

# United-i Conservative Income Fund

Annual Report

28 February 2021



# **UNITED-i CONSERVATIVE INCOME FUND**

## **REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FIRST FINANCIAL PERIOD FROM 24 MARCH 2020  
(DATE OF COMMENCEMENT) TO 28 FEBRUARY 2021**

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## **UNITED-I CONSERVATIVE INCOME FUND**

### **GENERAL INFORMATION ABOUT THE FUND**

#### **COMMENCEMENT DATE**

United-i Conservative Income Fund (the "Fund") was launched on 3 March 2020 and the initial offer period was 21 days, up to 23 March 2020. The Fund commenced investment on 24 March 2020.

#### **FUND CATEGORY AND TYPE**

Fund Category - Sukuk (Islamic Wholesale)

Fund Type - Income

### **INVESTMENT OBJECTIVE, POLICY AND STRATEGY OF THE FUND**

#### **INVESTMENT OBJECTIVE OF THE FUND**

The Fund seeks to provide income by investing in Sukuk, Islamic money market instruments and Islamic Deposits.

\* Income distribution (if any) will be in the form of additional Units.

#### **INVESTMENT POLICY AND STRATEGY**

The Fund seeks to achieve its investment objective by investing at least 70% of its NAV in Sukuk issued or guaranteed by the Government of Malaysia, Islamic money market instruments and Islamic Deposits. The Fund may also invest up to 30% of its NAV in cash.

For the Fund's investment in Islamic money market instruments, the minimum short term rating will be at least "P1" as rated by RAM or its equivalent rating by MARC. However, in the event any of the invested Islamic money market instruments is downgraded below the above ratings, the Investment Manager shall review the said Islamic money market instruments and determine if there is a need to sell the Islamic money market instruments or to hold the said Islamic money market instruments to maturity in order to safeguard the interest of the Unit Holders.

In selecting the Financial Institutions for placement of Islamic Deposits, the Investment Manager will adopt a prudent selection process and rigorous credit assessment prior to the placements. The Investment Manager will only make placements of Islamic Deposits with Financial Institutions with a minimum long term rating of "A3" as rated by RAM or its equivalent rating by MARC. In the event the Financial Institution is downgraded below the above rating, the Investment Manager shall on a best effort basis dispose of investments with that particular Financial Institution in order to safeguard the interest of the Unit Holders. However, the Investment Manager reserves the right to maintain the investment if they are of the view that the downgrade is a temporary event.

The Investment Manager may take temporary defensive positions that may be inconsistent with the Fund's principal investment strategy in attempting to respond to adverse economic, political or any other market conditions. In such circumstances, the Investment Manager may allocate up to 100% of the Fund's assets into liquid assets such as Islamic money market instruments, Islamic Deposits and cash, which are defensive in nature.

## **ASSET ALLOCATION**

> At least 70% of the Fund's NAV in Sukuk issued or guaranteed by the Government of Malaysia, Islamic money market instruments and Islamic Deposits; and

> Up to 30% of the Fund's NAV in cash.

## **PERFORMANCE BENCHMARK**

1 month Islamic Fixed Deposit-i by Malayan Banking Berhad

## **PERMITTED INVESTMENTS**

Unless otherwise prohibited by the relevant regulatory authorities or any relevant law and provided always that there are no inconsistencies with the objective of the Fund, the Fund is permitted under the Deed to invest in the following:

(1) Sukuk issued or guaranteed by the Government of Malaysia;

(2) Islamic money market instruments;

(3) Islamic Deposits; and

(4) any other Shariah-compliant investments as may be advised by the Shariah Adviser and agreed upon between us and the Trustee from time to time.

## **CLASSES OF UNITS**

We have the discretion to introduce new Class(es) of Units with different features which include but are not limited to currency denomination, fees, charges and transactions details without the need to obtain Unit Holder's approval. In the event that new Class(es) of Units is included in the Fund, Unit Holders will be notified by way of notice prior to the effective date of the new Class(es) of Units in accordance to the relevant laws. Subsequently, a supplementary information memorandum or replacement information memorandum will be issued.

## **FUND DISTRIBUTION POLICY**

Subject to the availability of income, distribution will be made monthly.

## **MANAGER'S REPORT - UNITED-I CONSERVATIVE INCOME FUND**

### **ANNUAL REPORT**

[24 March 2020 (Commencement Date) to 28 February 2021]

## **UNITED-I CONSERVATIVE INCOME FUND - MYR HEDGED CLASS**

### **MARKET REVIEW**

The world saw unprecedented risk events happened in 2020. COVID-19 became a world pandemic as declared by the World Health Organization ("WHO"). It has adversely impacted the global economy and financial markets. Various unprecedented fiscal and monetary policies have been implemented by governments and central banks to cushion the impact on the economy and citizen well-being. Despite lingering pandemic related risks, financial market has since rebounded from its low in March and surpassed its previous high throughout the second half of 2020.

Toward the end of the period under review, development in global bond market was mostly centred on the rising United States of America ("U.S.") Treasuries ("UST") yield. The 2-year UST yield inched up by 1 basis point ("bps") to 0.12% while the 10-year UST yield increased by 49 bps to 1.40% since the beginning of 2021. The spike in UST yields reflect higher inflation expectations underpinned by better U.S. economic recovery supported by a rapid vaccine rollout and a large fiscal spending. The higher yield movement was then reverberated across global bond markets, including Malaysia, where the 10-year Malaysia Government Securities ( "MGS" ) yield increased by 48 bps to 3.07%. Selling pressure was seen across all tenures especially medium to longer tenure papers.

Malaysia's economy contracted by 5.6% in 2020 after registering a negative growth of 3.4% in the fourth quarter of 2020 (3Q: -2.6%), which was worse-than-projected by the government (-4.5%). This was largely due to renewed movement restriction in October 2020 by the government to deal with the surging COVID-19 cases. Nonetheless, we expect Malaysia's economy to recover in 2021 on the back of on-going vaccination programme and improved trade activities. International Monetary Fund and World Bank had projected Malaysia's economy to grow by 7.0% and 6.7% respectively in 2021. On the monetary policy front, we believe that current low interest rate environment is here to stay for longer.

*Source: UOB Islamic Asset Management Sdn Bhd*

## **UNITED-I CONSERVATIVE INCOME FUND - MYR CLASS - CLASS I**

### **FUND PERFORMANCE REVIEW**

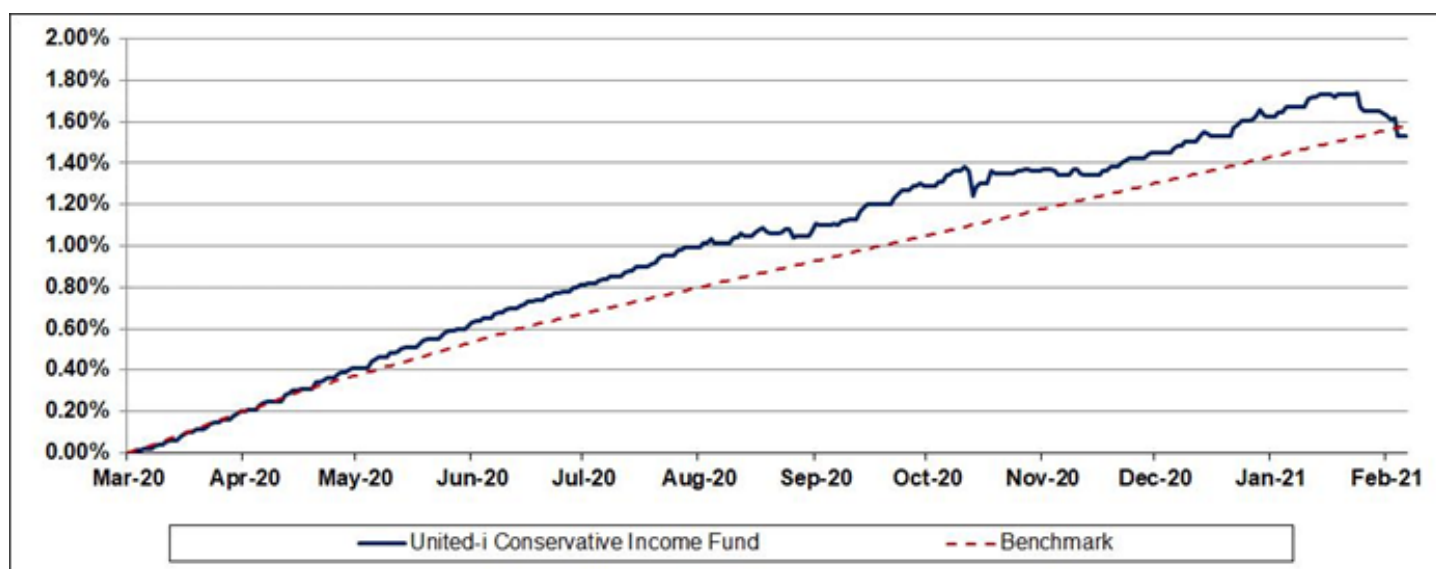
Since commencement, United-i Conservative Income Fund (MYR Class - Class I) registered a return of 1.53%, compared to the benchmark return of 1.58%. The underperformance was largely due to higher bond yield since the beginning of 2021. The overall local bond index and Quasi Government Index decreased by 1.98% and 2.2% on YTD basis. The Fund's overall performance was impacted by the lower valuation in the Sukuk space.

### **FUND PERFORMANCE DATA**

As at 28 February 2021

TYPES	1 - MONTH	3 - MONTHS	6 - MONTHS	12 - MONTHS	YTD	SINCE COMMENCEMEN T (24 MARCH 2020)
United-i Conservative Income Fund (MYR Class - Class I)	0.74%	2.52%	6.64%	10.16%	5.33%	4.45%
Benchmark: 1 month Islamic Fixed Deposit-i by Malayan Banking Berhad	1.01%	3.84%	7.77%	13.27%	6.75%	42.73%

Source: UOBAM(M), Lipper and Bloomberg as at 28 February 2021



Source: UOBAM(M), as at 28 February 2021

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

UNITED-I CONSERVATIVE INCOME FUND - MYR CLASS - CLASS I	AS AT 28 FEBRUARY 2021
Net Asset Value (RM million)	241.42
Units In Circulation (million)	239.16
Net Asset Value Per Unit (RM)	1.0094
Highest Net Asset Value Per Unit (RM)	1.0133
Lowest Net Asset Value Per Unit (RM)	1

**PORTFOLIO STRUCTURE**

The table below is the asset allocation of the Fund for the financial period under review.

TYPES	AS AT 28 FEBRUARY 2021 %
Bond	41.72
Cash	58.28
Total	100



## TRUSTEE'S REPORT

### TO THE UNITHOLDERS OF UNITED-I CONSERVATIVE INCOME FUND

We have acted as Trustee for United-i Conservative Income Fund (the "Fund") for the financial year ended 28 February 2021. To the best of our knowledge, for the financial year under review, UOB Asset Management (Malaysia) Berhad (the "Manager" ) has operated and managed the Fund in accordance with the following:

(a) limitations imposed on the investment powers of the Manager under the Deed(s), the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;

(b) valuation and pricing for the Fund is carried out in accordance with the Deed(s) of the Fund and any regulatory requirements; and

(c) creation and cancellation of units for the Fund are carried out in accordance with the Deed(s) of the Fund and any regulatory requirements.

We are of the view that the distributions made during this financial year ended 28 February 2021 by the Manager are not inconsistent with the objective of the Fund.

For Deutsche Trustees Malaysia Berhad

**NG HON LEONG**

Head, Trustee Operations

Kuala Lumpur, Malaysia

11 December 2021

**GERARD ANG**

Chief Executive Officer

## SHARIAH ADVISER'S REPORT

### TO THE UNITHOLDERS OF UNITED-I CONSERVATIVE INCOME FUND

We hereby confirm the following:

1. To the best of our knowledge, after having made all reasonable enquiries, UOB Asset Management (Malaysia) Berhad has operated and managed the Fund during the period covered by these financial statements in accordance with the Shariah principles and complied with the applicable guidelines, rulings or decisions issued by the Securities Commission Malaysia pertaining to Shariah matters; and

2. The asset of the Fund comprises instruments that have been classified as Shariah compliant.

For Amanie Advisors Sdn Bhd

Datuk Dr. Mohd Daud Bakar

Executive Chairman

Kuala Lumpur

## STATEMENT BY MANAGER

We, Lim Suet Ling and Seow Lun Hoo, being two of the Directors of UOB Asset Management (Malaysia) Berhad, do hereby state that, in the opinion of the Manager, the accompanying financial statements set out on pages 14 to 40 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 United-i Conservative Income Fund as at 28 February 2021 and of its financial performance, changes in net asset value and cash flows for the financial year then ended and comply with requirements of the Deed(s).

For and on behalf of the Manager,

**UOB ASSET MANAGEMENT (MALAYSIA) BERHAD**

**LIM SUET LING**

Executive Director / Chief Executive Officer

**SEOW LUN HOO**

Director

Kuala Lumpur, Malaysia

11 December 2021

## **Independent auditors' report to the unitholders of United-*i* Conservative Income Fund**

### **Report on the audit of the financial statements**

#### *Opinion*

We have audited the financial statements of United-*i* Conservative Income Fund ("the Fund"), which comprise the statement of financial position as at 28 February 2021 of the Fund, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows of the Fund for the first financial period from 24 March 2020 (date of commencement) to 28 February 2021, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 40.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 28 February 2021 and of its financial performance and cash flows for the period then ended in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

#### *Basis for opinion*

We conducted our audit in accordance with approved standards of 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 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.

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

The Manager is responsible for the other information. The other information comprises the information included in the annual report of the Fund, but does not include the financial

## **Independent auditors' report to the unitholders of United-i Conservative Income Fund**

### **Report on the audit of the financial statements (continued)**

#### *Information other than the financial statements and auditors' report thereon (continued)*

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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Manager of the Fund and take appropriate action.

#### *Responsibilities of the Manager and Trustee for the financial statements*

The Manager is responsible for the preparation and fair presentation of the financial statements of the Fund in accordance with MFRS and IFRS. 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 cease operations, or has no realistic alternative but to do so.

The Trustee is responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

#### *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 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.

## **Independent auditors' report to the unitholders of United-i Conservative Income Fund**

### **Report on the audit of the financial statements (continued)**

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

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

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of 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, and
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund 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.

**Independent auditors' report to the unitholders of  
United-*i* Conservative Income Fund**

**Report on the audit of the financial statements (continued)**

**Other Matters**

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

Ernst & Young PLT  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Yeo Beng Yean  
No. 03013/10/2022 J  
Chartered Accountant

Kuala Lumpur, Malaysia

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**UNITED-i CONSERVATIVE INCOME FUND****STATEMENT OF FINANCIAL POSITION  
AS AT 28 FEBRUARY 2021**

		<b>2021</b>
	<b>Note</b>	<b>RM</b>
<b>ASSETS</b>		
Investments	3	100,742,312
Islamic deposits with licensed financial institutions	4	110,546,464
Cash at bank		30,205,909
<b>TOTAL ASSETS</b>		<b>241,494,685</b>
<b>LIABILITIES</b>		
Amount due to Manager	5	51,929
Amount due to Trustee	6	6,594
Accruals		17,200
<b>TOTAL LIABILITIES</b>		<b>75,723</b>
<b>UNITHOLDERS' EQUITY</b>		
Unitholders' capital	7	241,372,535
Retained earning	7	46,427
<b>TOTAL EQUITY, REPRESENTING NET ASSET VALUE ("NAV") ATTRIBUTABLE TO UNITHOLDERS</b>		<b>241,418,962</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>241,494,685</b>
<b>NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS</b>		
- MYR CLASS - CLASS I	7	241,418,962
<b>UNITS IN CIRCULATION</b>		
- MYR CLASS - CLASS I	7(a)	239,159,759
<b>NET ASSET VALUE PER UNIT (RM)</b>		
- MYR CLASS - CLASS I		1.0094

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



**UNITED-i CONSERVATIVE INCOME FUND**
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FIRST FINANCIAL PERIOD FROM 24 MARCH 2020**  
**(DATE OF COMMENCEMENT) TO 28 FEBRUARY 2021**

		<b>24.03.2020 to 28.02.2021</b>
	<b>Note</b>	<b>RM</b>
<b>INVESTMENT INCOME</b>		
Profit income from Sukuk		968,582
Profit income from Islamic deposits with licensed financial institutions		1,597,145
Amortisation of premium		(375,104)
Net loss on investments at fair value through profit or loss ("FVTPL"):	3	
- net unrealised loss on changes in fair value	7(c)	(650,946)
		<u>1,539,677</u>
<b>EXPENSES</b>		
Manager's fee	8	321,903
Trustee's fee	9	40,877
Auditors' remuneration		8,800
Tax agent's fee		3,900
Other expenses		7,753
		<u>383,233</u>
<b>NET INCOME BEFORE TAXATION</b>		<b>1,156,444</b>
Tax expense	10	-
<b>NET INCOME AFTER TAXATION, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>		<b><u>1,156,444</u></b>
Net income after taxation is made up of the following:		
Realised amount	7(b)	1,807,390
Unrealised amount	7(c)	(650,946)
		<u>1,156,444</u>
Distributions for the financial period	11	<u>1,110,017</u>

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

**UNITED-i CONSERVATIVE INCOME FUND****STATEMENT OF CHANGES IN NET ASSET VALUE  
FOR THE FIRST FINANCIAL PERIOD FROM 24 MARCH 2020  
(DATE OF COMMENCEMENT) TO 28 FEBRUARY 2021**

	<b>Note</b>	<b>Unitholders' capital RM</b>	<b>Retained earning RM</b>	<b>Total net asset value RM</b>
Balance as at 24 March 2020 (date of commencement)		-	-	-
Movement in net asset value:				
Total comprehensive income for the financial period		-	1,156,444	1,156,444
Creation of units				
- MYR CLASS - CLASS I	7(a)	298,334,873	-	298,334,873
Reinvestment of units				
- MYR CLASS - CLASS I	7(a)	920,983	-	920,983
Cancellation of units				
- MYR CLASS - CLASS I	7(a)	(57,883,321)	-	(57,883,321)
Distributions				
- MYR CLASS - CLASS I	11	-	(1,110,017)	(1,110,017)
Balance as at 28 February 2021		<u>241,372,535</u>	<u>46,427</u>	<u>241,418,962</u>

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

**UNITED-i CONSERVATIVE INCOME FUND****STATEMENT OF CASH FLOWS****FOR THE FIRST FINANCIAL PERIOD FROM 24 MARCH 2020****(DATE OF COMMENCEMENT) TO 28 FEBRUARY 2021****24.03.2020****to 28.02.2021****RM****CASH FLOWS FROM OPERATING AND INVESTING****ACTIVITIES**

Placement of Islamic deposits with licensed financial institutions	(90,387,074)
Purchase of Sukuk	(100,971,250)
Profit received from Islamic deposits with licensed financial institutions	1,597,145
Profit received from Sukuk	171,470
Manager's fee paid	(269,974)
Trustee's fee paid	(34,283)
Payment of other fees and expenses	(3,253)
Net cash used in operating and investing activities	<u>(189,897,219)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from creation of units	298,334,873
Payment for cancellation of units	(57,883,321)
Distribution paid	(189,034)
Net cash generated from financing activities	<u>240,262,518</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS****50,365,299****CASH AND CASH EQUIVALENTS AT THE  
DATE OF COMMENCEMENT****!****CASH AND CASH EQUIVALENTS AT THE  
END OF THE FINANCIAL PERIOD****50,365,299****Cash and cash equivalents comprises the following:**

maturity of less than 3 months (Note 4)	20,159,390
Cash at bank	30,205,909
	<u>50,365,299</u>

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

## **UNITED-*i* CONSERVATIVE INCOME FUND**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1. INFORMATION ON THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES**

The United-*i* Conservative Income Fund (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of the Deed dated 21 February 2020 between UOB Asset Management (Malaysia) Berhad (“the Manager”) and Deutsche Trustees Malaysia Berhad (“the Trustee”).

The Fund seeks to provide investors with income by investing in Sukuk issued or guaranteed by the Government of Malaysia, Islamic money market instruments and Islamic deposits. The Fund was launched on 3 March 2020 and commenced for operation on 24 March 2020. As provided in the Master Deed, the accrual period or financial year shall end on 28 February (and on 29 February in the event of leap year).

The Manager is a subsidiary of UOB Asset Management Limited, headquartered in Singapore.

The financial statements were authorised for issue by the Manager on 30 April 2021.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **2.1 Basis of preparation of the financial statements**

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below and are presented in Ringgit Malaysia (“RM”).

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on or after 1 March 2020 that have a material effect on the financial statements of the Fund.

None of the standards, amendments to standards or interpretations that are effective for the financial year beginning on or after 1 March 2021 are applicable to the Fund.

## **UNITED-i CONSERVATIVE INCOME FUND**

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

#### **2.2 Summary of significant accounting policies**

##### **(a) Financial instruments**

###### *Classification*

In accordance with MFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or,
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or,
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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.

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value.

Financial instruments 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.

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

Financial liabilities are derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

## **UNITED-i CONSERVATIVE INCOME FUND**

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

#### **2.2 Summary of significant accounting policies**

##### **(a) Financial instruments**

###### *Financial assets*

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss ("FVTPL") on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

##### **(i) Financial assets measured at amortised cost**

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit ("SPPP") on the principal amount outstanding. The Fund includes in this category Islamic deposits with licensed financial institutions and bank balances.

##### **(ii) Financial assets measured at FVTPL**

A financial asset is measured at FVTPL if:

- (a)** Its contractual terms do not give rise to cash flows on specified dates that are SPPP on the principal amount outstanding; or,
- (b)** It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or,
- (c)** At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund includes in this category debt instruments which include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains.

## **UNITED-i CONSERVATIVE INCOME FUND**

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

#### **2.3 Summary of significant accounting policies (continued)**

##### **(a) Financial instruments (continued)**

###### *Financial liabilities*

###### **(i) Financial liabilities measured at FVTPL**

A financial liability is measured at FVTPL if it meets the definition of held for trading. The Fund currently does not hold such financial liabilities.

###### **(ii) Financial liabilities measured at amortised cost**

This category includes all financial liabilities, other than those measured at FVTPL. The Fund includes in this category amount due to Manager and amount due to Trustee.

###### *Impairment of financial assets*

Other than deposits with a licensed financial institution, the Fund holds only trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses ("ECL") under MFRS 9 to all its trade receivables. Therefore the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Fund's approach to ECL reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

##### **(b) Classification of realised and unrealised gains and losses**

Unrealised gains and losses comprise changes in the fair value of financial instruments at FVTPL. Realised gains and losses on disposals of financial instruments at FVTPL are calculated using weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount.

Accrued profit on deposits which have not matured as at the reporting date are classified as realised income in the financial statements.

##### **(c) Functional and presentation currency**

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 RM, which is also the Fund's functional currency.

## **UNITED-i CONSERVATIVE INCOME FUND**

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

#### **2.3 Summary of significant accounting policies (continued)**

##### **(d) Unitholders' capital**

Unitholders' capital of the Fund meets the definition of puttable instruments classified as equity instruments under the revised MFRS 132 *Financial Instruments: Presentation* and is classified as equity instruments. Any distribution to unitholders is recorded as a reduction from retained earnings within equity.

##### **(e) Distribution of income**

Distribution of income is made at the discretion of the Manager. A distribution to the Fund's unitholders is accounted for as a deduction from realised reserves except where distribution is sourced out of distribution equalisation which is accounted for as a deduction from unitholders' capital. A proposed distribution is recognised as a liability in the period in which it is approved.

##### **(f) Cash and cash equivalents**

Cash and cash equivalents comprise deposits with a licensed financial institutions, with maturity of less than 3 months, and cash at a bank which have an insignificant risk of changes in value.

##### **(g) Income recognition**

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. Income is measured at the fair value of consideration received or receivable.

Profit income from deposits with a licensed financial institutions and profit income from unquoted fixed income securities are recognised using the effective profit method.

##### **(h) Net asset value attributable to unitholders**

Net asset value attributable to unitholders represents the redemption amount that would be payable if the unitholders exercised the right to redeem units of the Fund at the end of the reporting period.



## **UNITED-*i* CONSERVATIVE INCOME FUND**

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

#### **2.3 Summary of significant accounting policies (continued)**

##### **(i) Income tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

No deferred tax is recognised as there are no material temporary differences.

##### **(j) Segment reporting**

For internal management reporting purposes, all of the investments of the Fund are managed as one portfolio and reviewed as such by the Manager. The Manager is the decision maker for performance assessment purposes and makes decisions about resource allocation. Accordingly, the Fund does not have any operating segment information to be disclosed in the financial statements.

##### **(k) Significant accounting estimates and judgments**

The preparation of the Fund's financial statements requires the Manager to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future.

No major judgments have been made by the Manager in applying the Fund's accounting policies and in making accounting estimates. There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## UNITED-i CONSERVATIVE INCOME FUND

### 3. INVESTMENTS

24.03.2020  
to 28.02.2021  
RM

Investments designated as FVTPL:

- Unquoted fixed income securities - local 100,742,312

Net loss on investments at FVTPL comprised:

- Net unrealised loss on changes in fair value (650,946)

Investments designated as FVTPL as at 28 February 2021 are as follows:

Maturity date	Issuer	Credit rating	Nominal value RM	Adjusted cost RM	Fair value RM	Fair value expressed as a percentage of value of the Fund %
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#### UNQUOTED FIXED INCOME SECURITIES - LOCAL

##### SUKUK

09.12.2022	Malaysia Debt Ventures Berhad	NR*	5,000,000	5,277,410	5,270,788	2.18
23.03.2023	Malaysia Debt Ventures Berhad	NR*	15,000,000	15,970,924	15,946,419	6.61
03.05.2023	Danainfra Nasional Berhad	NR*	5,000,000	5,286,099	5,277,524	2.19
17.08.2023	Perbadanan Pendidikan Tinggi Nasional	NR*	10,000,000	10,528,394	10,530,504	4.36
29.08.2023	Prasarana Malaysia Berhad	NR*	5,000,000	5,267,826	5,259,151	2.18

**UNITED-*i* CONSERVATIVE INCOME FUND**
**3. INVESTMENTS (CONTINUED)**

<b>Maturity date</b>	<b>Issuer</b>	<b>Credit rating</b>	<b>Nominal value RM</b>	<b>Adjusted cost RM</b>	<b>Fair value RM</b>	<b>Fair value expressed as a percentage of value of the Fund %</b>
<b>UNQUOTED FIXED INCOME SECURITIES - LOCAL (CONTINUED)</b>						
<b>SUKUK (CONTINUED)</b>						
28.03.2024	Perbadanan Tabung Pendidikan Tinggi Nasional	NR*	5,000,000	5,476,345	5,458,968	2.26
24.05.2024	Danainfra Nasional Berhad	NR*	5,000,000	5,383,778	5,362,453	2.22
19.07.2024	Danainfra Nasional Berhad	NR*	5,000,000	5,312,131	5,271,355	2.18
06.06.2025	Pengurusan Air SPV Berhad	NR*	10,000,000	11,019,911	10,944,043	4.53
30.07.2025	PRIMA Corporation Malaysia	NR*	5,000,000	5,010,107	4,982,407	2.07
27.07.2026	Perbadanan Tabung Pendidikan Tinggi Nasional	NR*	5,000,000	5,451,837	5,392,986	2.23
25.02.2027	Prasarana Malaysia Berhad	NR*	5,000,000	5,168,014	5,054,755	2.09
23.09.2027	Danainfra Nasional Berhad	NR*	5,000,000	5,057,937	4,965,737	2.06

**UNITED-i CONSERVATIVE INCOME FUND**
**3. INVESTMENTS (CONTINUED)**

<b>Maturity date</b>	<b>Issuer</b>	<b>Credit rating</b>	<b>Nominal value RM</b>	<b>Adjusted cost RM</b>	<b>Fair value RM</b>	<b>Fair value expressed as a percentage of value of the Fund %</b>
<b>UNQUOTED FIXED INCOME SECURITIES - LOCAL (CONTINUED)</b>						
<b>SUKUK (CONTINUED)</b>						
18.08.2028	Bakun Hydro Power Generation Sdn Bhd	NR*	10,000,000	11,182,545	11,025,222	4.57
			95,000,000	101,393,258	100,742,312	41.73
<b>TOTAL UNQUOTED FIXED INCOME SECURITIES</b>			95,000,000	101,393,258	100,742,312	41.73
<b>SHORTFALL OF FAIR VALUE OVER ADJUSTED COST</b>				(650,946)		
<b>TOTAL INVESTMENTS AT FVTPL</b>				100,742,312		

\* The non-rated ("NR") unquoted fixed income securities as at the end of the financial period are issued, backed or guaranteed by Government of Malaysia or its government agencies.

The weighted average effective yields of unquoted fixed income securities is as follows:

	<b>2021 %</b>
Sukuk	2.42

Analysis of the remaining maturities by nominal value of unquoted fixed income securities as at 28 February 2021 are as follows:

	<b>Less than 1 year RM</b>	<b>1 year to 5 years RM</b>	<b>More than 5 years RM</b>
Sukuk	-	70,000,000	25,000,000

## **UNITED-i CONSERVATIVE INCOME FUND**

### **4. ISLAMIC DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS**

**2021**

**RM**

Islamic deposits with licensed financial institutions comprise the following:

- Maturity less than 3 months	20,159,390
- Maturity more than 3 months	90,387,074
	<u>110,546,464</u>

Islamic deposits with licensed financial institutions include profit receivables of RM599,130.

**2021**

Weighted average effective profit rate (%)	<u>2.04</u>
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Average maturities (days)	<u>73</u>
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### **5. AMOUNT DUE TO MANAGER**

**2021**

**RM**

Manager's fee payable	<u>51,929</u>
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The normal credit period for the Manager's fee payable is one month.

### **6. AMOUNT DUE TO TRUSTEE**

**2021**

**RM**

Trustee's fee payable	<u>6,594</u>
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Amount due to Trustee represents Trustee's fee payable.

The normal credit period for the Trustee's fee payable is one month.

## UNITED-i CONSERVATIVE INCOME FUND

### 7. UNITHOLDERS' EQUITY

Net asset value attributable to unitholders is represented by:

	Note	2021 RM
Unitholders' capital		
- MYR CLASS - CLASS I	(a)	241,372,535
Retained earning		
- Realised gain	(b)	697,373
- Unrealised loss	(c)	(650,946)
		46,427
Total equity, representing NAV attributable to unitholders		<u>241,418,962</u>

#### (a) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION - MYR CLASS - CLASS I

	Units	2021 RM
At the date of commencement	-	-
Creation of units during the financial period	295,406,198	298,334,873
Cancellation of units during the financial period	(57,157,128)	(57,883,321)
Reinvestment of units during the financial period	910,689	920,983
At the end of the financial period	<u>239,159,759</u>	<u>241,372,535</u>

The Manager and parties related to the Manager did not hold any units in the Fund as at 28 February 2021.

#### (b) RETAINED EARNING - REALISED

	2021 RM
At the date of commencement	-
Total comprehensive income for the financial period	1,156,444
Net unrealised loss attributable to investments held transferred to unrealised reserve	650,946
Distributions for the financial period	(1,110,017)
Net increase in realised reserve for the financial period	697,373
At the end of the financial period	<u>697,373</u>

## **UNITED-i CONSERVATIVE INCOME FUND**

### **7. UNITHOLDERS' EQUITY (CONTINUED)**

#### **(c) RETAINED EARNING - UNREALISED**

	<b>2021</b>
	<b>RM</b>
At the date of commencement	-
Net unrealised loss attributable to investments held transferred to unrealised reserve	(650,946)
At the end of the financial period	<u>(650,946)</u>

### **8. MANAGER'S FEE**

Schedule 8 of the Deed provides that the Manager shall be entitled to a fee at a rate agreed between the Manager and the Trustee which the rate shall not exceed 2.00% per annum of the net asset value of the Fund, calculated on a daily basis.

The management fee provided in the financial statements is 0.315% per annum based on the net asset value of the Fund, calculated on a daily basis for the financial period.

There will be no further liability to the Manager in respect of manager's fee other than the amount recognised in the financial statements.

### **9. TRUSTEE'S FEE**

Schedule 9 of the Deed provides that the Trustee shall be entitled to a fee at a rate agreed between the Manager and the Trustee which the rate shall not exceed 0.06% per annum of the net asset value of the Fund, calculated on a daily basis; subject to a minimum fee of RM15,000 per annum.

The Trustee's fee provided in the financial statements is 0.04% per annum based on the net asset value of the Fund subject to a minimum fee of RM15,000 per annum, calculated on a daily basis for the financial period.

There will be no further liability to the Trustee in respect of Trustee's fee other than the amount recognised in the financial statements.

## **UNITED-i CONSERVATIVE INCOME FUND**

### **10. INCOME TAX EXPENSE**

Income from deposit placements are exempted from tax in accordance with Schedule 6 Paragraph 35 and 35A of the Income Tax Act, 1967 (“ITA”), subject to certain exclusion. Distribution income derived from sources outside Malaysia and received in Malaysia is exempted from tax in accordance with Schedule 6, Paragraph 28 of the ITA. Pursuant to Section 61(1)(b) of the ITA, gains from realisation of investment will not be treated as income of the Fund and hence are not subject to income tax.

A reconciliation of income tax expense applicable to net income before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Fund is as follows:

	I 24.03.2020 I to 28.02.2021 RM
Net income before taxation	1,156,444
Taxation at Malaysian statutory rate of 24%	277,547
Tax effects of:	
Income not subject to tax	(369,523)
Restriction on tax deductible expenses for funds	79,849
Expenses not deductible for tax purposes	12,127
Tax expense for the financial period	-

### **11. DISTRIBUTIONS**

Distributions to unitholders are derived from the following sources:

	I 24.03.2020 I to 28.02.2021 RM
Profit income	1,868,354
Amortisation of premium	(375,104)
	1,493,250
Less:	
Expenses	383,233
Net distributable amount	1,110,017



## UNITED-i CONSERVATIVE INCOME FUND

### 11. DISTRIBUTIONS (CONTINUED)

Details of distributions to unitholders during the financial period ended 28 February 2021 are as follows:

Distributions Ex-date	Reinvestment settlement date	Distributions per unit RM	Total distributions RM
25 September 2020	28 September 2020	0.0010	82,022
16 December 2020	17 December 2020	0.0020	399,852
15 January 2021	18 January 2021	0.0010	215,208
10 February 2021	11 February 2021	0.0020	412,935
		<u>0.0060</u>	<u>1,110,017</u>

### 12. TRANSACTIONS WITH RELATED AND OTHER FINANCIAL INSTITUTIONS

Details of transactions with related and other financial institutions by the Fund for the financial period ended 28 February 2021 are as follows:

Financial institutions	Value of trades RM	Percentage of total trades %
Maybank Islamic Berhad	136,033,000	24.83
Hong Leong Islamic Bank Berhad	107,318,000	19.59
CIMB Islamic Bank Berhad	104,498,000	19.08
Bank Islam Malaysia Berhad	53,101,000	9.69
Bank Muamalat Malaysia Berhad	43,354,859	7.92
RHB Islamic Bank Berhad	25,050,000	4.57
RHB Investment Bank Berhad	21,384,487	3.90
AmBank Islamic Berhad	19,905,000	3.63
Kenanga Investment Bank Berhad	11,176,887	2.04
Malayan Banking Berhad	10,357,567	1.89
Others *	15,647,514	2.86
	<u>547,826,314</u>	<u>100.00</u>

\*United Overseas Bank (Malaysia) Berhad is included in others as a financial institution related to the Manager with transactions value of RM5,180,328.

The Directors of the Manager are of the opinion that any transactions with the related party have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated party. These dealings with related parties have been transacted at arm's length basis.

## UNITED-*i* CONSERVATIVE INCOME FUND

### 13. MANAGEMENT EXPENSE RATIO (“MER”)

	I	2021 %
Manager’s fee		0.31
Trustee’s fee		0.04
Other expenses		0.02
Total MER		<u>0.37</u>

The MER of the Fund is the ratio of the sum of fees and expenses incurred by the Fund to the average NAV of the Fund calculated on a daily basis.

### 14. PORTFOLIO TURNOVER RATIO (“PTR”)

	I	2021
PTR (times)		<u>0.49</u>

The PTR of the Fund is the ratio of average acquisitions and disposals of the Fund for the financial period to the average NAV of the Fund calculated on a daily basis.

### 15. FINANCIAL INSTRUMENTS

#### (a) Classification of financial instruments

The Fund’s financial assets and financial liabilities are measured on an ongoing basis based on their respective classification. The significant accounting policies in Note 2.2 describe how the classes of financial instruments are measured, and how income and expenses are recognised:

- (i) the Fund’s investments, comprising unquoted fixed income securities, are classified as financial assets at FVTPL which are measured at fair value;
- (ii) the Fund’s financial assets, comprising Islamic deposits with licensed financial institutions and cash at bank, are classified as financial assets measured at amortised cost; and
- (iii) the Fund’s financial liabilities, comprising amount due to Manager and amount due to Trustee, are classified as financial liabilities which are measured at amortised cost.

## UNITED-i CONSERVATIVE INCOME FUND

### 15. FINANCIAL INSTRUMENTS (CONTINUED)

	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
<b>2021</b>				
<b>Financial assets</b>				
Investments	100,742,312	-	-	100,742,312
Islamic deposits with licensed financial institutions	-	110,546,464	-	110,546,464
Cash at bank	-	30,205,909	-	30,205,909
<b>Total financial assets</b>	<b>100,742,312</b>	<b>140,752,373</b>	<b>-</b>	<b>241,494,685</b>
<b>Financial liabilities</b>				
Amount due to Manager	-	-	51,929	51,929
Amount due to Trustee	-	-	6,594	6,594
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>58,523</b>	<b>58,523</b>

#### (b) Financial instruments that are carried at fair value

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical asset or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

## UNITED-i CONSERVATIVE INCOME FUND

### 15. FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial instruments that are carried at fair value (continued)

The following table shows an analysis of financial instruments recorded at fair value by the level of the fair value hierarchy:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2021</b>				
<b>Financial instruments</b>				
- Unquoted fixed income securities	-	100,742,312	-	100,742,312

#### (c) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value due to their short period to maturity or short credit period:

- Islamic deposits with licensed financial institutions
- Cash at bank
- Amount due to Manager
- Amount due to Trustee

There were no financial instruments which are not carried at fair values and whose carrying amounts are not reasonable approximation of their respective fair values.

## UNITED-i CONSERVATIVE INCOME FUND

### 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks including market risk, liquidity risk, credit risk, profit rate risk, single issuer risk, regulatory risk, management risk and non-compliance risk. Whilst these are the most important types of financial risks inherent in each type of financial instrument, the Manager and the Trustee would like to highlight that this list does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Fund.

The Fund's overall risk management programme seeks to minimise potential adverse effects on the Fund's financial performance. Specific guidelines on exposures to individual securities and certain industries are in place for the Fund at any time as part of the overall financial risk management to reduce the Fund's risk exposures.

#### (a) Market risk

Market risk is the risk that the value of a portfolio would decrease due to changes in market risk factors such as equity prices, foreign exchange rates, profit rates and commodity prices.

The Fund's overall exposure to market risk was as follows:

	2021 RM
Investments at FVTPL	100,742,312

The table below summarises the sensitivity of the Fund's net asset value and net income after taxation to movements in prices of investments. The analysis is based on the assumption that the price of the investments fluctuates by 10% with all other variables held constant.

	Change in price of investments %	Market value RM	Impact on net income after taxation and net asset value RM
2021			
	-10	90,668,081	(10,074,231)
	0	100,742,312	-
	10	110,816,543	10,074,231

## 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

## (b) Liquidity risk (continued)

Liquidity risk is defined as the risk of being unable to raise funds or borrowing to meet payment obligations as they fall due. The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellation of units by unitholders. Liquid assets comprise cash at bank and deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 5 to 7 days. The Fund's policy is to always maintain a prudent level of liquid assets so as to reduce liquidity risk.

The following table summarises the Fund's financial assets and 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.

	Contractual cash flows (undiscounted)					
	0 - 1	1 - 2	2 - 3	3 - 4	4 - 5	More than 5
	year RM	years RM	years RM	years RM	years RM	years RM
<b>2021</b>						
<b>Financial assets</b>						
Investments	3,894,810	8,894,741	37,917,799	16,846,923	16,240,386	26,667,986
Deposits with licensed financial institutions	110,994,083	-	-	-	-	-
Cash at bank	30,205,909	-	-	-	-	-
<b>Total financial assets</b>	<b>145,094,802</b>	<b>8,894,741</b>	<b>37,917,799</b>	<b>16,846,923</b>	<b>16,240,386</b>	<b>26,667,986</b>
<b>Financial liabilities</b>						
Amount due to Manager	51,929	-	-	-	-	-
Amount due to Trustee	6,594	-	-	-	-	-
Accruals	17,200	-	-	-	-	-
<b>Total financial liabilities</b>	<b>75,723</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## UNITED-i CONSERVATIVE INCOME FUND

### 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (c) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge an obligation. The Fund can invest up to 100% of its net asset value in money market instruments and fixed income instruments. As such the Fund would be exposed to the risk of bond issuers and financial institutions defaulting on its repayment obligations which in turn would affect the net asset value of the Fund. This risk is mitigated by spreading the investments across several financial institutions or issuers, and investing in financial institutions or issuers with a minimum short-term rating by any global or local domestic rating agency which indicates strong capacity for timely payment of obligations, or a minimum short-term rating which indicates high safety for timely payment of financial obligations.

An economic recession may adversely affect an issuer's financial condition and the market value of fixed income securities and/or money market instruments issued by such entity. The issuer's ability to service its debt obligations may be adversely affected by specific issuer developments, or the issuer's inability to meet specific projected business forecasts. All this may impact the valuation of the Fund or result in the Fund experiencing losses.

#### (i) Credit quality of financial assets

The following table sets out maximum exposure to credit risk and the credit risk concentrations of the Fund.

	Unquoted fixed income securities RM	Islamic deposits and cash at bank RM	Total RM	As a percentage of net asset value %
<b>2021</b>				
<b>Credit rating</b>				
- AAA	-	55,342,858	55,342,858	22.92
- AA1	-	30,205,909	30,205,909	12.51
- AA2	-	27,475,024	27,475,024	11.38
- AA3	-	27,728,582	27,728,582	11.49
- Non-rated	100,742,312	-	100,742,312	41.73
	<u>100,742,312</u>	<u>140,752,373</u>	<u>241,494,685</u>	<u>100.03</u>

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

**16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**
**(c) Credit risk (continued)**
**(ii) Credit risk concentration**

Concentration of risk is monitored and managed based on sectorial distribution. The table below analyses the Fund's portfolio of investments analysed by sectorial distribution as at financial period:

	Unquoted fixed income securities RM	As a percentage of investments %	As a net asset value %
<b>2021</b>			
<b>Sector</b>			
Financial services	63,476,735	63.01	26.29
Infrastructure	21,969,264	21.81	9.10
Property and Real Estate	4,982,407	4.94	2.07
Transportation	10,313,906	10.24	4.27
	<b>100,742,312</b>	<b>100.00</b>	<b>41.73</b>

There is no geographical risk as the Fund only invests in investments in Malaysia.

**(d) Profit rate risk**

Profit rates offered by banks and financial institutions will fluctuate according to the Overnight Policy Rate (“OPR”) determined by Bank Negara Malaysia and this has direct correlation with the return on the Fund’s placements with licensed financial institutions. The Fund will enjoy higher profit income when profit rates rise and vice versa. Upon the revision of the OPR, rates for pre-existing placements with licensed financial institutions will remain unchanged. The change in the OPR will only affect new placements made after such change.

In addition, the Fund's market value of a portfolio of fixed income securities is also subject to profit rate risk. Profit rate is a general indicator that will have an impact on the management of the Fund. This risk refers to the effect of profit rate changes on the market value of a portfolio of fixed income securities. In the event of rising profit rates, prices of fixed income securities will generally decrease and vice versa. Meanwhile, fixed income securities with longer maturities and lower coupon/profit rates are more sensitive to profit rate changes.



## 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

**(d) Profit rate risk (continued)**

The Fund's exposure to profit rate risk is managed according to the Manager's view of the profit rate environment. The table below summarises the sensitivity of the Fund's net asset value and profit after tax to movement in prices of unquoted fixed income securities held by the Fund as a result of movement in profit rate. The analysis is based on the assumptions that the profit rate increased and decreased by 1% with all other variables held constant.

	Change in profit rate %	Impact on net income after taxation/ net asset value RM
<b>2021</b>		
<b>Assets</b>		
	+1%	(1,007,423)
Unquoted fixed income securities	-1%	1,007,423
	+1%	1,105,465
Deposits with licensed financial institutions	-1%	(1,105,465)

**(e) Single issuer risk**

Internal policy restricts the Fund from investing in securities issued by any issuer of not more than a certain percentage of its net asset value. Under such restriction, the risk exposure to the securities of any single issuer is diversified and managed by issuer is managed based on internal/external ratings.

**(f) Regulatory risk**

Any changes in national policies and regulations may have effects on the capital market and net asset value of the Fund.

**(g) Management risk**

A lack of experience, knowledge and expertise, as well as poor execution of the investment strategy of the Fund may cause considerable losses to the Fund that in turn may affect the net asset value of the Fund.

## **UNITED-*i* CONSERVATIVE INCOME FUND**

### **16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

#### **(h) Non-compliance risk**

This is the risk of the Manager, the Trustee or the Fund not complying with internal policies, the Deed of the Fund, securities law or guidelines issued by the regulators. Non-compliance risk may adversely affect the investment of the Fund when the Fund is forced to rectify the non-compliance.

### **17. CAPITAL MANAGEMENT**

The capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund's units in issue at the end of the financial period are disclosed in Note 7(a).

No changes were made to the Fund's objectives, policies or processes during the current financial period.

### **18. SHARIAH INFORMATION OF THE FUND**

The Shariah Adviser confirmed that the investment portfolio of the Fund is Shariah-compliant, which comprises liquid assets that are placed in the Shariah-compliant investments and/or instruments.

### **19. COMPARATIVE FIGURES**

There are no comparative figures as this is the Fund's first set of annual financial statements since its commencement on 24 March 2020.

## CORPORATE INFORMATION

Manager	UOB Asset Management (Malaysia) Berhad 199101009166(219478-X)
Registered & Principal Office	Level 22, Vista Tower The Intermark 348, Jalan Tun Razak 50400 Kuala Lumpur  Tel: 03-2732 1181 Fax: 03-2164 8188  Website: <a href="http://www.uobam.com.my">www.uobam.com.my</a>
Board of Directors	Mr Wong Kim Choong Mr Thio Boon Kiat (alternate to Mr Wong Kim Choong) Mr Seow Lun Hoo Mr Seow Voon Ping (alternate to Mr Seow Lun Hoo) Mr Wong Yoke Leong Mr Lim Kheng Swee En Syed Naqiz Shahabuddin Bin Syed Abdul Jabbar Ms Lim Suet Ling (Executive Director & CEO)
Trustee	Deutsche Trustees Malaysia Berhad 200701005591 (763590-H)
Auditor of the Fund	Ernst & Young
Tax Advisers of the Fund	Deloitte Tax Services Sdn Bhd