

RHB KLCI TRACKER FUND

ANNUAL REPORT 2022

For the financial year ended 31 March 2022

GENERAL INFORMATION ABOUT THE FUND

Name, Category and Type

Fund Name	-	RHB KLCI Tracker Fund
Fund Category	-	Equity/Index Tracking fund
Fund Type	-	Index Tracking fund

Investment Objective, Policy and Strategy

Objective of the Fund

This Fund aims to provide investment results that closely correspond to the performance of the Kuala Lumpur Composite Index (“KLCI”) or such other index as may be replaced by Bursa Malaysia Securities Berhad.

Effective 6 July 2009, Bursa Malaysia Securities Berhad replaced the KLCI with the Financial Times Stock Exchange (“FTSE”) Bursa Malaysia Kuala Lumpur Composite Index (“FBM KLCI”).

Strategy

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

90% - 99.5% of Net Asset Value	-Investments in the FBM KLCI component stocks
0% - 10% of Net Asset Value	-Participation in financial derivatives
0.5% - 10% of Net Asset Value	-Investments in liquid assets including money market instruments and deposits with any financial institutions.

Performance Benchmark

The performance of the Fund is benchmarked against the FBM KLCI which the Fund seeks to track.

Permitted Investments

This Fund may invest in securities traded on the Bursa Malaysia, money market instruments, cash and deposits with any financial institutions, collective investment schemes, financial derivatives, participate in the lending of securities, and any other investments permitted by the Securities Commission Malaysia from time to time.

Distribution Policy

Consistent with the Fund's objective to achieve capital growth, distributions will therefore be of secondary importance. Distributions, if any, after deduction of taxation and expenses, are generally declared annually and will be reinvested.

MANAGER'S REPORT

EQUITY MARKET REVIEW

Second quarter of the year 2021 (“2Q21”) saw Morgan Stanley Capital International (“MSCI”) Asia Pacific ex-Japan (“APxJ”) grow 3.40%, marking the 5th straight quarter of expansion. Market performance during the month remained under pressure amid currency weakness, discussions of potential Federal Reserve (“Fed”) tapering, COVID-19 resurgence in various countries (especially India and ASEAN), and slow vaccine roll-out. Asia ex-Japan currencies traded negative in June 2021. The Dollar (DXY) was up 2.90%, led by the hawkish tone by the United States (“US”) Fed which guided for two potential rate hikes in year 2023.

Financial Times Stock Exchange (“FTSE”) Bursa Malaysia Kuala Lumpur Composite Index (“FBMKLCI”) index remained lackluster till first half of the year 2021 (“1H21”). Glove stocks continued to drag Banking stocks failed to shine despite Bank Negara Malaysia (“BNM”) kept interest rates unchanged at 1.75% as well as concern on asset quality of their loan book due to prolong Movement Control Order (“MCO”).

FBMKLCI Index slumped on 8 July 2021 to close at 1,508 level as the resurgence of global infections sparked by the Delta variant undermine the growth outlook and compounded further by uncertainties in domestic politics and surging daily COVID-19 cases. The spread of the virus is threatening to hurt consumer confidence. The weak sentiment was also contributed by sharp corrections in China’s internet companies due to the Chinese government’s stricter regulations. Malaysia’s Gross Domestic Product (“GDP”) was announced and the economy expanded by 16.10% on an annual basis in the 2Q21. Rebounding from a 0.50% contraction a quarter ago, the April-June 2021 GDP growth was higher than the median estimate of +14.10%.

The heightened tensions in the domestic politics and higher new COVID-19 cases brought down the index to its lowest level for the year at 1,483 level on 4 August 2021. The uncertainties in the domestic politics ended on 16 August 2021 when Tan Sri Dato’ Muhyiddin Yassin resigned as the Prime Minister. The Palace announced Dato’ Seri Ismail Sabri as the ninth Prime Minister of Malaysia from 20 August 2021. The FBMKLCI stabilised after touching the low of 1,483 level and staged a strong rally after the appointment of the new Prime Minister to close at 1,601 on 30 August 2021.

Global economy has started to show some weakness as China’s manufacturing activity entered into contraction in August 2021, the first time in nearly one and a half years on COVID-19 containment measures. US jobs creation continues to show weaker than expected numbers. These have affected the sentiment of the local equity market in September 2021 despite the announcement of 12th Malaysia Plan.

Closer to the end of September 2021, sentiment was further dampened due to the concern over Chinese government crackdown on the real-estate sector and the debt crisis at developer China Evergrande Group and China energy crisis whilst domestically the sentiment was affected due to the news on the possible windfall tax on companies which generated supernormal profits due to the pandemic, capital gain tax on shares traded on Bursa Malaysia and the impact of bank's earnings from the waiver of interest payments by the banks to the B50 from October 2021 to December 2021. Besides that, the rising US treasury ("UST") yield and concerns over US tapering and debt ceiling have also clouded the sentiment over the equity market towards the end of the quarter.

FBMKLCI index moved strongly in the month of October 2021 where on 26 October 2021, Brent Crude oil prices reached USD86.40/barrel, following six consecutive weeks of rises. On 25 November 2021, South African scientists announced the discovery of the latest evolution of the COVID-19 virus, namely Omicron has sparked the concern of its wide spread around the world. At the same time, US Fed also on a hawkish sign on rate hike timing pushing ahead of expectation had made the equity market around the world consolidate.

FBMKLCI was weak till closer to the end of December 2021 and window dressing exercise at the end of last trading day in year 2021 has sent the index closing at 1,567, generated negative return of -3.67% year on year ("YoY").

FBMKLCI fell 3.50% in January 2022 due to concerns over earnings risks, rising global interest rates, Environmental, Social, and Governance ("ESG") and political risks. Foreign investors were the largest net buyers while local institutional investors were the largest net sellers in January 2022. In February 2021, FBMKLCI rebounded strongly mainly driven by strong commodities prices especially palm oil price after Crude Palm Oil ("CPO") prices touched as high as RM8,000/ton following Russian and Ukraine escalated political tension on 24 February 2022. FBMKLCI closed lower in March 2022 by 1.30% at 1587.

ECONOMIC REVIEW AND OUTLOOK

We continue to see an uptick in February 2022 domestic headline inflation measured by the Consumer Price Index ("CPI") of +2.20% YoY compared with consensus of +2.50%, driven mainly by the increase in food inflation. The increase in food inflation, which is the largest contributor to the overall weight of CPI, continued to be a major contributor to the country's inflation.

The 3.70% increase in food and non-alcoholic beverages group was largely due to an increase in the component for food at home which increased 4.10% compared to the same month of the preceding year," he said in a statement, adding that the increase was mainly for raw cooking materials such as chicken (14.20%) and eggs (13.50%).

BNM expects that Malaysia's headline inflation will remain manageable this year, averaging between 2.20 and 3.20% compared to 2.50% last year. BNM believes that

higher fuel prices, underpinned the higher headline inflation in year 2021, is projected to moderate this year 2022. High input costs from rising non-energy commodity prices, however, are expected to exert some pressures on selected fresh food prices, particularly in the first half of the year 2022. Of note, for the second half of this year, the base effect from electricity prices is projected to contribute to a temporary spike in headline inflation, particularly in the third quarter (“3Q”).

In term of GDP, BNM has projected Malaysia’s economy to grow by between 5.30% and 6.30% in year 2022. This projection is slightly lower than the government’s official forecast of a 5.50% to 6.50% growth in the nation’s GDP for the year. The recovery for the Malaysian economy is expected to gain momentum this year 2022. This is underpinned by several factors including continued expansion in external demand, full upliftment of containment measures, reopening of international borders and further improvement in labour market conditions. In addition, the implementation of investment projects and targeted policy measures will provide further support to economic activity and aggregate demand.

FUND PERFORMANCE REVIEW

For the financial year under review, the RHB KLCI Tracker Fund registered a return of 3.50%* against its benchmark return of 0.88%*. The fund performed in line with the trend of the index.

The investment strategy and policy employed during the financial year under review were in line with the investment strategy and policy as stated in the prospectus. The fund has achieved its objective by tracking the performance of the FBM KLCI index.

* *Source: Lipper Investment Management (“Lipper IM”), 5 April 2022*

EQUITY MARKET OUTLOOK & STRATEGY

Malaysia’s economy is still undergoing its recovery phase and it is not overheating. Looking ahead, we expect the Malaysian economy to continue on its recovery trajectory supported by the reopening of the economy and high vaccination rates. Export would also be supported by increasing global chip sales. The global structural growth in chip demand alongside the ongoing acceleration in digitalisation and proliferation of secular technology trends like 5G, artificial intelligence (“AI”), cloud computing, the Internet of Things (“IoT”), robotics, and vehicle electrification. Hence, as the economy improves the earnings from the economic reopening sectors, the oil & gas and plantations sectors are expected to improve in year 2022. The index has been ignoring the corporate earnings upgrade since the start of year 2022. We expect higher earnings growth due to the strong oil price and palm oil prices and higher consumption spending. We are positive on the equity market, cyclical sector positioning with focus on service-related sector which will be benefiting from high commodities prices, reopening and economy recovery cycle.

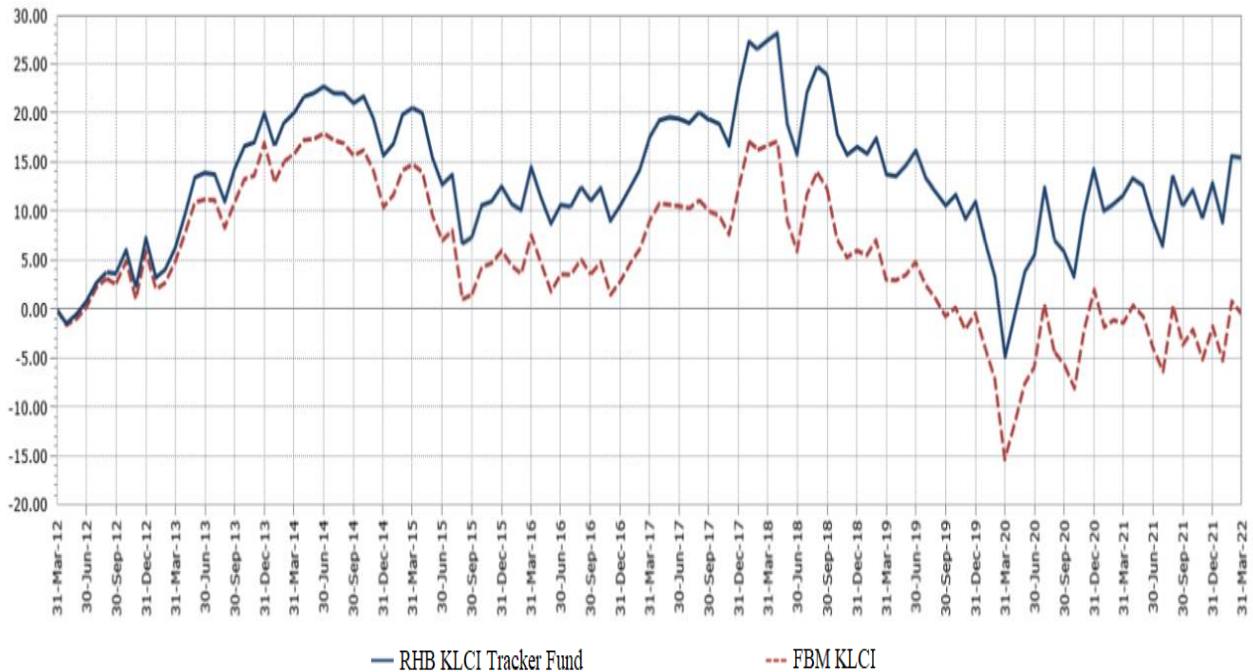
The Fund’s strategy is to track the performance of FBMKLCI index.

PERFORMANCE DATA

	Annual Total Returns				
	Financial Year Ended 31 March				
	2022	2021	2020	2019	2018
	%	%	%	%	%
RHB KLCI Tracker Fund					
- Capital Return	3.50	17.19	(16.31)	(10.73)	8.40
- Income Return	-	-	-	-	-
- Total Return	3.50	17.19	(16.31)	(10.73)	8.40
FBM KLCI	0.88	16.48	(17.81)	(11.80)	7.09

	Average Annual Returns			
	1 Year	3 Years	5 Years	10 Years
	31.03.2021-	31.03.2019-	31.03.2017-	31.03.2012-
	31.03.2022	31.03.2022	31.03.2022	31.03.2022
	%	%	%	%
RHB KLCI Tracker Fund	3.50	0.50	(0.36)	1.45
FBM KLCI	0.88	(1.15)	(1.82)	(0.06)

**Performance of RHB KLCI Tracker Fund
for the period from 31 March 2012 to 31 March 2022
Cumulative Return Over The Period (%)**



Source: Lipper IM, 5 April 2022

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 31 March		
	2022	2021	2020
Net Asset Value (RM million)	7.32	8.04	7.39
Units In Circulation (million)	7.28	8.28	8.91
Net Asset Value Per Unit (RM)	1.0056	0.9716	0.8291

Historical Data	Financial Year Ended 31 March		
	2022	2021	2020
Unit Prices			
NAV - Highest (RM)	1.0153	1.0283	1.0235
- Lowest (RM)	0.9239	0.8124	0.7510
Distribution and Unit Split	-	-	-
Others			
Management Expense Ratio (MER) (%) #	1.72	1.71	1.68
Portfolio Turnover Ratio (PTR) (times) ##	0.20	0.10	0.15

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

The PTR for the financial year was higher compared with previous financial year as there were more investment activities carried out during the financial year under review.

DISTRIBUTION

For the financial year under review, no distribution has been proposed by the Fund.

PORTFOLIO STRUCTURE

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

Sectors	As at 31 March		
	2022	2021	2020
	%	%	%
Equities			
Consumer Products	10.61	10.53	10.49
Energy	2.33	2.72	3.17
Financial Services	38.58	32.98	33.19
Health Care	6.83	11.40	8.27
Industrial Products	9.56	9.01	5.68
Plantation	8.23	7.78	9.06
Technology	1.62	-	-
Telecommunications & Media	9.23	10.46	10.44
Transportation & Logistics	2.50	2.24	3.22
Utilities	7.66	9.48	12.91
	<hr/>	<hr/>	<hr/>
	97.15	96.60	96.43
Margin deposit for futures contracts	-	0.83	0.89
Liquid assets and other net current assets			
	2.85	2.57	2.68
	<hr/>	<hr/>	<hr/>
	100.00	100.00	100.00
	<hr/>	<hr/>	<hr/>

The asset allocation was reflective of the Fund's objective to track the movements of the FBM KLCI.

BREAKDOWN OF UNIT HOLDINGS BY SIZE

Size of Holdings	Accounts Holders		No. Of Units Held*	
	No.	%	('000)	%
5,000 and below	216	51.06	505	6.94
5,001 to 10,000	56	13.24	423	5.82
10,001 to 50,000	131	30.97	2,638	36.29
50,001 to 500,000	19	4.49	3,102	42.66
500,001 and above	1	0.24	603	8.29
Total	423	100.00	7,271	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 year 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 KLCI TRACKER FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022**

	<u>Note</u>	<u>2022</u> RM	<u>2021</u> RM
ASSETS			
Bank balances	5	72,658	52,749
Deposits with licensed financial institutions	5	135,265	230,635
Margin deposit for futures contracts	7	14	66,435
Investments	6	7,108,420	7,767,627
Amount due from brokers		242,076	2,695
Dividend receivables		56,101	73,246
TOTAL ASSETS		<u>7,614,534</u>	<u>8,193,387</u>
LIABILITIES			
Amount due to brokers		278,990	106,208
Amount due to Manager		-	24,818
Accrued management fee		9,297	10,418
Amount due to Trustee		372	417
Other payables and accruals		8,882	10,815
TOTAL LIABILITIES		<u>297,541</u>	<u>152,676</u>
NET ASSET VALUE		<u>7,316,993</u>	<u>8,040,711</u>
EQUITY			
Unit holders' capital		4,792,976	5,769,297
Retained earnings		2,524,017	2,271,414
		<u>7,316,993</u>	<u>8,040,711</u>
UNITS IN CIRCULATION (UNITS)	8	<u>7,276,000</u>	<u>8,276,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.0056</u>	<u>0.9716</u>

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

**RHB KLCI TRACKER FUND
STATEMENT OF INCOME AND EXPENSES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

	<u>Note</u>	<u>2022</u> RM	<u>2021</u> RM
INCOME			
Dividend income		337,372	306,416
Interest income		2,866	2,891
Net gain on investments	6	64,655	1,108,138
		<u>404,892</u>	<u>1,417,445</u>
EXPENSES			
Management fee	9	(111,934)	(121,348)
Trustee's fee	10	(4,477)	(4,854)
Audit fee		(5,350)	(5,350)
Tax agent's fee		(3,000)	(3,000)
Transaction costs		(23,472)	(15,595)
Other expenses		(4,056)	(4,901)
		<u>(152,289)</u>	<u>(155,048)</u>
Net income before taxation		252,603	1,262,397
Taxation	11	-	-
Net income after taxation		<u>252,603</u>	<u>1,262,397</u>
Net income after taxation is made up as follow:			
Realised amount		442,942	165,144
Unrealised amount		(190,339)	1,097,253
		<u>252,603</u>	<u>1,262,397</u>

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

**RHB KLCI TRACKER FUND
STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

	Unit holders' capital RM	Retained earnings RM	Total net asset value RM
Balance as at 1 April 2020	6,379,049	1,009,017	7,388,066
Movement in net asset value:			
Net income after taxation	-	1,262,397	1,262,397
Creation of units arising from applications	294,855	-	294,855
Cancellation of units	(904,607)	-	(904,607)
Balance as at 31 March 2021	<u>5,769,297</u>	<u>2,271,414</u>	<u>8,040,711</u>
Balance as at 1 April 2021	5,769,297	2,271,414	8,040,711
Movement in net asset value:			
Net income after taxation	-	252,603	252,603
Creation of units arising from applications	114,091	-	114,091
Cancellation of units	(1,090,412)	-	(1,090,412)
Balance as at 31 March 2022	<u>4,792,976</u>	<u>2,524,017</u>	<u>7,316,993</u>

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

**RHB KLCI TRACKER FUND
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

	<u>Note</u>	<u>2022</u> RM	<u>2021</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		1,809,213	1,049,544
Purchase of investments		(1,109,001)	(595,376)
Dividends received		354,517	305,455
Interest received from deposits with licensed financial institutions		2,866	2,891
Management fee paid		(113,055)	(120,394)
Trustee's fees paid		(4,522)	(4,815)
Payment for other fees and expenses		(14,339)	(16,244)
Net cash generated from operating activities		<u>925,678</u>	<u>621,061</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		114,091	294,855
Cash paid for units cancelled		(1,115,230)	(883,872)
Net cash used in financing activities		<u>(1,001,139)</u>	<u>(589,017)</u>
Net (decrease)/increase in cash and cash equivalents		(75,461)	32,044
Cash and cash equivalents at the beginning of the financial year		<u>283,384</u>	<u>251,340</u>
Cash and cash equivalents at the end of the financial year	5	<u>207,923</u>	<u>283,384</u>

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

**RHB KLCI TRACKER FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

The RHB KLCI Tracker Fund (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of a Master Deed dated 24 March 2000 as modified via its First Supplemental Master Deed dated 1 June 2009, Second Supplemental Deed dated 4 September 2013, Third Supplemental Deed dated 2 March 2015 and Fourth Supplemental Deed dated 25 May 2015 and Fifth Supplemental Deed dated 11 December 2018 (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 3 April 2000 and will continue in operations until terminated according to the conditions provided in the Deed.

The principal activity of the Fund is to invest in Permitted Investments as set out 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 investment results that closely correspond to the performance of the Kuala Lumpur Composite Index (“KLCI”) or such other index as may be replaced by Bursa Malaysia Securities Berhad. Effective 6 July 2009, Bursa Malaysia replaced the KLCI with the FTSE Bursa Malaysia KLCI (“FBM KLCI”). As such, the Fund invests all or substantially all of the Fund’s assets in the FBM KLCI component stocks in approximately the same weightings as they appear in the FBM KLCI with the balance invested in FBM KLCI futures contracts and short term money market instruments.

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 26 May 2022.

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 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. There were no areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

(a) Standards and amendments to existing standards effective 1 April 2021

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 April 2021 that have a material effect on the financial statements of the Fund.

(b) New standards, amendments and interpretations effective after 1 April 2021 and have not been early adopted

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 are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents, margin deposit for futures contracts, amount due from brokers, dividend receivables and other receivables as financial assets measured at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

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. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of income and expenses.

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.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in statement of income and expenses within net gain or losses on investments in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of income and expenses within dividend income when the Fund's right to receive payments is established.

Quoted investments are initially recognised at fair value and subsequently re-measured at fair value based on the market price quoted on the relevant stock exchanges at the close of the business on the valuation day, where the close price falls within the bid-ask spread. In circumstances where the close price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

If a valuation based on the market price does not represent the fair value of the securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the securities are valued as determined in good faith by the Manager, based on the methods or bases approved by the Trustee after appropriate technical consultation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets (continued)

Recognition and measurement (continued)

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

Derivative investments are futures contracts. Derivative financial instruments will be “marked to market” at the close of each valuation day. Foreign exchange gains and losses on the derivative financial instruments are recognised in the statement of income and expenses when settled or at the date of the statement of financial position at which they are included in the measurement of the derivative financial instrument.

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 year.

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 amount due to brokers, amount due to Manager, accrued management fee amount due to Trustee, and other payables and accruals are recognised initially at fair value plus directly attributable transaction cost 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Dividend income from quoted investments are recognised when the Fund's right to receive payment is established. Dividend income is received from financial assets measured at FVTPL.

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).

Realised gain or loss on sale of quoted investments are arrived at after accounting for cost of investments, determined on the weighted average cost method.

Realised gain or loss on futures contracts are measured by the net settlement amount as per the future contract.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Taxation

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

2.7 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances and deposits with licensed financial institutions with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

2.8 Amount due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the date of the statement of financial position respectively. The amount due from brokers balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from brokers at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the brokers, probability that the brokers will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

2.9 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 market risk, price risk, 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 Guidelines on Unit Trust Funds.

Market risk

Securities may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of a security may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investors' sentiment generally. They may also decline due to factors that affect a particular industry or industries, such as labour shortages or increased production costs and competitive conditions within an industry. Equity securities generally have greater price volatility than debt securities. The market price of securities owned by a unit trust fund might go down or up, sometimes rapidly or unpredictably.

Price risk

Price risk is the risk that the fair value of the investments of the Fund will fluctuate because of changes in market prices.

The Fund is exposed to equity securities (other than those arising from interest rate risk) price risk for its investments of RM7,108,420 (2021: RM7,767,627) in equity securities.

The sensitivity analysis is based on the assumption that the price of the quoted equity securities and futures contracts fluctuate by +/-(-) 5% with all other variables held constant, the impact on the statement of income and expenses and net asset value is +/-(-) RM355,421 (2021: RM388,381).

Interest rate risk

Interest rate risk is the risk that the cost or the value of the financial instruments will fluctuate due to changes in market interest rates. The Fund's exposure to the interest rate risk is mainly from 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 fluctuation is minimal.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Credit risk refers to the possibility that the issuer of a particular investment will not be able to make timely or full payments of principal or income due on that investment. The credit risk arising from cash and cash equivalents is managed by ensuring that the Fund will only maintain cash balances and place deposits with reputable licensed financial institutions. For amount due from brokers, the settlement terms are governed by the relevant rules and regulations as prescribed by the Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC Malaysia Guidelines on Unit Trust Funds.

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

	Cash and cash equivalents	Other financial assets*	Total
	RM	RM	RM
<u>2022</u>			
AAA	207,923	-	207,923
AA2	-	242,076	242,076
Other	-	56,101	56,101
	<u>207,923</u>	<u>298,177</u>	<u>506,100</u>
<u>2021</u>			
AAA	283,384	2,695	286,079
AA2	-	66,435	66,435
Other	-	73,246	73,246
	<u>283,384</u>	<u>142,376</u>	<u>425,760</u>

* Comprise of margin deposit for futures contracts, amount due from brokers, dividend receivables and other receivables.

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. As such, the Fund may not be able to sell such illiquid investments at an advantageous time or price to meet its liquidity requirements. 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.

	Less than 1 <u>month</u> RM	Between 1 month <u>to 1 year</u> RM
<u>2022</u>		
Amount due to brokers	278,990	-
Accrued management fee	9,297	-
Amount due to Trustee	372	-
Other payables and accruals	-	8,882
	288,659	8,882
<u>2021</u>		
Amount due to brokers	106,208	-
Amount due to Manager	24,818	-
Accrued management fee	10,418	-
Amount due to Trustee	417	-
Other payables and accruals	-	10,815
	141,861	10,815

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital of RM4,792,976 (2021: RM5,769,297) and retained earnings of RM2,524,017 (2021: RM2,271,414). 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 year 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.

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

4. FAIR VALUE ESTIMATION (CONTINUED)

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

- (i) For bank balances and deposits with licensed financial institutions with maturities less than 1 year, 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)

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>2022</u>				
Investments:				
- Quoted investments	7,108,420	-	-	7,108,420
<hr/>				
<u>2021</u>				
Investments:				
- Quoted investments	7,767,627	-	-	7,767,627
<hr/>				

4. FAIR VALUE ESTIMATION (CONTINUED)

Fair value hierarchy (continued)

Investments in active listed equities, i.e. quoted investments whose values are based on quoted market prices in active markets are classified within Level 1. The Fund does not adjust the quoted prices for these instruments. The Fund's policies on valuation of these financial assets are stated in Note 2.2.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	<u>2022</u> RM	<u>2021</u> RM
Bank balances	72,658	52,749
Deposits with licensed financial institutions	135,265	230,635
	<u>207,923</u>	<u>283,384</u>

6. INVESTMENTS

	<u>2022</u> RM	<u>2021</u> RM
Investments:		
- Quoted investments - local	<u>7,108,420</u>	<u>7,767,627</u>
	<u>2022</u> RM	<u>2021</u> RM
Net gain on investments comprised:		
- Net realised gain on sale of investments	254,994	10,885
- Net unrealised (loss)/gain on changes in fair values	(190,339)	1,097,253
	<u>64,655</u>	<u>1,108,138</u>

6. INVESTMENTS (CONTINUED)

Investments excluding futures contracts as at 31 March 2022 are as follows:

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair Value</u> RM	<u>% of</u> <u>Net Asset</u> <u>Value</u> %
QUOTED INVESTMENTS				
- LOCAL				
Consumer Products				
Genting Bhd	31,100	199,626	145,548	1.99
Genting Malaysia Bhd	37,300	123,707	111,154	1.52
MR DIY Group M Bhd	12,600	47,399	43,596	0.60
Nestle Malaysia Bhd	900	102,783	120,240	1.64
Petronas Dagangan Bhd	3,600	36,582	73,512	1.00
PPB Group Bhd	9,560	155,721	163,476	2.23
Sime Darby Bhd	49,631	85,359	119,114	1.63
		<u>751,177</u>	<u>776,640</u>	<u>10.61</u>
Energy				
Dialog Group Bhd	62,200	204,947	170,428	2.33
Financial Services				
CIMB Group Holdings Bhd	96,233	523,697	512,922	7.01
Hong Leong Bank Bhd	9,345	84,616	188,769	2.58
Hong Leong Financial Group Bhd	2,967	31,917	58,153	0.79
Malayan Banking Bhd	104,709	866,096	936,099	12.79
Public Bank Bhd	212,425	618,440	992,025	13.56
RHB Bank Bhd*	22,657	113,483	135,036	1.85
		<u>2,238,249</u>	<u>2,823,004</u>	<u>38.58</u>
Health Care				
Hartalega Holdings Bhd	23,900	142,002	115,915	1.58
IHH Healthcare Bhd	38,400	166,435	238,080	3.25
Top Glove Corporation Bhd	76,000	158,454	145,920	2.00
		<u>466,891</u>	<u>499,915</u>	<u>6.83</u>
Industrial Products				
Petronas Chemicals Group Bhd	41,700	288,213	400,320	5.47
Press Metal Aluminium Holdings Bhd	48,200	129,107	298,840	4.09
		<u>417,320</u>	<u>699,160</u>	<u>9.56</u>

6. INVESTMENTS (CONTINUED)

Investments excluding futures contracts as at 31 March 2022 are as follows: (continued)

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair Value</u> RM	<u>% of</u> <u>Net Asset</u> <u>Value</u> %
QUOTED INVESTMENTS				
- LOCAL (CONTINUED)				
Plantation				
IOI Corporation Bhd	45,260	174,794	186,471	2.55
Kuala Lumpur Kepong Bhd	6,200	119,823	156,240	2.14
Sime Darby Plantation Bhd	52,131	229,208	259,091	3.54
		523,825	601,802	8.23
Technology				
Inari Amertron Bhd	38,500	145,152	118,195	1.62
Telecommunications & Media				
Axiata Group Bhd	67,472	281,704	255,719	3.49
Digi.Com Bhd	44,600	123,178	173,940	2.38
Maxis Bhd	28,100	156,507	110,433	1.51
Telekom Malaysia Bhd	27,700	116,884	135,453	1.85
		678,273	675,545	9.23
Transportation & Logistics				
MISC Bhd	24,900	145,622	183,015	2.50
Utilities				
Petronas Gas Bhd	8,000	93,872	133,280	1.82
Tenaga Nasional Bhd	47,493	491,325	427,437	5.84
		585,197	560,717	7.66
TOTAL QUOTED				
INVESTMENTS - LOCAL		6,156,653	7,108,420	97.15
TOTAL INVESTMENTS		6,156,653	7,108,420	97.15

6. INVESTMENTS (CONTINUED)

Investments excluding futures contracts as at 31 March 2021 are as follows:

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair Value</u> RM	<u>% of</u> <u>Net Asset</u> <u>Value</u> %
QUOTED INVESTMENTS				
- LOCAL				
Consumer Products				
Genting Bhd	35,000	227,687	176,050	2.19
Genting Malaysia Bhd	41,800	140,266	128,326	1.59
Nestle Malaysia Bhd	900	102,783	121,500	1.51
Petronas Dagangan Bhd	5,200	52,841	104,208	1.30
PPB Group Bhd	10,260	88,470	189,810	2.36
Sime Darby Bhd	52,931	87,247	127,035	1.58
		699,294	846,929	10.53
Energy				
Dialog Group Bhd	70,400	234,667	218,944	2.72
Financial Services				
CIMB Group Holdings Bhd	109,633	600,897	475,807	5.92
Hong Leong Bank Bhd	10,145	85,938	189,712	2.36
Hong Leong Financial Group Bhd	3,167	30,858	55,169	0.69
Malayan Banking Bhd	94,784	775,287	781,968	9.72
Public Bank Bhd	244,125	686,157	1,025,325	12.75
RHB Bank Bhd*	23,082	113,358	123,950	1.54
		2,292,495	2,651,931	32.98
Health Care				
Hartalega Holdings Bhd	23,200	142,388	207,176	2.57
IHH Healthcare Bhd	45,800	192,217	243,656	3.03
Supermax Corporation Bhd	23,600	163,369	89,916	1.12
Top Glove Corporation Bhd	83,200	169,459	376,064	4.68
		667,433	916,812	11.40
Industrial Products				
Hap Seng Consolidated Bhd	9,400	81,407	78,490	0.98
Petronas Chemicals Group Bhd	44,200	293,160	353,600	4.40
Press Metal Aluminium Holdings Bhd	29,500	143,743	292,050	3.63
		518,310	724,140	9.01

6. INVESTMENTS (CONTINUED)

Investments excluding futures contracts as at 31 March 2021 are as follows: (continued)

<u>Name of Counter</u>	<u>Quantity</u>	<u>Cost</u> RM	<u>Fair Value</u> RM	<u>% of</u> <u>Net Asset</u> <u>Value</u> %
QUOTED INVESTMENTS				
- LOCAL (CONTINUED)				
Plantation				
IOI Corporation Bhd	48,860	188,614	204,723	2.55
Kuala Lumpur Kepong Bhd	7,100	74,419	162,874	2.02
Sime Darby Plantation Bhd	55,631	245,677	258,128	3.21
		<u>508,710</u>	<u>625,725</u>	<u>7.78</u>
Telecommunications & Media				
Axiata Group Bhd	71,772	302,276	261,968	3.26
Digi.Com Bhd	56,400	148,775	205,296	2.55
Maxis Bhd	41,900	235,808	189,388	2.36
Telekom Malaysia Bhd	30,100	125,105	184,513	2.29
		<u>811,964</u>	<u>841,165</u>	<u>10.46</u>
Transportation & Logistics				
MISC Bhd	26,400	151,482	180,048	2.24
Utilities				
Petronas Gas Bhd	8,600	98,257	137,600	1.71
Tenaga Nasional Bhd	61,693	642,908	624,333	7.77
		<u>741,165</u>	<u>761,933</u>	<u>9.48</u>
TOTAL QUOTED				
INVESTMENTS - LOCAL		<u>6,625,520</u>	<u>7,767,627</u>	<u>96.60</u>
TOTAL INVESTMENTS		<u>6,625,520</u>	<u>7,767,627</u>	<u>96.60</u>

* The ultimate holding company of the Manager.

7. MARGIN DEPOSIT FOR FUTURES CONTRACTS

	<u>2022</u> RM	<u>2021</u> RM
Margin deposit for futures contracts	-	66,435

This margin deposit is placed with the holding company of the Manager, RHB Investment Bank Berhad, arising from the ordinary course of investment in futures contracts as at the financial year end.

8. UNITS IN CIRCULATION

	<u>2022</u> Units	<u>2021</u> Units
At the beginning of the financial year	8,276,000	8,911,000
Creation of units arising from applications during the financial year	120,000	305,000
Cancellation of units during the financial year	<u>(1,120,000)</u>	<u>(940,000)</u>
At the end of the financial year	<u>7,276,000</u>	<u>8,276,000</u>

9. MANAGEMENT FEE

In accordance with Prospectus, the management fee provided in the financial statements is 1.50% (2021: 1.50%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial year.

10. TRUSTEE'S FEE

In accordance with Prospectus, the Trustee's fee provided in the financial statements is 0.06% (2021: 0.06%) per annum based on the net asset value of the Fund, calculated on a daily basis for the financial year.

11. TAXATION

(a) Tax charge for the financial year

	<u>2022</u> RM	<u>2021</u> RM
Current taxation	-	-

(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>2022</u> RM	<u>2021</u> RM
Net income before taxation	252,603	1,262,397
Tax calculated at a statutory income tax rate of 24%	60,625	302,975
Tax effects of:		
- Income not subject to tax	(97,174)	(340,186)
- Expenses not deductible for tax purposes	7,966	6,276
- Restriction on tax deductible expenses	28,583	30,935
Tax expense	-	-

12. MANAGEMENT EXPENSE RATIO (“MER”)

	<u>2022</u> %	<u>2021</u> %
MER	1.72	1.71

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

13. PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>2022</u>	<u>2021</u>
PTR (times)	<u>0.20</u>	<u>0.10</u>

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

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

The number of units held by the Manager and related party are as follows:

	<u>2022</u>		<u>2021</u>	
	Units	RM	Units	RM
The Manager	4,899	4,926	2,235	2,172
RHB Capital Nominees (Tempatan) Sdn Bhd	<u>34,977</u>	<u>35,173</u>	<u>34,977</u>	<u>33,984</u>

The units are held beneficially by the Manager for booking purposes. 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 Capital Nominees (Tempatan) Sdn Bhd, a wholly owned subsidiary of ultimate holding company of the Manager, are under nominees structure.

Other than the above, there were no units held by the Directors or 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.

15. TRANSACTIONS BY THE FUND

Details of transactions by the Fund for the financial year ended 31 March 2022 are as follows:

<u>Brokers/Financial institutions</u>	<u>Value of trades</u> RM	<u>Percentage of total trades</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage fees</u> %
RHB Investment Bank Bhd*	1,029,295	31.28	5,234	28.09
Affin Hwang Investment Bank Bhd	403,452	12.26	2,182	11.71
CGS-CIMB Securities Sdn Bhd	397,100	12.07	2,267	12.17
Maybank Investment Bank Bhd	376,427	11.44	1,828	9.81
MIDF Amanah Investment Bank Bhd	355,484	10.80	2,403	12.89
KAF Equities Sdn Bhd	346,635	10.54	1,425	7.65
Macquarie Capital Sec (M) Sdn Bhd	250,533	7.61	1,611	8.65
CLSA Securities Malaysia Sdn Bhd	131,728	4.00	1,683	9.03
	<u>3,290,654</u>	<u>100.00</u>	<u>18,633</u>	<u>100.00</u>

15. TRANSACTIONS BY THE FUND (CONTINUED)

Details of transactions by the Fund for the financial year ended 31 March 2021 are as follows:

<u>Brokers/Financial institutions</u>	<u>Value of trades</u> RM	<u>Percentage of total trades</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage fees</u> %
Nomura Securities Malaysia Sdn Bhd	386,446	24.73	1,634	12.03
RHB Investment Bank Bhd*	366,015	23.43	3,984	29.34
CLSA Securities Malaysia Sdn Bhd	266,828	17.08	1,166	8.59
Maybank Investment Bank Bhd	194,798	12.47	2,560	18.86
CGS-CIMB Securities Sdn Bhd	126,803	8.12	1,268	9.34
KAF Equities Sdn Bhd	82,857	5.30	1,120	8.25
Affin Hwang Investment Bank Bhd	80,747	5.17	965	7.11
Macquarie Capital Securities (M) Sdn Bhd	57,873	3.70	880	6.48
	<u>1,562,367</u>	<u>100.00</u>	<u>13,577</u>	<u>100.00</u>

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

16. FINANCIAL INSTRUMENTS BY CATEGORIES

	<u>2022</u> RM	<u>2021</u> RM
Financial assets		
Financial assets at fair value through profit or loss (“FVTPL”)		
• Quoted investments	<u>7,108,420</u>	<u>7,767,627</u>
Financial assets at amortised cost		
• Bank balances	72,658	52,749
• Deposits with licensed financial institutions	135,265	230,635
• Margin deposit for futures contracts	14	66,435
• Amount due from brokers	242,076	2,695
• Dividend receivables	56,101	73,246
	<u>506,114</u>	<u>425,760</u>
Financial liabilities		
Financial liabilities at amortised cost		
• Amount due to brokers	278,990	106,208
• Amount due to Manager	-	24,818
• Accrued management fee	9,297	10,418
• Amount due to Trustee	372	417
• Other payables and accruals	8,882	10,815
	<u>297,541</u>	<u>152,676</u>

**STATEMENT BY MANAGER
RHB KLCI TRACKER FUND**

We, Dato' Darawati Hussain and Chin Yoong Kheong, 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 statement of financial position, statement of income and expenses, statement of changes in net asset value, 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 31 March 2022 and of its financial performance and cash flows for the financial year then ended and comply with the provisions of the Deeds.

On behalf of the Manager,

Dato' Darawati Hussain
Director

Chin Yoong Kheong
Director

26 May 2022

**TRUSTEE'S REPORT
TO THE UNIT HOLDERS OF RHB KLCI TRACKER FUND ("Fund")**

We have acted as Trustee of the Fund for the financial year ended 31 March 2022 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, RHB Asset Management Sdn Bhd has operated and managed the Fund during the year covered by these financial statements in accordance with the following:

1. Limitations imposed on the investment powers of the Management Company under the Deeds, securities laws and the Guidelines on Unit Trust Funds;
2. valuation and pricing is carried out in accordance with the Deeds; and
3. Any creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirement.

For HSBC (Malaysia) Trustee Berhad

Yap Lay Guat
Manager, Investment Compliance Monitoring

Kuala Lumpur
26 May 2022

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF RHB KLCI TRACKER FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of RHB KLCI Tracker Fund (“the Fund”) give a true and fair view of the financial position of the Fund as at 31 March 2022 and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 March 2022, and the statement of income and expenses, statement of changes in net asset value and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 38.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF RHB KLCI TRACKER FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Manager for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF RHB KLCI TRACKER FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF RHB KLCI TRACKER FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
26 May 2022

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

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E-mail 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

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Seberang Jaya
13700 Perai, Penang
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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 Affin Bank Bhd Alliance Bank Malaysia Bhd AmBank (M) Bhd AmInvestment Bank Bhd Apex Investment Services Bhd Areca Capital Sdn Bhd CIMB Bank Bhd CIMB Private Banking CIMB Wealth Advisor Citibank Bhd Genexus Advisory Sdn Bhd Hong Leong Bank Bhd HSBC Bank Malaysia Bhd iFAST Capital Sdn Bhd Kenanga Investors Bhd Manulife Asset Management Service Berhad OCBC Bank (Malaysia) Bhd Phillip Mutual Bhd Standard Chartered Bank (Malaysia) Bhd Standard Financial Adviser Sdn Bhd United Overseas Bank (Malaysia) Bhd UOB Kay Hian Securities (M) Sdn Bhd

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