RHB Asset Management

RHB CASH MANAGEMENT FUND 2

INTERIM REPORT 2017

Incorporating The Unaudited Financial Statements

For the six months financial period ended 30 September 2017

RHB Asset Management

RHB Asset Management Sdn Bhd (174588-X)

Head Office
Level 8, Tower 2 & 3, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur, Malaysia

Tel : +603 9205 8000

Fax : +603 9205 8100

www.rhbgroup.com

www.rhbgroup.com
RHB Group @RHBGroup RHB Group RHBGroup

TOGETHER WE PROGRESS

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

<u>Objective of the Fund</u>

The Fund aims 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.

<u>Strategy</u>

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

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

At least 98% of Net Asset Value	- Investments in deposits with financial institutions which have a remaining maturity period of not more than 365 days.
Up to 2% of Net Asset Value	- Maintained in cash.

Investment Philosophy

The Manager will form a strategy based on the interest rate outlook derived from economic aggregates such as inflation, economic growth and general monetary policies. Further, the Manager's investment strategy will follow its views on the anticipated changes in the yield curve.

Investment Approach

The Manager's investment approach when making investments in debentures, money market instruments and placements of deposits with financial institutions will evolve around the following principles:-

1) Interest Rate Anticipation – Forecast changes in interest rates and yield curve shapes.
2) Relative Return Analysis – Best risk-return trade-off within the financial institutions of same credit rating.

Performance Benchmark

Malayan Banking Berhad ("Maybank") - 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 via higher net asset value per unit, there will be no distribution of returns to the unitholders.

MANAGER'S REPORT

MARKET REVIEW

During the period under review, Malaysian Ringgit ("MYR") outperformed United States Dollar ("USD") in lower Federal Reserve ("Fed") hike expectation, foreign investors revisited the Malaysian Government Securities ("MGS") space and drove the yield curve flat. The trend lasted until June 2017. In July 2017, Bank Negara Malaysia ("BNM") had a better assessment on global and local economies compared to the last meeting, market interpreted the assessment as potential hawkishness for the remaining of year 2017. In August 2017, with hurricane Irma hitting US and the escalated tension between Washington and Pyongyang, US Treasury ("UST") tightened significantly which makes Emerging Market ("EM") local government bond attractive to yield investors. MGS benefitted from this trend and we continue to see substantial buying interest from offshores investors. Lastly in September 2017, stronger US second quarter of year 2017 Gross Domestic Product ("GDP") results and hawkish Federal Reserve Open Market Committee ("FOMC") comments from policymakers again pushed EM yield higher. All in all, the 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS were traded at 3.33% (March 2017: 3.55%), 3.65% (3.83%), 3.84% (4.05%), 3.91% (4.15%), 4.31% (4.52%), 4.60% (4.67%) and 4.88% (4.82%) respectively.

ECONOMIC REVIEW AND OUTLOOK

On the local economic front, July 2017 trade surplus narrows despite export surge. In MYR terms, July 2017 exports accelerated more than expected to 30.9% Year-on-Year ("YoY") (consensus: 23.0%, June 2017: 10.0%), while imports rose more than anticipated to 21.8% (consensus: 11.3%, June: 3.7%). Official estimates show that exports rebounded by 8.7% Month-on-Month ("MoM") (June 2017: -9.2%) and imports by 7.7% (June 2017: -14.4%). These bring July 2017 levels for exports and imports 4.8% and 0.1% above second quarter of year 2017 levels. Consequently, trade surplus narrowed to MYR8.03 billion (consensus: 8 billion, June 2017: 9.89 billion). Broad-based sequential rise in exports led by Electrics & Electronics ("E&E) and petroleum products, with imports led by consumption and capital goods. During the Monetary Policy Committee ("MPC") meeting, the committee maintains Overnight Policy Rate ("OPR") at 3.0% as widely expected, incrementally more positive on global growth. The MPC sounded a tad more confident on "synchronized" global growth, adding that growth is becoming "more entrenched", and momentum expected to be "sustained". As compared to July 2017, commodity prices and financial market conditions were removed from the list of risk factors. MPC noted that the earlier emerging risks from "positive" spillovers from exports into domestic demand were now likely to be "stronger". Private consumption is now expected to be supported by an improvement in "wages and overall labour market conditions" (versus "wages and employment" in July 2017), which also implies the MPC's optimism over a more broad-based recovery in the labour market.

Meanwhile, investment is expected to be supported by "sustained capital investment by firms" (versus "stronger capacity expansion" in July 2017). Overall, the MPC expects year 2017 growth to be "stronger than earlier expected". July 2017 Industrial Production ("IP") rose more than expected by 6.1% YoY (consensus: 5.1%, June 2017: 4%). Official seasonally adjusted ("SA") data show a 1.4% MoM SA increase (June 2017: 1.9%), with July levels 2.9% above second quarter of year 2017. Within manufacturing, all major categories expanded sequentially, with most pronounced gains seen in food & beverages and motor vehicles. Although mining fell by 2.2% MoM SA, it is still up by 3.3% against second quarter of year 2017, reflecting the impact of a technical pullback from elevated levels in June 2017. Meanwhile the sharp pick up in electricity production could be a sign of the ongoing broad based recovery. Lastly, August 2017 headline Consumer Price Index ("CPI") picks up to 3.7% YoY, (consensus: 3.4%, May 2017: 3.2%), but core moderates to 2.4%. Firmer August CPI was led by pump price related pick-up in transport CPI (August 2017: 11.7%; July 2017: 7.7%). Most of the other components were slightly firmer, offsetting the sharp moderation in recreation & culture. Sequentially, CPI rebounded by 0.9% MoM SA (July 2017: -0.1%), the first expansion in six months. In contrast to rising headline, official core CPI moderated to 2.4% (July 2017: 2.6%, June 2017: 2.5%). Going forward, with RON 95 prices in the first three weeks of September 2017 averaging 3.5% higher than in August 2017, headline inflation could rise further to 4.3% in September 2017. Assuming relatively stable pump prices for the rest of the year, headline could stay above 4.0% till October 2017, moderating to 3.0% to 3.5% in November 2017 to December 2017, such that full year average headline CPI inflation remains at near the upper bound of BNM's 3.0% to 4.0% forecast.

MARKET OUTLOOK AND STRATEGY GOING FORWARD

On Malaysia, at its recent MPC held in September 2017, BNM has decided to maintain the OPR at 3.0%. In its statement, BNM acknowledged on the continued growth momentum in the global economy. Going forward, the growth prospects will be sustained by the more positive global growth outlook and supportive domestic demand. BNM is also projecting moderate headline inflation on expectations of smaller effect from global cost factors while core inflation is expected to remain contained. We expect BNM to remain neutral towards the end of this year. However, with growth expectation realigned higher (after surprised second quarter GDP), the bias should tilted towards a normalization of currently accommodative monetary conditions. Nevertheless, timing remains uncertain with moderating headline inflation possibly giving room to BNM to postpone a normalization plan at a later time in year 2018. In term of strategy, we tactically increase our duration positioning as duration supply is still scarce this coming month (MYR12.18 billion of MGS maturing in October 2017). As for the allocation, we overweight credit over government bonds for yield pick-up while strategically taking opportunity on the positive momentum of government bonds.

REVIEW OF FUND PERFORMANCE DURING THE PERIOD

For the financial period under review, the Fund has registered a gain of 1.68% in net asset value terms while its benchmark, Malayan Banking Berhad - Savings Account Rate, recorded a gain of 0.65%. The Fund has met its objective for the period under review.

** Source: Lipper Investment Management ("Lipper IM"), 12 October 2017*

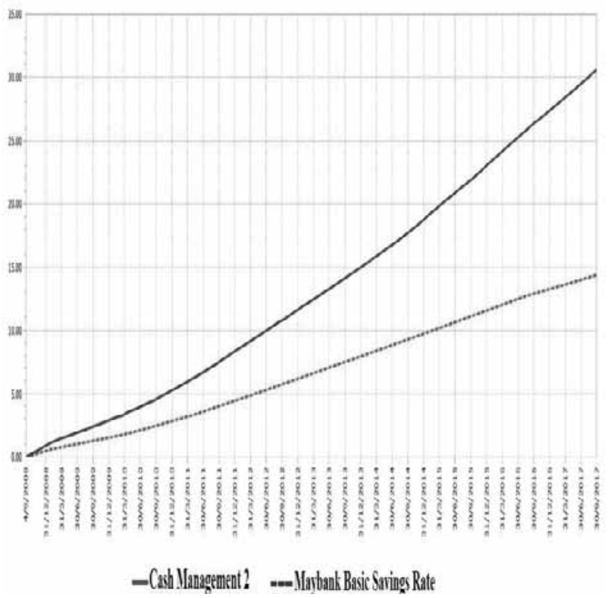
PERFORMANCE DATA

	Total Return		
	1-month 31.08.2017-30.09.2017 %	**3-month 30.06.2017-30.09.2017 %**	**6-month 31.03.2017-30.09.2017 %**
RHB Cash Management Fund 2	0.26	0.84	1.68
Malayan Banking Berhad - Savings Account Rate	0.11	0.33	0.65

	Average Annual Return			
	1 Year 30.09.2016-30.09.2017 %	**3 Years 30.09.2014-30.09.2017 %**	**5 Years 30.09.2012-30.09.2017 %**	**Since Commencement 04.09.2008**-30.09.2017 %**
RHB Cash Management Fund 2	3.33	3.52	3.34	2.98
Malayan Banking Berhad - Savings Account Rate	1.30	1.52	1.58	1.49

	Annual Total Return 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 Berhad - Savings Account Rate	1.43	1.66	1.66	1.66	1.66

Performance of RHB Cash Management Fund 2
for the period from 4 September 2008 to 30 September 2017**
Cumulative Return Over The Period (%)



*** Being the last day of the Initial Offer Period*

Source: Lipper IM, 12 October 2017

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.

Fund Size	As at 30.09.2017	As at 31 March 2017	2016	2015
Net Asset Value (RM million)	203.27	219.64	365.73	437.18
Units In Circulation (million)	155.66	171.03	294.56	364.96
Net Asset Value Per Unit (RM)	1.3059	1.2842	1.2416	1.1979

Historical Data	01.04.2017-30.09.2017	Financial Year Ended 31 March 2017	2016	2015
Unit Prices				
NAV - Highest (RM)	1.3058	1.2842	1.2416	1.1979
- Lowest (RM)	1.2843	1.2420	1.1980	1.1583
Distribution and Unit Split	-	-	-	-
Others				
Management Expense Ratio (MER) (%) #	0.21	0.43	0.42	0.40
Portfolio Turnover Ratio (PTR) (times) ##	11.08	22.22	29.14	28.50

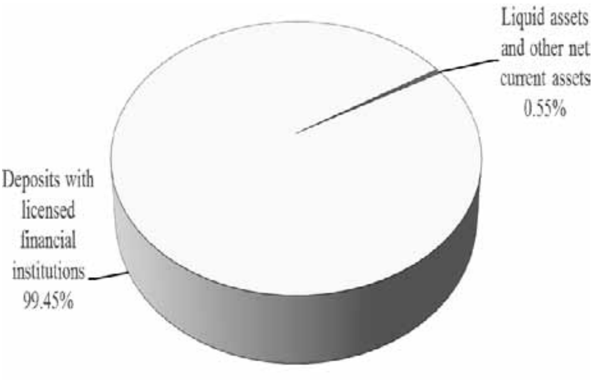
The MER for the financial period was slightly lower compared with the previous financial period due to lesser expenses incurred for the financial period under review (refer to Note 11).

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

DISTRIBUTION

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

PORTFOLIO STRUCTURE AS AT 30 SEPTEMBER 2017



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

	As at	As at 31 March		
	30.09.2017	2017	2016	2015
Sectors	**%**	**%**	**%**	**%**
Deposits with licensed financial institutions	99.45	99.22	99.64	99.08
Liquid assets and other net current assets	0.55	0.78	0.36	0.92
	100.00	100.00	100.00	100.00

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 30 September 2017, the Fund's units in circulation stood at 155.66 million units with a total of 123 accounts.

	Account Holders		No. Of Units Held*	
Size of Holdings	**No.**	**%**	**('000)**	**%**
5,000 and below	15	12.19	16	0.01
5,001 to 10,000	9	7.32	65	0.04
10,001 to 50,000	21	17.07	548	0.35
50,001 to 500,000	42	34.15	8,078	5.19
500,001 and above	36	29.27	146,952	94.41
Total	123	100.00	155,659	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 period 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
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	Note	30.09.2017	31.03.2017
		RM	RM
ASSETS			
Deposits with licensed financial institutions	5	203,258,944	219,003,499
Bank balances		4,914	4,130
Amount due from Manager		85,928	716,193
TOTAL ASSETS		203,349,786	219,723,822
LIABILITIES			
Accrued management fee		76,400	82,692
TOTAL LIABILITIES		76,400	82,692
NET ASSET VALUE		203,273,386	219,641,130
UNITHOLDERS' FUNDS			
Unitholders' capital		106,403,917	126,627,312
Retained earnings		96,869,469	93,013,818
		203,273,386	219,641,130
UNITS IN CIRCULATION (UNITS)	6	155,658,659	171,029,186
NET ASSET VALUE PER UNIT (RM)		1.3059	1.2842

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

RHB CASH MANAGEMENT FUND 2
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

	Note	01.04.2017-30.09.2017 RM	01.04.2016-30.09.2016 RM
INVESTMENT INCOME			
Interest income from deposits with licensed financial institutions		4,346,747	7,090,056
EXPENSES			
Management fee	7	(463,071)	(729,652)
Other expenses		(28,025)	(43,257)
		(491,096)	(772,909)
Profit before taxation		3,855,651	6,317,147
Taxation	10	-	-
Profit after taxation and total comprehensive income for the financial period		3,855,651	6,317,147
Profit after taxation is made up as follows:			
Realised amount		3,855,651	6,317,147

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

RHB CASH MANAGEMENT FUND 2
UNAUDITED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

	Unitholders' capital RM	Retained earnings RM	Total net asset value RM
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 period	-	6,317,147	6,317,147
Creation of units arising from applications	112,495,026	-	112,495,026
Cancellation of units	(160,931,395)	-	(160,931,395)
Balance as at 30 September 2016	234,960,474	88,647,998	323,608,472
Balance as at 1 April 2017	126,627,312	93,013,818	219,641,130
Movement in net asset value:			
Total comprehensive income for the financial period	-	3,855,651	3,855,651
Creation of units arising from applications	172,386,346	-	172,386,346
Cancellation of units	(192,609,741)	-	(192,609,741)
Balance as at 30 September 2017	106,403,917	96,869,469	203,273,386

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

RHB CASH MANAGEMENT FUND 2
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

	01.04.2017- 30.09.2017 RM	01.04.2016- 30.09.2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Placement of deposits with licensed financial institutions	(2,553,560,852)	(4,100,373,057)
Proceeds from maturity of deposits with licensed financial institutions	2,569,338,786	4,141,976,079
Interest received from deposits with licensed financial institutions	4,313,368	6,784,821
Management fee paid	(469,363)	(739,789)
Payment for other expenses	(28,025)	(43,257)
Net cash generated from operating activities	19,593,914	47,604,797
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from units created	173,016,611	112,883,699
Payment for cancellation on units	(192,609,741)	(160,488,428)
Net cash used in financing activities	(19,593,130)	(47,604,729)
Net increase in cash and cash equivalents	784	68
Cash and cash equivalents at the beginning of the financial period	4,130	3,542
Cash and cash equivalents at the end of the financial period	4,914	3,610
Cash and cash equivalents comprise:		
Bank balances	4,914	3,610

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

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 Deeds.

The principal activity of the Fund is to invest in 'Permitted Investments' as defined in the Deeds, 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 unit trust funds and private retirement schemes and provision of investment advisory services.

These financial statements were authorised for issue by the Manager on 20 November 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 period beginning on 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.

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

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:

(i) Financial period 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 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)

(i) Financial period 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 profit or loss, 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

<u>Classification</u>

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.

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.

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

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 period, 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 period 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 period.

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.

<u>Management risk</u>

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:

	Deposits and bank balances RM	Other financial assets* RM	Total RM
30.09.2017			
Financial institutions:			
AAA	42,821,070	-	42,821,070
AA1	35,172,811	-	35,172,811
AA2	20,736,697	-	20,736,697
AA3	27,745,203	-	27,745,204
AA-	4,445,936	-	4,445,936
A1	3,610,247	-	3,610,247
A2	23,566,970	-	23,566,970
A3	24,239,242	-	24,239,242
Non-rated**	20,925,681	-	20,925,681
Others	-	85,928	85,928
	203,263,858	85,928	203,349,786
31.03.2017			
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
	219,007,629	716,193	219,723,822

* Comprise of amount due from Manager.

** Asian Finance Bank Bhd and Bangkok Bank.

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.

	30.09.2017	**31.03.2017**
	RM	**RM**
Less than 1 month		
Accrued management fee	76,400	82,692

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 of RM106,403,917 (31.03.2017: RM126,627,312) and retained earnings of RM96,869,469 (31.03.2017: RM93,013,818). 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 period 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 period 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 period. 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:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
30.09.2017				
Financial assets at fair value through profit or loss:				
- Deposits with licensed financial institutions	-	203,258,944	-	203,258,944
31.03.2017				
Financial assets at fair value through profit or loss:				
- Deposits with licensed financial institutions	-	219,003,499	-	219,003,499

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 period 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

	30.09.2017 RM	31.03.2017 RM
Deposits with licensed financial institutions	203,258,944	219,003,499

Deposits with licensed financial institutions include interest receivable of RM1,100,720 (31.03.2017: RM1,067,340).

	30.09.2017	31.03.2017
Weighted average effective interest rate	3.81%	3.80%
Average maturity	45 days	44 days

6 UNITS IN CIRCULATION

	30.09.2017 Units	31.03.2017 Units
At the beginning of the financial period/year	171,029,186	294,563,046
Creation of units arising from applications during the financial period/year	133,197,274	197,416,331
Cancellation of units during the financial period/year	(148,567,801)	(320,950,191)
At the end of the financial period/year	155,658,659	171,029,186

7 MANAGEMENT FEE

In accordance with the Deeds, 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% per annum of the net asset value of the Fund, calculated on a daily basis.

The management fee provided in the financial statements is 0.40% (01.04.2016-30.09.2016: 0.40%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial period.

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 Deeds, 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, calculated on a daily basis, subject to a minimum of RM18,000 per annum.

Trustee's fee is charged up to 0.08% (01.04.2016-30.09.2016: 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 period

	01.04.2017- 30.09.2017 RM	01.04.2016- 30.09.2016 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:

	01.04.2017- 30.09.2017 RM	01.04.2016- 30.09.2016 RM
Profit before taxation	3,855,651	6,317,147
Tax calculated at a tax rate of 24%	925,356	1,516,115
Tax effects of:		
- Investment income not subject to tax	(1,043,219)	(1,701,613)
- Restriction on tax deductible expenses for unit trust funds	117,863	185,498
Tax expense	-	-

11 MANAGEMENT EXPENSE RATIO ("MER")

	01.04.2017- 30.09.2017 %	01.04.2016- 30.09.2016 %
MER	0.21	0.22

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

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

A = Management fee
B = Other expenses
C = Average net asset value of the Fund for the financial period, calculated on a daily basis

The average net asset value of the Fund for the financial period, calculated on a daily basis is RM231,079,180 (01.04.2016 - 30.09.2016: RM358,520,585).

12 PORTFOLIO TURNOVER RATIO ("PTR")

	01.04.2017- 30.09.2017	01.04.2016- 30.09.2016
The portfolio turnover ratio for the financial period (times)	11.08	11.49

The portfolio turnover ratio is derived from the following calculation:

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

where:

total acquisition for the financial period = RM2,553,560,852 (01.04.2016 - 30.09.2016: RM4,100,373,057)

total disposal for the financial period = RM2,569,338,786 (01.04.2016 - 30.09.2016: RM4,141,976,079)

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

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

Related parties	Relationship
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 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 period.

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 unaudited financial statements set out on pages 10 to 33 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 30 September 2017 and of its financial performance and cash flows of the Fund for the financial period 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
20 November 2017

TRUSTEE'S REPORT

We have acted as Trustee of RHB Cash Management Fund 2 ("the Fund") for the financial period ended 30 September 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
20 November 2017

CORPORATE INFORMATION

MANAGER
RHB Asset Management Sdn Bhd

PRINCIPAL AND REGISTERED OFFICE
Level 8, Tower 2 & 3, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

BUSINESS OFFICE
Level 8, Tower 2 & 3, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

Email address: rhbam@rhbgroup.com
Tel: 03-9205 8000
Fax: 03-9205 8100
Website: http://www.rhbgroup.com

BOARD OF DIRECTORS
Mr Patrick Chin Yoke Chung (*Non-Independent Non-Executive Chairman*)
Encik Abdul Aziz Peru Mohamed (*Senior Independent Non-Executive Director*)
Mr Chin Yoong Kheong *(Independent Non-Executive Director)*
Ms Ong Yin Suen (*Managing Director*)
Dr Ngo Get Ping *(Independent Non-Executive Director)*
Ms Choo Shan *(Independent Non-Executive Director)*
(Appointed on 3 July 2017)

INVESTMENT COMMITTEE MEMBERS
Mr Patrick Chin Yoke Chung *(Chairman) (Re-designated on 1 November 2017)*
YBhg Datuk Haji Faisal Siraj
Encik Abdul Aziz Peru Mohamed *(Appointed on 1 November 2017)*
Ms Choo Shan *(Appointed on 1 November 2017)*
YBhg Dato' Khairussaleh Ramli *(Chairman) (Resigned on 1 November 2017)*
Mr Ong Seng Pheow *(Resigned on 1 November 2017)*

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, Lebuh 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	4th 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
TRUSTEE	HSBC (Malaysia) Trustee Berhad
BANKER	RHB Bank Berhad
AUDITORS	PricewaterhouseCoopers
TAX ADVISER	PricewaterhouseCoopers Taxation Services Sdn Bhd
DISTRIBUTORS	iFast Capital Sdn Bhd RHB Investment Bank Berhad