

RHB CASH MANAGEMENT FUND 2

INTERIM REPORT 2021

For the financial period ended 30 September 2021

GENERAL INFORMATION ABOUT THE FUND

Name, Category and Type

Fund Name - RHB Cash Management Fund 2

Fund Category - Money market fund

Fund Type - Income fund

Investment Objective, Policy and Strategy

Objective of the Fund

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.

[^]Note: Redemption monies of this Fund will generally be paid the next business day (a working day when the Manager is open for business) after receipt by the Manager of the request to repurchase.

Strategy

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.

Performance Benchmark

Malayan Banking Berhad ("Maybank") - Savings Account Rate.

Permitted Investments

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

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 unit holders.

MANAGER'S REPORT

MARKET REVIEW

On the local rates in September 2021, the Malaysian Government Securities (“MGS”) market overall was bearish arising from selloff across the yield curve. Yields rose 12 basis points (“bps”) to 25bps higher for 10 years MGS and below whereas for the 15-year to 30-year, yields went higher by 18bps and 6.50bps respectively. MGS 3 Year(“Y”), 5Y, 7Y, 10Y, 15Y, 20Y and 30Y ended the month at 2.454%, 2.917%, 3.305%, 3.393%, 3.887%, 4.084% and 4.261% respectively. For the Malaysian Government Investment Issue (“MGII”) yield curve, it also showed similar moves seen the MGS space. Up to 10-year, MGII yields moved up by 17bps to 34bps. Beyond 10-years, 15-year and 30-year went up by 5bps and 6.50bps respectively. MGII 3Y, 5Y, 7Y, 10Y, 15Y, 20Y and 30Y ended the month at 2.571%, 2.989%, 3.33%, 3.465%, 3.962%, 4.19% and 4.484% respectively.

ECONOMIC REVIEW AND OUTLOOK

August 2021’s inflation moderated further from July 2021’s +2.20% Year-on-Year (“YoY”) to +2.00% YoY, where it was much lower than consensus of +2.20%. The increase was mainly due to transport that went up +11.60% YoY where it has been a consistent trend in terms of transport cost. This pattern of a decline in domestic inflation is consistent with the overall inflation expectation that Bank Negara Malaysia (“BNM”) envisage for the rest of year 2021 and forecasted to be within the 2.00% to 3.00%.

On 09 September 2021, as expected, BNM maintained the Overnight Policy Rate (“OPR”) unchanged at +1.75%. In its statement, it mentioned the balance of risks to the global growth outlook is tilted to the downside. This is attributed mainly to uncertainty over the path of the pandemic amid the emergence of variants of concern, and potential risk of heightened financial market volatility amid adjustments in monetary policy in major economies. Specifically, for Malaysia’s economy, the re-imposition of nation-wide containment measures to curb the resurgence in COVID-19 cases had dampened the growth momentum. The recent gradual relaxations for more economic sectors to operate, however, along with higher adaptability of firms to the new operating environment and continued policy support, would partly mitigate the impact and allow the economy to resume its recovery path. Moving forward, the further easing of containment measures, rapid progress of the domestic vaccination programme and continued expansion in global demand will support the growth momentum going into year 2022.

In terms of risk to growth outlook, it is tilted to the downside be it external or domestic factors. These include delays in the easing or re-imposition of broad-based containment measures due to the impact of new COVID-19 variants of

concern and a weaker-than-expected global growth recovery. On inflation, the Monetary Policy Committee (“MPC”) mentioned that underlying inflation, as measured by core inflation, is expected to remain subdued, averaging between 0.50% and 1.50% for the year 2021, amid continued spare capacity in the economy. Core Consumer Price Index (“CPI”) for August 2021 trended lower to +0.60% down from +0.70% in July 2021 supporting this call of it being subdued. The MPC expects Core CPI to remain relatively subdued in year 2022.

With these highlights in the MPC statement, we anticipate BNM to remain comfortable with the present OPR and do not foresee any changes in the medium term.

REVIEW OF FUND PERFORMANCE DURING THE FINANCIAL PERIOD

For the financial period under review, the Fund registered a return of 0.86%* as compared to the benchmark Maybank Basic Savings Rate which yielded a return of 0.13%*. The Fund is working to meet the objective of provide investors a high level of liquidity while providing reasonable returns by predominantly investing its asset in Malaysian Ringgit (“MYR”) deposits with financial institutions in Malaysia.

** Source: Lipper Investment Management (“Lipper IM”), 8 October 2021*

MARKET OUTLOOK AND STRATEGY GOING FORWARD

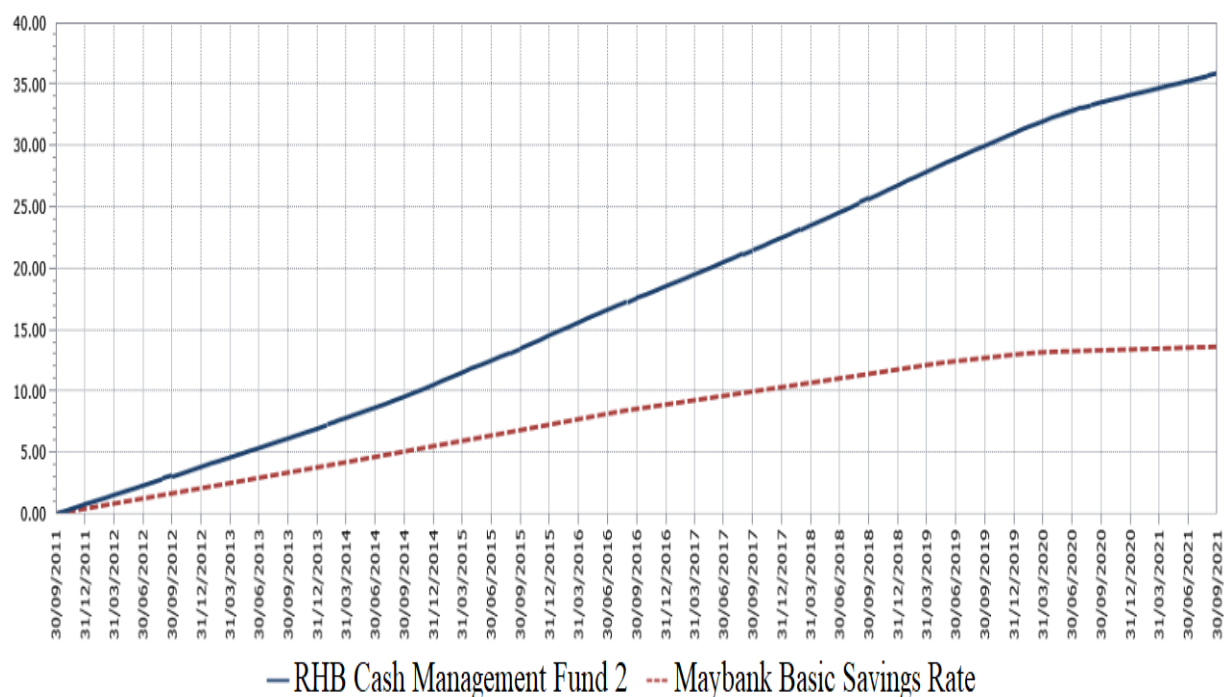
Looking ahead, our strategy premised on the view that BNM is expected to maintain the OPR at 1.75% for year 2021. The OPR will remain accommodative and BNM’s assessment in terms of monetary policy will be data driven, as announced on 31 March 2021 coinciding with key BNM annual reports being released on the day. On that note, we will continue to monitor the key action of central bank and stay fully invested in short to medium term money market placements.

PERFORMANCE DATA

	31.03.2021- 30.09.2021 %	Annual Total Returns				
		Financial Year Ended 31 March				
		2021 %	2020 %	2019 %	2018 %	2017 %
RHB Cash Management Fund 2						
- Capital Return	0.86	2.04	3.21	3.52	3.40	3.43
- Income Return	-	-	-	-	-	-
- Total Return	0.86	2.04	3.21	3.52	3.40	3.43
Malayan Banking Berhad – Savings Account Rate	0.13	0.27	0.93	1.30	1.30	1.43

	Average Annual Returns			
	1 Year 30.09.2020- 30.09.2021 %	3 Years 30.09.2018- 30.09.2021 %	5 Years 30.09.2016- 30.09.2021 %	10 Years 30.09.2011- 30.09.2021 %
RHB Cash Management Fund 2	1.74	2.63	2.93	3.11
Malayan Banking Berhad – Savings Account Rate	0.25	0.66	0.91	1.28

**Performance of RHB Cash Management Fund 2
for the period from 30 September 2011 to 30 September 2021
Cumulative Return Over The Period (%)**



Source: Lipper IM, 8 October 2021

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 September 2021	As at 31 March		
		2021	2020	2019
Net Asset Value (RM million)	297.55	294.67	303.03	221.87
Units In Circulation (million)	203.81	203.58	213.61	161.39
Net Asset Value Per Unit (RM)	1.4600	1.4475	1.4186	1.3747

Historical Data	01.04.2021- 30.09.2021	Financial Year Ended 31 March		
		2021	2020	2019
Unit Prices				
NAV - Highest (RM)	1.4600	1.4475	1.4186	1.3745
- Lowest (RM)	1.4475	1.4187	1.3746	1.3279
Distribution and Unit Split	-	-	-	-
Others				
Management Expense Ratio (MER) (%) #	0.20	0.40	0.40	0.40
Portfolio Turnover Ratio (PTR) (times) ##	13.69	25.19	28.19	27.71

The MER for the financial period under review was consistent with the previous financial period.

The PTR for the financial period was higher compared with previous financial period due to lower average net asset value for the financial period under review.

DISTRIBUTION

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

PORTFOLIO STRUCTURE

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

Sectors	As at 30 September 2021 %	As at 31 March		
		2021 %	2020 %	2019 %
Deposits with licensed financial institutions	99.09	98.69	99.15	99.46
Liquid assets and other net current assets	0.91	1.31	0.85	0.54
	100.00	100.00	100.00	100.00

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

BREAKDOWN OF UNIT HOLDINGS

Size of Holdings	Account Holders		No. Of Units Held*	
	No.	%	('000)	%
5,000 and below	38	13.43	67	0.03
5,001 to 10,000	31	10.95	219	0.11
10,001 to 50,000	89	31.45	2,184	1.07
50,001 to 500,000	89	31.45	15,569	7.64
500,001 and above	36	12.72	185,766	91.15
Total	283	100.00	203,805	100.00

* Excluding Manager's stock

SOFT COMMISSION

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 soft commission received from the brokers had been retained by the Manager as the goods and services provided are of demonstrable benefit to the unit holders.

RHB CASH MANAGEMENT FUND 2
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

	<u>Note</u>	<u>30.09.2021</u> RM	<u>31.03.2021</u> RM
ASSETS			
Bank balances	5	50,389	554,143
Deposits with licensed financial institutions	5	296,120,540	292,451,429
Amount due from Manager		1,480,670	1,757,251
TOTAL ASSETS		<u>297,651,599</u>	<u>294,762,823</u>
LIABILITIES			
Accrued management fee		97,443	97,147
TOTAL LIABILITIES		<u>97,443</u>	<u>97,147</u>
NET ASSET VALUE		<u>297,554,156</u>	<u>294,665,676</u>
EQUITY			
Unit holders' capital		174,130,952	173,791,250
Retained earnings		123,423,204	120,874,426
		<u>297,554,156</u>	<u>294,665,676</u>
UNITS IN CIRCULATION (UNITS)	6	<u>203,805,412</u>	<u>203,575,435</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.4600</u>	<u>1.4475</u>

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

RHB CASH MANAGEMENT FUND 2
UNAUDITED STATEMENT OF INCOME AND EXPENSES
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

	<u>Note</u>	<u>01.04.2021- 30.09.2021</u> RM	<u>01.04.2020- 30.09.2020</u> RM
INCOME			
Interest income from deposits with licensed financial institutions		<u>3,141,484</u>	<u>4,069,784</u>
EXPENSES			
Management fee	7	<u>(592,706)</u>	<u>(601,945)</u>
		<u>(592,706)</u>	<u>(601,945)</u>
Net income before taxation		2,548,778	3,467,839
Taxation	10	-	-
Net income after taxation		<u>2,548,778</u>	<u>3,467,839</u>
Net income after taxation is made up of the following:			
Realised amount		<u>2,548,778</u>	<u>3,467,839</u>

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

RHB CASH MANAGEMENT FUND 2
UNAUDITED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

	Unit holders' <u>capital</u> RM	Retained <u>earnings</u> RM	Total net <u>asset value</u> RM
Balance as at 1 April 2020	188,157,431	114,870,932	303,028,363
Movement in net asset value:			
Net income after taxation	-	3,467,839	3,467,839
Creation of units arising from applications	120,031,767	-	120,031,767
Cancellation of units	(110,995,719)	-	(110,995,719)
Balance as at 30 September 2020	<u>197,193,479</u>	<u>118,338,771</u>	<u>315,532,250</u>
Balance as at 1 April 2021	173,791,250	120,874,426	294,665,676
Movement in net asset value:			
Net income after taxation	-	2,548,778	2,548,778
Creation of units arising from applications	62,725,853	-	62,725,853
Cancellation of units	(62,386,151)	-	(62,386,151)
Balance as at 30 September 2021	<u>174,130,952</u>	<u>123,423,204</u>	<u>297,554,156</u>

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

RHB CASH MANAGEMENT FUND 2
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

	<u>01.04.2021-</u> <u>30.09.2021</u> RM	<u>01.04.2020-</u> <u>30.09.2020</u> RM
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Placement of deposits with licensed financial institutions	(4,048,080,971)	(3,476,201,000)
Proceeds from maturity of deposits with licensed financial institutions	4,044,039,143	3,481,268,230
Interest received from deposits with licensed financial institutions	3,514,201	3,513,693
Management fee paid	<u>(592,410)</u>	<u>(587,843)</u>
Net cash (used in)/generated from operating activities	<u>(1,120,037)</u>	<u>7,993,080</u>
CASH FLOWS FROM		
FINANCING ACTIVITIES		
Cash proceeds from units created	63,002,434	103,075,563
Cash paid for units cancelled	<u>(62,386,151)</u>	<u>(110,995,719)</u>
Net cash generated from/(used in) financing activities	<u>616,283</u>	<u>(7,920,156)</u>
Net (decrease)/increase in cash and cash equivalents	(503,754)	72,924
Cash and cash equivalents at the beginning of the financial period	<u>554,143</u>	<u>48,913</u>
Cash and cash equivalents at the end of the financial period	<u>50,389</u>	<u>121,837</u>

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

RHB CASH MANAGEMENT FUND 2
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

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. All investments will be subject to the Securities Commission’s (“SC”) Malaysia 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 24 November 2021.

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 the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, except those as disclosed in the 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 income and expenses during the financial period. 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 and interpretations for the first time for the financial period beginning on 1 April 2021:

- The Conceptual Framework for Financial Reporting (“Framework”) (effective 1 January 2020)

The Framework was revised with the primary purpose to assist the International Accounting Standards Board (“IASB”) to develop IFRS that are based on consistent concepts and enable preparers to develop consistent accounting policies where an issue is not addressed by an IFRS.

Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of the financial statements (continued)

(a) The Fund has applied the following amendments and interpretations for the first time for the financial period beginning on 1 April 2021: (continued)

- The Conceptual Framework for Financial Reporting (“Framework”) (effective 1 January 2020) (continued)

Key changes include: (continued)

- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes are made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards have to apply the revised Framework from 1 April 2021.

- Amendments to MFRS 101 and MFRS 108 ‘Definition of Material’ (effective 1 January 2020) clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The revised Framework and adoption of the amendments to published standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2021, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets

Classification

The Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss (“FVTPL”), and
- those to be measured at amortised cost.

The Fund classifies its investments based on both the Fund’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund’s debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund’s business model’s objective. Consequently, all investments and deposits with licensed financial institutions are measured at fair value through profit or loss.

The Fund classifies bank balances and amount due from Manager as financial assets measured at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

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. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

Recognition and measurement (continued)

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

Financial assets at amortised cost are subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on the 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due or a counterparty credit rating which has fallen below BBB/Baa.

Definition of default and credit-impaired financial assets

Any contractual payment which is more than 90 days past due is considered credit impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on the unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Fund may write off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial period.

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 9, 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 and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in statement of income and expenses when the liabilities are derecognised, and through the amortisation process.

2.4 Unit holders' capital

The unit holders' contributions to the Fund meet the criteria of the definition of puttable instruments to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". These criteria include:

- the units entitle the holder to a proportionate share of the Fund's net asset value;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligation 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 statement of income and expenses of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Unit holders' capital (continued)

The outstanding units are carried at the redemption amount that is payable at each financial period if the unit holders exercise the right to put the units 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 unit holders 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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

Net income or loss is the total of income less expenses.

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.

2.8 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 ("RM"), which is the Fund's presentation and functional currency.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks, which include interest rate risk, credit risk, liquidity 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 SC Malaysia Guidelines on Unit Trust Funds.

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.

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. Therefore, exposure to interest rate fluctuations is minimal.

Credit risk

Credit risk refers to the possibility that the issuer of an instrument will not be able to make timely payments of interest or principal repayment on the maturity date. This may lead to a default in the payment of principal and interest and ultimately a reduction in the value of the Fund.

In the case of the Fund, the Manager will endeavour to minimise this risk by selecting only issuers with prescribed and acceptable credit ratings of at least A3/P3 by RAM. In the event of credit downgrade below the minimum stipulated, the Manager will endeavour to take the necessary steps to divest the affected instruments within a time frame deemed reasonable by the Manager.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

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

	<u>Bank balances and deposits</u> RM	<u>Amount due from Manager</u> RM	<u>Total</u> RM
<u>30.09.2021</u>			
Financial institutions:			
AAA	133,369,184	-	133,369,184
AA2	37,000,207	-	37,000,207
AA3	48,417,848	-	48,417,848
A1	25,273,672	-	25,273,672
A2	35,404,534	-	35,404,534
Non-rated	16,705,484	-	16,705,484
Others	-	1,480,670	1,480,670
	<u>296,170,929</u>	<u>1,480,670</u>	<u>297,651,599</u>
<u>31.03.2021</u>			
Financial institutions:			
AAA	124,983,482	-	124,983,482
AA2	26,606,344	-	26,606,344
AA3	50,404,659	-	50,404,659
A1	22,133,766	-	22,133,766
A2	52,352,182	-	52,352,182
Non-rated	16,525,139	-	16,525,139
Others	-	1,757,251	1,757,251
	<u>293,005,572</u>	<u>1,757,251</u>	<u>294,762,823</u>

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, thus the Fund may not be able to liquidate their investment easily. Money market instruments are considered to be very liquid in nature. As the Fund only invests in money market instruments, the liquidity risk of the Fund is minimal.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

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>30.09.2021</u> RM	<u>31.03.2021</u> RM
<u>Less than 1 month</u>		
Accrued management fee	<u>97,443</u>	<u>97,147</u>

Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital of RM174,130,952 (31.03.2021: RM173,791,250) and retained earnings of RM123,423,204 (31.03.2021: RM120,874,426). The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders 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 and liabilities traded in an active market (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the financial period end date.

An active market is a market in which transactions for the assets or liabilities 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.

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

- (i) For bank balances, the carrying value 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.

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)

4. FAIR VALUE ESTIMATION (CONTINUED)

Fair value hierarchy (continued)

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

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>30.09.2021</u>				
Deposits with licensed financial institutions	-	296,120,540	-	296,120,540
<u>31.03.2021</u>				
Deposits with licensed financial institutions	-	292,451,429	-	292,451,429

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. This includes deposits with licensed financial institutions. 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. BANK BALANCES AND DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

	<u>30.09.2021</u>	<u>31.03.2021</u>
	RM	RM
Bank balances	50,389	554,143
Deposits with licensed financial institutions	296,120,540	292,451,429
	<u>296,170,929</u>	<u>293,005,572</u>

In addition to the related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party balances.

	<u>30.09.2021</u>	<u>31.03.2021</u>
	RM	RM
RHB Bank Berhad		
- Bank balances	48,538	552,282
- Deposits with licensed financial institutions	36,951,669	26,054,061
	<u>37,000,207</u>	<u>26,606,343</u>

6. UNITS IN CIRCULATION

	<u>30.09.2021</u>	<u>31.03.2021</u>
	Units	Units
At the beginning of the financial period/year	203,575,435	213,609,196
Creation of units during the financial period/year:		
Arising from applications	43,152,796	167,023,203
Cancellation of units during the financial period/year	(42,922,819)	(177,056,964)
At the end of the financial period/year	<u>203,805,412</u>	<u>203,575,435</u>

7. MANAGEMENT FEE

In accordance with the Prospectus, the management fee provided in the financial statements is 0.40% (01.04.2020-30.09.2020: 0.40%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial period.

8. TRUSTEE'S FEE

In accordance with the Prospectus, the Trustee's fee is charged up to 0.08% (01.04.2020-30.09.2020: 0.08%) per annum based on 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

	<u>01.04.2021-</u> <u>30.09.2021</u> RM	<u>01.04.2020-</u> <u>30.09.2020</u> RM
Current taxation	<u>-</u>	<u>-</u>

(b) Numerical reconciliation of income tax expense

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

	<u>01.04.2021-</u> <u>30.09.2021</u> RM	<u>01.04.2020-</u> <u>30.09.2020</u> RM
Net income before taxation	<u>2,548,778</u>	<u>3,467,839</u>
Tax calculated at a statutory income tax rate of 24%	611,707	832,281
Tax effects of:		
- Income not subject to tax	(753,956)	(976,748)
- Restriction on tax deductible expenses	<u>142,249</u>	<u>144,467</u>
Tax expense	<u>-</u>	<u>-</u>

11. MANAGEMENT EXPENSE RATIO (“MER”)

	<u>01.04.2021- 30.09.2021</u> %	<u>01.04.2020- 30.09.2020</u> %
MER	<u>0.20</u>	<u>0.20</u>

The MER ratio is calculated based on total expenses of the Fund to the average net asset value of the Fund calculated on a daily basis.

12. PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>01.04.2021- 30.09.2021</u>	<u>01.04.2020- 30.09.2020</u>
PTR (times)	<u>13.69</u>	<u>11.58</u>

The PTR ratio is calculated based on average of acquisition and disposals of the Fund for the financial period to the average net asset value of the Fund calculated on a daily basis.

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

The number of units held by the related parties are as follows:

	<u>30.09.2021</u>		<u>31.03.2021</u>	
	Units	RM	Units	RM
RHB Nominees (Tempatan) Sdn Bhd	18,930	27,638	-	-
RHB Trustees Berhad*	<u>14,740,043</u>	<u>21,520,463</u>	<u>14,593,861</u>	<u>21,124,614</u>

* A wholly owned subsidiary of holding company of the Manager

The Manager is of the opinion that all transactions with the related parties have been entered into in the normal course of business at agreed terms between the related parties.

The units held by RHB Nominees (Tempatan) Sdn Bhd, a wholly owned subsidiary of holding company of the Manager, are under nominees structure.

13. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER (CONTINUED)

Other than the above, there were no units held by the Manager, Directors or any other parties related to the Manager.

The holding company and the ultimate holding company of the Manager is RHB Investment Bank Berhad and RHB Bank Berhad respectively. The Manager treats RHB Bank Berhad group of companies including RHB Investment Bank Berhad and its subsidiaries as related parties.

14. FINANCIAL INSTRUMENTS BY CATEGORIES

	<u>30.09.2021</u> RM	<u>31.03.2021</u> RM
Financial assets		
Financial assets fair value through profit or loss (“FVTPL”)		
• Deposits with licensed financial institutions	<u>296,120,540</u>	<u>292,451,429</u>
Financial assets at amortised cost		
• Bank balances	50,389	554,143
• Amount due from Manager	<u>1,480,670</u>	<u>1,757,251</u>
	<u>1,531,059</u>	<u>2,311,394</u>
Financial liabilities		
Financial liabilities at amortised cost		
• Accrued management fee	<u>97,443</u>	<u>97,147</u>

15. SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD

The worsening of the macro-economic outlook as a result of COVID-19, both domestically and globally, has impacted the Fund’s performance during the financial period.

The Manager is monitoring the situation closely and will be managing the portfolio to achieve the Fund’s objective.

**STATEMENT BY MANAGER
RHB CASH MANAGEMENT FUND 2**

We, Chin Yoong Kheong and Datuk Seri Dr Govindan A/L Kunchambo, 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 statement of financial position, unaudited statement of income and expenses, unaudited statement of changes in net asset value, unaudited statement of cash flows and the accompanying notes, are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Fund as at 30 September 2021 and of its financial performance and cash flows for the financial period then ended and comply with the provisions of the Deeds.

On behalf of the Manager,

Chin Yoong Kheong
Director

Datuk Seri Dr Govindan A/L Kunchambo
Director

24 November 2021

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF RHB CASH MANAGEMENT FUND 2

We have acted as Trustee of RHB Cash Management Fund 2 (“the Fund”) for the financial period ended 30 September 2021. 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

Yap Lay Guat
Manager, Investment Compliance Monitoring

Kuala Lumpur
24 November 2021

CORPORATE INFORMATION

MANAGER

RHB Asset Management Sdn Bhd

REGISTERED OFFICE

Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

PRINCIPAL AND BUSINESS OFFICE

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

Email address: rhbam@rhbgroup.com

Tel: 03 – 9205 8000

Fax: 03 – 9205 8100

Website: www.rhbgroup.com

BOARD OF DIRECTORS

Mr Yap Chee Meng (*Independent Non-Executive Chairman*)

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

Ms Ong Yin Suen (*Managing Director / Chief Executive Officer*)

YBhg Dato' Darawati Hussain (*Independent Non-Executive Director*)

YBhg Datuk Seri Dr Govindan A/L Kunchambo (*Independent Non-Executive Director*)

Encik Mohd Rashid Bin Mohamad (*Non-Independent Non-Executive Director*)
(*Appointed with effect from 11 August 2021*)

INVESTMENT COMMITTEE MEMBERS

Mr Yap Chee Meng (*Independent Chairman*)

YBhg Dato' Darawati Hussain

Puan Sharifatu Laila Syed Ali

CHIEF EXECUTIVE OFFICER

Ms Ong Yin Suen

SECRETARIES

Encik Azman Shah Md Yaman (LS No. 0006901)

Cik Hasnita Sulaiman (MAICSA No. 7060582)

BRANCH OFFICE

Kuala Lumpur Office

B-9-6, Megan Avenue 1
No. 189, Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03-2171 2755/ 03-2166 7011
Fax: 03-2770 0022

Shah Alam Office

B-3-1 1st Floor
Jalan Serai Wangi G16/G, Alam Avenue
Persiaran Selangor, Section 16
40200 Shah Alam
Tel: 03-5523 1909 Fax: 03-5524 3471

Sri Petaling Office

Level 1 & 2, No 53 Jalan Radin Tengah
Bandar Baru Seri Petaling
57000 Kuala Lumpur
Tel: 03-9054 2470 Fax: 03-9054 0934

Batu Pahat Office

53, 53-A and 53-B Jalan Sultanah
83000 Batu Pahat, Johor
Tel: 07-438 0271/ 07-438 0988
Fax: 07-438 0277

Ipoh Office

No.7A, Persiaran Greentown 9
Pusat Perdagangan Greentown
30450 Ipoh, Perak
Tel: 05-242 4311 Fax: 05-242 4312

Johor Bahru Office

No 34 Jalan Kebun Teh 1
Pusat Perdagangan Kebun Teh
80250 Johor Bahru, Johor
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2nd Floor, 21 & 23
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81100 Johor Bahru, Johor
Tel: 07-358 3587 Fax: 07-358 3581

Kuantan Office

1st Floor, Lot 10, Jalan Putra Square 1
Putra Square
25300 Kuantan, Pahang
Tel: 09-517 3611/ 09-517 3612/ 09-531 6213
Fax: 09-517 3615

Kuching Office	<p>Lot 133, Section 20, Sublot 2 & 3 1st Floor, Jalan Tun Ahmad Zaidi Adruce 93200 Kuching, Sarawak Tel: 082-550 838 Fax: 082-550 508</p> <p>Yung Kong Abell, Units 1-10 2nd Floor Lot 365 Section 50 Jalan Abell 93100 Kuching, Sarawak Tel: 082-245 611 Fax: 082-230 326</p>
Kota Bharu Office	<p>Ground Floor, No 3486-G Jalan Sultan Ibrahim 15050 Kota Bharu, Kelantan Tel: 09-740 6891 Fax: 09-740 6890</p>
Kota Kinabalu Office	<p>Lot No. C-02-04, 2nd Floor Block C, Warisan Square Jalan Tun Fuad Stephens 88000 Kota Kinabalu, Sabah Tel: 088-528 686/ 088-528 692 Fax: 088-528 685</p>
Melaka Office	<p>581B, Taman Melaka Raya 75000 Melaka Tel: 06-284 4211/ 06-281 4110 Fax: 06-292 2212</p>
Penang Office	<p>3rd Floor, 44 Lebuh Pantai 10300 Georgetown, Penang Tel: 04-264 5639 Fax: 04-264 5640</p>
Prai Office	<p>No. 38, First Floor Jalan Todak 2 Seberang Jaya 13700 Perai, Penang Tel: 04-386 6670 Fax: 04-386 6528</p>

TRUSTEE	HSBC (Malaysia) Trustee Berhad
BANKER	RHB Bank Berhad
AUDITORS	PricewaterhouseCoopers PLT
TAX ADVISER	PricewaterhouseCoopers Taxation Services Sdn Bhd
DISTRIBUTORS	RHB Asset Management Sdn Bhd RHB Bank Bhd RHB Investment Bank Bhd iFAST Capital Sdn Bhd

RHB ♦ Asset Management

RHB Asset Management Sdn Bhd 198801007231 (174588-X)

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