

Quarterly Report

Mar 2018

For the Period Ended 31 March 2018

Areca Islamic Cash Fund

Management Company



(740840-D)

QUARTERLY REPORT MARCH 2018

✧ Areca Islamic Cash Fund

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QUARTERLY REPORT MARCH 2018

Areca Islamic Cash Fund

CORPORATE DIRECTORY

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
e-mail: invest@arecacapital.com

BOARD OF DIRECTORS

Wong Teck Meng (Executive)
Edward Iskandar Toh Bin Abdullah (Executive)
Raja Datuk Zaharaton Bt Raja Dato' Zainal Abidin
(Independent)
Dr. Junid Saham (Independent)

INVESTMENT COMMITTEE MEMBERS

Dato' Seri Lee Kah Choon (Independent)
Raja Datuk Zaharaton Bt Raja Dato' Zainal Abidin
(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

MANAGER'S OFFICE AND BRANCHES

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 e-mail: 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 MARCH 2018
Areca Islamic Cash Fund

FUND INFORMATION

Name of the Fund	Areca Islamic Cash Fund																																			
Fund Category/ Type	Islamic Fixed Income (Wholesale)/Income																																			
Investment Objective	Seek to offer investors regular income																																			
Performance Benchmark	Maybank Islamic 1-month REPO rate																																			
Distribution Policy of the Fund	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.																																			
Profile of unitholdings	As at 31 March 2018																																			
	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Size of Holding (Units)</th> <th style="text-align: center; border-bottom: 1px solid black;">No. of accounts</th> <th style="text-align: center; border-bottom: 1px solid black;">%</th> <th style="text-align: center; border-bottom: 1px solid black;">No. of units held 'million</th> <th style="text-align: center; border-bottom: 1px solid black;">%</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;">0.30</td> <td style="text-align: center;">1.10</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;">26.91</td> <td style="text-align: center;">98.90</td> </tr> <tr> <td style="border-top: 1px solid black;">Total*</td> <td style="text-align: center; border-top: 1px solid black;">8</td> <td style="text-align: center; border-top: 1px solid black;">100.00</td> <td style="text-align: center; border-top: 1px solid black;">27.21</td> <td style="text-align: center; border-top: 1px solid black;">100.00</td> </tr> </tbody> </table>	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	0.30	1.10	500,001 and above	6	75.00	26.91	98.90	Total*	8	100.00	27.21	100.00
Size of Holding (Units)	No. of accounts	%	No. of units held 'million	%																																
Up to 5,000	-	-	-	-																																
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<i>* excluding units held by the Manager</i>																																				
Rebates & Soft Commissions	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.																																			
Inception Date	18 June 2015																																			
Initial Offer Price	RM 1.0000 per unit during the initial offer period of 1 day																																			
Pricing Policy	Single Pricing – Selling and repurchase of units by Manager are at Net Asset Value per unit																																			
Financial year end	30 September																																			

QUARTERLY REPORT MARCH 2018

Areca Islamic Cash Fund

FUND PERFORMANCE

	1.1.2018 to 31.3.2018	1.10.2017 to 31.12.2017
Net Asset Value ("NAV")		
Total Net Asset Value (RM Million)	27.83	31.17
Units in circulation (million units)	27.24	30.67
NAV per unit (RM)	1.0217	1.0162

HIGEST & LOWEST NAV		
<i>Please refer to Note 1 for further information on NAV and pricing policy</i>		
Highest NAV per unit (RM)	1.0216	1.0161
Lowest NAV per unit (RM)	1.0161	1.0098

ASSET ALLOCATION % of NAV		
Short term Shariah-based deposits	22.62	-
Cash & cash equivalents including placements and repo	77.38	100.00

DISTRIBUTION		
Distribution date	-	-
Gross distribution (sen per unit)	-	-
Net distribution (sen per unit)	-	-
NAV before distribution (RM per unit)	-	-
NAV after distribution (RM per unit)	-	-

UNIT SPLITS		
There was no unit split exercise for the financial period under review.		

EXPENSE/ TURNOVER <i>for the period ended</i>		
Management expense ratio (MER) (%)	0.29	0.22
<i>Please refer to Note 2 for further information</i>		
Portfolio turnover ratio (PTR) (times)		
<i>Please refer to Note 3 for further information</i>	0.11	0.09

TOTAL RETURN		
<i>Please refer to Note 4 for further information</i>		
Total Return (%)	0.55	0.63
- Capital Return (%)	0.55	0.63
- Income Return (%)	-	-
Annual Total Return (%)	2.21*	2.50*
Performance Benchmark: Average		
Maybank's 1-month REPO rate (%)	2.37*	2.35*
* Annualised for comparison purpose only		

	1-yr	3-yrs	5-yrs
Average Total Return per annum (%)	2.45	-	-

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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.

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Areca Islamic Cash Fund

FUND REVIEW

For the quarter ending 31 March 2018, the Fund posted an annualized return of 2.21% against the benchmark Maybank Islamic 1 mth Repo of 2.37%. The portfolio remains highly liquid and is predominantly placed under repos and Islamic GIA accounts.

We will look for opportunities to better the benchmark by seeking better yielding Cash fund products under Islamic Principles.

Investment Policy and Strategy

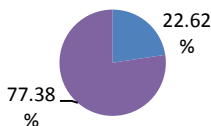
The Fund may invest up to 30% of its NAV in Islamic fixed income securities including Ringgit denominated Sukuk and invest the remaining NAV in short-term Islamic money market instruments, Islamic deposits and placement with Islamic investment account with different maturity periods.

NAV per unit as at 31 March 2018

RM1.0217

Asset Allocation/Portfolio Composition as at

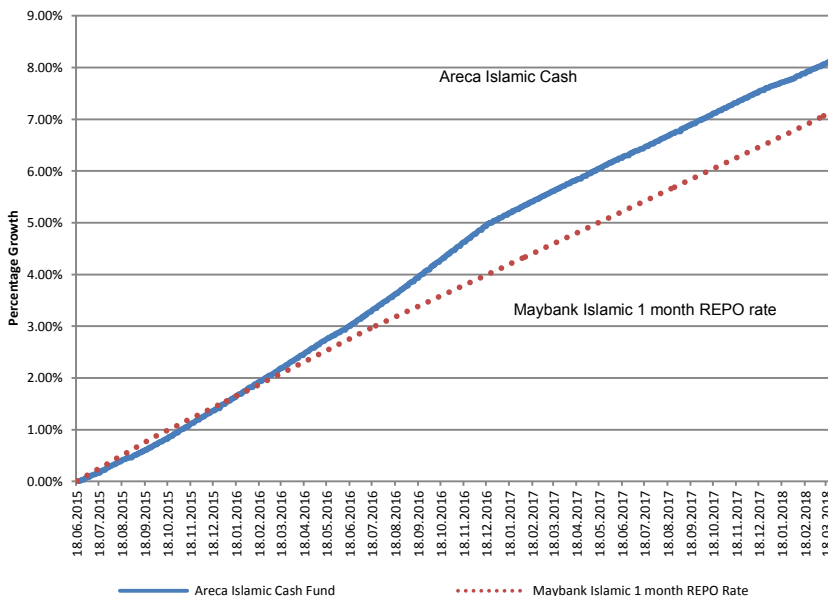
31.3.2018 31.12.2017



Cash & cash equivalents	77.38	100.00
Short-term Shariah Based Deposit	22.62	-

Performance of Areca Islamic Cash Fund for the financial period since inception to 31 March 2018

Total Return of Areca Islamic Cash Fund vs Benchmark



QUARTERLY REPORT MARCH 2018

Areca Islamic Cash Fund

MARKET REVIEW & OUTLOOK

ECONOMIC REVIEW & OUTLOOK

Advance estimate for the first quarter of 2018 show year-on-year annualized GDP growth of 2.9%. This follows the upwardly revised 4Q2017's 2.6% growth marking it the 8th consecutive quarter of steady rise. Unemployment rate has gradually declined and now reads 4.1% as at end March, the lowest level in 17 years for the sixth month running. Meanwhile, the Federal Funds Rate was raised once in March by a quarter percent to 1.75% in what is widely seen as the first of three hikes with hawks pushing for four this year, supported by optimistic economic outlook on growth, bullish job data and rising inflation expectations. With ample liquidity still in the system, the stock market benefited as Trump's tax reform plan received Senate's endorsement at the end of November. The Dow Jones index hit an all-time high of 26,616 on January 26, 2018. A long overdue stock market correction ensued shaving off 10.4% by end of first week in February' reacting in part to Trump's levy imposition on solar panels and washing machines imports broadly targeting China. A full blown trade war now looms after another imposition of 25% tariff on steel and aluminum imports in March as punishment towards China's alleged intellectual property theft and unfair investments in technology sector. China responded with a list of 120 products from the US including fruits and pork subjected to 15-25% import tax. Fortunately, the thawing of relations between North Korea and the US/South Korea which may lead to a historic end to tensions and denuclearization provided some relief.

The start of the year also saw reports surface alluding that China may slowdown purchases of US Treasuries or even stop all together, possibly due to anticipation of what was to come from Trump's disdain towards China-US trade imbalance. In February, China's constitution was amended to allow President Xi Jinping to serve beyond two 5 year terms, a move received with trepidation by the West as it remembers autocratic Chairman Mao's rule. China counter claims it promotes stability and continuity.

Inflation in Malaysia so far has trended down this year as a result of high base effect from petrol influenced sector. March's reading of 1.3% followed January and February's 2.7% and 1.4%, a stark contrast from previous three months' 3.7%, 3.4% and 3.5%. 4Q2017 GDP grew at 5.9%, above market expectation but below previous quarter's 6.2%. For the year, GDP grew 5.9%, the highest level in three years. Foreign Reserves stands at USD107.8 billion (or RM416.4 bil) as at end March, sufficient to finance 7.4 months of retained imports and is 1.1 times short-term external debt.

FIXED INCOME MARKET REVIEW AND OUTLOOK

The 10-year US Treasury benchmark traded at a higher platform of 2.45-2.95% compared to the previous three month's range of 2.28-2.50% reflecting the latest Fed Fund rate hike as well as a more hawkish Fed Reserve stance. Statements released show optimism towards strong labour data, improving PMI and higher inflation expectation. Contradicting this is what appear to be an unwritten 'weak US dollar' policy developing as exports improve, probably as part their 'trade war play'. The outlook point towards at least three rate hikes with hawks calling for a fourth for 2018. US Treasuries will likely test 3% psychological level in due time. Meantime, traders seek shelter by keeping US Treasuries in check with yields below 2.90%, drifting to a low of 2.74 at close of quarter.

In Malaysia, the Monetary Policy Committee announced in January the first Overnight Policy Rate hike since July 2014 from 3.00% to 3.25% citing confidence towards global growth and domestic demand. Inflation remain susceptible to rising commodity and energy prices. As a result, MGS flattened bearishly mirroring most major economies. Short end up to 3 years tenures rose between 33 and 55 basis points while 10 years increased by only 15 basis points. There was a net inflow of foreign funds in this quarter by RM3.54 bil though February itself saw an outflow of RM4.63 bil. Foreign debt holdings stand at RM194.3 bil at end March or 27.6% of outstanding.

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Areca Islamic Cash Fund

TRUSTEE'S REPORT

For The Period Ended 31 March 2018

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 March 2018. 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
18 May 2018

STATEMENT BY THE MANAGER

To the Unit holders of Areca Islamic Cash Fund

We, Wong Teck Meng and Edward Iskandar Toh Bin Abdullah, 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 March 2018 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

EDWARD ISKANDAR TOH BIN ABDULLAH
CIO/ EXECUTIVE DIRECTOR

Kuala Lumpur
18 May 2018

QUARTERLY REPORT MARCH 2018

Areca Islamic Cash Fund

UNAUDITED STATEMENT OF FINANCIAL POSITION**As At 31 March 2018**

	Note	31.3.2018 RM	31.12.2017 RM
ASSETS			
CURRENT ASSETS			
Financial assets at fair value through profit or loss	5	6,309,576	-
Cash and cash equivalents	5	21,551,701	31,208,257
Total Assets		<u>27,861,277</u>	<u>31,208,257</u>
LIABILITIES			
CURRENT LIABILITIES			
Accrued management fee		17,657	19,448
Accrued trustee's fee		1,177	1,297
Audit fee		-	6,600
Tax agent's fee		-	4,913
Other payables and accruals		15,138	4,084
Total Liabilities		<u>33,972</u>	<u>36,342</u>
Net Asset Value of the Fund		<u>27,827,305</u>	<u>31,171,915</u>
EQUITY			
Unit holders' capital		27,155,334	30,650,604
Retained earnings		671,971	521,311
Net Assets Attributable to Unit Holders		<u>27,827,305</u>	<u>31,171,915</u>
Number of Units in Circulation (Unit)		<u>27,236,620</u>	<u>30,674,627</u>
Net Asset Value Per Unit (Ex Distribution)		<u>1.0217</u>	<u>1.0162</u>

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

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Areca Islamic Cash Fund

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**For The Financial Period ended 31 March 2018**

	1.1.2018 to 31.3.2018 RM	1.10.2017 to 31.12.2017 RM
INVESTMENT INCOME		
Profit income from financial instruments and short-term Shariah-based deposits with licensed financial institutions	232,652	299,757
Net gain/(loss) on financial assets at fair value through profit or loss	-	300
	<u>232,652</u>	<u>300,057</u>
EXPENSES		
Management fee	52,042	66,731
Trustee's fee	3,469	4,449
Audit fee	-	-
Tax agent's fee	-	-
Other expenses	26,480	6,202
	<u>81,991</u>	<u>77,382</u>
NET PROFIT BEFORE TAXATION	<u>150,661</u>	<u>222,675</u>
Taxation	-	-
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	<u>150,661</u>	<u>222,675</u>
Net Profit After Taxation Is Made Up As Follows:		
Realised amount	138,494	222,675
Unrealised amount	12,167	-
	<u>150,661</u>	<u>222,675</u>

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

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Areca Islamic Cash Fund

UNAUDITED STATEMENT OF CHANGES IN EQUITY**For The Financial Period Ended 31 March 2018**

	Unit holders' capital RM	Retained earnings RM	Total RM
Balance as at 1 January 2018	30,650,604	521,311	31,171,915
Total comprehensive income for the financial period	-	150,660	150,660
Movement in unit holder's capital:			
Creation of units arising from application	500,000	-	500,000
Creation of units arising from distribution	-	-	-
Cancellation of units	(3,995,270)	-	(3,995,270)
Balance as at 31 March 2018	27,155,334	671,971	27,827,305
Balance as at 1 October 2017	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)
Balance as at 31 December 2017	30,650,604	521,311	31,171,915

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

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Areca Islamic Cash Fund

UNAUDITED STATEMENT OF CASH FLOWS**For The Financial Period ended 31 March 2018**

	1.1.2018 to 31.3.2018 RM	1.10.2017 to 31.12.2017 RM
Cash Flows From Operating Activities		
Proceeds from disposal/maturity of short term Shariah-based deposits with licensed financial institutions	-	3,085,500
Placement of short term Shariah-based deposits with licensed financial institutions	(6,295,764)	(3,145,730)
Profit income	218,840	360,288
Management fee paid	(53,833)	(74,335)
Trustee's fee paid	(3,589)	(4,956)
Payment for other fees and expenses	(26,940)	(4,889)
Net Cash Generated From Operating Activities	<u>(6,161,286)</u>	<u>215,878</u>
Cash Flows From Financing Activities		
Proceeds from creation of units	500,000	835,000
Payment for cancellation of units	(3,995,270)	(13,225,670)
Payment for income distribution	-	-
Net Cash Used In Financing Activities	<u>(3,495,270)</u>	<u>(12,390,670)</u>
Net Decrease In Cash And Cash Equivalents	(9,656,556)	(12,174,792)
Cash And Cash Equivalents At The Beginning Of The Financial Period	<u>31,208,257</u>	<u>43,383,049</u>
Cash And Cash Equivalents At The End Of The Financial Period	<u>21,551,701</u>	<u>31,208,257</u>

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

QUARTERLY REPORT MARCH 2018

Areca Islamic Cash Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

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:

	Financing and receivables RM	Financial assets at fair value through profit or loss RM	Total RM
<u>31 March 2018</u>			
Short-term Shariah-based financial instrument and deposits with licensed financial institutions	21,549,811	6,309,576	27,859,387
Cash at bank	1,890	-	1,890
	<hr/>	<hr/>	<hr/>
	21,551,701	6,309,576	27,861,277
<hr/>			
<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
	<hr/>	<hr/>	<hr/>
	31,208,257	-	31,208,257
<hr/>			

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:

	Cash and cash equivalents RM	Financial assets at fair value through profit or loss RM	Total RM
<u>31 March 2018</u>			
Finance			
AAA	18,212,414	-	18,212,414
AA-	3,339,287	-	3,339,287
	<u>21,551,701</u>	<u>-</u>	<u>21,551,701</u>
<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>

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.

	Within one month RM	Between one month to one year RM	Total RM
<u>As at 31 March 2018</u>			
Accrued management fee	17,657	-	17,657
Accrued trustee's fee	1,177	-	1,177
Audit fee	-	6,000	6,000
Tax agent's fee	-	4,913	4,913
Other payables and accruals	1,130	3,095	4,225
	<u>19,964</u>	<u>14,008</u>	<u>33,972</u>
<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>

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)

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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

	31.3.2018	31.12.2017
	RM	RM
Bank balance with a licensed bank	1,890	2,679
Shariah-based deposit with licensed financial institutions	27,859,387	31,205,578
	<u>27,861,277</u>	<u>31,208,257</u>

* Includes profit receivable of RM17,087 (31.12.2017: RM62,401).

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

	31.3.2018	31.12.2017
	%	%
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 21 days (31.12.2017:15 days).

6 QUARTERLY ACCOUNTS

The quarterly accounts for the 3-month period ended 31 March 2018 have not been audited.



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