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# MAYBANK BLUEWATERZ TOTAL RETURN FUND

Annual report  
For the financial year ended 31 December 2020

## **CORPORATE INFORMATION**

### **MANAGER**

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

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## **MAYBANK BLUEWATERZ TOTAL RETURN FUND**

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# MAYBANK BLUEWATERZ TOTAL RETURN FUND

## Manager's report

For the financial year ended 31 December 2020

### A. Fund Information

**1. Name of Fund**

Maybank Bluewaterz Total Return Fund (the "Fund")

**2. Type of Fund**

Growth

**3. Category of Fund**

Feeder fund (unquoted fixed income securities)

**4. Duration of Fund**

The Fund is an open-ended fund.

**5. Fund launch date**

Share Class	Launch date
RM class	24 July 2015
USD class	18 June 2018

**6. Fund's investment objective**

The Fund aims to achieve long-term consistent positive return by investing in the Maybank BlueWaterz Total Return Bond Fund ("Target Fund").

**7. Fund distribution policy**

The Fund is not expected to distribute income. However, incidental distribution can be declared whenever appropriate.

**8. Fund's performance benchmark**

Absolute return of 6.5% per annum ("p.a.") for RM Class and 5.0% p.a. for USD Class.

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

The Fund will invest between 80% - 98% of its Net Asset Value ("NAV") in the Class B Participating Shares of the Target Fund which is denominated in United States Dollar ("USD"). The Manager will also invest between 2% - 20% of the Fund's NAV in liquid assets.

The Fund may employ currency hedging strategies to fully or partially hedge the foreign currency exposure into Ringgit Malaysia ("RM") in order to manage foreign exchange currency risk.

As the Fund is a wholesale feeder fund, the investments of the Fund will consist of a single collective investment scheme, i.e. the Target Fund, and liquid assets.

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### Manager's report

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

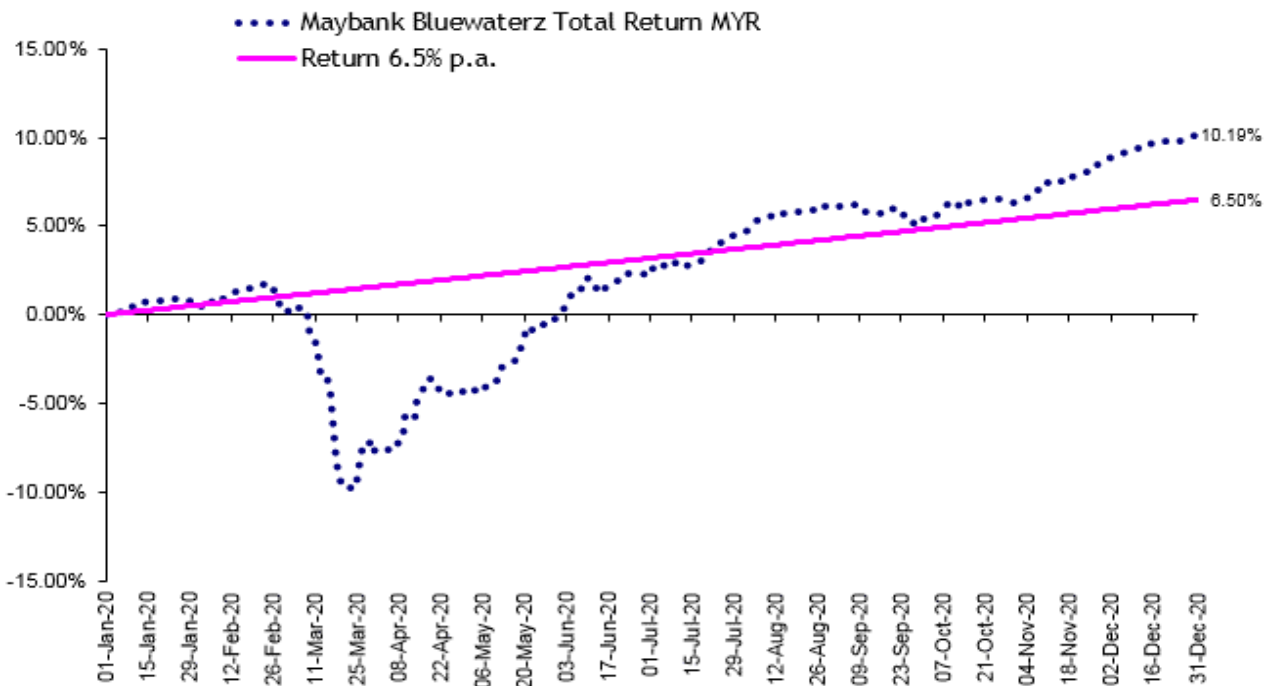
### B. Performance Review

Performance of Maybank Bluewaterz Total Return Fund - RM Class for the financial year ended 31 December 2020 are as follows:

#### RM Class

Period	The Fund %	Benchmark %
1 January 2020 to 31 December 2020	10.19	6.50

Performance of the RM Class for the financial year ended 31 December 2020:



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

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### Manager's report

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

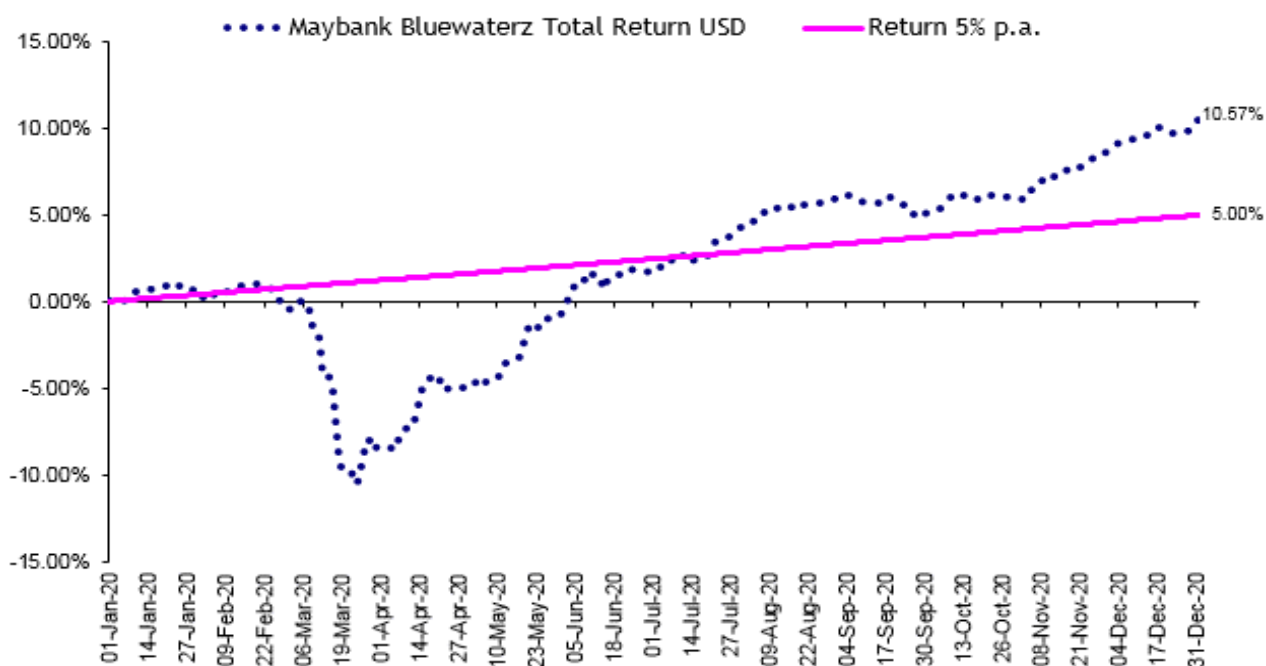
### B. Performance Review (cont'd)

Performance of Maybank Bluewaterz Total Return Fund - USD Class for the financial year ended 31 December 2020 are as follows:

#### USD Class

Period	The Fund %	Benchmark %
1 January 2020 to 31 December 2020	10.57	5.00

Performance of the USD Class for the financial year ended 31 December 2020:



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

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

The Fund generated a return of 10.15% for the financial year under review, outperforming absolute benchmark's 6.50%. The outperformance was due to improved investors' risk appetite and liquidity conditions. The strong performance was also due to a combination of higher corporate yields, tightening credit spreads as well as stronger local currencies in the target fund during the period under review.

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### Manager's report

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

#### C. Market Review

Markets reacted with a negative tone in January 2020 as it grappled with uncertainties brought by the new Coronavirus Disease 2019 ("COVID-19") from China. Rates rallied across the bond markets, while equities were in the red, with the selloff intensifying during late January 2020. Over in commodities, despite new Organization of the Petroleum Exporting Countries ("OPEC+") production cuts announced in December 2019, Brent crude declined by 12% given concerns of slowing Chinese consumption due to the outbreak of the virus. United States Dollar ("USD") broadly turned stronger against Deutsche Mark ("DM") currencies due to risk aversion. Against Asian currencies, USD performance was mixed. In the Asian credit space, JP Morgan Asia Credit Index returned +1.3% over the period as spread widening was compensated by falling United States Treasury ("UST") yields, both Investment Grade ("IG") and High-Yield ("HY") delivering +1.5% and +0.7% respectively.

The negative impact from COVID-19 intensified in the month of February 2020 given the global spread of the virus, although the situation in China was starting to stabilise, both in lower rate of new cases and in the resumption of the economy. DM rates continued to rally with a steepening bias due to the expectations of central bank easing. Equities and commodities were all in the red for the month, while Gold continued to march higher. USD remained strong against most currencies from risk aversion throughout February 2020, albeit softening slightly towards month end due to rate cut expectations. Despite risk aversion, Asian credit outperformed versus regions in Middle East and North Africa ("MENA") and Latin America ("LATAM").

The markets entered March 2020 with a decidedly risk off tone given the increasing impact to the global economy due to COVID-19 spread and the ensuing lockdown. The sell-off intensified in the aftermath of the failed OPEC+ meeting to cut production in 6th March 2020 and Saudi's plan to maximize crude production. Not only did Crude crashed by 50% to USD 20 per barrel, the impact also extended to the US High-Yield market and other asset classes. At the height of the panic, the entire UST curve traded at 1% or below. Equities markets went down in the range of 20-30% before recouping some losses in the last week of March 2020 on grand stimulus package of USD 2 trillion by the United States of America ("USA") and various measures taken by global central banks, among which the Federal Reserve ("Fed") to supply USD liquidity to foreign central banks via currency swaps. USD remained strong against most currencies, as there was capital flight from all regions into the safe haven investments, but gave back some ground as risk sentiment slightly recovered.

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### Manager's report

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

#### C. Market Review (cont'd)

Risk sentiment recovered from late March 2020 and into April 2020, given aggressive easing by central banks and stimulus measures by the governments across the globe. However, commodities like oil continued to trade weak, as surging crude supplies found it hard to secure storage. Over in rates, UST generally traded in a range bound fashion despite prospects of increased issuance thanks to Fed's unlimited Quantitative Easing ("QE"). USD weakened slightly in April 2020 along with improved risk sentiment. Indonesian rupiah ("IDR") was the outperformer in April 2020 with 8-9% appreciation against the USD. Other Asian currencies were relatively subdued in contrast, appreciating only 1-2% against the USD. In terms of credit, J.P. Morgan Asia Credit Index ("JACI") returned 1.8% in April 2020.

Risk sentiment in May 2020 continued to be firm as markets benefitted from both massive monetary and fiscal stimulus across the globe and sign of peaking in COVID-19 cases. Crude recovered sharply, with Brent moving from USD 20 per barrel area to nearing USD 40 per barrel on hopes of economic revival and pickup in demand. UST generally traded in a range bound fashion but moved into a slight bear steepening bias towards the month end as risk sentiment remained firm with 10 year and 30 year yields approaching 0.70% and 1.50% respectively. USD weakened broadly in tandem with stronger markets around the Globe. In Asia, USD weakness was somewhat muted with Thai baht ("THB"), IDR and Philippine peso ("PHP") appreciating only about 1.5- 2.6% against the USD while Indian rupee ("INR"), New Taiwan dollar ("TWD"), South Korean Won ("KRW") and Singapore dollar ("SGD") remained flat. The JACI index returned 2.1% in May 2020, with IG and HY sub-indices returning 1.8% and 3.0% respectively.

After two months of sustained risk-on sentiments, markets took a breather with the pace of economic recovery in question while valuations had largely looked past the damage brought by COVID-19. As such, markets were more sensitive to COVID-19 infection headlines, especially in countries that reported a resurgence in infections after exiting lock-down. Despite the increased volatility, markets remained range bound given support from massive monetary stimulus. The UST curve experienced some bull-flattening pressure over the month, with the 10 and 30-year yields lower by about 20 basis points. USD traded in a somewhat stronger tone in June 2020 as volatility resurfaced due to geopolitical risks. In Asia, USD also traded range-bound, with THB being the outperformer while IDR underperformed given debt monetization concerns due to Bank Indonesia ("BI") considering buying zero coupon bonds. The JACI index returned 2.1% in June 2020, with IG and HY subindices returning 1.5% and 3.9% respectively.

Risk sentiment remained firm during July 2020, prompted by the passing of the Euro ("EUR") 750 billion Eurozone pandemic recovery fund and Fed's dovish stance. The US Treasury curve bull flattened, with the 10 year and 30 year yields tightened by 10-20 basis points to 0.60% and 1.20%. USD took another leg lower broadly against G10 currencies as real yields dip further into negative territory, with the U.S. Dollar Index ("DXY") dropping 3.1% over the period while Gold nearly touched USD 2000/ounce. Credit continued to be strong, supported by net bond fund inflow and better risk sentiments.



## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### Manager's report

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

#### C. Market Review (cont'd)

The highlight of the month was the Fed symposium in Jackson Hole, where Powell announced average inflation targeting of 2% overtime and the employment mandate by allowing employment to run at or above its maximum level before raising rate. While the US Treasury curve bear steepened leading up to Jackson Hole on repricing of inflation expectations, both 10 year and 30 year yields further sold off to 0.75% and 1.50% before retracing slightly into the month end. Commodities like Crude oil and gold held steady while equities continued to inch higher. USD was broadly weaker given the dovish outlook by Fed, with the DXY dropping 0.6% over the month. Among Asian currencies, Australian dollar ("AUD") and INR outperformed. In Credit, while inflows remained supportive, returns were affected by rates selling off.

September 2020 was a moderately risk off month given focus on the US Presidential elections. USD was broadly stronger except versus the North Asian currencies Chinese Yuan ("CNY"), TWD, KRW given strong trade data from China benefiting the region. UST yields stayed range bound across the curve. Equities underperformed given profit taking from sectors with sky high valuations but the spill over impact was measured. In commodities, gold and Brent crude also declined by about 4-5% given stronger USD. The highlight in September in Asia credit was real estate developer China Evergrande. While the concerns on its financials are not new, rumours on the feasibility of its planned listings in onshore equity markets caused a stir even though the company managed to calm nerves down.

October 2020 saw risk consolidating as US election approached, with major US equity indices retreating about 5- 6% mid-month and with crude going below USD 40 per barrel as resurgent COVID-19 cases in Europe and lack of conclusions on new US fiscal stimulus provided backdrop to trim risk. USD was range bound vs developed market currencies but generally underperformed Asian currencies. UST yields progressively went wider over October 2020 with a curve steepening bias with yields on the 10 year and 30 year increasing by 20 basis points to reach 0.85% and 1.65%.

November 2020 was a strong risk-on month as Joe Biden won the US Presidential election while US Congress remains split (pending Georgia's senate run-off race on 5th January 2021). News of various pharmaceutical firms announcing positive results on COVID-19 vaccines further boosted the rally, despite still high level of COVID-19 infection cases in the US and Europe. S&P 500 returned close to 11% while Brent crude traded near USD 50 per barrel. Gold retraced 5.5% as investors turned less risk averse. UST yields initially traded higher with a steeper curve in first half of November 2020, with 10 year yield reaching 95 basis points. Long end yields found some retracement towards month end pending January 2021's Georgia Senate results (if it results in a tie). USD was broadly weaker with Latin American currencies being the outperformer.

December 2020's risk sentiment remained well supported despite severe COVID-19 situation, as markets remained optimistic on the reflation theme amidst vaccine availability prospects. In the US, Congress finally agreed on a new USD 900 billion pandemic bill, keeping an eye on Georgia senate re-election on 5th January 2021. The European Central Bank ("ECB") in its December 2020 meeting announced more monetary stimulus via increase in bond purchases and subsidized loans to encourage lending.

## **MAYBANK BLUEWATERZ TOTAL RETURN FUND**

### **Manager's report**

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

#### **C. Market Review (cont'd)**

For commodities, Brent and Gold managed to recover about 6-7% in the month as USD broadly weakened and as OPEC+ announced a slight increase in oil production from next year. UST yields largely remained range bound, with the 10 year yield ranging 0.83-0.91%. Emerging market currencies appreciated vs USD, with Turkish Lira and South African Rand being outperformers. Over in Asia, AUD-USD appreciated 4.5% despite trade tensions with China being an overhang. Other Asian currencies appreciated 1-2% versus USD, building on November 2020's gains.

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

As we are going into year 2021, with the vaccines to be made available to support the economic activities, economic recoveries are looking better and sentiments will improve accordingly. Hence, in absolute term, we may see risk assets like equities to perform better than the bond in year 2021. Hence, we are neutral with defensive positioning for bond funds.

Nevertheless, we expect the uneven economic recoveries globally will provide support to the bond market where low interest rates will be maintained for longer by central bankers to ensure accommodative environment to their economies. Hence, the risk of higher interest rate in year 2021 may not be significant for the bond market and with abundant liquidity, both from the local and foreign investors, the bond market will still be a good alternative for yield pickup from the low yielding fixed deposits and money market funds.

Ongoing quantitative easing by central banks has resulted yields in the developed markets like the US and Europe to be very low or even negative. Even yields for nations that were almost bankrupt nearly a decade ago are fast reaching 0%. As an example, Portugal's 10-year yield fell below 0% for the first time in December 2020, while Italy's 10-year yield is less than 0.6%. Considering higher economic growth in the emerging markets, investors may switch to emerging markets' bonds as local currency bonds are still providing good spread against the UST. Coupled this with expectation of weakening USD, local currency bonds will provide a good home for some of these liquidity.

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

The target fund manager expects year 2021 will be year of Goldilocks for Asian credits and currencies. Bullish in the first half of year 2021 and cautious on the second half. In credits, the manager prefers high yield over Investment grade as the manager expects US treasury curve to steepen. In terms of sector, the manager likes renewable and Chinese properties. The manager also likes selective banks T2 and T1 paper in Thailand. In High Grade space the manager likes India, Middle East and Australia. The manager likes Middle East in year 2021 as their bonds still offer 20-30 basis points pick up over Asia.

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### Manager's report

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

#### E. Investment Strategies (cont'd)

Middle East bonds will benefit with recovering oil prices and the expected truce between Qatar and Saudi. The manager is very bearish on USD for the first half of year 2021. Top picks are INR, IDR, THB, SGD and AUD. Most of the Asian countries have high nominal and real yield compared to the developed markets. However except for Indonesia, the manager prefers short duration bonds as curve is expected to steepen. The biggest risk next year will be more bond supply due to higher fiscal deficit across the globe and higher inflation. However, the manager will position defensively on duration and will be actively managing it through year 2021 with hedges.

#### F. Asset Allocation

As at 31 December 2020, the Fund was 87.10% (2019: 92.03%) invested in the Target Fund, with the remaining in cash, deposits with licensed financial institutions and other net assets.

#### G. NAV as at 31 December 2020

Below is the summary of the NAV of the Fund:

##### RM class

	2020	2019	Changes (%)
NAV (RM)	388,020,904	273,463,733	41.89
Units in circulation (unit)	340,420,524	252,301,556	34.93
NAV per unit (RM)	1.1398	1.0839	5.16

##### USD class

	2020	2019	Changes (%)
NAV (RM)	21,913,285	15,374,899	42.53
Units in circulation (unit)	4,770,257	3,469,193	37.50
NAV per unit (USD)	1.1433	1.0838	5.49

#### H. 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 December 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 BLUEWATERZ TOTAL RETURN FUND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

We have acted as Trustee of Maybank Bluewaterz Total Return Fund (the "Fund") for the financial year ended 31 December 2020. In our opinion and to the best of our knowledge, 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 Manager and the Trustee under the Deeds, the Securities Commission'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/pricing is carried out in accordance with the Deeds and any regulatory requirements;
- (c) Creation and cancellation of units are carried out in accordance with the Deeds and relevant regulatory requirements; and
- (d) The distribution of returns for the financial year are tied to and reflect the objectives of the Fund.

For and on behalf of  
**SCBMB Trustee Berhad**

**Prasad A/L S Vijayasundram**  
Chief Executive Officer

Kuala Lumpur, Malaysia  
22 February 2021

## **STATEMENT BY MANAGER**

### **TO THE UNITHOLDERS OF MAYBANK BLUEWATERZ TOTAL RETURN FUND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

We, Dato' Idris Bin Kechot 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 Bluewaterz Total Return Fund as at 31 December 2020 and of its results, changes in net assets attributable to unitholders and cash flows for the financial year then ended and comply with the requirements of the Deeds.

For and on behalf of the Manager

**Dato' Idris Bin Kechot**  
Chairman

**Ahmad Najib Bin Nazlan**  
Director

Kuala Lumpur, Malaysia  
22 February 2021

## **Independent auditors' report to the Unitholders of Maybank Bluewaterz Total Return Fund**

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

#### *Opinion*

We have audited the financial statements of Maybank Bluewaterz Total Return Fund (the "Fund"), which comprise the statement of financial position as at 31 December 2020 of the Fund, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and 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 15 to 46.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 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 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 Bluewaterz Total Return Fund**

### *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 Bluewaterz Total Return Fund**

### *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.
- 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 Bluewaterz Total Return Fund**

**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  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Yeo Beng Yean  
03013/10/2022 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
22 February 2021

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM	2019 RM
<b>INVESTMENT INCOME</b>			
Interest income		217,801	213,570
Dividend income		18,836,253	7,076,076
Net gain on financial assets at fair value through profit or loss ("FVTPL")			
- Realised loss		(418,708)	-
- Unrealised gain		9,084,630	11,341,500
Net gain on foreign exchange and derivatives	3	1,481,230	602,189
		<u>29,201,206</u>	<u>19,233,335</u>
<b>EXPENSES</b>			
Trustee's fee	4	59,491	29,946
Auditors' remuneration		6,000	6,000
Tax agent's fee		3,900	3,900
Administrative expenses		30,897	8,443
		<u>100,288</u>	<u>48,289</u>
<b>Net income before distribution and taxation</b>		29,100,918	19,185,046
Distribution to unitholders			
MYR Class	14(a)	(15,111,286)	(6,326,720)
USD Class	14(b)	(618,814)	(87,423)
<b>Net income before taxation</b>		<u>13,370,818</u>	<u>12,770,903</u>
Taxation	5	-	-
<b>Net income after distribution and taxation, representing total comprehensive income for the financial year</b>		<u>13,370,818</u>	<u>12,770,903</u>
<b>Net income after distribution and taxation is made up of the following:</b>			
Net realised income		1,750,129	1,244,130
Net unrealised income		11,620,689	11,526,773
		<u>13,370,818</u>	<u>12,770,903</u>
<b>Distribution for the financial year:</b>			
<b>MYR Class</b>			
Net distributions (RM)	16	14,748,811	8,672,362
Gross/net distribution per unit (sen)	16	4.90	6.20
Distribution dates (ex-date)		Refer to Note 16	
<b>USD Class</b>			
Net distributions (RM)	16	897,844	148,625
Gross/net distribution per unit (USD cent)	16	4.90	5.70
Distribution dates (ex-date)		Refer to Note 16	

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

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 RM	2019 RM
<b>ASSETS</b>			
Financial assets at FVTPL	6	357,040,762	265,814,924
Deposit with a licensed financial institution	7	11,187,544	16,974,313
Interest receivable		536	1,418
Derivative assets	8	15,545,154	5,179,975
Amount due from financial institutions	9	586,520	-
Amount due from Manager of the Target Fund	10	13,900	-
Amount due from Manager	11	20,827,652	280,520
Cash at bank	12	6,713,881	1,112,363
<b>TOTAL ASSETS</b>		<b>411,915,949</b>	<b>289,363,513</b>
<b>LIABILITIES</b>			
Amount due to Manager	11	1,363,197	372,321
Amount due to Trustee	13	5,808	4,285
Derivative liabilities	8	594,671	134,880
Other payables and accruals	14	18,084	13,395
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>		<b>1,981,760</b>	<b>524,881</b>
<b>NET ASSET VALUE ("NAV") OF THE FUND ATTRIBUTABLE TO UNITHOLDERS)</b>		<b>409,934,189</b>	<b>288,838,632</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF THE FUND COMPRISE:</b>			
Unitholders' contribution	15(a)	384,535,071	276,810,332
Retained earnings	15(b) & (c)	25,399,118	12,028,300
		<b>409,934,189</b>	<b>288,838,632</b>
<b>NET ASSET VALUE</b>			
- MYR Class		388,020,904	273,463,733
- USD Class		21,913,285	15,374,899
		<b>409,934,189</b>	<b>288,838,632</b>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>			
- MYR Class		340,420,524	252,301,556
- USD Class		4,770,257	3,469,193
		<b>345,190,781</b>	<b>255,770,749</b>
<b>NAV PER UNIT</b>			
- MYR Class		MYR 1.1398	MYR 1.0839
- USD Class		USD 1.1433	USD 1.0838

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

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF THE FUND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<b>Unitholders' contribution Note 15(a) RM</b>	<b>Retained earnings Note 15(b) and 15(c) RM</b>	<b>Net assets attributable to unitholders RM</b>
At 1 January 2020	276,810,332	12,028,300	288,838,632
Total comprehensive income for the financial year	-	13,370,818	13,370,818
Creation of units	292,541,888	-	292,541,888
Reinvestment of units	13,709,618	-	13,709,618
Cancellation of units	(198,610,212)	-	(198,610,212)
Distributions (Note 16)	83,445	-	83,445
At 31 December 2020	<u>384,535,071</u>	<u>25,399,118</u>	<u>409,934,189</u>
At 1 January 2019	111,160,118	(742,603)	110,417,515
Total comprehensive income for the financial year	-	12,770,903	12,770,903
Creation of units	195,098,988	-	195,098,988
Reinvestment of units	7,112,265	-	7,112,265
Cancellation of units	(34,154,195)	-	(34,154,195)
Distributions (Note 16)	(2,406,844)	-	(2,406,844)
At 31 December 2019	<u>276,810,332</u>	<u>12,028,300</u>	<u>288,838,632</u>

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

**MAYBANK BLUEWATERZ TOTAL RETURN FUND****STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Net proceeds for sales of financial assets at FVTPL	86,632,700	-
Net payment for purchases of financial assets at FVTPL	(174,604,141)	(153,814,159)
Interest received	218,682	212,600
Dividend income received	19,036,832	7,109,760
Net (loss)/gain on derivatives	(3,670,051)	347,009
Trustee's fee paid	(57,968)	(27,290)
Payment of other fees and expenses	(36,103)	(15,285)
Net cash used in operating and investing activities	<u>(72,480,049)</u>	<u>(146,187,365)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from creation of units	271,979,856	194,831,857
Payment for redemption of units	(197,606,200)	(33,790,397)
Distributions to unitholders	(1,951,560)	(1,708,694)
Net cash generated from financing activities	<u>72,422,096</u>	<u>159,332,766</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL YEAR</b>	<b>(57,953)</b>	<b>13,145,401</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<b>18,086,676</b>	<b>4,965,325</b>
Effects of foreign exchange	(127,298)	(24,050)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	<b><u>17,901,425</u></b>	<b><u>18,086,676</u></b>
Cash and cash equivalents comprise:		
Cash at bank (Note 12)	6,713,881	1,112,363
Deposit with a licensed financial institution with maturity of less than 3 months (Note 7)	11,187,544	16,974,313
	<u>17,901,425</u>	<u>18,086,676</u>

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

## **MAYBANK BLUEWATERZ TOTAL RETURN FUND**

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

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

Maybank Bluewaterz Total Return Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 9 April 2015, between the Manager, Maybank Asset Management Sdn. Bhd. ("MAM") and the Trustee, SCBMB Trustees Berhad and the registered holder of the Fund. Subsequently, the following Supplemental Deeds have been issued between MAM and the Trustee:

- First Supplemental Deed dated 21 May 2018
- Second Supplemental Deed dated 19 December 2018

The Deed and Supplemental Deeds are collectively referred to as 'Deeds'.

The Fund aims to achieve long-term consistent positive return by investing in the Maybank Bluewaterz Total Return Bond Fund ("Target Fund") offered in Singapore.

The Target Fund was incorporated as an exempted fund incorporated on 24 February 2009, under the laws of Cayman Islands with limited liability and has registered with the Cayman Islands Monetary Authority pursuant to section 4(3) of the Mutual Funds Law. The Target Fund is subject to regulation under the Mutual Funds Law. The Target Fund is managed by an investment manager, Maybank Asset Management Singapore Pte. Ltd. ("MAMS").

The principal activity of the Fund is to invest between 80% to 98% of its NAV in Class B Participating Shares of the Target Fund which is denominated in United States Dollar ("USD"). The Manager will also invest between 2% to 20% of the Fund's NAV in Liquid Assets. As the Fund is a wholesale feeder Fund, the investment of the Fund will consist of a single collective investment scheme, i.e. the Target Fund, and liquid assets.

The Fund launched 2 share classes of units as at the date of this report, which are RM Class and USD Class.

The Manager of the Fund is MAM, 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 MAM is at Level 12, Tower C, Dataran Maybank, No. 1 Jalan Maarof, 59000 Kuala Lumpur. Maybank AM is a subsidiary of Maybank Asset Management Group Berhad ("MAMG"), which in turn is a subsidiary of Malayan Banking Berhad ("MBB").

The Investment Manager of the Target Fund, MAMS, is a subsidiary of MAMG.

The financial statements were authorised for issue by the Board of Directors (the "Directors") of the Manager in accordance with a resolution of the Directors on 22 February 2021.

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### 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") which have become effective during the financial year ended 31 December 2020. 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 Note 2.14.

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

#### 2.2 Standards, amendments 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.

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendment to MFRS 16: <i>Covid-19-Related Rent Concessions</i>	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: <i>Interest Rate Benchmark Reform Phase 2</i>	1 January 2021
Amendments to MFRS 3: <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116: <i>Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137: <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to MFRS Standards 2018-2020 Cycle	1 January 2022
MFRS 17: <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 101: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 10 and MFRS 128: <i>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 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.

## **MAYBANK BLUEWATERZ TOTAL RETURN FUND**

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

#### **2.3 Financial instruments (cont'd)**

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.

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

The Fund classifies cash and cash equivalents, interest income receivables, amount due from financial institutions, amount due from Manager of the Target Fund and amount due from Manager 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 profit income in profit or loss over the relevant period.

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 profit 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.

##### **(ii) Financial assets at FVTPL**

Investments in collective investment scheme and derivatives 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 instruments or a financial guarantee.



## MAYBANK BLUEWATERZ TOTAL RETURN FUND

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

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

##### (ii) Financial assets at FVTPL (cont'd)

Debt instruments that do not meet the amortised cost or FVTOCI 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.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, 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.

##### (iii) Impairment

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 is 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.

## **MAYBANK BLUEWATERZ TOTAL RETURN FUND**

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

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

##### **(iii) Impairment (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 full impairment will be recognised on uncollected balances after the grace period.

##### **(iv) Derecognition**

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 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 classified as FVTPL, the cumulative unrealised gain or loss previously recognised is transferred to realised gain or loss on disposal in profit or loss. 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**

##### **(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, 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.

##### **(iii) 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.

## **MAYBANK BLUEWATERZ TOTAL RETURN FUND**

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

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

The Manager measures the Fund's financial instruments at fair value, at each reporting date of the Fund. 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 BLUEWATERZ TOTAL RETURN FUND

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

#### 2.7 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, 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 year-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.

#### 2.8 Unitholders' contribution

The unitholders' contributions to the Fund are classified as liabilities under the requirements of MFRS 132 *Financial Instruments: Presentation* as they are puttable instruments whereby the unitholders have the right to redeem their units in the Fund at their option.

The outstanding units are carried at the redemption amount that is payable at each financial period 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 in profit or loss as a deduction from realised reserves except where dividend is sourced out of distribution equalisation which is accounted for as a deduction from unitholders' capital. A proposed dividend is recognised as a liability in the year in which it is approved. Distribution is either reinvested or paid in cash to the unitholders on the income payment date. Reinvestment of units is based on the NAV per unit on the income payment date which is also the time of creation.

## **MAYBANK BLUEWATERZ TOTAL RETURN 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**

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

Interest income from short-term deposits is recognised on the accruals basis using the effective interest rate method.

Dividends are recognised as revenue when the right to receive payment is established.

Realised gain or loss on disposal of investment in collective investment scheme is accounted for as the difference between the net disposal proceeds and the carrying amount of the investments.

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 that asset.

#### **2.12 Taxation**

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 the allocating resources and assessing performance of the operating segments.

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

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

#### 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.

### 3. NET GAINS OF FOREIGN EXCHANGE AND DERIVATIVES

	2020 RM	2019 RM
Net realised foreign exchange gain	2,028,701	69,907
Net unrealised foreign exchange loss	(7,369,329)	(3,752,739)
Net realised (loss)/gain on derivatives	(3,083,530)	347,009
Net unrealised gain on derivatives	9,905,388	3,938,012
	<u>1,481,230</u>	<u>602,189</u>

### 4. TRUSTEE'S FEE

The Trustee's fee is computed on a daily basis at 0.018% p.a. of the NAV of the Fund, subject to a minimum fee of RM6,000.00 p.a. (2019: 0.018% of the NAV of the Fund, subject to a minimum fee of RM6,000.00 p.a.) before deducting the Manager's fee and Trustee's fees for that particular day.

### 5. TAXATION

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable income for the financial year. The tax charge for the financial year 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 earned by the Fund is exempted from tax. Dividend income derived from sources outside Malaysia are exempted from Malaysian income tax. However, such income may be subject to tax in the country from which it is derived.

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### 5. TAXATION (CONT'D)

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:

	2020 RM	2019 RM
Net income before taxation	13,370,818	12,770,903
Taxation at Malaysian statutory rate of 24% (2019: 24%)	3,208,996	3,065,017
Income not subject to tax	(7,008,289)	(4,616,000)
Expenses not deductible for tax purposes	3,799,293	1,550,983
Tax expense for the financial year	-	-

### 6. FINANCIAL ASSETS AT FVTPL

(a) Details of the Fund's investments in collective investment scheme is as follows:

	Quantity	Cost RM	Fair value RM	% of NAV
<b>2020</b>				
Maybank BlueWaterz Total Return Bond Fund (Class B, USD)	578,735	347,925,726	357,040,762	87.10
Unrealised gain on investment*			9,115,036	
<b>2019</b>				
Maybank BlueWaterz Total Return Bond Fund (Class B, USD)	437,495	258,666,151	265,814,924	92.03
Unrealised gain on investment*			7,148,773	

\* The unrealised gain on collective investment scheme comprise the amounts arising from changes in fair values and effects of foreign exchange.

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### 7. DEPOSIT WITH A LICENSED FINANCIAL INSTITUTION

	2020 RM	2019 RM
Short-term placements with maturity of less than 3 months	11,187,544	16,974,313

The weighted average effective interest rates ("WAEIR") per annum and average maturity of deposits with financial institutions as at the reporting date was as follows:

	2020 WAEIR % p.a.	Average Maturity Days	2019 WAEIR % p.a.	Average Maturity Days
Deposit with a licensed financial institution	1.75	3	3.05	1

### 8. DERIVATIVE ASSETS/LIABILITIES

	Notional Principal amount RM	Fair Value	
		Assets RM	Liabilities RM
<b>2020</b>			
<u>Foreign exchange related contracts</u>			
Currency forwards:			
- Less than 1 year	383,488,076	15,545,154	(532,819)
Currency spots:			
- Less than 1 year	19,186,580	-	(61,852)
Total	<u>402,674,656</u>	<u>15,545,154</u>	<u>(594,671)</u>
<b>2019</b>			
<u>Foreign exchange related contracts</u>			
Currency forwards:			
- Less than 1 year	258,069,606	5,179,975	(132,880)
Currency spots:			
- Less than 1 year	8,180,000	-	(2,000)
Total	<u>266,249,606</u>	<u>5,179,975</u>	<u>(134,880)</u>

As at the reporting date, there were 40 forward exchange contracts and 1 spot contract (2019: 49 forward exchange contracts and 1 spot contract) outstanding.



## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### 8. DERIVATIVE ASSETS / LIABILITIES (CONT'D)

The derivative contracts entered into during the financial year were for hedging against the currencies exposure arising mainly from investments denominated in USD. As the Fund has not adopted hedge accounting during the financial year, the changes in the fair value of the derivative contracts were recognised immediately in the statement of comprehensive income.

### 9. AMOUNT DUE FROM FINANCIAL INSTITUTIONS

Amount due from financial institutions relates to the amount receivable from partial close of derivatives contracts. The settlement period for the derivative contracts follows the maturity dates of the respective contracts.

### 10. AMOUNT DUE FROM MANAGER OF THE TARGET FUND

The amount due from Manager of the Target Fund relates to the amount receivable from Manager of the Target Fund arising from the sale of investments. The settlement period for this receivable is within two (2) to three (3) working days from the deal date.

### 11. AMOUNT DUE FROM / (TO) MANAGER

Amount due from/(to) Manager represents amount receivable from/(payable to) the Manager for units created / cancelled.

Effective 10 April 2017, the Manager has decided to waive the Manager's fee charged to the Fund.

### 12. CASH AT BANK

The table below indicates the currencies that the Fund have in cash at bank as at the reporting date:

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
USD	1,858,384	813,733
RM	4,855,497	298,630
	<u>6,713,881</u>	<u>1,112,363</u>

### 13. AMOUNT DUE TO TRUSTEE

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

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### 14. OTHER PAYABLES AND ACCRUALS

Other payables and accruals comprise the following:

	2020 RM	2019 RM
Due to external auditors	7,261	6,890
Due to tax agent	4,505	4,505
Other payables	6,318	2,000
	<u>18,084</u>	<u>13,395</u>

### 15. NET ASSET ATTRIBUTABLE TO UNITHOLDERS OF THE FUND

	Note	2020 RM	2019 RM
Unitholders' contribution	(a)	384,535,071	276,810,332
Accumulated realised income/(loss)	(b)	1,574,857	(175,272)
Accumulated unrealised income	(c)	23,824,261	12,203,572
		<u>409,934,189</u>	<u>288,838,632</u>

#### (a) Unitholders' contribution

The units are distributed based on the following share classes:

	2020		2019	
	Units	RM	Units	RM
(i) MYR class	340,420,524	363,862,608	252,301,556	261,651,055
(ii) USD class	4,770,257	20,672,464	3,469,193	15,159,278
	<u>345,190,781</u>	<u>384,535,071</u>	<u>255,770,749</u>	<u>276,810,333</u>

#### (i) MYR class

	2020		2019	
	No. of units	RM	No. of units	RM
At beginning of the financial year	252,301,556	261,651,055	108,653,555	111,156,122
Creation of units	253,911,055	279,681,850	169,185,913	180,031,102
Reinvestment of units	12,855,055	12,957,293	6,673,594	6,963,668
Cancellation of units	(178,647,142)	(190,790,065)	(32,211,506)	(34,154,195)
Distribution equalisation (Note 16)	-	362,475	-	(2,345,642)
As at end of the financial year	<u>340,420,524</u>	<u>363,862,608</u>	<u>252,301,556</u>	<u>261,651,055</u>

**MAYBANK BLUEWATERZ TOTAL RETURN FUND**

**15. NET ASSET ATTRIBUTABLE TO UNITHOLDERS OF THE FUND (CONT'D)**

**(a) Unitholders' contribution (cont'd)**

**(ii) USD class**

	2020		2019	
	No. of units	RM	No. of units	RM
At beginning of the financial year	3,469,193	15,159,278	1,000	3,996
Creation of units	2,825,822	12,860,038	3,434,243	15,067,886
Reinvestment of units	173,900	752,325	33,950	148,598
Cancellation of units	(1,698,658)	(7,820,147)	-	-
Distribution equalisation (Note 16)	-	(279,030)	-	(61,202)
At end of the financial year	<u>4,770,257</u>	<u>20,672,464</u>	<u>3,469,193</u>	<u>15,159,278</u>

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

	2020		2019	
	No of units	RM	No of units	RM
The Manager (MYR class)	1,235	1,408	1,177	1,275
The ultimate holding company of the Manager (MYR class)	<u>5,790,097</u>	<u>6,599,552</u>	<u>5,519,134</u>	<u>5,977,774</u>
	<u>5,791,332</u>	<u>6,600,960</u>	<u>5,520,311</u>	<u>5,979,049</u>

	2020		2019	
	No of units	USD	No of units	USD
The Manager (USD class)	<u>1,108</u>	<u>1,267</u>	<u>1,056</u>	<u>1,141</u>

**(b) Accumulated realised income/(loss)**

	2020	2019
	RM	RM
At the beginning of the financial year	(175,272)	(1,419,402)
Net realised income for the financial year	<u>1,750,129</u>	<u>1,244,130</u>
At the end of the financial year	<u>1,574,857</u>	<u>(175,272)</u>

**(c) Accumulated unrealised income**

	2020	2019
	RM	RM
At the beginning of the financial year	12,203,572	676,799
Net unrealised income for the financial year	<u>11,620,689</u>	<u>11,526,773</u>
At the end of the financial year	<u>23,824,261</u>	<u>12,203,572</u>

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### 16. DISTRIBUTIONS

#### (a) MYR CLASS

Sources of the distribution declared in the current and previous financial year is as follows:

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Dividend income	15,017,596	5,833,806
Interest income	173,646	116,208
Realised gain on sale of investments	-	435,991
Less: Expenses	<u>(79,956)</u>	<u>(59,285)</u>
Distributions out of realised income	15,111,286	6,326,720
Effects of distribution equalisation (Note 15(a))	<u>(362,475)</u>	<u>2,345,642</u>
Distributions for the financial year	<u>14,748,811</u>	<u>8,672,362</u>
Analysed by:		
Cash distribution	1,791,518	1,708,694
Reinvestment of units	<u>12,957,293</u>	<u>6,963,668</u>
Distributions for the financial year	<u>14,748,811</u>	<u>8,672,362</u>

The gross/net distribution per unit and the distribution dates (ex dates) are as follows:

<b>2020</b>		<b>2019</b>	
<b>Distribution dates (ex dates)</b>	<b>Gross/net distribution per unit (sen)</b>	<b>Distribution dates (ex dates)</b>	<b>Gross/net distribution per unit (sen)</b>
16 March 2020	2.70	29 March 2019	3.50
28 September 2020	<u>2.20</u>	30 September 2019	<u>2.70</u>
	<u>4.90</u>		<u>6.20</u>

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### 16. DISTRIBUTIONS (CONT'D)

#### (b) USD CLASS

Sources of the distribution declared in the current financial year is as follows:

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Interest income	7,111	66,699
Dividend income	614,978	766
Realised gains on sale of investments	-	7,532
Other income	-	12,586
Less: Expenses	(3,275)	(160)
Distributions out of realised income	<u>618,814</u>	<u>87,423</u>
Effects of distribution equalisation (Note 15(a))	<u>279,030</u>	<u>61,202</u>
Distributions for the financial year	<u><u>897,844</u></u>	<u><u>148,625</u></u>
Analysed by:		
Cash distribution*	157,568	-
Reinvestment of units	<u>740,276</u>	<u>148,625</u>
Distributions for the financial year	<u><u>897,844</u></u>	<u><u>148,625</u></u>

\* Actual cash distribution for USD Class were made in USD currency. The difference of RM2,474 is due to the effect of foreign exchange resulting from the conversion of the Fund's reporting currency in RM.

The gross/net distribution per unit and the distribution dates (ex dates) are as follows:

<b>2020</b>		<b>2019</b>	
<b>Distribution dates (ex dates)</b>	<b>Gross/net distribution per unit (USD cent)</b>	<b>Distribution dates (ex dates)</b>	<b>Gross/net distribution per unit (USD cent)</b>
16 March 2020	2.70	29 March 2019	3.00
28 September 2020	<u>2.20</u>	30 September 2019	<u>2.70</u>
	<u><u>4.90</u></u>		<u><u>5.70</u></u>

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### 17. TRANSACTIONS WITH BROKERS/DEALERS/FINANCIAL INSTITUTIONS

The Manager bought and sold the units in the Target Fund directly from the Manager of the Target Fund in the previous and current financial year.

Details of transactions, primarily deposits with a licensed financial institutions are as follows:

	2020		2019	
	Transaction value RM	Percentage of total placements %	Transaction value RM	Percentage of total placements %
Public Islamic Bank Berhad	2,450,264,500	100.00	1,243,683,595	74.51
Malayan Banking Berhad*	-	-	425,528,347	25.49
	<u>2,450,264,500</u>	<u>100.00</u>	<u>1,669,211,942</u>	<u>100.00</u>

\* Malayan Banking Berhad is the ultimate holding company of the Manager.

### 18. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of the 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 is the significant related party transaction and balances of the Fund during the financial year.

Other than those disclosed elsewhere in the financial statements, there were no significant related party transactions and balances as at the reporting date.

	2020 RM	2019 RM
<u>Significant related party transactions</u>		
MBB:		
Interest income from deposit	-	57,839
Realised (loss)/gain on forward foreign exchange contracts	(582,031)	11,087
Distributions	-	327,462
	<u>-</u>	<u>327,462</u>
<u>Significant related party balances</u>		
MBB:		
Derivative assets *	<u>6,172,645</u>	<u>2,206,985</u>

\* The principal amount of the outstanding contracts is RM144,149,729 (2019: RM108,009,010).

## **MAYBANK BLUEWATERZ TOTAL RETURN FUND**

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

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.

### **19. MANAGEMENT EXPENSE RATIO ("MER")**

The MER of the Fund is the ratio of the sum of fees and expenses incurred by the Fund to the average NAV of the Fund calculated on a daily basis. The fees and expenses include Manager's fee, Trustee's fee and other administrative expenses. For the financial year ended 31 December 2020, the MER of the Fund was 0.03% (2019: 0.03%).

### **20. PORTFOLIO TURNOVER RATIO ("PTR")**

The PTR of the Fund is the ratio of average acquisitions and disposals of the Fund for the financial year to the average NAV of the Fund calculated on a daily basis. For the financial year ended 31 December 2020, the PTR of the Fund stood at 0.40 times (2019: 0.46 times).

### **21. SEGMENT REPORTING**

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 chief operating decision-maker is responsible for the performance of the Fund by investing between 80% to 98% of its NAV in Class B Participating Shares of the Target Fund and between 2% to 20% of the Fund's NAV in liquid assets.

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.

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.

### **22. FINANCIAL INSTRUMENTS**

#### **(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 2.3 to Note 2.14 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.

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

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

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

2020	Financial instruments at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
<b>Financial Assets</b>				
Financial assets at FVTPL	357,040,762	-	-	357,040,762
Deposits with a licensed financial institution	-	11,187,544	-	11,187,544
Interest receivable	-	536	-	536
Derivative assets	15,545,154	-	-	15,545,154
Amount due from financial institutions	-	586,520	-	586,520
Amount due from Manager of the Target Fund	-	13,900	-	13,900
Amount due from Manager	-	20,827,652	-	20,827,652
Cash at bank	-	6,713,881	-	6,713,881
Total financial assets	<u>372,585,916</u>	<u>39,330,033</u>	<u>-</u>	<u>411,915,949</u>
<b>Financial Liabilities</b>				
Amount due to Manager	-	-	1,363,197	1,363,197
Amount due to Trustee	-	-	5,808	5,808
Derivative liabilities	594,671	-	-	594,671
Other payables and accruals	-	-	18,084	18,084
Total financial liabilities	<u>594,671</u>	<u>-</u>	<u>1,387,089</u>	<u>1,981,760</u>
<b>2019</b>				
<b>Financial Assets</b>				
Financial assets at FVTPL	265,814,924	-	-	265,814,924
Deposits with a licensed financial institution	-	16,974,313	-	16,974,313
Interest receivable	-	1,418	-	1,418
Derivative assets	5,179,975	-	-	5,179,975
Amount due from Manager	-	280,520	-	280,520
Cash at bank	-	1,112,363	-	1,112,363
Total financial assets	<u>270,994,899</u>	<u>18,368,614</u>	<u>-</u>	<u>289,363,513</u>
<b>Financial Liabilities</b>				
Amount due to Manager	-	-	372,321	372,321
Amount due to Trustee	-	-	4,285	4,285
Derivative liabilities	134,880	-	-	134,880
Other payables and accruals	-	-	13,395	13,395
Total financial liabilities	<u>134,880</u>	<u>-</u>	<u>390,001</u>	<u>524,881</u>



## MAYBANK BLUEWATERZ TOTAL RETURN FUND

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

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

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

##### Collective investment scheme

The Fund's investment in the collective investment scheme is carried at fair value. The fair value of the collective investment scheme is determined by reference to its last published NAV per unit at the reporting date.

##### Derivative assets and liabilities

The fair value of over-the-counter forward foreign exchange contracts are obtained by using valuation models which incorporate various observable market inputs such as changes in spot rate, and changes in the forward points. For these financial instruments, significant inputs into models are market observable and are included within Level 2.

#### (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: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities measured at fair value:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>2020</b>			
Financial assets at FVTPL	357,040,762	-	-
Derivative assets	-	15,545,154	-
	<u>357,040,762</u>	<u>15,545,154</u>	<u>-</u>
Derivative liabilities	-	(594,671)	-
<b>2019</b>			
Financial assets at FVTPL	265,814,924	-	-
Derivative assets	-	5,179,975	-
	<u>265,814,924</u>	<u>5,179,975</u>	<u>-</u>
Derivative liabilities	-	(134,880)	-

## **MAYBANK BLUEWATERZ TOTAL RETURN FUND**

### **22. FINANCIAL INSTRUMENTS (CONT'D)**

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

Other than its financial assets at FVTPL and derivative assets and liabilities, 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.

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

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

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

The Fund's objective in managing risk is the creation and protection of unitholders' value. Risk is inherent in the Fund's activities, but it is 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 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 equity prices. The Fund is exposed to foreign currency risk arising from the Fund's cash and bank investments in collective investment scheme denominated in foreign currency, derivative assets and derivative liabilities. The Fund is also exposed to interest rate risk arising from deposit placed with a licensed financial institution. The Fund is not exposed to equity price risk as it does not hold any equity investments other than investment in Target Fund as at the reporting date.

##### **(i) Interest rate risk**

Cash is sensitive to movement in interest rates. When interest rates rise, the return on cash will rise. The deposit with a licensed financial institution carries a fixed rate, and therefore, is not affected by the movements in market interest rates.

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

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

#### (b) Market risk (cont'd)

##### (ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The table below analyses the net positions of the Fund's financial assets and financial liabilities (excluding derivative assets and liabilities) which are exposed to foreign exchange risk as at 31 December 2020. As the Fund's functional currency is RM, the financial assets and financial liabilities (excluding derivative assets and liabilities) in other currencies are exposed to the movement of foreign exchange rates. The exposure might lead to the appreciation or depreciation of the financial assets and financial liabilities of the Fund that may affect the value of the NAV attributable to unitholders.

	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
	<b>RM</b>	<b>RM</b>
<b>Assets</b>		
Financial assets at FVTPL	357,040,762	265,814,924
Cash at bank	1,858,384	813,733
<b>Total assets</b>	<u>358,899,146</u>	<u>266,628,657</u>
<b>Net on-balance sheet open position</b>	<u>358,899,146</u>	<u>266,628,657</u>
<b>Principal amount of forward exchange contracts (Note 8) *</b>	<u>383,488,076</u>	<u>258,069,606</u>

\* The Fund has entered into forward currency contracts to hedge its USD exposure arising mainly from the Fund's investment in the class B participating shares of the Target Fund.

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

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

#### (b) Market risk (cont'd)

##### (ii) Foreign exchange risk (cont'd)

The table below summarises the sensitivity of the Fund's net on-balance sheet open position (excluding derivative assets and derivative liabilities) to movements in exchange rates. The analysis is based on the assumptions that the exchange rates will increase or decrease by 5% with all other variables held constant.

	2020		2019	
	Changes in price %	Effects on NAV Increase/ (Decrease) RM	Changes in price %	Effects on NAV Increase/ (Decrease) RM
USD	+5	17,944,957	+5	13,331,433
	-5	(17,944,957)	-5	(13,331,433)

The impact to net income after taxation and NAV is expected to be the same.

##### (iii) Price risk

Price risk is the risk of unfavourable changes in the fair values of investments as the result of changes in market prices (other than those arising from interest rate risk and forward exchange currency risk). The price risk exposure arises from the Fund's investments in Target Fund.

Management's best estimate of the effect on the income for the year due to a reasonably possible change in price, with all other variables held constant is indicated in the table below:

	2020		2019	
	Changes in price %	Effects on NAV Increase/ (Decrease) RM	Changes in price %	Effects on NAV Increase/ (Decrease) RM
Collective investment scheme	+5	17,852,038	+5	13,290,746
	-5	(17,852,038)	-5	(13,290,746)

The impact to net income after taxation and NAV is expected to be the same.

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

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

#### (c) Credit risk

Credit risk is the risk that the issuer/counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge an obligation. 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 counterparties (e.g., brokers, custodian, banks, etc.) by reviewing their credit ratings and credit profile on a regular basis.

#### (ii) 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, deposit with a licensed financial institution and interest receivable by rating categories. The rating is obtained from RAM Holdings Berhad.

Financial assets	2020		2019	
	RM	As a percentage of NAV %	RM	As a percentage of NAV %
AAA	17,901,961	4.37	18,088,094	6.26

#### (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 unitholder's option based on the Fund's NAV per unit at the time of redemption calculated in accordance with the Fund's Trust Deeds.

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### 23. 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.

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 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 undiscounted financial assets, liabilities and unitholders' contribution to provide a complete view of the Fund's contractual commitments and liquidity. Balances due within twelve months equal their carrying amounts, as the impact of discounting is insignificant.

2020	Less than 1 month RM	More than 1 month RM	Total RM
<b>Financial assets</b>			
Financial assets at FVTPL	357,040,762	-	357,040,762
Deposits with a licensed financial institution	11,187,544	-	11,187,544
Interest receivables	536	-	536
Derivative assets	9,452,288	6,092,866	15,545,154
Amount due from financial institutions	586,520	-	586,520
Amount due from Manager of the Target Fund	13,900	-	13,900
Amount due from Manager	20,827,652	-	20,827,652
Cash at bank	6,713,881	-	6,713,881
Total undiscounted financial assets	<u>405,823,083</u>	<u>6,092,866</u>	<u>411,915,949</u>
<b>Financial liabilities and net assets attributable to unitholders of the Fund</b>			
Amount due to Manager	1,363,197	-	1,363,197
Amount due to Trustee	5,808	-	5,808
Derivative liabilities	307,560	287,111	594,671
Other payables and accruals	18,084	-	18,084
NAV attributable to unitholders	409,934,189	-	409,934,189
Total undiscounted financial liabilities and net assets attributable to unitholders	<u>411,628,838</u>	<u>287,111</u>	<u>411,915,949</u>
Liquidity (gap)/surplus	<u>(5,805,755)</u>	<u>5,805,755</u>	<u>-</u>

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

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

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

2019	Less than 1 month RM	More than 1 month RM	Total RM
<b>Financial assets</b>			
Financial assets at FVTPL	265,814,924	-	265,814,924
Deposits with a licensed financial institution	16,974,313	-	16,974,313
Interest receivable	1,418	-	1,418
Derivative assets	1,672,727	3,507,247	5,179,975
Amount due from Manager	280,520	-	280,520
Cash at bank	1,112,363	-	1,112,363
Total undiscounted financial assets	<u>285,856,265</u>	<u>3,507,247</u>	<u>289,363,513</u>
<b>Financial liabilities and net assets attributable to unitholders of the Fund</b>			
Amount due to Manager	372,321	-	372,321
Amount due to Trustee	4,285	-	4,285
Derivative liabilities	96,859	38,021	134,880
Other payables and accruals	13,395	-	13,395
NAV attributable to unitholders	288,838,632	-	288,838,632
Total undiscounted financial liabilities and net assets attributable to unitholders	<u>289,325,492</u>	<u>38,021</u>	<u>289,363,513</u>
Liquidity (gap)/surplus	<u>(3,469,226)</u>	<u>3,469,226</u>	<u>-</u>

#### (i) Financial 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.

#### (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.

Financial liabilities exclude tax-related matters such as tax payables, if any.

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

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

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

##### (iii) Unitholders' contribution

As unitholders can request for cancellation on their units by giving the Manager a 10-day notice period, the unitholders' total equity has been categorised as having a maturity of "less than 1 month".

### 24. UNITHOLDERS' CONTRIBUTION MANAGEMENT

The unitholders' contribution can vary depending on the demand for redemptions and subscriptions to the Fund.

The Fund's objectives for managing the unitholders' contribution are:

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

### 25. RECLASSIFICATION OF COMPARATIVES

As disclosed in Note 2.8, unitholders' contribution to the Fund are classified as liabilities under the requirement of MFRS 132 Financial Instruments: Presentation. In the previous financial year, unitholders' contributions were classified as equity.

This reclassification of unitholders' contribution (and their retained earnings) did not give rise to any impact on the Net Asset Value Attributable to Unitholders of the Fund. Accordingly, no restatements were required to be made to the comparatives in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Net Asset Value Attributable to Unitholders or the Statement of Cash Flows except for the following:

#### Statement of Comprehensive Income:

	As previously disclosed	Reclassification	As restated
Net income before distribution and taxation	19,185,046	-	19,185,046
Distribution to unitholders	-	(6,414,143)	(6,414,143)
Net income before taxation	19,185,046	(6,414,143)	12,770,903
Net income after distribution and taxation, and total comprehensive income for the financial year	19,185,046	(6,414,143)	12,770,903



**MAYBANK BLUEWATERZ TOTAL RETURN FUND**

**25. RECLASSIFICATION OF COMPARATIVES (CONT'D)**

**Statement of Changes in Net Asset Attributable to Unitholders**

	<b>As previously disclosed</b>	<b>Reclassification</b>	<b>As restated</b>
Movement in retained earnings:			
Total comprehensive income for the year	19,185,046	(6,414,143)	12,770,903
Distributions out of realised reserve	(6,414,143)	6,414,143	-