

**RHB CASH MANAGEMENT FUND 2**

**ANNUAL REPORT 2017**

**Incorporating The Audited  
Financial Statements**

For the financial year ended 31 March 2017

**RHB**◆Asset Management

**RHB Asset Management Sdn Bhd** (174588-X)

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## GENERAL INFORMATION ABOUT THE FUND

### Commencement Date

RHB Cash Management Fund 2 (“the Fund”) commenced operations on 4 September 2008.

### Fund Category and Type

Fund Category - Money market fund

Fund Type - Income fund

### Investment Objective, Policy and Strategy

#### Objective of the Fund

The Fund aims to provide investors with a high level of liquidity while providing reasonable returns by predominantly investing its assets in Malaysian Ringgit deposits with financial institutions in Malaysia.

#### Strategy

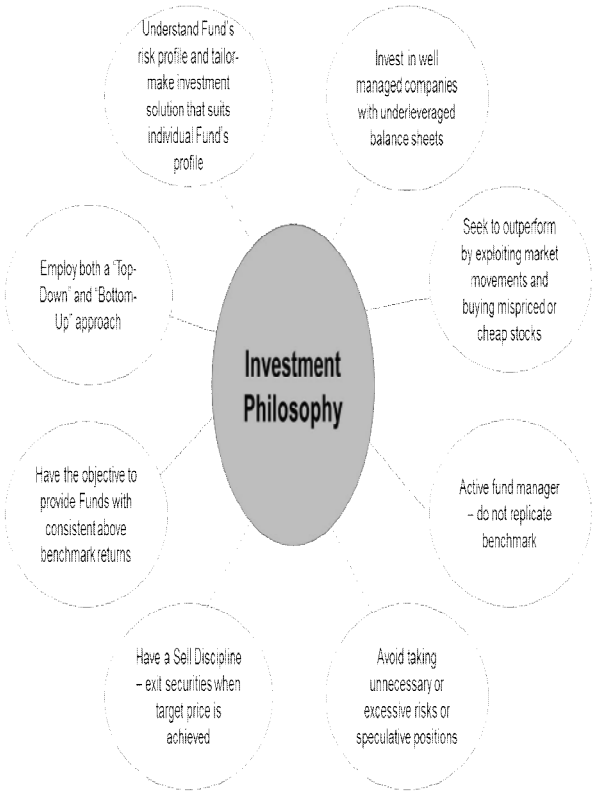
The Fund will invest in a portfolio of Malaysian Ringgit deposits with financial institutions.

The asset allocation of the Fund will be as follows:-

Up to 100% of Net Asset Value - Investments in deposits with financial institutions which have a remaining maturity period of not more than 365 days.

## Investment Philosophy

Our investment philosophy describes the approach that the investment team will adhere to when constructing an equity or fixed income portfolio. The portfolio managers invest in well-managed companies with strong balance sheets that possess competitive advantages that should enable them to outperform their peers over economic cycles. The portfolio managers are active investors that make high conviction security selection decisions, but at the same time do not take unnecessary or excessive risks nor take speculative positions. The portfolio managers seek to outperform their peers and beat their benchmark by buying mispriced or cheap securities. Following our disciplined sell strategy, they would then exit positions when our target price is reached. Concurrently, the portfolio managers understand the Fund's risk profile and act within the Fund's mandate.



## **Performance Benchmark**

Malayan Banking Berhad - Savings Account Rate

## **Investment Policies and Restrictions**

The Fund may only invest in or place deposits with financial institutions with a maturity period of not more than 365 days.

## **Fund Distribution Policy**

Consistent with the Fund's objective which aims to provide investors a high level of liquidity while providing reasonable returns, there will be no distribution of returns to the unitholders.

## MARKET REVIEW

During the financial year under review, Malaysia Government Securities (“MGS”) curve started with yield tightening trend as global central banks were going through various degree of accommodative policies. Market is also expecting Bank Negara Malaysia (“BNM”) to further ease on Overnight Policy Rate (“OPR”) after the 25 basis points (“bps”) cut in Statutory Reserve Requirement (“SRR”) in January 2016. Towards, June 2016 to July 2016 with inflation remains low and local economy showing signs of weakness, BNM reduced OPR from 3.25% to 3.00% and bond market reacted positively on the news. The rally trend on MGS market lasted until end of August 2016. Come September 2016, with developed market yields moving upward ahead of what might be the only United States (“US”) Federal Reserve (“Fed”) Fund Hike in year 2016, MGS also witnessed some profit taking with yield curve steepened somewhat. Lastly with US Republican party winning the Presidential Election and the expectation of higher US inflation, US Treasury (“UST”) yield curve steepened substantially which affected the Emerging Market (“EM”) local currency government bond, MGS included. MGS term spreads, a measurement of different in interest rates at two different maturities, also widened above historical average and continue to stay high throughout the entire first quarter of year 2017. All in all, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS were traded at 3.55% (March 2016: 3.22%), 3.83% (3.40%), 4.05% (3.69%), 4.15% (3.78%), 4.52% (4.16%), 4.67% (4.35%) and 4.82% (4.67%) respectively.

## ECONOMIC REVIEW AND OUTLOOK

On the local economic front, BNM’s Monetary Policy Committee (“MPC”) maintained OPR at 3.00% with more upbeat global outlook supported by trade recovery. The central bank’s hawkish tone tilt rules out near term interest rate cut, but timing of hike would hinge on assessment of demand pull inflation, which is still absence judging from consumer sentiment. In the year 2016 BNM annual report which was released in the same month, year 2017 headline Consumer Price Index (“CPI”) forecast was revised up by 1% to 3% to 4% with upside risks. With the new Foreign Exchange Administration (“FEA”) measures, the Ringgit Malaysia (“MYR”) has largely stabilised which should lend support to the external reserves in second half of year 2017. Financial stability concerns also abated amidst moderating household debt to Gross Domestic Product (“GDP”) ratio (from 89.1% in year 2015 to 88.4% in year 2016).

## MARKET OUTLOOK AND STRATEGY GOING FORWARD

With regards to outlook in Malaysia, mild Fed Fund Rate hike may not necessitate a reaction from BNM as in the past hike cycles, regional central banks responded by raising their respective benchmark rates at varying degrees. On higher headline inflation forecast by BNM, we expect this to be a well-flagged risk as CPI is expected to peak in March (due to low base effect and cost push inflation arising from higher pump price) and this may yet again be played on the headline news and raise market vigilance as high inflation is naturally negative for bond prices. As inflation drivers are cost-push and not demand-pull, we think it is unlikely to invite any policy actions from the central bank, and OPR is likely to remain benign this year. Lastly, we revise our outright over weight duration to moderate over weight duration to incorporate the potential rise in bond yields in the short term. As for fixed income instruments allocation, we overweight credit over government bonds for yield pick-up and might increase cash a tad for primary participation.

## PERFORMANCE REVIEW

For the financial year under review, the Fund generated a total return of 3.43%\* compared to the benchmark return of 1.43%\*.

During the financial year under review, the Fund has achieved its investment objective.

\* Source: Lipper Investment Management (“Lipper IM”)

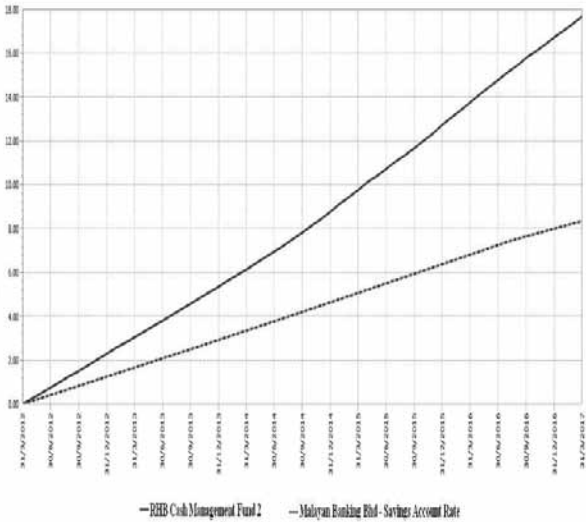
## PERFORMANCE DATA

	Total Return				
	1-month %	3-month %	6-month %	9-month %	12-month %
RHB Cash Management Fund 2	0.30	0.82	1.62	2.51	3.43
Malayan Banking Bhd - Savings Account Rate	0.11	0.32	0.65	1.02	1.43

	Average Annual Return		
	1 Year (31.03.2016- 31.03.2017) %	3 Years (31.03.2014- 31.03.2017) %	5 Years (31.03.2012- 31.03.2017) %
RHB Cash Management Fund 2	3.43	3.50	3.31
Malayan Banking Bhd - Savings Account Rate	1.43	1.59	1.61

	Annual Total Return for the financial year ended 31 March				
	2017 %	2016 %	2015 %	2014 %	2013 %
RHB Cash Management Fund 2					
- Capital Return	3.43	3.65	3.42	2.99	3.05
- Income Return	-	-	-	-	-
- Total Return	3.43	3.65	3.42	2.99	3.05
Malayan Banking Bhd - Savings Account Rate	1.43	1.66	1.66	1.66	1.66

**Performance of RHB Cash Management Fund 2  
for the period from 31 March 2012 to 31 March 2017  
Cumulative Return Over The Period (%)**



Source: Lipper IM

The abovementioned performance figures are indicative returns based on daily Net Asset Value of a unit (as per Lipper Database) since inception.

The calculation of the above returns is based on computation methods of Lipper.

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

The abovementioned performance computations have been adjusted to reflect distribution payments and unit splits wherever applicable.



<b>Fund Size</b>	<b>As At 31 March</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net Asset Value (RM million)	219.64	365.73	437.18
Units In Circulation (million)	171.03	294.56	364.96
Net Asset Value Per Unit (RM)	1.2842	1.2416	1.1979

<b>Historical Data</b>	<b>Financial Year Ended 31 March</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Unit Prices</b>			
NAV Price – Highest (RM)	1.2842	1.2416	1.1979
NAV Price – Lowest (RM)	1.2420	1.1980	1.1583
<b>Distribution and Unit Split</b>	-	-	-
<b>Others</b>			
Management Expense Ratio (MER) (%) #	0.43	0.42	0.40
Portfolio Turnover Ratio (PTR) (times) ##	22.22	29.14	28.50

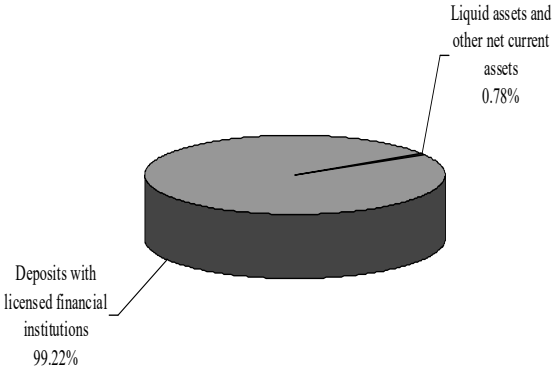
# The MER for the financial year was higher compared with the previous financial year due to lower average net asset value for the financial year under review (refer to Note 11).

## The PTR for the financial year was lower compared with previous financial year due to lesser investment activities for the financial year under review (refer to Note 12).

## **DISTRIBUTION**

In line with the Fund's distribution policy, there will be no distribution payable. All returns achieved by the Fund are reflected in the Net Asset Value of the Units.

**PORTFOLIO STRUCTURE AS AT 31 MARCH 2017**



The asset allocations of the Fund as at reporting date were as follows:

	As at 31 March		
	2017	2016	2015
	%	%	%
Deposits with licensed financial institutions	99.22	99.64	99.08
Liquid assets and other net current assets	0.78	0.36	0.92
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

The asset allocation reflects the Fund’s strategy to have maximum exposure to the investments.

## FUND SIZE AND PROFILE OF UNIT HOLDINGS BY SIZE

As at 31 March 2017, the Fund's units in circulation stood at 171.03 million units with a total of 105 accounts.

Size of Holdings	Account Holders		No. Of Units Held*	
	No.	%	('000)	%
5,000 and below	18	17.14	23	0.01
5,001 to 10,000	9	8.57	70	0.04
10,001 to 50,000	10	9.52	219	0.13
50,001 to 500,000	27	25.72	4,674	2.73
500,001 and above	41	39.05	166,043	97.09
Total	105	100.00	171,029	100.00

\* Excluding Manager's stock

## REBATES AND SOFT COMMISSION

Dealings on investments of the Fund through brokers or dealers will be on terms which are best available for the Fund. Any rebates from brokers or dealers will be directed to the account of the Fund.

The Fund Manager may only receive soft commission in the form of research and advisory services that assist in the decision-making process relating to the Fund's investments.

During the financial year under review, the Manager did not receive or utilise any soft commission from brokers/dealers in consideration for directing dealings in the investment of the Fund. However, in the event the Manager were to receive any soft commission in the future, these will only be retained by the Manager if they were in the form of goods and services which were of demonstrable benefit to the unitholders.

**RHB CASH MANAGEMENT FUND 2**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2017**

	<u>Note</u>	<u>2017</u> RM	<u>2016</u> RM
<b>ASSETS</b>			
Deposits with licensed financial institutions	5	219,003,499	365,469,430
Bank balances		4,130	3,542
Amount due from Manager		716,193	388,673
<b>TOTAL ASSETS</b>		<u>219,723,822</u>	<u>365,861,645</u>
<b>LIABILITIES</b>			
Accrued management fee		82,692	133,951
<b>TOTAL LIABILITIES</b>		<u>82,692</u>	<u>133,951</u>
<b>NET ASSET VALUE</b>		<u>219,641,130</u>	<u>365,727,694</u>
<b>UNITHOLDERS' FUNDS</b>			
Unitholders' capital		126,627,312	283,396,843
Retained earnings		93,013,818	82,330,851
		<u>219,641,130</u>	<u>365,727,694</u>
<b>UNITS IN CIRCULATION (UNITS)</b>	6	<u>171,029,186</u>	<u>294,563,046</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>1.2842</u>	<u>1.2416</u>

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

**RHB CASH MANAGEMENT FUND 2**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

	<u>Note</u>	<u>2017</u> RM	<u>2016</u> RM
<b>INVESTMENT INCOME</b>			
Interest income from deposits with licensed financial institutions		12,026,620	16,599,035
<b>EXPENSES</b>			
Management fee	7	(1,267,869)	(1,658,716)
Other expenses		(75,784)	(99,534)
		<u>(1,343,653)</u>	<u>(1,758,250)</u>
Profit before taxation		10,682,967	14,840,785
Taxation	10	<u>-</u>	<u>-</u>
Profit after taxation and total comprehensive income for the financial year		<u>10,682,967</u>	<u>14,840,785</u>
Profit after taxation is made up as follows:			
Realised amount		<u>10,682,967</u>	<u>14,840,785</u>

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

**RHB CASH MANAGEMENT FUND 2**  
**STATEMENT OF CHANGES IN NET ASSET VALUE**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

	<u>Unitholders'</u> <u>capital</u> RM	<u>Retained</u> <u>earnings</u> RM	<u>Total net</u> <u>asset value</u> RM
Balance as at 1 April 2015	369,687,152	67,490,066	437,177,218
Movement in net asset value:			
Total comprehensive income for the financial year	-	14,840,785	14,840,785
Creation of units arising from applications	321,006,353	-	321,006,353
Cancellation of units	(407,296,662)	-	(407,296,662)
Balance as at 31 March 2016	<u>283,396,843</u>	<u>82,330,851</u>	<u>365,727,694</u>
Balance as at 1 April 2016	283,396,843	82,330,851	365,727,694
Movement in net asset value:			
Total comprehensive income for the financial year	-	10,682,967	10,682,967
Creation of units arising from applications	249,300,497	-	249,300,497
Cancellation of units	(406,070,028)	-	(406,070,028)
Balance as at 31 March 2017	<u>126,627,312</u>	<u>93,013,818</u>	<u>219,641,130</u>

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

**RHB CASH MANAGEMENT FUND 2**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

	<u>2017</u>	<u>2016</u>
	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Placement of deposits with licensed financial institutions	(6,941,573,784)	(12,050,605,522)
Proceeds from maturity of deposits with licensed financial institutions	7,088,064,770	12,117,601,247
Interest received from deposits with licensed financial institutions	12,001,565	17,294,234
Management fee paid	(1,319,128)	(1,711,915)
Payment for other expenses	(75,784)	(99,534)
	<hr/>	<hr/>
Net cash generated from operating activities	157,097,639	82,478,510
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash proceeds from units created	248,972,977	324,819,649
Payment for cancellation on units	(406,070,028)	(407,296,662)
	<hr/>	<hr/>
Net cash used in financing activities	(157,097,051)	(82,477,013)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	588	1,497
Cash and cash equivalents at the beginning of the financial year	3,542	2,045
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	4,130	3,542
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents comprise:		
Bank balances	4,130	3,542
	<hr/> <hr/>	<hr/> <hr/>

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

**RHB CASH MANAGEMENT FUND 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

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

The RHB Cash Management Fund 2 (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of a Deed dated 30 June 2008 as amended via its first supplemental deed dated 4 September 2013, second supplemental deed dated 16 February 2015 and third supplemental deed dated 25 May 2015 (collectively referred to as “the Deeds”) between RHB Asset Management Sdn Bhd (“the Manager”) and HSBC (Malaysia) Trustee Berhad (“the Trustee”).

The Fund was launched on 4 September 2008 and will continue its operations until terminated according to the conditions provided in the Deed.

The principal activity of the Fund is to invest in ‘Permitted Investments’ as defined in the Deed, which comprises deposits with any licensed financial institution, liquid assets and any other form of investments as may be approved by the relevant authorities from time to time.

All investments will be subject to the Securities Commission Malaysia’s (“SC”) Guidelines on Unit Trust Funds, SC requirements, the Deeds, except where exemptions or variations have been approved by the SC, internal policies and procedures and objective of the Fund.

The main objective of the Fund is to provide investors a high level of liquidity while providing reasonable returns by predominantly investing its assets in Malaysian Ringgit deposits with financial institutions in Malaysia.

The Manager, a company incorporated in Malaysia, is a wholly-owned subsidiary of RHB Investment Bank Berhad, effective 6 January 2003. Its principal activities include rendering of investment management services, management of trust funds and private retirement schemes and provision of investment advisory services.

These financial statements were authorised for issue by the Manager on 24 May 2017.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, except as disclosed in this summary of significant accounting policies, and in accordance with Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

The preparation of financial statements in conformity with 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 financial year. It also requires the Manager to exercise its judgement in the process of applying the Fund’s accounting policies. Although these estimates and judgement are based on the Manager’s best knowledge of current events and actions, actual results may differ.

(a) The Fund has applied the following amendments for the first time for the financial year beginning on 1 April 2016:

- Amendments to MFRS 101 “Presentation of Financial Statements Disclosure Initiative” (effective from 1 January 2016)
- Annual Improvements to MFRS 2012 – 2014 Cycle (effective from 1 January 2016)

The adoption of these amendments did not have any impact on the current year or any prior period and is not likely to affect future periods.

(b) The new standards and amendments to published standards which are relevant to the Fund but not yet effective and have not been early adopted are as follows:

(i) Financial year beginning on/after 1 April 2017

- Amendments to MFRS 107 “Statement of Cash Flows – Disclosure Initiative” (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation of the financial statements (continued)

(b) The new standards and amendments to published standards which are relevant to the Fund but not yet effective and have not been early adopted are as follows: (continued)

(ii) Financial year beginning on/after 1 April 2018

- MFRS 15 “Revenue from Contracts with Customers” (effective from 1 January 2018) replaces MFRS 118 “Revenue” and MFRS 111 “Construction Contracts” and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

- MFRS 9 “Financial Instruments” (effective from 1 January 2018) will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation of the financial statements (continued)

- (b) The new standards and amendments to published standards which are relevant to the Fund but not yet effective and have not been early adopted are as follows: (continued)

(ii) Financial year beginning on/after 1 April 2018 (continued)

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The above standards and amendments to published standards are not expected to have a significant impact on the Fund's financial statements.

### 2.2 Financial assets

#### Classification

Financial assets are designated as fair value through profit or loss when they are managed and their performance evaluated on a fair value basis.

The Fund designates its deposits with licensed financial institutions as financial assets at fair value through profit or loss at inception.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund's loans and receivables comprise bank balances and amount due from Manager from which are all due within 12 months.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Financial assets (continued)

#### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated based on the effective interest method over the period from the date of placement to the date of maturity of the respective deposits, which is reasonable estimate of fair value due to the short-term nature of deposits.

#### Impairment of financial assets

For assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Financial assets (continued)

#### Impairment of financial assets (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent financial year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

### 2.3 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139 "Financial Instrument: Recognition and Measurement", are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

The Fund's financial liabilities which include accrued management fee is recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is de-recognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.4 Unitholder's capital**

The unitholders' contributions to the Fund meet the criteria of the definition of the puttable instruments under MFRS 132 "Financial Instruments: Presentation". Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's net assets value;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial year if unitholder exercises the right to put the unit back to the Fund.

Units are created and cancelled at prices based on the Fund's net asset value per unit at the time of creation or cancellation. The Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units.

### **2.5 Income recognition**

Interest income from deposits with licensed financial institutions is recognised on an accrual basis using the effective interest method.

### **2.6 Taxation**

Current tax expense is determined according to Malaysian tax laws and includes all taxes based upon the taxable income earned during the financial year.

### **2.7 Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances which is subject to an insignificant risk of changes in value.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.8 Presentation and functional currency**

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). The financial statements are presented in Ringgit Malaysia, which is the Fund’s presentation and functional currency.

### **2.9 Segmental information**

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The operating results are regularly reviewed by the Manager and the Investment Committee. The Investment Committee assumes the role of chief operating decision maker, for performance assessment purposes and to make decisions about resources allocated to the investment segment based on the recommendation by the Investment & Security Selection Committee.

## **3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Fund is exposed to a variety of risks, which include management risk, interest rate risk, credit risk, liquidity risk, inflation risk, non-compliance risk and capital risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated in the Prospectus.

### **Management risk**

Poor management of the Fund may jeopardise the investment of each unitholder. Therefore, it is important for the Manager to set the investment policies and appropriate strategies to be in line with the investment objective before any investment activities can be considered. However, there can be no guarantee that these measures will produce the desired results.

### 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments in deposits with licensed financial institutions and its return will fluctuate because of changes in market interest rates.

Interest rate is a general economic indicator that will have an impact on the management of the Fund. The Fund's exposure to the interest rate risk is mainly confined to short term placements with licensed financial institutions. The Manager overcomes the exposure by way of maintaining deposits on short term basis.

The Fund's deposits with licensed financial institutions are short term in nature. Therefore, exposure to interest rate fluctuations is minimal.

#### Credit/default risk

This refers to the creditworthiness of the financial institutions and its expected ability to make timely payment of interest and principal. Default happens when the financial institutions are not able to make timely payments of interest and principal.

In the case of the Fund, the Manager will endeavour to minimise this risk by selecting only issuers with prescribed and acceptable credit ratings.



### 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Credit/default risk (continued)

The following table sets out the credit risk concentration of the Fund:

	<u>Deposits and bank balances</u> RM	<u>Other financial assets*</u> RM	<u>Total</u> RM
<b><u>2017</u></b>			
Financial institutions:			
AAA	58,006,025	-	58,006,025
AA1	17,641,696	-	17,641,696
AA2	8,523,251	-	8,523,251
AA3	45,298,930	-	45,298,930
AA-	35,089,147	-	35,089,147
A1	11,381,217	-	11,381,217
A2	14,413,572	-	14,413,572
A3	28,653,791	-	28,653,791
Others	-	716,193	716,193
	<u>219,007,629</u>	<u>716,193</u>	<u>219,723,822</u>
<b><u>2016</u></b>			
Financial institutions:			
AAA	138,159,361	-	138,159,361
AA1	57,987,606	-	57,987,606
AA2	43,029,296	-	43,029,296
AA3	7,886,062	-	7,886,062
A1	14,971,311	-	14,971,311
Non-rated**	103,439,336	-	103,439,336
Others	-	388,673	388,673
	<u>365,472,972</u>	<u>388,673</u>	<u>365,861,645</u>

\* Comprise of amount due from Manager.

\*\* Comprise of Asian Finance Bank Bhd and Kuwait Finance House (Malaysia) Bhd.

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

### 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations.

Liquidity risk exists when particular investments are difficult to sell, possibly preventing a unit trust fund from selling such illiquid securities at an advantageous time or price. Unit trust funds with principal investment strategies that involve securities or securities with substantial market and/or credit risk tend to have the greater exposure to liquidity risk. As part of its risk management, the Manager will attempt to manage the liquidity of the Fund through asset allocation and diversification strategies within the portfolio. The Manager will also conduct constant fundamental research and analysis to forecast future liquidity of its investments.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	<u>2017</u> RM	<u>2016</u> RM
<b><u>Less than 1 month</u></b>		
Accrued management fee	82,692	133,951
	<u>                    </u>	<u>                    </u>

#### Inflation risk

Inflation reduces the purchasing power of money. Therefore in an inflationary environment, there is a possibility that income from the Fund may not be able to keep up with inflation. This happens in the event that the rate of return of the Fund is lower than the inflation rate.

### **3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

#### Non-compliance risk

This is the risk of the Manager not complying with the internal policies, the Deeds of the Fund, all applicable laws or guidelines issued by the regulators. This may occur as a result of system failure or the inadvertence of the Manager. The magnitude of such risk and its impact on the Fund and/or unitholders are dependent on the nature and severity of the non-compliance. Non-compliance may adversely affect the Fund especially if the investment of the Fund has to be disposed at a lower price to rectify the non-compliance.

#### Capital risk

The capital of the Fund is represented by equity consisting of unitholders' 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 unitholders. 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 investment activities of the Fund.

### **4 FAIR VALUE ESTIMATION**

Fair value is defined as 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 (i.e. an exit price).

The fair value of financial assets traded in active market (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date.

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

#### 4 FAIR VALUE ESTIMATION (CONTINUED)

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each financial year end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

For instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equities, debt securities and other debt instruments for which market were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds.

Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

The fair values are based on the following methodologies and assumptions:

- (i) The carrying value of bank balances is a reasonable estimate of fair value.
- (ii) The carrying value of receivables and payables are assumed to approximate their fair values due to their short term nature.

## 4 FAIR VALUE ESTIMATION (CONTINUED)

### Fair value hierarchy

The Fund adopted MFRS 13 “Fair Value Measurement” in respect of disclosures about the degree of reliability of fair value measurement. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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 judgement, considering factors specific to the asset or liability.

The determination of what constitutes ‘observable’ requires significant judgement 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.

#### 4 FAIR VALUE ESTIMATION (CONTINUED)

##### Fair value hierarchy (continued)

The following table analyses within the fair value hierarchy the Fund's financial assets (by class) measured at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RM	RM	RM	RM
<b><u>2017</u></b>				
Financial assets at fair value through profit or loss:				
- Deposits with licensed financial institutions	-	219,003,499	-	219,003,499
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>2016</u></b>				
Financial assets at fair value through profit or loss:				
- Deposits with licensed financial institutions	-	365,469,430	-	365,469,430
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note 2.2.

The Fund has no other financial assets and liabilities at fair value through profit or loss as at financial year end except for deposits with licensed financial institutions of which the carrying value approximate their fair value due to their short-term nature.

## 5 DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

	<u>2017</u> RM	<u>2016</u> RM
Deposits with licensed financial institutions	219,003,499	365,469,430

Deposits with licensed financial institutions include interest receivable of RM1,067,340 (2016: RM1,042,285).

	<u>2017</u>	<u>2016</u>
Weighted average effective interest rate	3.80%	4.04%
Average maturity	44 days	32 days

## 6 UNITS IN CIRCULATION

	<u>2017</u> Units	<u>2016</u> Units
At the beginning of the financial year	294,563,046	364,964,034
Creation of units arising from applications during the financial year	197,416,331	264,176,815
Cancellation of units during the financial year	(320,950,191)	(334,577,803)
At the end of the financial year	171,029,186	294,563,046

## **7 MANAGEMENT FEE**

In accordance with the Deed, the Manager shall be entitled to a fee at a rate agreed between the Manager and the Trustee which the rate shall not exceed 1.00% of the net asset value of the Fund.

The management fee provided in the financial statements is 0.40% (2016: 0.40%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial year.

There will be no further liability to the Manager in respect of management fee other than the amount recognised above.

## **8 TRUSTEE'S FEE**

In accordance with the Deed, the Trustee shall be entitled to a fee at a rate agreed between the Manager and the Trustee which the rate shall not exceed 0.15% of the net asset value of the Fund, subject to a minimum of RM18,000 per annum.

Trustee's fee is charged up to 0.08% (2016: 0.08%) per annum of the net asset value of the Fund and will be borne by the Manager. There is no Trustee fee charged to the Fund.

## **9 OTHER EXPENSES**

Generally, other expenses will be borne by the Manager except those fees and charges which are out of the ordinary course of business of the Fund and directly related and necessary in administering the Fund such as taxation of the Fund, if any, and expenses incurred in terminating the Fund will be charged to the Fund.



## 10 TAXATION

### (a) Tax charge for the financial year

	<u>2017</u> RM	<u>2016</u> RM
Current taxation	-	-

### (b) Numerical reconciliation of income tax expense

The numerical reconciliation between the profit before taxation multiplied by the Malaysian statutory income tax rate and the tax expense of the Fund is as follows:

	<u>2017</u> RM	<u>2016</u> RM
Profit before taxation	10,682,967	14,840,785
Tax calculated at a tax rate of 24%	2,563,912	3,561,788
Tax effects of:		
- Income not subject to tax	(2,886,389)	(3,983,768)
- Restriction on tax deductible expenses	322,477	421,980
Tax expense	-	-

## 11 MANAGEMENT EXPENSE RATIO (“MER”)

	<u>2017</u> %	<u>2016</u> %
MER	0.43	0.42

Management expense ratio includes management fee and other administrative expenses which is calculated as follows:

$$\text{MER} = \frac{(A + B)}{C} \times 100$$

A = Management fee

B = Other expenses

C = Average net asset value of the Fund for the financial year, calculated on a daily basis

The average net asset value of the Fund for the financial year, calculated on a daily basis is RM315,762,810 (2016: RM414,692,883).

## 12 PORTFOLIO TURNOVER RATIO

	<u>2017</u>	<u>2016</u>
The portfolio turnover ratio for the financial year (times)	22.22	29.14

The portfolio turnover ratio is derived from the following calculation:

$$\frac{(\text{Total acquisition for the financial year} + \text{total disposal for the financial year}) \div 2}{\text{Average net asset value of the Fund for the financial year calculated on a daily basis}}$$

where:

total acquisition for the financial year = RM6,941,573,784  
(2016: RM12,050,605,522)

total disposal for the financial year = RM7,088,064,770  
(2016: RM12,117,601,247)

### 13 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

The related parties and their relationship with the Fund are as follows:

<u>Related parties</u>	<u>Relationship</u>
RHB Asset Management Sdn Bhd	The Manager
RHB Investment Bank Berhad	Holding company of the Manager
RHB Bank Berhad	Ultimate holding company of the Manager

There were no units held by the Manager or any related party of the Fund.

### 14 TRANSACTIONS BY THE FUND

Details of transactions with the financial institutions by the Fund for the financial year ended 31 March 2017 are as follows:

<u>Financial institution</u>	<u>Value of trades</u> RM	<u>Percentage of total trades</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage fees</u> %
Kenanga Investment Bank Bhd	1,556,905,140	22.43	-	-
CIMB Bank Bhd	1,405,737,791	20.25	-	-
Public Bank Bhd	1,159,837,107	16.71	-	-
Hong Leong Investment Bank Bhd	1,059,618,053	15.26	-	-
RHB Bank Bhd*	461,235,000	6.64	-	-
KAF Investment Bank Bhd	249,733,698	3.60	-	-
Hong Leong Bank Bhd	177,123,264	2.55	-	-
Asian Finance Bank Bhd	155,421,504	2.24	-	-
Alliance Bank Malaysia Bhd	141,994,263	2.05	-	-
Bank of China (Malaysia) Bhd	134,923,300	1.94	-	-
Others	439,044,664	6.33	-	-
	<u>6,941,573,784</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

## 14 TRANSACTIONS BY THE FUND (CONTINUED)

Details of transactions with the financial institutions by the Fund for the financial year ended 31 March 2016 are as follows:

<u>Financial institution</u>	<u>Value of trades</u> RM	<u>Percentage of total trades</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage fees</u> %
CIMB Bank Bhd	6,654,651,989	55.22	-	-
Public Bank Bhd	1,953,936,974	16.21	-	-
Hong Leong Investment Bank Bhd	1,386,418,367	11.50	-	-
Kuwait Finance House (Malaysia) Bhd	431,331,886	3.58	-	-
Affin Bank Bhd	314,884,073	2.61	-	-
Hong Leong Bank Bhd	255,126,036	2.12	-	-
Kenanga Investment Bank Bhd	202,728,680	1.68	-	-
Asian Finance Bank	170,142,150	1.41	-	-
Bank Of China (Malaysia) Bhd	120,245,047	1.00	-	-
Malayan Banking Bhd	120,054,212	1.00	-	-
Others	441,086,108	3.67	-	-
	<u>12,050,605,522</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

\* Included in transactions by the Fund are trades conducted with the ultimate holding company of the Manager, RHB Bank Bhd. The Manager is of the opinion that all transactions with the related company have been entered into in the normal course of business at agreed terms between the related parties.

## 15 SEGMENT INFORMATION

The Investment Security Selection Committee of the Manager recommends strategic resource allocations of the Fund to the Investment Committee of the Manager (collectively referred to as “Committee”). The Investment Committee of the Manager will then endorse the strategic decision recommended by the Investment Security Selection Committee for adoption on behalf of the Fund. The operating segments are determined based on the recommendation by the Investment Security Selection Committee and reviewed by the Investment Committee.

The internal reporting provided to the Committee for the Fund’s assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS. The Committee is responsible for the Fund’s entire portfolio and considers the business to have a single operating segment located in Malaysia. The Committee’s asset allocation decisions are based on a single, integrated investment strategy and the Fund’s performance is evaluated on an overall basis.

The reportable operating segments derive their income by seeking investments to achieve targeted returns commensurate with an acceptable level of risk within each portfolio. These returns consist of interest income earned from investments, which is derived from the deposits with licensed financial institutions in Malaysia.

There were no changes in the reportable segments during the financial year.

## STATEMENT BY MANAGER

We, Patrick Chin Yoke Chung and Abdul Aziz Peru Mohamed, two of the Directors of RHB Asset Management Sdn Bhd, do hereby state that in the opinion of the Directors of the Manager, the accompanying financial statements set out on pages 11 to 36 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as of 31 March 2017 and of its financial performance and cash flows of the Fund for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

On behalf of the Manager

PATRICK CHIN YOKE CHUNG  
DIRECTOR

ABDUL AZIZ PERU MOHAMED  
DIRECTOR

Kuala Lumpur  
24 May 2017

## TRUSTEE'S REPORT

We have acted as Trustee of RHB Cash Management Fund 2 (“the Fund”) for the financial year ended 31 March 2017. To the best of our knowledge, RHB Asset Management Sdn Bhd (“the Management Company”), has operated and managed the Fund in accordance with the following:

- (a) limitations imposed on the investment powers of the Management Company and the Trustee under the Deeds, the Securities Commission’s Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation/pricing is carried out in accordance with the Deeds and any regulatory requirements; and
- (c) creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirements.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie  
Head, Trustee Operations

Kuala Lumpur  
24 May 2017

## INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF RHB CASH MANAGEMENT FUND 2

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Our opinion

In our opinion, the financial statements of RHB Cash Management Fund 2 (“the Fund”) give a true and fair view of the financial position of the Fund as at 31 March 2017 and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

#### What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 36.

#### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.



## INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF RHB CASH MANAGEMENT FUND 2 (CONTINUED)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's report, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

#### Responsibilities of the Manager for the financial statements

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

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

## INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF RHB CASH MANAGEMENT FUND 2 (CONTINUED)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

## INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF RHB CASH MANAGEMENT FUND 2 (CONTINUED)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Auditors' responsibilities for the audit of the financial statements (continued)

- (d) Conclude on the appropriateness of the Manager' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### OTHER MATTERS

This report is made solely to the unitholders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

Kuala Lumpur  
24 May 2017

## CORPORATE INFORMATION

### MANAGER

RHB Asset Management Sdn Bhd

### PRINCIPAL AND REGISTERED OFFICE

Level 8, Tower Two & Three, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

### BUSINESS OFFICE

Level 8, Tower Two & Three, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

Email address: [rhbam@rhbgroup.com](mailto:rhbam@rhbgroup.com)

Tel: 03-9205 8000

Fax: 03-9205 8100

Website: <http://www.rhbgroup.com>

### BOARD OF DIRECTORS

Mr Patrick Chin Yoke Chung (*Independent Non-Executive Chairman*)

Encik Abdul Aziz Peru Mohamed (*Senior Independent Non-Executive Director*)

Ms Ong Yin Suen (*Managing Director*)

Mr Chin Yoong Kheong (*Independent Non-Executive Director*)

Dr Ngo Get Ping (*Independent Non-Executive Director*)  
(*Appointed on 11 May 2016*)

### INVESTMENT COMMITTEE MEMBERS

YBhg Dato' Khairussaleh Ramli (*Chairman*) (*Appointed on 11 May 2016*)

Mr Patrick Chin Yoke Chung (*Appointed on 11 May 2016*)

Mr Ong Seng Pheow (*Appointed on 11 May 2016*)

YBhg Datuk Haji Faisal Siraj (*Appointed on 30 September 2016*)

### CHIEF EXECUTIVE OFFICER

Mr Ho Seng Yee

### SECRETARY

Encik Azman Shah Md Yaman (LS No. 0006901)

## BRANCH OFFICE

Kuala Lumpur Office	B-9-6, Megan Avenue 1 No. 189, Jalan Tun Razak 50400 Kuala Lumpur Tel: 03-2171 2755 Fax: 03-2770 0022
Sri Petaling Office	No. 53-1 & 53-2 Jalan Radin Tengah Bandar Baru Sri Petaling 57000 Kuala Lumpur Tel: 03-9054 2470 Fax: 03-9054 0934
Penang Office	64-D, Level 5, Lebuah Bishop 10200 Penang Tel: 04-264 5639 / 04-263 4848 Fax: 04-264 5640 / 04-262 8844
Butterworth Office	2677, Jalan Chain Ferry Taman Inderawasih 13600 Prai, Penang Tel: 04-390 0022 Fax: 04-390 0023
Ipoh Office	4 <sup>th</sup> Floor, 21-25 Jalan Seenivasagam, Greentown 30450 Ipoh, Perak Tel: 05-242 4311 Fax: 05-242 4312
Johor Bahru Office	2nd Floor, 21 & 23 Jalan Molek 1/30, Taman Molek 81100 Johor Bahru, Johor Tel: 07-358 3587 Fax: 07-358 3581
Kuantan Office	B 32-34, 2nd Floor, Lorong Tun Ismail 8 Sri Dagangan II 25000 Kuantan, Pahang Tel: 09-517 3611 Fax: 09-517 3612
Kota Bharu Office	No 3953-H, 1st Floor Jalan Kebun Sultan 15350 Kota Bharu, Kelantan Tel: 09-741 8539 Fax: 09-741 8540

Kota Kinabalu Office	Lot No. C-02-04, 2nd Floor Block C, Warisan Square Jalan Tun Fuad Stephens 88000 Kota Kinabalu, Sabah Tel: 088-528 686/692 Fax: 088-528 685
Melaka Office	581B, Taman Melaka Raya 75000 Melaka Tel: 06-284 4211 Fax: 06-292 2212
Batu Pahat Office	53, 53-A and 53-B Jalan Sultanah 83000 Batu Pahat, Johor Tel: 07-438 0271 Fax: 07-438 0277
Miri Office	Lot 1268, First Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri, Sarawak Tel: 085-422 788 Fax: 085-415 243
Kuching Office	Lot 172, Section 49, K.T.L.D Jalan Chan Chin Ann 93100 Kuching, Sarawak Tel: 082-245 611 Fax: 082-242 712
<b>TRUSTEE</b>	HSBC (Malaysia) Trustee Berhad
<b>BANKER</b>	RHB Bank Berhad
<b>AUDITORS</b>	PricewaterhouseCoopers
<b>TAX ADVISER</b>	PricewaterhouseCoopers Taxation Services Sdn Bhd
<b>DISTRIBUTORS</b>	RHB Investment Bank Berhad iFast Capital Sdn Bhd