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# MAYBANK SHARIAH ENHANCED CASH FUND

Annual report  
For the financial year ended 30 November 2021

## **CORPORATE INFORMATION**

### **MANAGER**

Maybank Asset Management Sdn Bhd (1990701006283) (421779-M)

### **BUSINESS OFFICE**

Level 12 Tower C  
Dataran Maybank  
No.1 Jalan Maarof  
59000 Kuala Lumpur, Malaysia  
Telephone +603 2297 7888  
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### **EXTERNAL INVESTMENT MANAGER**

Maybank Islamic Asset Management Sdn Bhd (201301012623) (10424610K)  
Level 12, Tower C, Dataran Maybank  
No. 1 Jalan Maarof  
59000 Kuala Lumpur  
Tel. No.: 03 – 2297 7888  
Fax No.: 03 – 2297 7898

### **TRUSTEE**

AmanahRaya Trustees Berhad (200701008892) (766894-T)  
Tingkat 14, Wisma AmanahRaya  
No.2, Jalan Ampang  
50508 Kuala Lumpur.  
Tel No: 03- 2036 5129/5000  
Fax No : 03- 2072 0321

### **SHARIAH ADVISER**

Maybank Islamic Berhad (200701029411) (78435-M)  
Level 15, Tower A, Dataran Maybank  
No. 1 Jalan Maarof  
59000 Kuala Lumpur  
Tel. No.: 03 – 2297 2001  
Fax No.: 03 – 2297 2002

## **MAYBANK SHARIAH ENHANCED CASH FUND**

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## MAYBANK SHARIAH ENHANCED CASH FUND

### Manager's report

For the financial year ended 30 November 2021

#### A. Fund Information

**1. Name of Fund**

Maybank Shariah Enhanced Cash 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**

24 November 2008.

**6. Fund's investment objective**

The Fund is a short-term money market fund that invests in instruments which generate income. The Fund aims to provide liquidity (T+1)\* and current (regular) income, while maintaining capital stability by investing in instruments that comply with the Shariah principles. The Fund is targeted at corporate and high net worth individuals who are generally risk averse and prefer Short Term investments.

Note:

(1) T is the day where a request/application to redeem is received by the Manager, before the cut-off time

(2) Capital stability does not signify that the capital/ principal invested is guaranteed or protected by any party.

**7. Fund distribution policy**

Distribution will be made on a monthly basis, subject to availability of income.

**8. Fund's performance benchmark**

Maybank Islamic overnight deposit rate.

**9. What are the Fund's investment policy and principal investment strategy?**

The Fund seeks to invest up to 100% of its net asset value ("NAV") in short-term Islamic money market instruments including Islamic fixed deposits.

#### B. Performance Review

Returns of the Fund and its benchmark for the financial year ended 30 November 2021 are as follows:

Period	The Fund %	Benchmark %
1 December 2020 to 30 November 2021	1.02	0.25

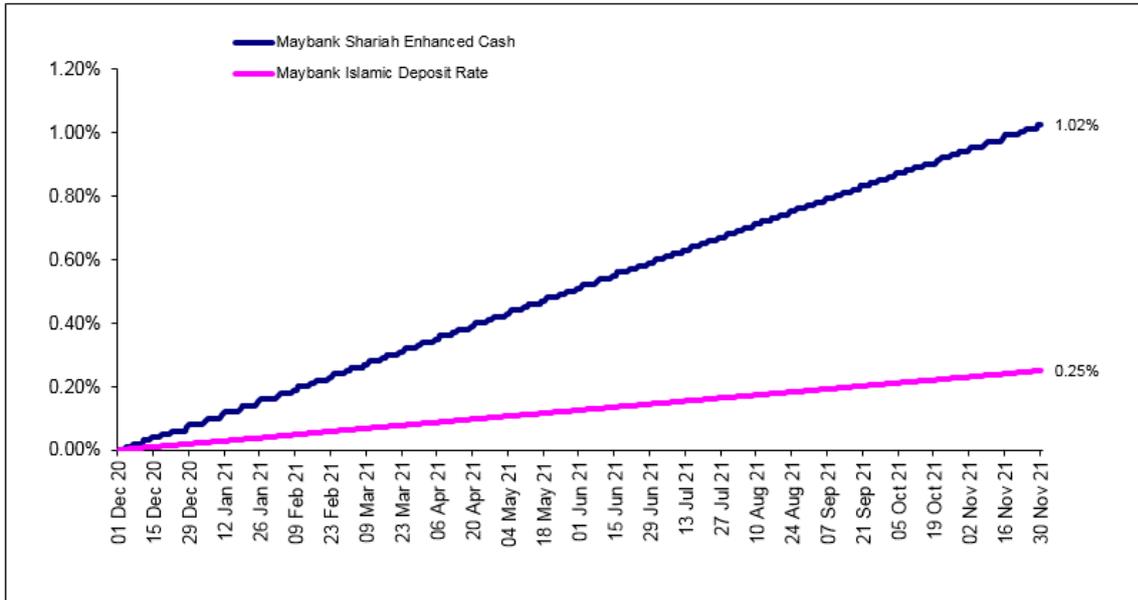
## MAYBANK SHARIAH ENHANCED CASH FUND

### Manager's report

For the financial year ended 30 November 2021 (cont'd)

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

Performance of the Fund for the financial year ended 30 November 2021:



Source: Lipper

*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 outperformance was mainly due to better returns from its deposits with selective financial institutions.

#### C. Market Review

Overnight Policy Rate ("OPR") was kept unchanged at 1.75% in the last Monetary Policy Committee ("MPC") meeting for the year in early November 2021 as it continued to cite recovery in global economy supported by improvements in manufacturing and services activity. Nonetheless, Bank Negara Malaysia ("BNM") sees potential downside risks to global and domestic economic growth on the back of Coronavirus Disease 2019 ("Covid-19") virus variants, supply chain disruptions and financial market volatility as central banks' adjusts their monetary policy. Further easing of containment measures and the vaccination progress will support growth momentum moving forward, albeit with possible risks from new Covid-19 variants.

#### D. Market Outlook and Strategies

The next MPC meeting is scheduled in mid-January 2022. BNM's Gross Domestic Product ("GDP") growth forecast was revised down to a range of +3.0% to +4.0% (previously +6.0% to +7.0%) in August 2021, citing the resurgence of Covid-19 cases and the re-imposition of nationwide containments measures that are expected to weigh on growth. While the impact will be cushioned by several factors including continued allowances for essential economic sectors to operate, higher adaptability to remote work and various policy support; growth trajectory will depend on the ability to contain the epidemic.

## MAYBANK SHARIAH ENHANCED CASH FUND

### Manager's report

For the financial year ended 30 November 2021 (cont'd)

#### 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. NAV as at 30 November 2021

	30.11.2021	30.11.2020	Changes (%)
NAV (RM)	80,673,790	111,738,212	(27.80)
Units in circulation (unit)	80,545,802	111,617,681	(27.84)
NAV per unit (RM)	1.0016	1.0011	0.05

#### 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 30 November 2021, the Manager and its delegates did not receive any soft commissions and rebates from brokers or dealers but have retained soft commissions in the form of goods and services such as research materials and advisory services that assist in decision making process relating to the investment of the Fund (i.e. research materials data and quotation services, computer hardware and software incidental to the investment management of the Fund and investment advisory services) which were of demonstrable benefits to the unitholders.

**Trustee's Report**  
**For the financial year ended 30 November 2021**

To the Unit Holders of  
**MAYBANK SHARIAH ENHANCED CASH FUND**

We, AMANAHRAYA TRUSTEE BERHAD, have acted as Trustee of MAYBANK SHARIAH ENHANCED CASH FUND for the financial year ended 30 November 2021. In our opinion, Maybank Asset Management Sdn Bhd, the Manager, has operated and managed MAYBANK SHARIAH ENHANCED CASH FUND in accordance with the limitations imposed on the investment powers of the management company under the Deeds, securities laws and the applicable Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework during the financial year then ended.

We are also of the opinion that:

- (a) Valuation and pricing is carried out in accordance with the Deed and any regulatory requirement;
- (b) Creation and cancellation of units are carried out in accordance with the Deed and any regulatory requirements; and
- (c) The distributions of income made by MAYBANK SHARIAH ENHANCED CASH FUND as declared by the Manager is appropriate and reflects the investment objective of MAYBANK SHARIAH ENHANCED CASH FUND.

Yours faithfully  
**AMANAHRAYA TRUSTEES BERHAD**

**Zainudin Bin Suhaimi**  
Chief Executive Officer

Kuala Lumpur, Malaysia  
13 January 2022

## **STATEMENT BY MANAGER**

### **TO THE UNITHOLDERS OF MAYBANK SHARIAH ENHANCED CASH FUND FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021**

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 Shariah Enhanced Cash Fund as at 30 November 2021 and of its results, changes in equity 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  
20 January 2022

**REPORT OF THE SHARIAH ADVISER**

**TO THE UNITHOLDERS OF  
MAYBANK SHARIAH ENHANCED CASH FUND  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021**

We hereby confirm the following: .

1. To the best of our knowledge, after having made all reasonable enquiries, Maybank Asset Management Sdn Bhd (the "Manager") has operated and managed Maybank Shariah Enhanced Cash Fund ("the Fund") during the period covered by these financial statements in accordance with the Shariah principles and complied with the applicable guidelines, rulings or decisions issued by the Securities Commission Malaysia pertaining to Shariah matters; and
2. The asset of the Fund comprises instruments that have been classified as Shariah compliant.

For and on behalf of  
**Maybank Islamic Berhad**

**Dr Aznan Bin Hasan**  
Chairman of the Shariah Committee of Maybank Islamic Berhad

Kuala Lumpur, Malaysia  
20 January 2022

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

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

#### *Opinion*

We have audited the financial statements of Maybank Shariah Enhanced Cash Fund Fund (the "Fund"), which comprise the statement of financial position as at 30 November 2021 of the Fund, and statement of comprehensive income, statement of changes in equity 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 11 to 33.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the as at 30 November 2021, 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.

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 Shariah Enhanced Cash Fund (cont'd)**

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

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

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

### *Responsibilities of the Manager and Trustee for the financial statements*

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

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

The Trustee is responsible for overseeing the Fund's financial reporting process. The Trustee is also responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

### *Auditors' responsibilities for the audit of the financial statements*

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

## **Independent auditors' report to the Unitholders of Maybank Shariah Enhanced Cash 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 Shariah Enhanced Cash 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  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Yeo Beng Yean  
03013/10/2022 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
20 January 2022

**MAYBANK SHARIAH ENHANCED CASH FUND****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021**

	Note	2021 RM	2020 RM
<b>INVESTMENT INCOME</b>			
Profit income		1,913,098	3,889,963
<b>EXPENSES</b>			
Manager's fee	3	278,160	411,202
Trustee's fee	4	22,337	32,896
Auditors' remuneration		7,500	7,500
Tax agent's fee		3,900	4,700
Shariah advisory fee		6,525	9,000
Administrative expenses		4,439	6,591
		<u>322,861</u>	<u>471,889</u>
<b>Net income before taxation</b>		1,590,237	3,418,074
Taxation	5	(441,975)	(909,018)
<b>Net income after taxation, and total comprehensive income for the financial year</b>		<u>1,148,262</u>	<u>2,509,056</u>
<b>Net income after taxation is made up of the following:</b>			
Net realised income		<u>1,148,262</u>	<u>2,509,056</u>
<b>Distributions for the financial year:</b>			
Net distributions	10	<u>1,059,470</u>	<u>2,451,874</u>
Gross distributions per unit (sen)	10	<u>1.39</u>	<u>1.98</u>
Net distributions per unit (sen)	10	<u>0.98</u>	<u>1.42</u>

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

**MAYBANK SHARIAH ENHANCED CASH FUND**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 NOVEMBER 2021**

	Note	2021 RM	2020 RM
<b>ASSETS</b>			
Shariah-compliant deposits with licensed financial institutions	6	80,463,498	111,798,849
Profit income receivables		3,754	5,309
Cash at bank		740	2,744
Tax recoverable		253,510	-
<b>TOTAL ASSETS</b>		<u>80,721,502</u>	<u>111,806,902</u>
<b>LIABILITIES</b>			
Amount due to Manager	7	17,439	24,560
Amount due to Trustee	8	1,479	1,965
Provision for tax		-	15,679
Other payables and accruals		28,794	26,486
<b>TOTAL LIABILITIES</b>		<u>47,712</u>	<u>68,690</u>
<b>NET ASSET VALUE ("NAV") OF THE FUND</b>		<u>80,673,790</u>	<u>111,738,212</u>
<b>EQUITY</b>			
Unitholders' capital	9(a)	69,197,667	100,274,555
Retained earnings	9(b)	11,476,123	11,463,657
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>80,673,790</u>	<u>111,738,212</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNIT)</b>	9(a)	<u>80,545,802</u>	<u>111,617,681</u>
<b>NAV PER UNIT (RM)</b>		<u>1.0016</u>	<u>1.0011</u>

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

## MAYBANK SHARIAH ENHANCED CASH FUND

### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021

	<b>Unitholders' capital Note 9(a) RM</b>	<b>Retained earnings Note 9(b) RM</b>	<b>Total equity RM</b>
At 1 December 2020	100,274,555	11,463,657	111,738,212
Total comprehensive income for the financial year	-	1,148,262	1,148,262
Creation of units	66,636,261	-	66,636,261
Reinvestment of units	1,975,083	-	1,975,083
Cancellation of units	(99,764,558)	-	(99,764,558)
Distributions (Note 10)	76,326	(1,135,796)	(1,059,470)
At 30 November 2021	<u>69,197,667</u>	<u>11,476,123</u>	<u>80,673,790</u>
At 1 December 2019	209,712,672	11,568,958	221,281,630
Total comprehensive income for the financial year	-	2,509,056	2,509,056
Creation of units	91,836,340	-	91,836,340
Reinvestment of units	2,362,474	-	2,362,474
Cancellation of units	(203,799,414)	-	(203,799,414)
Distributions (Note 10)	162,483	(2,614,357)	(2,451,874)
At 30 November 2020	<u>100,274,555</u>	<u>11,463,657</u>	<u>111,738,212</u>

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

## MAYBANK SHARIAH ENHANCED CASH FUND

### STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021

	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Profit income received	1,914,653	3,928,249
Manager's fee paid	(285,282)	(431,334)
Trustee's fee paid	(22,823)	(34,506)
Taxation paid	(711,165)	(1,749,841)
Payment of other fees and expenses	(20,054)	(28,628)
Net cash generated from operating and investing activities	<u>875,329</u>	<u>1,683,940</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from units created	67,639,770	91,836,340
Cash paid on units cancelled	(99,764,558)	(203,799,413)
Distributions paid to unitholders	(87,896)	(441,079)
Net cash used in financing activities	<u>(32,212,684)</u>	<u>(112,404,152)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENT FOR THE FINANCIAL YEAR</b>	<b>(31,337,355)</b>	<b>(110,720,212)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<b>111,801,593</b>	<b>222,521,805</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	<b><u>80,464,238</u></b>	<b><u>111,801,593</u></b>
Cash and cash equivalents comprise:		
Cash at bank	740	2,744
Shariah-compliant deposits with licensed financial institutions with original maturity of less than 3 months (Note 6)	80,463,498	111,798,849
	<u>80,464,238</u>	<u>111,801,593</u>

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

## **MAYBANK SHARIAH ENHANCED CASH FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021**

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

Maybank Shariah Enhanced Cash Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 24 November 2008, a First Supplemental Deed dated 8 October 2012, a Second Supplemental Deed dated 30 March 2015 and a Third Supplemental Deed dated 8 September 2017 (collectively referred to as the "Deeds") between the Manager, Maybank Asset Management Sdn Bhd ("MAM") and the Trustee, AmanahRaya Trustees Berhad.

The principal activity of the Fund is to invest 100% of its NAV in Shariah-compliant deposits with licensed financial institutions.

The Manager of the Fund is MAM, a company incorporated in Malaysia. It is a holder of the Capital Markets Services Licence ("CMSL") 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, Malaysia. MAM is a subsidiary of Maybank Asset Management Group Berhad ("MAMG"), which in turn is a subsidiary of Malayan Banking Berhad ("MBB").

MAM has appointed Maybank Islamic Asset Management Sdn Bhd ("MIAM") as the External Investment Manager for the Fund. MIAM is a subsidiary of MAMG and is a holder of CMSL to carry out Islamic fund management business pursuant to Section 61 of the CMSA.

The roles and responsibilities of MIAM include management of the investment portfolio in accordance with the investment objective, subject to the CMSA and the Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework issued by the Securities Commission Malaysia ("SC") and any other relevant guidelines issued by the SC as well as the terms and conditions of the investment management agreement between MIAM and MAM.

The financial statements were authorised for issue by the Board of Directors of the Manager ("Directors") in accordance with a resolution of the Directors on 20 January 2022.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **2.1 Basis of preparation**

The financial statements of the Fund have been prepared in accordance to Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB"), 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. The adoption of the new pronouncements did not result in any material impact to the financial statements.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies in Note 2.3 to 2.13 to the financial statements.

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

## MAYBANK SHARIAH ENHANCED CASH FUND

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

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

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

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: <i>Interest Rate Benchmark Reform Phase 2</i>	1 January 2021
Amendment to MFRS 16: <i>Covid-19 - Related Rent Concessions beyond 30 June 2021</i>	1 April 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 2023
MFRS 17: <i>Insurance Contracts</i>	
Amendments to MFRS 101: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</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 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 ("FVTPL")) 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 FVTPL are recognised immediately in profit or loss.

## MAYBANK SHARIAH ENHANCED CASH FUND

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

#### 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 and profit receivables as financial assets at amortised cost.

These assets are subsequently measured using the effective profit rate ("EPR") method and are subject to impairment. The EPR 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) 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. The impairment model does not apply to equity investments.

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

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

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

## **MAYBANK SHARIAH ENHANCED CASH FUND**

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

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

##### **(ii) Impairment (cont'd)**

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

- 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.

##### **(iii) 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 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.

## **MAYBANK SHARIAH ENHANCED CASH FUND**

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

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

##### **(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 profit rate method.

##### **(iii) Derecognition**

A financial liability is derecognised when the obligation under the liability is extinguished. Gain 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 the market participants would use when pricing the asset or liability, assuming that the 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.

## **MAYBANK SHARIAH ENHANCED CASH FUND**

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

#### **2.7 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.

#### **2.8 Distributions**

Any distribution to the Fund's unitholders is accounted for 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 period 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.

#### **2.9 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and shariah-compliant deposits with licensed financial institutions with original maturity of three months or less, which have an insignificant risk of changes in value.

#### **2.10 Revenue / Income**

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

Profit income from shariah-compliant deposits with licensed financial institutions are recognised on the accruals basis using the effective profit 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 that asset.

## **MAYBANK SHARIAH ENHANCED CASH FUND**

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

#### **2.11 Segment information**

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.

#### **2.12 Taxation**

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

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

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

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

#### **2.13 Critical accounting estimates and judgments**

The preparation of the Fund's financial statements requires the Manager to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future.

No major judgements have been made by the Manager in applying the Fund's accounting policies. There are no key assumptions concerning the future and other key sources of estimation uncertainty at 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. MANAGER'S FEE**

The Manager's fee is computed daily based on 0.25% (2020: 0.25%) per annum ("p.a.") of the NAV of the Fund before deducting the Manager's fee and Trustee's fees for that particular day.

## MAYBANK SHARIAH ENHANCED CASH FUND

### 4. TRUSTEE'S FEE

The Trustee's fee is computed daily based on the following table before deducting the Manager's fee and Trustee's fees for that particular day:

NAV (RM)	Trustee fee rate (%) p.a.	
	2021	2020
Nil to 1.0 billion	0.02	0.02
Above 1.0 billion	0.01	0.01

### 5. TAXATION

	2021 RM	2020 RM
Tax expense for the financial year:		
Current income tax expense	441,833	908,302
Under provision in prior years	142	716
	<u>441,975</u>	<u>909,018</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% (2020: 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:

	2021 RM	2020 RM
Net income before taxation	<u>1,590,237</u>	<u>3,418,074</u>
Tax at Malaysian statutory rate of 24% (2020: 24%)	381,657	820,338
Expenses not deductible for tax purposes	8,244	12,096
Restriction on tax deductible expenses	51,932	75,868
Under provision in prior years	142	716
Tax expense for the financial year	<u>441,975</u>	<u>909,018</u>

## MAYBANK SHARIAH ENHANCED CASH FUND

### 6. SHARIAH-COMPLIANT DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

	2021 RM	2020 RM
Shariah-compliant deposits with licensed financial institutions with maturity of:		
- less than 3 months	<u>80,463,498</u>	<u>111,798,849</u>

The weighted average effective profit rates ("WAEPR") p.a. and average maturity of Shariah-compliant deposits with licensed financial institutions with maturity of less than 3 months and more than 3 months as at the reporting date are as follows:

	2021		2020	
	WAEPR % p.a.	Average maturity Days	WAEPR % p.a.	Average maturity Days
Shariah-compliant deposits with maturity of:				
Less than 3 months	<u>1.70</u>	<u>1</u>	<u>1.73</u>	<u>1</u>

### 7. AMOUNT DUE TO MANAGER

Amount due to Manager represents the amount payable to the Manager arising from the accruals for Manager's fee at the end of the financial year. The normal credit term for Manager's fee is 15 days (2020: 15 days).

### 8. AMOUNT DUE TO TRUSTEE

Amount due to Trustee relates to the amount payable arising from the accrual for Trustee's fee at the end of the financial year. The normal credit term is 15 days (2020: 15 days).

## MAYBANK SHARIAH ENHANCED CASH FUND

### 9. TOTAL EQUITY

	Note	2021 RM	2020 RM
Unitholders' capital	(a)	69,197,667	100,274,555
Realised income	(b)	11,476,123	11,463,657
		<u>80,673,790</u>	<u>111,738,212</u>

#### (a) Unitholders' capital

	2021		2020	
	No. of units	RM	No. of units	RM
At the beginning of the financial year	111,617,681	100,274,555	221,058,586	209,712,672
Creation of units	66,527,227	66,636,261	91,666,108	91,836,340
Reinvestment of units	1,972,120	1,975,083	2,359,735	2,362,474
Cancellation of units	(99,571,226)	(99,764,558)	(203,466,748)	(203,799,414)
Distribution equalisation (Note 10)	-	76,326	-	162,483
At the end of the financial year	<u>80,545,802</u>	<u>69,197,667</u>	<u>111,617,681</u>	<u>100,274,555</u>

As at the end of the financial year, there were no units held by the Manager or parties related to the Manager (2020: Nil units).

#### (b) Realised income

	2021 RM	2020 RM
At the beginning of the financial year	11,463,657	11,568,958
Net realised income for the financial year	1,148,262	2,509,056
Distributions out of realised reserve (Note 10)	(1,135,796)	(2,614,357)
At the end of the financial year	<u>11,476,123</u>	<u>11,463,657</u>

## MAYBANK SHARIAH ENHANCED CASH FUND

### 10. DISTRIBUTIONS

Details of distributions declared to unitholders are as follows:

	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
Profit income	1,888,882	4,031,316
Less: Expenses	(316,584)	(474,125)
Less: Taxation	(436,502)	(942,834)
Distributions out of realised reserve (Note 9(b))	<u>1,135,796</u>	<u>2,614,357</u>
Distributions out of distribution equalisation (Note 9(a))	<u>(76,326)</u>	<u>(162,483)</u>
Net distributions for the financial year*	<u><u>1,059,470</u></u>	<u><u>2,451,874</u></u>

\* Part of the distributions were made from prior year's net realised income.

The gross and net distributions per unit, and the distribution dates for the distributions declared in the current and previous financial years are as follows:

<b>Distributions ex-date</b>	<b>Gross</b>	<b>Net</b>
	<b>distribution</b>	<b>distribution</b>
	<b>per unit (sen)</b>	<b>per unit (sen)</b>
<b>2021</b>		
29 December 2020	0.12	0.09
27 January 2021	0.11	0.08
24 February 2021	0.06	0.04
29 March 2021	0.11	0.08
27 April 2021	0.11	0.08
27 May 2021	0.12	0.09
28 June 2021	0.14	0.09
27 July 2021	0.13	0.09
25 August 2021	0.13	0.09
27 September 2021	0.13	0.09
27 October 2021	0.13	0.09
25 November 2021	0.10	0.07
	<u>1.39</u>	<u>0.98</u>
<b>2020</b>		
26 December 2019	0.21	0.16
29 January 2020	0.25	0.18
26 February 2020	0.20	0.14
30 March 2020	0.20	0.14
29 April 2020	0.19	0.14
28 May 2020	0.19	0.14
29 June 2020	0.15	0.10
28 July 2020	0.13	0.09
26 August 2020	0.10	0.07
28 September 2020	0.13	0.09
27 October 2020	0.13	0.09
26 November 2020	0.11	0.08
	<u>1.98</u>	<u>1.42</u>

## MAYBANK SHARIAH ENHANCED CASH FUND

### 11. TRANSACTIONS WITH LICENSED FINANCIAL INSTITUTIONS

Details of transactions, primarily Shariah-compliant deposits with licensed financial institutions during the financial year are as follows:

	2021		2020	
	Value of placements RM	Percentage of total placement %	Value of placements RM	Percentage of total placement %
AmBank Islamic Berhad	-	-	10,000,000	0.03
Bank Kerjasama Malaysia Berhad	8,292,778,481	30.52	11,263,151,162	29.22
CIMB Islamic Bank Berhad	-	-	50,020,959	0.13
Hong Leong Islamic Bank Berhad	7,002,150,155	25.77	11,209,187,073	29.08
Maybank Islamic Berhad *	3,557,972,000	13.10	3,544,985,000	9.20
Public Islamic Bank Berhad	8,317,482,319	30.61	12,289,640,532	31.88
RHB Islamic Bank Berhad	-	-	90,000,000	0.23
SME Development Bank Berhad	-	-	90,000,000	0.23
	<u>27,170,382,955</u>	<u>100.00</u>	<u>38,546,984,726</u>	<u>100.00</u>

\* Maybank Islamic Berhad ("MIB") is a subsidiary of MBB, the ultimate holding company of the Manager.

## MAYBANK SHARIAH ENHANCED CASH FUND

### 12. 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:

	2021 RM	2020 RM
<b>(a) <u>Significant related party transactions</u></b>		
MIB:		
Profit income from deposits	238,745	361,170
<b>(b) <u>Significant related party balances</u></b>		
MIB:		
Shariah-compliant deposits	18,450,000	1,672,000
Profit income receivables	809	69
Cash at bank	740	2,744

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.

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

The MER of the Fund is the ratio of total expenses expressed as an annual percentage of the Fund's daily average NAV. For the financial year ended 30 November 2021, the MER of the Fund was 0.29% (2020: 0.28%).

### 14. 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 daily average NAV of the Fund. For the financial year ended 30 November 2021, the PTR of the Fund stood at 157.27 times (2020: 24.08 times).

### 15. SEGMENT INFORMATION

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

## MAYBANK SHARIAH ENHANCED CASH FUND

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

The PMC is responsible for the performance of the Fund by investing 100% of its net asset value ("NAV") in short-term Shariah-compliant money market instruments including Shariah-compliant fixed deposits.

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 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.

### 16. 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 2.13 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 classes of financial instrument to which they are assigned and therefore by the measurement basis.

2021	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
<b>Assets</b>			
Shariah-compliant deposits with licensed financial institutions	80,463,498	-	80,463,498
Profit income receivables	3,754	-	3,754
Cash at bank	740	-	740
<b>Total financial assets</b>	<b>80,467,992</b>	<b>-</b>	<b>80,467,992</b>
<b>Liabilities</b>			
Amount due to Manager	-	17,439	17,439
Amount due to Trustee	-	1,479	1,479
Other payables and accruals	-	28,794	28,794
<b>Total financial liabilities</b>	<b>-</b>	<b>47,712</b>	<b>47,712</b>

## MAYBANK SHARIAH ENHANCED CASH FUND

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

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

2020	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
<b>Assets</b>			
Shariah-compliant deposits with licensed financial institutions	111,798,849	-	111,798,849
Profit income receivables	5,309	-	5,309
Cash at bank	2,744	-	2,744
<b>Total financial assets</b>	<b>111,806,902</b>	<b>-</b>	<b>111,806,902</b>
<b>Liabilities</b>			
Amount due to Manager	-	24,560	24,560
Amount due to Trustee	-	1,965	1,965
Other payables and accruals	-	26,486	26,486
<b>Total financial liabilities</b>	<b>-</b>	<b>53,011</b>	<b>53,011</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 30 November 2021 (2020: 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.

### 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### (a) Introduction

The Fund's objective in managing risk is the creation and protection of unitholders' capital. 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.

## MAYBANK SHARIAH ENHANCED CASH FUND

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

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

Market risk is the risk that the fair value or future cash flows of Shariah-compliant financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and security prices. However, the Fund is not exposed to currency risk as it does not hold Shariah-compliant investments denominated in currencies other than Ringgit Malaysia as at reporting date. The Fund is also not exposed to equity price risk as it does not hold any equity instruments as of the reporting date.

#### **(i) Profit rate risk**

Cash and Shariah-compliant fixed income securities are particularly sensitive to movements in profit rates. When profit rates rise, the return on cash will rise while the value of Shariah-compliant fixed income securities will fall and vice versa, thus affecting the NAV of the Fund. The Fund's Shariah-compliant deposits with licensed financial institutions carry a fixed rate and therefore is not affected by the movements in market profit rates.

#### **(c) Credit risk**

Credit risk is the risk that the issuer/counterparty to a financial instrument will default on its 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 profit, 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 Shariah-compliant 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.

#### **(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.

## MAYBANK SHARIAH ENHANCED CASH FUND

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

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

##### (ii) Credit risk concentration

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

	2021		2020	
	RM	Percentage of NAV %	RM	Percentage of NAV %
<b>Financial assets</b>				
AAA	59,797,082	74.12	71,229,488	63.75
AA2	20,670,910	25.62	40,577,414	36.31
	<u>80,467,992</u>	<u>99.74</u>	<u>111,806,902</u>	<u>100.06</u>

#### (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 Deeds of the Fund.

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, Shariah-compliant deposits with licensed financial institutions and other instruments which are capable of being converted into cash within 7 days.

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

**MAYBANK SHARIAH ENHANCED CASH FUND**

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

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

	<b>Less than 1 month RM</b>	<b>More than 1 month RM</b>	<b>Total RM</b>
<b>2021</b>			
<b>Financial assets</b>			
Shariah-compliant deposits with licensed financial institutions	80,463,498	-	80,463,498
Profit income receivables	3,754	-	3,754
Cash at bank	740	-	740
Total undiscounted financial asset	<u>80,467,992</u>	<u>-</u>	<u>80,467,992</u>
<b>Financial liabilities</b>			
Amount due to Manager	17,439	-	17,439
Amount due to Trustee	1,479	-	1,479
Other payables and accruals	28,794	-	28,794
Unitholders' equity	80,673,790	-	80,673,790
Total undiscounted financial liabilities and unitholders' equity	<u>80,721,502</u>	<u>-</u>	<u>80,721,502</u>
Liquidity gap	<u>(253,510)</u>	<u>-</u>	<u>(253,510)</u>
<b>2020</b>			
<b>Financial assets</b>			
Shariah-compliant deposits with licensed financial institutions	111,798,849	-	111,798,849
Profit income receivables	5,309	-	5,309
Cash at bank	2,744	-	2,744
Total undiscounted financial asset	<u>111,806,902</u>	<u>-</u>	<u>111,806,902</u>
<b>Financial liabilities</b>			
Amount due to Manager	24,560	-	24,560
Amount due to Trustee	1,965	-	1,965
Other payables and accruals	26,486	-	26,486
Unitholders' equity	111,738,212	-	111,738,212
Total undiscounted financial liabilities and unitholders' equity	<u>111,791,223</u>	<u>-</u>	<u>111,791,223</u>
Liquidity surplus	<u>15,679</u>	<u>-</u>	<u>15,679</u>

## MAYBANK SHARIAH ENHANCED CASH FUND

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

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

##### (i) Financial assets

Shariah-compliant deposits with licensed financial institutions 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.

##### (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.

##### (iii) Unitholders' capital

As unitholders could request for redemption of their units within one business day from transaction date, they have been categorised as having a maturity of "less than 1 month".

As a result, it appears that the Fund has a liquidity gap within "less than 1 month". However, the Fund believes that it would be able to liquidate its investments should the need arise to satisfy all the redemption requirements.

### 18. 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 make the operations of the Fund cost-efficient.

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