0.98</u>

## MAYBANK ENHANCED CASH XII FUND

### 12. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions, primarily deposits with licensed financial institutions during the current and previous financial year are as follows:

Financial institutions	2020		2019	
	Value of placements RM	Percentage of total placements %	Value of placements RM	Percentage of total placements %
Malayan Banking Bhd ("MBB")*	411,060,000	100.00	933,298,000	100.00

\* MBB is the ultimate holding company of the Manager.

### 13. SIGNIFICANT RELATED PARTY TRANSACTIONS 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 may be individuals or other entities.

In addition to the related party information disclosed elsewhere in the financial statements, the following are the significant related party transactions and balances of the Fund:

	2020 RM	2019 RM
(a) <u>Significant related party transactions</u>		
MBB:		
Interest income from deposits	48,942	124,902

## MAYBANK ENHANCED CASH XII FUND

### 13. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

	2020 RM	2019 RM
(b) <u>Significant related party balances</u>		
MBB:		
Deposits with licensed financial institutions	1,667,000	2,211,000
Interest receivables	114	627
Cash at bank	576	1,134
	<u>1,667,690</u>	<u>2,212,761</u>

The Manager is of the opinion that the transactions and balances with the 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.

### 14. MANAGEMENT EXPENSE RATIO ("MER")

The MER of the Fund is the ratio of the total expenses expressed as an annual percentage of the Fund's daily average NAV. For the financial year ended 31 March 2020, the MER of the Fund stood at 2.05% (2019: 0.83%).

### 15. PORTFOLIO TURNOVER RATIO ("PTR")

The PTR of the Fund is the ratio of average placements and withdrawals of the Fund for the financial year to the Fund's daily average NAV. For the financial year ended 31 March 2020, the PTR of the Fund stood at 250.23 times (2019: 245.49 times).

### 16. SEGMENT INFORMATION

The Portfolio Management Committee (the "PMC") of the Manager, being the chief operating decision-maker, 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 PMC is responsible for the performance of the Fund by investing a minimum of 85% of the Fund's NAV in fixed deposits and money market instruments as well as a maximum of 15% of the Fund's NAV in short term fixed income securities issued by the private sector.

On this basis, the PMC considers the business of the Fund to have a single operating segment located in Malaysia. Asset allocation decisions are based on a single, integrated investments strategy and the Fund's performance is evaluated on an overall basis.

## MAYBANK ENHANCED CASH XII FUND

### 16. SEGMENT INFORMATION (CONT'D)

The internal reporting provided 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.

### 17. FINANCIAL INSTRUMENTS

#### (a) Classification of financial instruments

The Fund's financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 2.3 to Note 2.14 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 financial liabilities (excluding tax-related matters) of the Fund in the statement of financial position as at the reporting date by the classes of financial instruments to which they are assigned and therefore by the measurement basis.

2020	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
<b>Assets</b>			
Deposits with licensed financial institutions	1,667,000	-	1,667,000
Interest receivables	114	-	114
Cash at bank	576	-	576
<b>Total financial assets</b>	<b>1,667,690</b>	<b>-</b>	<b>1,667,690</b>
<b>Liabilities</b>			
Amount due to Manager	-	349	349
Amount due to Trustee	-	17,698	17,698
Other payables and accruals	-	15,816	15,816
<b>Total financial liabilities</b>	<b>-</b>	<b>33,863</b>	<b>33,863</b>

**MAYBANK ENHANCED CASH XII FUND**

**17. FINANCIAL INSTRUMENTS (CONT'D)**

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

<b>2019</b>	<b>Financial assets at amortised cost RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>Assets</b>			
Deposits with licensed financial institutions	2,211,000	-	2,211,000
Interest receivables	627	-	627
Cash at bank	1,134	-	1,134
<b>Total financial assets</b>	<b>2,212,761</b>	<b>-</b>	<b>2,212,761</b>
<b>Liabilities</b>			
Amount due to Manager	-	529	529
Amount due to Trustee	-	8,278	8,278
Other payables and accruals	-	10,812	10,812
<b>Total financial liabilities</b>	<b>-</b>	<b>19,619</b>	<b>19,619</b>

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

There were no financial assets of the Fund that are carried at fair value as at 31 March 2020 (2019: Nil).

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

The Fund's financial instruments are not carried at fair value but their carrying amounts are reasonable approximations of fair value due to their short-term maturity. Accordingly there are no fair value hierarchy disclosures presented.

## **MAYBANK ENHANCED CASH XII FUND**

### **18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

#### **(a) Introduction**

The Fund's objective in managing risk is the creation and protection of unitholders' value. Risks are inherent in the Fund's activities, but they are managed through a process of ongoing identification, measurement and monitoring of risks.

Financial risk management is also carried out through sound internal control systems and adherence to the investment restrictions as stipulated in the Deeds, SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework and the CMSA.

#### **(b) Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and security prices. However, the Fund is not exposed to equity price risk or currency risk as it does not hold any equity investments nor investments denominated in currencies other than RM as at reporting date.

The Fund's deposits with licensed financial institutions is short term and carry a fixed rate and therefore is not affected by the movements in market interest rates.

#### **(c) 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 principal and interest. 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.

**MAYBANK ENHANCED CASH XII FUND**

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

**(c) Credit risk (cont'd)**

**(i) 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.

**(ii) Credit quality of financial assets**

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

	2020		2019	
	RM	As a percentage of NAV %	RM	As a percentage of NAV %
<b>Cash at bank, deposits with licensed financial institutions and interest receivables</b>				
AAA	1,667,690	102.21	2,212,761	101.37

**(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 asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected.

The Fund 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 Deeds of the Fund.

## MAYBANK ENHANCED CASH XII FUND

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

#### (d) Liquidity risk (cont'd)

It is the Fund's policy that the Manager monitors the Fund's liquidity position on a daily basis. The Fund also manages its obligation to redeem units when required to do so and its overall liquidity risk by requiring unitholders to be paid within the same business day from the date when the redemption request is received by the Manager.

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 cash at bank, deposits with licensed financial institutions and interest receivables which are capable of being converted into cash within 7 days.

The following table summarises the maturity profile of the Fund's financial assets, financial liabilities and unitholders' capital to provide a complete view of the Fund's contractual commitments and liquidity:

<b>2020</b>	<b>Less than 1 month RM</b>	<b>More than 1 month RM</b>	<b>Total RM</b>
<b>Financial assets</b>			
Deposits with licensed financial institutions	1,667,000	-	1,667,000
Interest receivables	114	-	114
Cash at bank	576	-	576
Total undiscounted financial assets	<u>1,667,690</u>	<u>-</u>	<u>1,667,690</u>
<b>Financial liabilities and unitholders' equity</b>			
Amount due to Manager	349	-	349
Amount due to Trustee	17,698	-	17,698
Other payables and accruals	15,816	-	15,816
Unitholders' equity	1,631,652	-	1,631,652
Total undiscounted financial liabilities and unitholders' equity	<u>1,665,515</u>	<u>-</u>	<u>1,665,515</u>
Liquidity surplus	<u>2,175</u>	<u>-</u>	<u>2,175</u>

**MAYBANK ENHANCED CASH XII FUND**

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

**(d) Liquidity risk (cont'd)**

<b>2019</b>	<b>Less than 1 month RM</b>	<b>More than 1 month RM</b>	<b>Total RM</b>
<b>Financial assets</b>			
Deposits with licensed financial institutions	2,211,000	-	2,211,000
Interest receivables	627	-	627
Cash at bank	1,134	-	1,134
Total undiscounted financial assets	<u>2,212,761</u>	<u>-</u>	<u>2,212,761</u>
<b>Financial liabilities and unitholders' equity</b>			
Amount due to Manager	529	-	529
Amount due to Trustee	8,278	-	8,278
Other payables and accruals	10,812	-	10,812
Unitholders' equity	<u>2,182,791</u>	<u>-</u>	<u>2,182,791</u>
Total undiscounted financial liabilities and unitholders' equity	<u>2,202,410</u>	<u>-</u>	<u>2,202,410</u>
Liquidity surplus	<u>10,351</u>	<u>-</u>	<u>10,351</u>

**Notes:**

**(i) Financial assets**

Deposits are grouped based on the expected date on which these assets will be realised. 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. Financial assets exclude tax-related matters such as tax recoverable, if any.

## MAYBANK ENHANCED CASH XII FUND

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

#### (d) Liquidity risk (cont'd)

##### Notes: (cont'd)

#### (ii) Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting date 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 is required to settle its financial obligation. Financial liabilities exclude tax-related matters such as provision for taxation, if any.

#### (iii) Unitholders' capital

As unitholders can request for redemption of their units within one business day from transaction date, the unitholder's total equity have been categorised as having a maturity of "less than 1 month".

The Fund believes that it would be able to liquidate its investments should the need arise to satisfy all the redemption requirements.

### 19. 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 generate higher returns than the prescribed benchmark as indicated in its information memorandum;
- (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 the current and previous financial year.