

# Quarterly Report

## Dec 2017

For the Period Ended 31 December 2017

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**Areca Islamic Cash Fund**

Management Company



(740840-D)



# QUARTERLY REPORT DECEMBER 2017

## ✧ Areca Islamic Cash Fund

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## CORPORATE DIRECTORY

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### MANAGER

Areca Capital Sdn Bhd (740840-D)  
107, Blok B, Pusat Dagangan Phileo Damansara 1  
No. 9, Jalan 16/11, Off Jalan Damansara  
46350 Petaling Jaya, Selangor  
Tel: 603-7956 3111, Fax: 603-7955 4111  
website: [www.arecacapital.com](http://www.arecacapital.com)  
e-mail: [invest@arecacapital.com](mailto:invest@arecacapital.com)

### BOARD OF DIRECTORS

Dato' Wee Hoe Soon @ Gooi Hoe Soon  
(Non-Independent, Chairman)  
Wong Teck Meng (Executive)  
Raja Datuk Zaharaton Bt Raja Dato' Zainal Abidin  
(Non-Executive Non-Independent)  
Dr. Junid Saham (Independent)

### INVESTMENT COMMITTEE MEMBERS

Dato' Wee Hoe Soon @ Gooi Hoe Soon  
(Non-Independent, Chairman)  
Raja Datuk Zaharaton Bt Raja Dato' Zainal Abidin  
(Non-Executive Non-Independent)  
Dr. Junid Saham (Independent)

### TRUSTEE

RHB Trustees Berhad (573019-U)  
Level 11, Tower One, RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Tel: 03-9280 8799 Fax: 03-9280 8796

### AUDITOR

PricewaterhouseCoopers (AF1146)  
Level 10, 1 Sentral, Jalan Rakyat  
Kuala Lumpur Sentral, P O Box 10192  
50706 Kuala Lumpur  
Tel: 03-2173 1188 Fax: 03-2173 1288

### TAX ADVISER

PricewaterhouseCoopers Taxation Services  
Sdn Bhd (464731-M)  
Level 10, 1 Sentral, Jalan Travers  
Kuala Lumpur Sentral, P O Box 10192  
50706 Kuala Lumpur  
Tel: 03-2173 1188, Fax: 03-2173 1288

### SHARIAH ADVISER

ZICO Shariah Advisory Services Sdn Bhd  
(769433-D)  
Level 7-6 Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Tel: 03-2093 3999 Fax: 03-2093 2999

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## MANAGER'S OFFICE AND BRANCHES

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### HEAD OFFICE

107, Blok B, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara,  
46350 Petaling Jaya, Selangor  
Tel: 603-7956 3111, Fax: 603-7955 4111  
website: [www.arecacapital.com](http://www.arecacapital.com) e-mail: [invest@arecacapital.com](mailto:invest@arecacapital.com)

### PENANG – PULAU TIKUS

368-2-02 Belissa Row  
Jalan Burma, Georgetown  
10350 Pulau Pinang  
Tel : 604-210 2011  
Fax: 604-210 2013

### PERAK – IPOH

11A, (First Floor)  
Persiaran Greentown 5  
Greentown Business Centre  
30450 Ipoh, Perak  
Tel : 605-249 6697  
Fax: 605-249 6696

### MALACCA

95A, Jalan Melaka Raya 24  
Taman Melaka Raya  
75000 Melaka  
Tel : 606-282 9111  
Fax: 606-283 9112

**QUARTERLY REPORT DECEMBER 2017**  
Areca Islamic Cash Fund

**FUND INFORMATION**

<b>Name of the Fund</b>	Areca Islamic Cash Fund																																			
<b>Fund Category/ Type</b>	Islamic Fixed Income (Wholesale)/Income																																			
<b>Investment Objective</b>	Seek to offer investors regular income																																			
<b>Performance Benchmark</b>	Maybank Islamic 1-month REPO rate																																			
<b>Distribution Policy of the Fund</b>	At least twice a year, subject to the availability of distributable income. In the absence of instructions to the contrary from unit holder, the Manager is entitled to reinvest the income distributed from the Fund in additional units of that Fund at the NAV per unit at the end of the distribution day (at ex-distribution price) with no entry fee.																																			
<b>Profile of unitholdings</b>	<p style="text-align: right;"><b>As at 31 December 2017</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Size of Holding (Units)</th> <th style="text-align: center;">No. of accounts</th> <th style="text-align: center;">%</th> <th style="text-align: center;">No. of units held 'million</th> <th style="text-align: center;">%</th> </tr> </thead> <tbody> <tr> <td>Up to 5,000</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>5,001 to 10,000</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>10,001 to 50,000</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>50,001 to 500,000</td> <td style="text-align: center;">2</td> <td style="text-align: center;">25.00</td> <td style="text-align: center;">0.34</td> <td style="text-align: center;">1.11</td> </tr> <tr> <td>500,001 and above</td> <td style="text-align: center;">6</td> <td style="text-align: center;">75.00</td> <td style="text-align: center;">30.31</td> <td style="text-align: center;">98.89</td> </tr> <tr> <td><b>Total*</b></td> <td style="text-align: center;"><b>8</b></td> <td style="text-align: center;"><b>100.00</b></td> <td style="text-align: center;"><b>30.65</b></td> <td style="text-align: center;"><b>100.00</b></td> </tr> </tbody> </table> <p><i>* excluding units held by the Manager</i></p>	Size of Holding (Units)	No. of accounts	%	No. of units held 'million	%	Up to 5,000	-	-	-	-	5,001 to 10,000	-	-	-	-	10,001 to 50,000	-	-	-	-	50,001 to 500,000	2	25.00	0.34	1.11	500,001 and above	6	75.00	30.31	98.89	<b>Total*</b>	<b>8</b>	<b>100.00</b>	<b>30.65</b>	<b>100.00</b>
Size of Holding (Units)	No. of accounts	%	No. of units held 'million	%																																
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<b>Rebates &amp; Soft Commissions</b>	The Manager retains soft commissions received from stockbrokers, provided these are of demonstrable benefit to unitholders. The soft commissions may take the form of goods and services such as data and quotation services, computer software incidental to the management of the Fund and investment related publications. Cash rebates, if any, are directed to the account of the Fund. During the period under review, the Manager had not received any soft commissions.																																			
<b>Inception Date</b>	18 June 2015																																			
<b>Initial Offer Price</b>	RM 1.0000 per unit during the initial offer period of 1 day																																			
<b>Pricing Policy</b>	Single Pricing – Selling and repurchase of units by Manager are at Net Asset Value per unit																																			
<b>Financial year end</b>	30 September																																			

**QUARTERLY REPORT DECEMBER 2017**  
Areca Islamic Cash Fund

**FUND PERFORMANCE**

	<b>1.10.2017 to 31.12.2017</b>	<b>1.7.2017 to 30.9.2017</b>	
<b>Net Asset Value ("NAV")</b>			
Total Net Asset Value (RM Million)	31.17	43.34*	
Units in circulation (million units)	30.67	42.92*	
NAV per unit (RM)	1.0162	1.0098*	
<i>*Ex-distribution</i>			
<b>HIGEST &amp; LOWEST NAV</b>			
<i>Please refer to <b>Note 1</b> for further information on NAV and pricing policy</i>			
Highest NAV per unit (RM)	1.0161	1.0397*	
Lowest NAV per unit (RM)	1.0098	1.0098*	
<i>*Ex-distribution</i>			
<b>ASSET ALLOCATION</b> % of NAV			
<b>Short term Shariah-based deposits</b>	-	-	
<b>Cash &amp; cash equivalents including placements and repo</b>	100.00	100.00	
<b>DISTRIBUTION</b>			
Distribution date	-	29 Sep 2017	
Gross distribution (sen per unit)	-	3.00 (29 Sep)	
Net distribution (sen per unit)	-	3.00 (29 Sep)	
NAV before distribution (RM per unit)	-	1.0397 (28 Sep)	
NAV after distribution (RM per unit)	-	1.0098 (29 Sep)	
<b>UNIT SPLITS</b>			
There was no unit split exercise for the financial period under review.			
<b>EXPENSE/ TURNOVER</b> for the period ended			
Management expense ratio (MER) (%)	0.22	0.21	
<i>Please refer to <b>Note 2</b> for further information</i>			
Portfolio turnover ratio (PTR) (times)	0.09	-	
<i>Please refer to <b>Note 3</b> for further information</i>			
<b>TOTAL RETURN</b>			
<i>Please refer to <b>Note 4</b> for further information</i>			
Total Return (%)	0.63	0.63	
- Capital Return (%)	0.63	(2.29)	
- Income Return (%)	-	2.92	
Annual Total Return (%)	2.50*	2.44*	
Performance Benchmark: Average	2.35*	2.35*	
Maybank's 1-month REPO rate (%)	2.35*	2.35*	
<i>* Annualised for comparison purpose only</i>			
	1-yr	3-yrs	5-yrs
Average Total Return per annum (%)	2.56	-	-

## QUARTERLY REPORT DECEMBER 2017

Areca Islamic Cash Fund

### **NOTES:**

**Note 1:** *Selling of units by the Management Company (i.e. when you purchase units and invests in the Fund) and redemption of units by the Management Company (i.e. when you redeem your units and liquidate your investments) will be carried out at NAV per unit (the actual value of a unit). The entry/ exit fee (if any) would be computed separately based on your net investment/ liquidation amount.*

**Note 2:** *MER is calculated based on the total fees and expenses incurred by the Fund, divided by the average net asset value calculated on a daily basis.*

**Note 3:** *PTR is computed based on the average of the total acquisitions and total disposals of the investment securities of the Fund, divided by the average net asset value calculated on a daily basis.*

**Note 4:** *Fund performance figures are calculated based on NAV to NAV and assume reinvestment of distributions (if any) at NAV. The total return data is sourced from Lipper. Benchmark data is sourced from Malayan Banking Berhad.*

***Past performance is not necessarily indicative of future performance. Unit prices and investment returns may go down, as well as up.***

**QUARTERLY REPORT DECEMBER 2017**

Areca Islamic Cash Fund

**FUND REVIEW**

For the quarter ended 31 December 2017, the Fund posted an annualized return of 2.50% against the performance benchmark, Maybank Islamic 1-month REPO rate of 2.35%. The portfolio remains highly liquid and is predominantly placed under repos and Islamic GIA accounts.

**Investment Policy and Strategy**

The Fund may invest up to 30% of its NAV in Islamic fixed income securities including Ringgit denominated Sukuk and invest the remaining NAV in short-term Islamic money market instruments, Islamic deposits and placement with Islamic investment account with different maturity periods.

**NAV per unit as at 31 December 2017**

RM1.0162

**Asset Allocation/Portfolio Composition as at**

31.12.2017

30.9.2017

100.00%



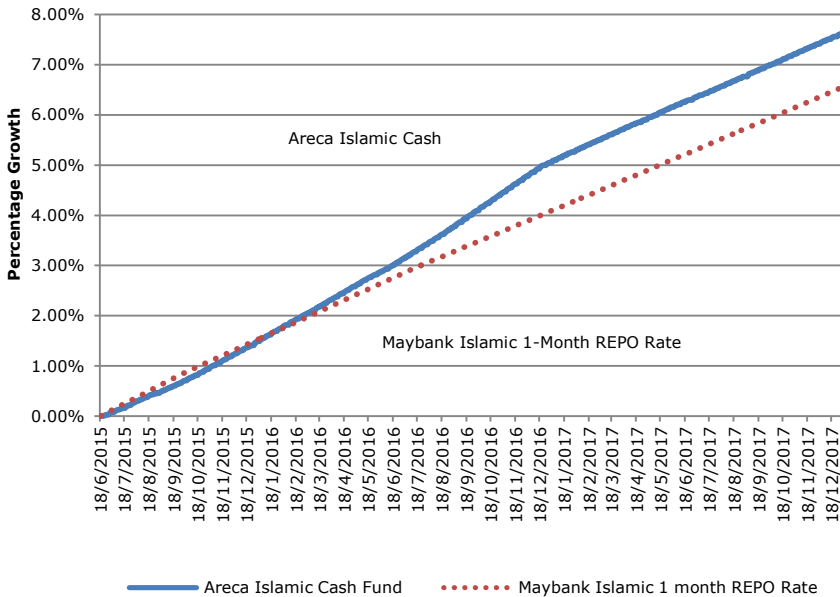
Cash & cash equivalents

100.00%

100.00

**Performance of Areca Islamic Cash Fund  
for the financial period since inception to 31 December 2017**

**Total Return of Areca Islamic Cash Fund vs Benchmark**





## QUARTERLY REPORT DECEMBER 2017

Areca Islamic Cash Fund

### MARKET REVIEW & OUTLOOK

#### ECONOMIC REVIEW & OUTLOOK

Far from the sub-prime caused economic crisis now almost a decade ago, growth in the US has recovered well. Annualised 4Q2017 Gross Domestic Product (GDP) grew at 2.5% y-o-y, marking 7 consecutive quarters of steady rise. For the year, the US economy grew 2.3%. Unemployment rate has also steadily declined and now reads 4.1% as at end December, the lowest level in 17 years. Housing indicators are on a positive trajectory with Housing starts, Housing Price Indices and Building permits showing positive signs of strength in a sector that was the bane of US economy. December inflation held up at 2.1%. With Trump's tax reform plan endorsed by Senate at the end of November, it is no surprise that the bullish stock market continue to push through umpteen new highs with year-end closing at yet another all-time high of 24,837.

In Europe, GDP grew by 2.8% and 2.7% for 3Q and 4Q respectively. Even more encouraging is the steady decline of unemployment rate to 8.7% in December which is the lowest level since January 2009. However, inflation struggles allow for continued bond buying program at least until September 2018 although it is to be halved to €30 bil a month beginning January. Inflation in December registered a tepid 1.3%.

Meanwhile China's National Congress meeting and snap elections in Japan in the last quarter of 2017 returned and reaffirmed Xi Jin Peng and Shinzo Abe as leaders of their respective countries; the 2<sup>nd</sup> and 3<sup>rd</sup> largest economies in the world; granting them the ability to upstage and display to the world the symbolic shift in global power when hosting President Trump in his first trip to Asia. Rolling out the red carpet, the praise-hungry US President heaped warm words of praise as towards China in contrast to the lambasting he gave months earlier branding China a currency manipulator and stealing American jobs.

In Malaysia, inflation has kept above 3% throughout this year. In the 4<sup>th</sup> quarter in review, inflation came in at 3.7%, 3.4% and 3.5% largely due to higher average pump prices. 3Q GDP growth advanced 6.2%, above last quarter's 5.8% and market expectation of 5.4%, highest since 2Q 2014 with major contribution from private consumption and exports. For the year 2017, growth is expected to hit the upper range of official estimate of 5.2-5.7%. Foreign Reserves stands at USD102.4 billion (or RM414.6 bil) as at end December after adjustments for forex revaluations, sufficient to finance 7.2 months of retained imports and is 1.1 times short-term external debt.

#### FIXED INCOME MARKET OUTLOOK

The 10-year US Treasury benchmark traded at a higher platform of 2.28-2.50% compared to 3Q's range of 2.04-2.39% reflecting the fulfilled 0.25% rate hike in December and the optimism towards the advancing economy. Statements following the latest Federal Reserve meeting tended towards hawkish stance with the dot plot forward guidance of 3 rate hikes in 2018. In addition, Trump's corporate friendly tax reform and plan may further aid the sustenance of stable growth. However, with 8 of 12 months in 2017 recording inflation rate above 2% target, there is a risk policymakers may rush to arrest rising prices with a more aggressive rate increase which may 'upset the apple cart'.

In Malaysia, there were two Monetary Policy Committee meetings in this period where policy rates were left unchanged. However, glaring alterations in the accompanying statement were noted to signify preparation for a potential rate hike in the near future. Recognising improved external and domestic economic data, BNM "may consider reviewing the degree of monetary accommodation". Massive gains in the MYR against USD was also noted in this quarter with MYR closing the year at 4.04, strengthening 4.2% from 4.22 against last quarter and almost 10% for the year from 4.485. There was also net inflow of offshore funds into our sovereign debt markets of RM7.38 bil. Foreign debt holdings stand at RM190.6 bil at end December or 28.3% of outstanding.

## QUARTERLY REPORT DECEMBER 2017

Areca Islamic Cash Fund

### TRUSTEE'S REPORT

*For The Period Ended 31 December 2017*

#### **To the Unit holders of Areca Islamic Cash Fund**

We have acted as Trustee of Areca Islamic Cash Fund (the "Fund") for the financial period ended 31 December 2017. In our opinion and to the best of our knowledge, Areca Capital 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 Deed, the Securities Commission Malaysia's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation or pricing is carried out in accordance with the Deed and any regulatory requirements; and
- (c) creation and cancellation of units are carried out in accordance with the Deed and other regulatory requirements.

#### **For and on behalf of**

#### **RHB TRUSTEES BERHAD (Company No: 573019-U)**

MOHD SOFIAN BIN KAMARUDDIN  
VICE PRESIDENT

LEE YIT CHENG  
HEAD, GROUP INT'L OPS SUPPORT &  
TRUSTEES OPS

Kuala Lumpur  
13 February 2018

### STATEMENT BY THE MANAGER

#### **To the Unit holders of Areca Islamic Cash Fund**

We, Wong Teck Meng and Dato' Wee Hoe Soon @ Gooi Hoe Soon, two of the Directors of Areca Capital Sdn Bhd, do hereby state that in the opinion of the Manager, the unaudited financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Securities Commission Malaysia's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework in Malaysia so as to give a true and fair view of the financial position of the Fund as of 31 December 2017 and the financial performance and the cash flows of the Fund for the financial period ended on that date.

#### **For and on behalf of the Manager**

#### **ARECA CAPITAL SDN BHD**

WONG TECK MENG  
EXECUTIVE DIRECTOR

DATO' WEE HOE SOON @ GOOI HOE SOON  
NON-INDEPENDENT DIRECTOR

Kuala Lumpur  
13 February 2018

**QUARTERLY REPORT DECEMBER 2017**

Areca Islamic Cash Fund

**UNAUDITED STATEMENT OF FINANCIAL POSITION***As At 31 December 2017*

	<b>Note</b>	<b>31.12.2017 RM</b>	<b>30.9.2017 RM</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	31,208,257	43,383,049
<b>Total Assets</b>		<b>31,208,257</b>	<b>43,383,049</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued management fee		19,448	27,052
Accrued trustee's fee		1,297	1,803
Audit fee		6,600	6,600
Tax agent's fee		4,913	4,913
Other payables and accruals		4,084	2,771
<b>Total Liabilities</b>		<b>36,342</b>	<b>43,139</b>
<b>Net Asset Value of the Fund</b>		<b>31,171,915</b>	<b>43,339,910</b>
<b>EQUITY</b>			
Unit holders' capital		30,650,604	43,041,274
Retained earnings		521,311	298,636
<b>Net Assets Attributable to Unit Holders</b>		<b>31,171,915</b>	<b>43,339,910</b>
<b>Number of Units in Circulation (Unit)</b>		<b>30,674,627</b>	<b>42,918,307</b>
<b>Net Asset Value Per Unit (Ex Distribution)</b>		<b>1.0162</b>	<b>1.0098</b>

*The accompanying notes form an integral part of these financial statements.*

**QUARTERLY REPORT DECEMBER 2017**

Areca Islamic Cash Fund

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME***For The Financial Period ended 31 December 2017*

	<b>1.10.2017 to 31.12.2017 RM</b>	<b>1.7.2017 to 30.9.2017 RM</b>
<b>INVESTMENT INCOME</b>		
Profit income	299,757	354,275
Net gain/(loss) on financial assets at fair value through profit or loss	300	(120)
	<u>300,057</u>	<u>354,155</u>
<b>EXPENSES</b>		
Management fee	66,731	81,337
Trustee's fee	4,449	5,422
Audit fee	-	-
Tax agent's fee	-	-
Other expenses	6,202	5,317
	<u>77,382</u>	<u>92,076</u>
<b>NET PROFIT BEFORE TAXATION</b>	<u>222,675</u>	<u>262,079</u>
Taxation	-	-
<b>NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>	<u><u>222,675</u></u>	<u><u>262,079</u></u>
Net Profit After Taxation Is Made Up As Follows:		
Realised amount	222,675	261,799
Unrealised amount	-	280
	<u>222,675</u>	<u>262,079</u>

*The accompanying notes form an integral part of these financial statements.*

**QUARTERLY REPORT DECEMBER 2017**

Areca Islamic Cash Fund

**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**For The Financial Period Ended 31 December 2017**

	<b>Unit holders' capital RM</b>	<b>Retained earnings RM</b>	<b>Total RM</b>
<b>Balance as at 1 October 2017</b>	43,041,274	298,636	43,339,910
Total comprehensive income for the financial period	-	222,675	222,675
Movement in unit holder's capital:			
Creation of units arising from application	835,000	-	835,000
Creation of units arising from distribution	-	-	-
Cancellation of units	(13,225,670)	-	(13,225,670)
<b>Balance as at 31 December 2017</b>	<u>30,650,604</u>	<u>521,311</u>	<u>31,171,915</u>
<b>Balance as at 1 July 2017</b>	45,918,092	1,286,958	47,205,050
Total comprehensive income for the financial period	-	262,079	262,079
Movement in unit holder's capital:			
Creation of units arising from application	4,745,000	-	4,745,000
Creation of units arising from distribution	1,250,401	-	1,250,401
Cancellation of units	(8,872,219)	-	(8,872,219)
Distribution	-	(1,250,401)	(1,250,401)
<b>Balance as at 30 September 2017</b>	<u>43,041,274</u>	<u>298,636</u>	<u>43,339,910</u>

*The accompanying notes form an integral part of these financial statements.*

**QUARTERLY REPORT DECEMBER 2017**

Areca Islamic Cash Fund

**UNAUDITED STATEMENT OF CASH FLOWS****For The Financial Period ended 31 December 2017**

	<b>1.10.2017 to 31.12.2017 RM</b>	<b>1.7.2017 to 30.9.2017 RM</b>
<b>Cash Flows From Operating Activities</b>		
Proceeds from disposal/maturity of short term Shariah-based deposits with licensed financial institutions	3,085,500	4,000,000
Placement of short term Shariah-based deposits with licensed financial institutions	(3,145,730)	-
Profit income	360,288	420,023
Management fee paid	(74,335)	(83,237)
Trustee's fee paid	(4,956)	(5,549)
Payment for other fees and expenses	(4,889)	(9,625)
Net Cash Generated From Operating Activities	<u>215,878</u>	<u>4,321,612</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from creation of units	835,000	5,995,401
Payment for cancellation of units	(13,225,670)	(9,273,618)
Payment for income distribution	-	(1,250,401)
Net Cash Used In Financing Activities	<u>(12,390,670)</u>	<u>(4,528,618)</u>
<b>Net Decrease In Cash And Cash Equivalents</b>	(12,174,792)	(207,006)
<b>Cash And Cash Equivalents At The Beginning Of The Financial Period</b>	<u>43,383,049</u>	<u>43,590,055</u>
<b>Cash And Cash Equivalents At The End Of The Financial Period</b>	<u><u>31,208,257</u></u>	<u><u>43,383,049</u></u>

*The accompanying notes form an integral part of these financial statements.*

**QUARTERLY REPORT DECEMBER 2017**  
Areca Islamic Cash Fund

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

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

Areca Islamic Cash Fund ("the Fund") is a Wholesale Fund was established pursuant to the Trust Deed dated 3 June 2015 between Areca Capital Sdn Bhd as the Manager, RHB Trustees Berhad as the Trustee and all the registered unit holders of the Fund.

The principal activity of the Fund is to invest in investments as defined under Schedule 7 of the deed, which include Islamic fixed income securities including Ringgit denominated Sukuk, short-term Islamic money market instruments, Islamic deposits and placement with Islamic investment account. The Fund commenced operations on 18 June 2015 and will continue its operations until terminated by the Trustee in accordance with Part 11 of the Deed.

The objective of the Fund is to offer investors regular income.

The Manager of the Fund is Areca Capital Sdn Bhd, a company incorporated in Malaysia. Its principal activities are managing private and unit trust funds.

**2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES**

Financial instruments of the Fund are as follows:

	<b>Financing and receivables RM</b>	<b>Financial assets at fair value through profit or loss RM</b>	<b>Total RM</b>
<u>31 December 2017</u>			
Short-term Shariah-based financial instrument and deposits with licensed financial institutions	31,205,578	-	31,205,578
Cash at bank	2,679	-	2,679
	31,208,257	-	31,208,257
<u>30 September 2017</u>			
Shariah-based deposits with licensed financial institutions	43,375,802	-	43,375,802
Cash at bank	7,247	-	7,247
	43,383,049	-	43,383,049

All current liabilities are financial liabilities which are carried at amortised cost.

The Fund is exposed to a variety of risks which include market risk (including interest rate risk), credit risk, liquidity risk, capital risk and reclassification of Shariah status risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated by the Securities Commission Malaysia's Guidelines on Unlisted Capital Markets Products under the Lodge and Launch Framework.

Market risk

a) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of assets and liabilities and future cash flows.

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### Areca Islamic Cash Fund

The Fund's exposure to interest rate risk is mainly confined to short term Shariah-based deposit placements with licensed financial institutions. The Manager overcomes this exposure by way of maintaining short term Shariah-based deposits with licensed financial institutions.

The Fund's exposure to interest rate risk associated with Shariah-based deposits with licensed financial institutions is not material as the carrying value of the deposits are held on a short term basis.

#### Credit risk

Credit risk refers to the ability of an issuer or counterparty to make timely payments of profit, principals and proceeds from realisation of Shariah-compliant investments. The Manager manages the credit risk by undertaking credit evaluation to minimise such risk.

Credit risk arising from placements of Shariah-based deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

The settlement terms of the proceeds from the creation of units' receivable from the Manager and redemption of units payable to the Manager are governed by the Securities Commission Malaysia's Guidelines on Unlisted Capital Markets Products under the Lodge and Launch Framework.

The following table sets out the credit risk concentrations and counterparties of the Fund:

	<b>Cash and cash equivalents RM</b>	<b>Financial assets at fair value through profit or loss RM</b>	<b>Total RM</b>
<u>31 December 2017</u>			
Finance			
AAA	24,623,899	-	24,623,899
AA-	6,584,358	-	6,584,358
	<u>31,208,257</u>	<u>-</u>	<u>31,208,257</u>
<u>30 September 2017</u>			
Finance			
AAA	36,783,770	-	36,783,770
AA-	6,599,279	-	6,599,279
	<u>43,383,049</u>	<u>-</u>	<u>43,383,049</u>

All financial assets of the Fund are neither past due nor impaired.

#### Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations. The Manager manages this risk by maintaining sufficient level of Shariah-based liquid assets to meet anticipated payment and cancellations of unit by unitholders. Shariah-based liquid assets comprise cash at bank, short term Islamic placements with licensed financial institutions and other Shariah-compliant instruments, which are capable of being converted into cash within 7 days.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.



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### Areca Islamic Cash Fund

The amounts in the table below are the contractual undiscounted cash flows.

	<b>Within one month RM</b>	<b>Between one month to one year RM</b>	<b>Total RM</b>
<u>As at 31 December 2017</u>			
Accrued management fee	19,448	-	19,448
Accrued trustee's fee	1,297	-	1,297
Audit fee	-	6,600	6,600
Tax agent's fee	-	4,913	4,913
Other payables and accruals	1,244	2,840	4,084
	<u>21,989</u>	<u>14,353</u>	<u>36,342</u>
<u>As at 30 September 2017</u>			
Accrued management fee	27,052	-	27,052
Accrued trustee's fee	1,803	-	1,803
Audit fee	-	6,600	6,600
Tax agent's fee	-	4,913	4,913
Other payables and accruals	1,731	1,040	2,771
	<u>30,586</u>	<u>12,553</u>	<u>43,139</u>

#### Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders.

The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the Shariah-compliant investment activities of the Fund.

### **3 FAIR VALUE ESTIMATION**

Financial instruments comprise financial assets and financial liabilities. 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 of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the period end date.

An active market is a market in which transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques.

#### (i) Fair value hierarchy

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

## QUARTERLY REPORT DECEMBER 2017

### Areca Islamic Cash Fund

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

- (ii) The carrying values of cash equivalents and all current liabilities are a reasonable approximation of the fair values due to short term nature.

#### 4 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), as modified by financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with the MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial period. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. Although these estimates and judgment are based on the Manager's best knowledge of current events and actions, actual results may differ.

#### 5 CASH AND CASH EQUIVALENTS

	<b>31.12.2017</b>	<b>30.9.2017</b>
	<b>RM</b>	<b>RM</b>
Bank balance with a licensed bank	2,679	7,247
Shariah-based deposit with licensed financial institutions	31,205,578	43,375,802
	<u>31,208,257</u>	<u>43,383,049</u>

\* Includes profit receivable of RM62,401 (30.9.2017: RM57,480).

Weighted average effective profits per annum and weighted average maturity of Shariah-based deposits with licensed financial institutions are as follows:

	<b>31.12.2017</b>	<b>30.9.2017</b>
	<b>%</b>	<b>%</b>
Shariah-based deposits with licensed financial institutions	<u>3.40</u>	<u>3.40</u>

The Shariah-based deposits with licensed financial institution have an average maturity of 15 days (30.9.2017: 25 days).

#### 6 QUARTERLY ACCOUNTS

The quarterly accounts for the 3-month period ended 31 December 2017 have not been audited.





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