

# Quarterly Report

# June 2018

For the Period Ended 30 June 2018

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**Areca Islamic Cash Fund**

Management Company



(740840-D)

# QUARTERLY REPORT JUNE 2018

## ✦ 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

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

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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 JUNE 2018**  
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>	<b>As at 30 June 2018</b>																																			
	<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;">1</td> <td style="text-align: center;">12.50</td> <td style="text-align: center;">0.01</td> <td style="text-align: center;">0.03</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;">1.14</td> </tr> <tr> <td>500,001 and above</td> <td style="text-align: center;">6</td> <td style="text-align: center;">62.50</td> <td style="text-align: center;">25.97</td> <td style="text-align: center;">98.83</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>26.27</b></td> <td style="text-align: center;"><b>100.00</b></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	1	12.50	0.01	0.03	10,001 to 50,000	-	-	-	-	50,001 to 500,000	2	25.00	0.30	1.14	500,001 and above	6	62.50	25.97	98.83	<b>Total*</b>	<b>8</b>	<b>100.00</b>	<b>26.27</b>	<b>100.00</b>
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<i>* excluding units held by the Manager</i>																																				
<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 JUNE 2018**  
Areca Islamic Cash Fund

**FUND PERFORMANCE**

	<b>1.4.2018 to 30.6.2018</b>	<b>1.1.2018 to 31.3.2018</b>
<b>Net Asset Value ("NAV")</b>		
Total Net Asset Value (RM Million)	27.04	27.83
Units in circulation (million units)	26.30	27.24
NAV per unit (RM)	1.0276	1.0217

<b>HIGHEST &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)	1.0276	1.0216
Lowest NAV per unit (RM)	1.0216	1.0161

<b>ASSET ALLOCATION</b> % of NAV		
<b>Short term Shariah-based deposits</b>	-	22.62
<b>Cash &amp; cash equivalents including placements and repo</b>	100.00	77.38

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

<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) (%)	0.28	0.29
<i>Please refer to <b>Note 2</b> for further information</i>		
Portfolio turnover ratio (PTR) (times)		
<i>Please refer to <b>Note 3</b> for further information</i>	-	0.11

<b>TOTAL RETURN</b>		
<i>Please refer to <b>Note 4</b> for further information</i>		
Total Return (%)	0.60	0.55
- Capital Return (%)	0.60	0.55
- Income Return (%)	-	-
Annual Total Return (%)	2.38*	2.21*
Performance Benchmark: Average		
Maybank's 1-month REPO rate (%)	2.50*	2.37*
* Annualised for comparison purpose only		

	1-yr	3-yrs	5-yrs
Average Total Return per annum (%)	2.41	-	-

## QUARTERLY REPORT JUNE 2018

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 JUNE 2018

Areca Islamic Cash Fund

### FUND REVIEW

For the quarter ending 30 June 2018, the Fund posted an annualized return of 2.38% against the benchmark Maybank Islamic 1 mth Repo of 2.50%. The portfolio performed a shade below the benchmark as we kept to our priority of maintaining a high level of liquidity. The funds invest predominantly in repos and Islamic GIA accounts for the time being.

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 30 June 2018**

RM1.0276

**Asset Allocation/Portfolio Composition as at**

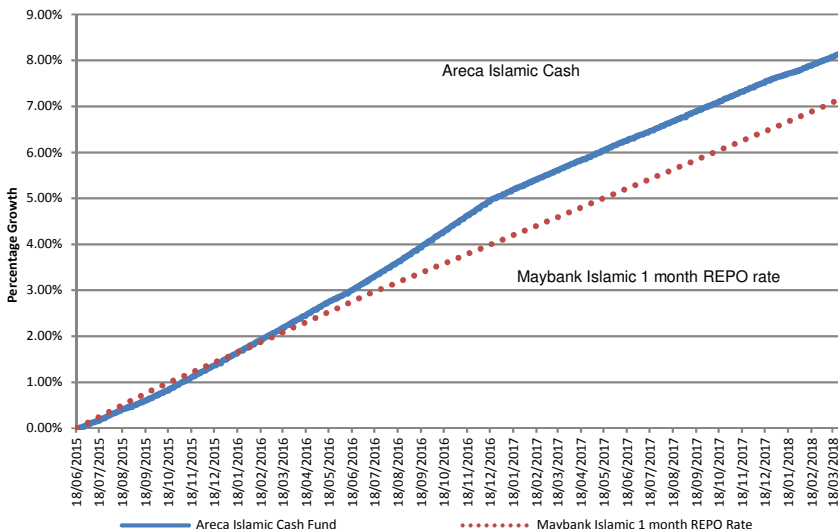
30.06.2018    31.03.2018

	30.06.2018	31.03.2018
Cash & cash equivalents	100.00	77.38
Short-term Shariah Based Deposit	-	22.62



#### Performance of Areca Islamic Cash Fund for the financial period since inception to 30 June 2018

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



## **MARKET REVIEW & OUTLOOK**

### **ECONOMIC REVIEW & OUTLOOK**

US 2Q2018 GDP grew at 2.8% y-o-y and a strong 4.1% q-o-q, highest since third quarter 2014. Unemployment data continue to sparkle with May's rate hitting an 18-year low of 3.8% before ticking up to 4% at end June. Inflation has also picked up registering a 6-year high of 2.9% in June with core inflation above target of 2%. 12 months moving average is now just shy of long term target. The Federal Reserve confidently raised Fed Funds rates once again in June by a ¼% to 2%. Market is now absorbing the strong likelihood of 2 more hikes for the year.

Meanwhile, the ongoing tit for tat tariffs announcements and impositions that began in January this year continued with Trump declaring 25% tax on US\$34 billion of imports from China in June. This will be then raised to US\$50 billion and a threat to up the ante to US\$200 billion. China of course retaliated with similar magnitude. Inevitably, the US believe they have the upper hand as they import 3 times more than they export to China. The ongoing rift overshadowed the Trump-Kim summit in Singapore in which promises were exchanged to denuclearize the Korean Peninsula.

China continued to grow strongly with 2Q GDP recording 6.7% growth over the same period last year. In light of the trade spat with the US, a surprise 1% reduction to Reserve Ratio was announced in June, freeing up more than US\$100 billion of liquidity with the purpose to repay high cost medium term facility with PBOC and as loans to SMEs. This underscores their desire to improve credit risk of the financial industry while maintaining supportive monetary policies. China's retaliatory tariff strategy is measured and specific, targeting exporting states that are pro-Trump.

Global headlines were made with the unprecedented and unexpected victory by the opposition coalition, Pakatan Harapan; and the ensuing smooth transition of power in Malaysia. A sense of renewed hope, rebooting ideals and cautious optimism accompany the application of prudent financial management involving 'kitchen sinking' all the 'bad' debts and addressing high cost of living amongst the citizens. The 'zero' rating of GST will be counterbalanced by re-imposition of Sales and Services Tax, deferments of mega projects and higher oil revenues. This requires a bias towards keeping easy monetary policy with low cost of borrowing while allowing fundamentals to take care of our external factors. The investing international community and their rating agencies have voiced concern and as expected reacted with outflows amounting to RM19 billion from the fixed income markets and RM6 billion from the stock market this year thus far. Volatility in local stock and bond markets will likely continue a while more.

Economically, 1Q GDP came in at a respectable 5.4% with Foreign Reserves at USD104.7 billion (or RM423.4 billion) at the end of June against end March's USD107.8 billion (or RM416.4 bil). Inflation for June dropped drastically to 0.8% on 'zero' rating GST.

### **FIXED INCOME MARKET REVIEW AND OUTLOOK**

Momentarily breaching above 3% in May, the 10-year US Treasury benchmark traded at a higher platform of 2.73-3.11% before easing off to close this quarter at 2.86% compared to the first quarter's range of 2.40-2.95%. The higher range is supported by the Fed Rate hike in March. However, the top side appears capped at circa 3% as the ongoing 'trade war' brings with it some uncertainties towards growth looking ahead. The dot plot nonetheless suggests 2 more rate hikes for the rest of 2018 and a further 2 more next year.

In Malaysia, the Overnight Policy Rate was maintained at 3.25% in May, announced by Datuk Nor Shamsiah, a protégé of previous Governor Dr Zeti. She is likely to follow in the latter's conservative and stable hand in maintaining a supportive monetary policy.



## **QUARTERLY REPORT JUNE 2018**

### Areca Islamic Cash Fund

This quarter alone saw the acceleration of foreign funds exiting fixed income market totaling RM22.6 billion. Under current uncertainties pertaining to new Government's policies; foreign fund managers are expected to reduce exposure while rating agencies ponder over the impact of revenue shortfall to our fiscal position. They may not share our optimism towards the mantra of 'short term pain with long term gain'. As a result, MGS yield curve shifted upwards rising on average 22 bps over this quarter.

## QUARTERLY REPORT JUNE 2018

Areca Islamic Cash Fund

### TRUSTEE'S REPORT

*For The Period Ended 30 June 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 30 June 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  
17 August 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 30 June 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  
17 August 2018

**QUARTERLY REPORT JUNE 2018**  
Areca Islamic Cash Fund

**UNAUDITED STATEMENT OF FINANCIAL POSITION**

**As At 30 June 2018**

	<b>Note</b>	<b>30.6.2018 RM</b>	<b>31.3.2018 RM</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	5	-	6,309,576
Cash and cash equivalents	5	27,070,916	21,551,701
<b>Total Assets</b>		<u>27,070,916</u>	<u>27,861,277</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued management fee		16,643	17,657
Accrued trustee's fee		1,110	1,177
Audit fee		7,508	-
Tax agent's fee		4,413	-
Other payables and accruals		15,593	15,138
<b>Total Liabilities</b>		<u>45,266</u>	<u>33,972</u>
<b>Net Asset Value of the Fund</b>		<u>27,025,650</u>	<u>27,827,305</u>
<b>EQUITY</b>			
Unit holders' capital		26,195,334	27,155,334
Retained earnings		830,316	671,971
<b>Net Assets Attributable to Unit Holders</b>		<u>27,025,650</u>	<u>27,827,305</u>
<b>Number of Units in Circulation (Unit)</b>		<u>26,298,570</u>	<u>27,236,620</u>
<b>Net Asset Value Per Unit (Ex Distribution)</b>		<u>1.0276</u>	<u>1.0217</u>

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

**QUARTERLY REPORT JUNE 2018**  
Areca Islamic Cash Fund

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**

*For The Financial Period ended 30 June 2018*

	<b>1.4.2018 to 30.6.2018 RM</b>	<b>1.1.2018 to 31.3.2018 RM</b>
<b>INVESTMENT INCOME</b>		
Profit income from financial instruments and short-term Shariah-based deposits with licensed financial institutions	232,752	232,652
Net gain/(loss) on financial assets at fair value through profit or loss	-	-
	232,752	232,652
<b>EXPENSES</b>		
Management fee	50,959	52,042
Trustee's fee	3,397	3,469
Audit fee	1,508	6,000
Tax agent's fee	3,300	-
Other expenses	15,245	20,480
	74,408	81,991
<b>NET PROFIT BEFORE TAXATION</b>	158,344	150,661
Taxation	-	-
	-	-
<b>NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>	158,344	150,661
Net Profit After Taxation Is Made Up As Follows:		
Realised amount	170,511	138,494
Unrealised amount	(12,167)	12,167
	158,344	150,661

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

**QUARTERLY REPORT JUNE 2018**

Areca Islamic Cash Fund

**UNAUDITED STATEMENT OF CHANGES IN EQUITY****For The Financial Period Ended 30 June 2018**

	<b>Unit holders' capital RM</b>	<b>Retained earnings RM</b>	<b>Total RM</b>
<b>Balance as at 1 April 2018</b>	27,155,334	671,972	27,827,306
Total comprehensive income for the financial period	-	158,344	158,344
Movement in unit holder's capital:			
Creation of units arising from application	-	-	-
Creation of units arising from distribution	-	-	-
Cancellation of units	(960,000)	-	(960,000)
<b>Balance as at 30 June 2018</b>	<u>26,195,334</u>	<u>830,316</u>	<u>27,025,650</u>
<b>Balance as at 1 January 2018</b>	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)
<b>Balance as at 31 March 2018</b>	<u>27,155,334</u>	<u>671,971</u>	<u>27,827,305</u>

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

**QUARTERLY REPORT JUNE 2018**

Areca Islamic Cash Fund

**UNAUDITED STATEMENT OF CASH FLOWS****For The Financial Period ended 30 June 2018**

	<b>1.4.2018 to 30.6.2018 RM</b>	<b>1.1.2018 to 31.3.2018 RM</b>
<b>Cash Flows From Operating Activities</b>		
Proceeds from disposal/maturity of short term Shariah-based deposits with licensed financial institutions	5,000,000	-
Placement of short term Shariah-based deposits with licensed financial institutions	-	(6,295,764)
Profit income	1,542,329	218,840
Management fee paid	(51,973)	(53,833)
Trustee's fee paid	(3,465)	(3,589)
Payment for other fees and expenses	(7,676)	(26,940)
Net Cash Generated From Operating Activities	<u>6,479,215</u>	<u>(6,161,286)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from creation of units	-	500,000
Payment for cancellation of units	(960,000)	(3,995,270)
Payment for income distribution	-	-
Net Cash Used In Financing Activities	<u>(960,000)</u>	<u>(3,495,270)</u>
<b>Net Decrease In Cash And Cash Equivalents</b>	5,519,215	(9,656,556)
<b>Cash And Cash Equivalents At The Beginning Of The Financial Period</b>	<u>21,551,701</u>	<u>31,208,257</u>
<b>Cash And Cash Equivalents At The End Of The Financial Period</b>	<u>27,070,916</u>	<u>21,551,701</u>

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

## QUARTERLY REPORT JUNE 2018

Areca Islamic Cash Fund

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 June 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>30 June 2018</u>			
Short-term Shariah-based financial instrument and deposits with licensed financial institutions	27,065,790	-	27,065,790
Cash at bank	5,126	-	5,126
	<hr/>	<hr/>	<hr/>
	27,070,916	-	27,070,916
<hr/>			
<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/>			

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.

## QUARTERLY REPORT JUNE 2018

### 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>30 June 2018</u>			
Finance			
AAA	22,434,177	-	22,434,177
AA-	4,636,739	-	4,636,739
	<u>27,070,916</u>	<u>-</u>	<u>27,070,916</u>
<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>

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.



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### Areca Islamic Cash Fund

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.

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 30 June 2018</u>			
Accrued management fee	16,643	-	16,643
Accrued trustee's fee	1,110	-	1,110
Audit fee	-	7,507	7,507
Tax agent's fee	-	4,413	4,413
Other payables and accruals	-	15,593	15,593
	<u>17,753</u>	<u>27,513</u>	<u>45,266</u>
<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>

#### 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)

## QUARTERLY REPORT JUNE 2018

### Areca Islamic Cash Fund

- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

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>30.6.2018</b>	<b>31.3.2018</b>
	<b>RM</b>	<b>RM</b>
Bank balance with a licensed bank	5,126	1,890
Shariah-based deposit with licensed financial institutions	27,065,790	27,859,387
	<u>27,070,916</u>	<u>27,861,277</u>

\* Includes profit receivable of RM55,142.60 (30.06.2018: RM55,142.60).

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

	<b>30.6.2018</b>	<b>31.3.2018</b>
	<b>%</b>	<b>%</b>
Shariah-based deposits with licensed financial institutions	<u>3.50</u>	<u>3.40</u>

The Shariah-based deposits with licensed financial institution have an average maturity of 39 days (31.3.2018:21 days).

#### 6 QUARTERLY ACCOUNTS

The quarterly accounts for the 3-month period ended 30 June 2018 have not been audited.





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