

Affin Hwang

Select AUD Income Fund

Annual Report
31 August 2019

Out **think.** Out **perform.**



AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad (429786-T)

TRUSTEE
TMF Trustees Malaysia Berhad (610812-W)

AFFIN HWANG SELECT AUD INCOME FUND

Annual Report and Audited Financial Statements For Financial Year Ended 31 August 2019

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FUND INFORMATION

Fund Name	Affin Hwang Select AUD Income Fund
Fund Type	Income & Growth
Fund Category	Mixed Asset
Investment Objective	The Fund endeavours to provide regular and steady income distribution over the long-term
Benchmark	The benchmark will be a combination of the Reserve Bank of Australia (RBA) Average Rate of Term Deposits (across all terms) weighing at 80% for the fixed income investments and Dow Jones Australia Select Dividend 30 Index weighing at 20% for the equities portion
Distribution Policy	The Fund endeavours to distribute income on a semi-annual basis

BREAKDOWN OF UNITHOLDERS BY SIZE RM CLASS AS AT 31 AUGUST 2019

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	36	84
5,001 to 10,000	32	227
10,001 to 50,000	41	909
50,001 to 500,000	45	7,749
500,001 and above	16	59,346
Total	170	68,315

* Note : Excluding Manager's stock

BREAKDOWN OF UNITHOLDERS BY SIZE AUD CLASS AS AT 31 AUGUST 2019

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	3	1
5,001 to 10,000	3	22
10,001 to 50,000	42	1,121
50,001 to 500,000	68	8,961
500,001 and above	21	312,416
Total	137	322,521

* Note : Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 31 Aug 2019 (%)	As at 31 Aug 2018 (%)	As at 31 Aug 2017 (%)
Portfolio composition			
Quoted equities			
- Basic materials	1.28	2.87	2.84
- Consumer services	0.84	1.32	0.72
- Financials	5.67	7.00	7.27
- Healthcare	0.50	1.07	-
- Industrial	1.53	2.93	3.53
- Oil & Gas	1.54	1.37	1.44
- Telecommunication	1.00	-	-
- REITs	-	-	0.68
- Utilities	0.47	1.18	1.24
Total quoted equities	12.83	17.74	17.72
Unquoted fixed income securities	81.12	76.96	75.60
Cash & cash equivalent	6.05	5.30	6.68
Total	100.00	100.00	100.00

Currency class	<u>RM</u> <u>Class</u>	<u>AUD</u> <u>Class</u>	<u>RM</u> <u>Class</u>	<u>AUD</u> <u>Class</u>	<u>RM</u> <u>Class</u>	<u>AUD</u> <u>Class</u>
Total NAV (million)	37.600	210.274	39.835	207.265	52.734	180.565
NAV per unit (respective currencies)	0.5503	0.6520	0.5641	0.6233	0.6526	0.6204
Unit in Circulation (million)	68.332	322.523	70.616	332.536	80.808	291.059
Highest NAV	0.5660	0.6520	0.6531	0.6292	0.6550	0.6237
Lowest NAV	0.5218	0.6011	0.5495	0.6131	0.5932	0.6022
Return of the Fund (%) ⁱⁱⁱ	2.11	8.03	-9.85	3.76	14.01	2.66
- Capital Return (%) ⁱ	-2.45	4.60	-13.56	0.47	9.48	-0.64
- Income Return (%) ⁱⁱ	4.68	3.27	4.29	3.28	4.14	3.32
Gross Distribution per Unit (sen)	2.50	2.00	2.50	2.00	2.50	2.00
Net Distribution per Unit (sen)	2.50	2.00	2.50	2.00	2.50	2.00
Management Expenses Ratio (%) ¹		1.60		1.67		1.70
Portfolio Turnover Ratio (times) ²		0.69		0.51		0.64

Basis of calculation and assumption made in calculating the returns:-

The performance figures are a comparison of the growth/decline in NAV for the stipulated period taking into account all the distribution payable (if any) during the stipulated period.

An illustration of the above would be as follow:-

Capital return	= NAV per Unit end / NAV per Unit begin – 1
Income return	= Income distribution per Unit / NAV per Unit ex-date
Total return	= (1+Capital return) x (1+Income return) – 1

¹ The Fund's MER was lower than previous year due to lower expenses incurred during the year under review.

² The Fund's PTR was higher than previous year due to higher average sum of total acquisition and disposal for the year under review.

RM Class

Capital Returnⁱ = {NAV per Unit @ 31/08/19 ÷ NAV per Unit @ 31/08/18* – 1} x 100
= (0.5503 ÷ 0.5641 – 1) x 100
= **-2.45%**

Income Return @ ex-date = {Income distribution per Unit ÷ NAV per Unit on ex- date} + 1
= {0.0050 ÷ 0.5572 @ 19/09/18} + 1 = 1.0090
= {0.0100 ÷ 0.5418 @ 10/12/18} + 1 = 1.0185
= {0.0050 ÷ 0.5337 @ 20/03/19} + 1 = 1.0094
= {0.0050 ÷ 0.5467 @ 19/06/19} + 1 = 1.0091

Total Income Returnⁱⁱ = {Income distribution per Unit ÷ NAV per Unit on ex-date} x 100
= {1.0090 x 1.0185 x 1.0094 x 1.0091} – 1 x 100
= **4.68%**

Return of the Fundⁱⁱⁱ = {(1 + Capital Return x (1 + Income Return)) – 1} x 100
= {(1 + (-2.45%)) x (1 + 4.68%)} – 1 x 100
= **2.11%**

AUD Class

Capital Returnⁱ = {NAV per Unit @ 31/08/19 ÷ NAV per Unit @ 31/08/18* – 1} x 100
= (0.6520 ÷ 0.6233 – 1) x 100
= **4.60%**

Income Return @ ex-date = {Income distribution per Unit ÷ NAV per Unit on ex- date} + 1
= {0.0050 ÷ 0.6148 @ 19/09/18} + 1 = 1.0081
= {0.0050 ÷ 0.6024 @ 10/12/18} + 1 = 1.0083
= {0.0050 ÷ 0.6200 @ 20/03/19} + 1 = 1.0081
= {0.0050 ÷ 0.6392 @ 19/06/19} + 1 = 1.0078

Total Income Returnⁱⁱ = {Income distribution per Unit ÷ NAV per Unit on ex-date} x 100
= {1.0081 x 1.0083 x 1.0081 x 1.0078} – 1 x 100
= **3.27%**

Return of the Fundⁱⁱⁱ = {(1 + Capital Return x (1 + Income Return)) – 1} x 100
= {(1 + 4.60%) x (1 + 3.27%)} – 1 x 100
= **8.03%**

* Source – TMF Trustees Malaysia Berhad

RM Class

Table 1: Performance of the Fund

	1 Year (1/9/18 - 31/8/19)	3 Years (1/9/16 - 31/8/19)	5 Years (1/9/14 - 31/8/19)	Since Commencement (8/4/10 - 31/8/19)
Fund	2.11%	4.94%	20.30%	57.77%
Benchmark	(1.02%)	2.02%	9.09%	34.97%
Outperformance	3.13%	2.92%	11.21%	22.80%

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	1 Year (1/9/18 - 31/8/19)	3 Years (1/9/16 - 31/8/19)	5 Years (1/9/14 - 31/8/19)	Since Commencement (8/4/10 - 31/8/19)
Fund	2.11%	1.62%	3.76%	4.97%
Benchmark	(1.02%)	0.67%	1.75%	3.24%
Outperformance	3.13%	0.95%	2.01%	1.73%

Source of Benchmark : Bloomberg

Table 3: Annual Total Return

	FYE 2019 (01/9/18 - 31/8/19)	FYE 2018 (01/9/17 - 31/8/18)	FYE 2017 (01/9/16 - 31/8/17)	FYE 2016 (01/9/15 - 31/8/16)	FYE 2015 (01/9/14 - 31/8/15)
Fund	2.11%	(9.85%)	14.01%	7.51%	6.63%
Benchmark	(1.02%)	(9.44%)	13.82%	6.01%	0.86%
Outperformance / (Underperformance)	3.13%	(0.41%)	0.19%	1.50%	5.77%

Source of Benchmark : Bloomberg

AUD Class

Table 1: Performance of the Fund

	1 Year (1/9/18 - 31/8/19)	3 Years (1/9/16 - 31/8/19)	5 Years (1/9/14 - 31/8/19)	Since Commencement (19/3/11 - 31/8/19)
Fund	8.03%	15.07%	27.11%	65.25%
Benchmark	3.96%	10.12%	13.49%	36.68%
Outperformance	4.07%	4.95%	13.62%	28.57%

Source of Benchmark : Bloomberg

Table 2: Average Total Return

	1 Year (1/9/18 - 31/8/19)	3 Years (1/9/16 - 31/8/19)	5 Years (1/9/14 - 31/8/19)	Since Commencement (19/3/11 - 31/8/19)
Fund	8.03%	4.79%	4.91%	6.12%
Benchmark	3.96%	3.27%	2.56%	3.76%
Outperformance	4.07%	1.52%	2.35%	2.36%

Source of Benchmark : Bloomberg

Table 3: Annual Total Return

	FYE 2019 (01/9/18 - 31/8/19)	FYE 2018 (01/9/17 - 31/8/18)	FYE 2017 (01/9/16 - 31/8/17)	FYE 2016 (01/9/15 - 31/8/16)	FYE 2015 (01/9/14 - 31/8/15)
Fund	8.03%	3.76%	2.66%	5.75%	4.45%
Benchmark	3.96%	2.70%	3.14%	3.70%	(0.62%)
Outperformance / (Underperformance)	4.07%	1.06%	(0.48%)	2.05%	5.07%

Source of Benchmark : Bloomberg

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

MANAGER'S REPORT

Performance Review

RM Class

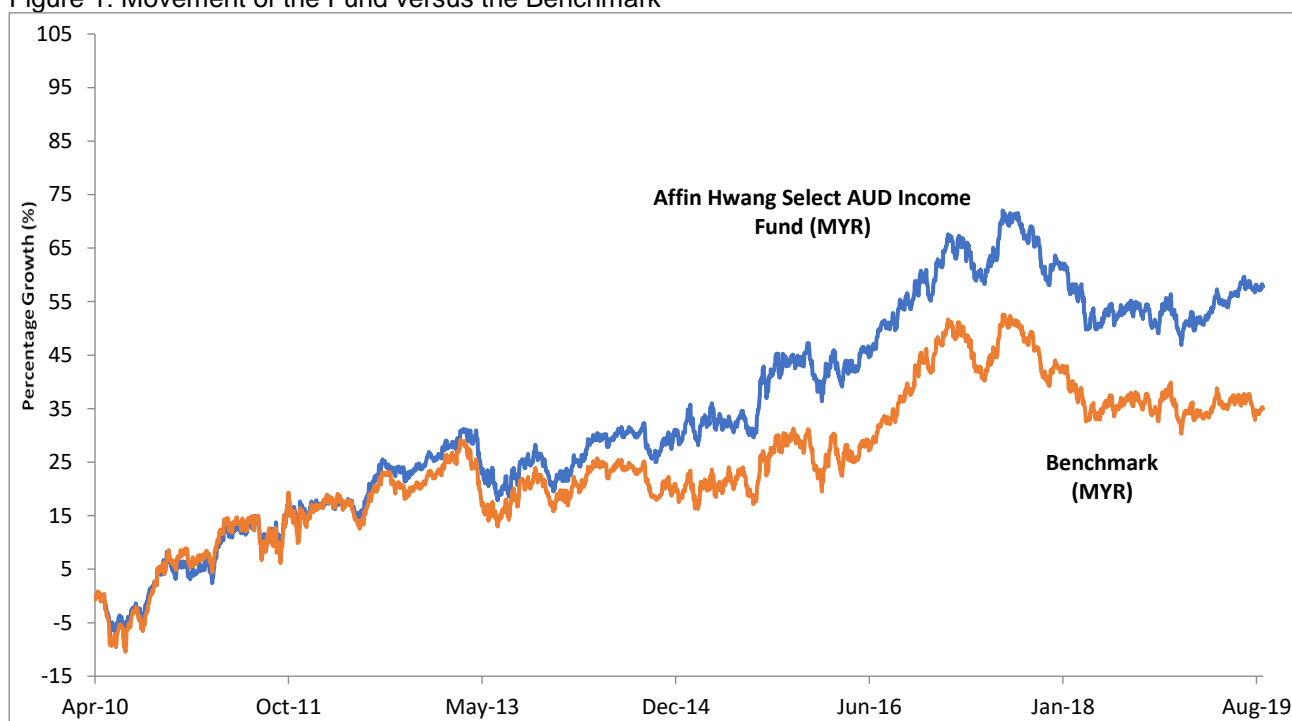
For the period under review from 1 September 2018 to 31 August 2019 the Fund – RM class registered a return of 2.11% compared to the benchmark return of -1.02%. The Fund thus outperformed the Benchmark by 3.13%. The Net Asset Value ("NAV") per unit as at 31 August 2019 was RM0.5503 compared to the NAV as at 31 August 2018 was RM0.5641. The Fund has declared a gross income distribution of RM 0.0250 per unit during the period under review.

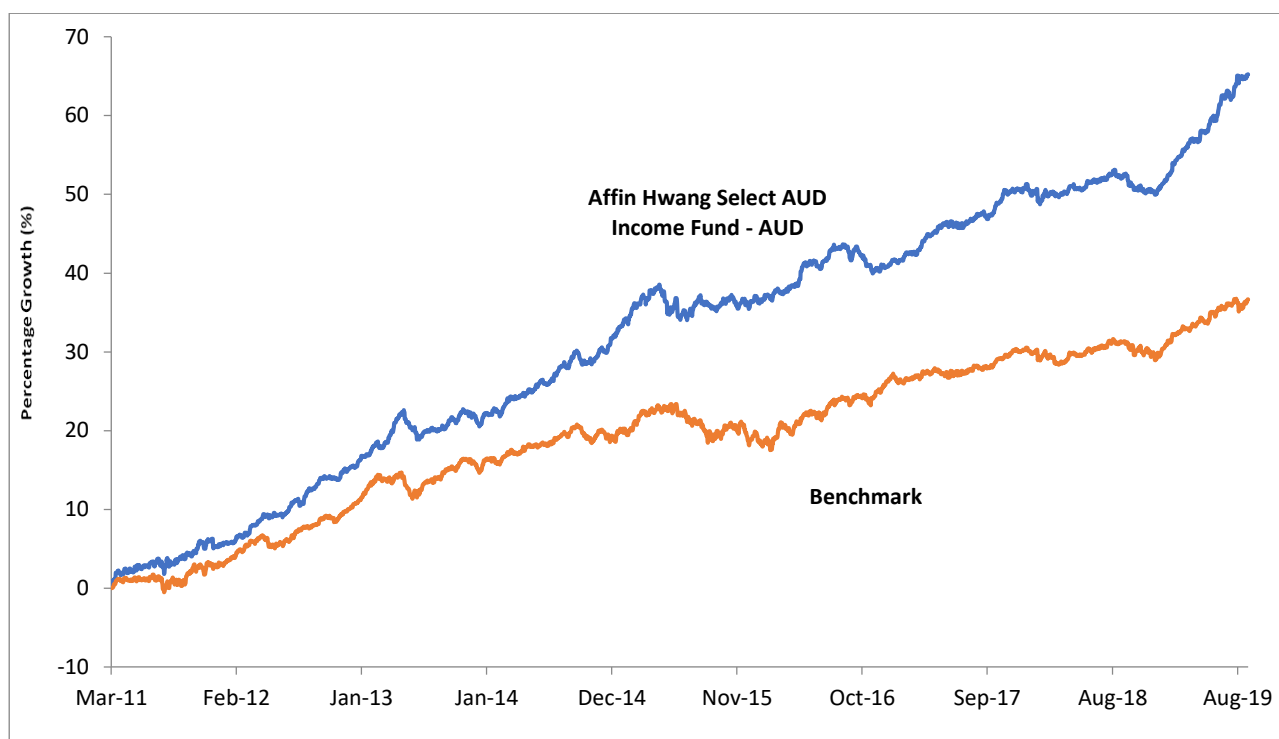
AUD Class

As for the AUD class, the Fund registered a return of 8.03% compared to the benchmark return of 3.96% during the performance under review. The Fund thus outperformed the Benchmark by 4.07%. The Net Asset Value ("NAV") per unit as at 31 August 2019 was AUD0.6520 compared to the NAV per unit as 31 August 2018 was AUD0.6233. The Fund has declared a gross income distribution of AUD0.0200 per unit during the period under review.

Given the performance during the period under review, we believe that the Fund has met its objective by providing regular and steady income distribution over the long term.

Figure 1: Movement of the Fund versus the Benchmark





"This information is prepared by Affin Hwang Asset Management Berhad (AFFINHWANGAM) for information purposes only. Past earnings or the fund's distribution record is not a guarantee or reflection of the fund's future earnings/future distributions. Investors are advised that unit prices, distributions payable and investment returns may go down as well as up. Source of benchmark is from Bloomberg."
 Benchmark: 80% Reserve Bank of Australia (RBA) Average Rate of Term Deposits (fixed income) and 20% Dow Jones Australia Select Dividend Index (equities)

Income Distribution / Unit Split

Affin Hwang Asset Management Berhad recently declared a gross distribution of RM0.0250 per Unit (for RM Class) and AUD0.0200 per Unit (for AUD Class) to investors of the Affin Hwang Select AUD Income Fund over the period under review.

The Net Asset Value per unit prior and subsequent to the distribution was as follows:-

RM Class

Cum Date	Ex-Date	Cum-distribution (RM)	Distribution per Unit (RM)	Ex-distribution (RM)
18 Sep 2018	19 Sep 2018	0.5594	0.0050	0.5572
09 Dec 2018	10 Dec 2018	0.5531	0.0100	0.5418
19 Mar 2019	20 Mar 2019	0.5410	0.0050	0.5337
18 Jun 2019	19 Jun 2019	0.5490	0.0050	0.5467

AUD Class

Cum Date	Ex-Date	Cum-distribution (AUD)	Distribution per Unit (AUD)	Ex-distribution (AUD)
18 Sep 2018	19 Sep 2018	0.6200	0.0050	0.6148
09 Dec 2018	10 Dec 2018	0.6090	0.0050	0.6024
19 Mar 2019	20 Mar 2019	0.6262	0.0050	0.6200
18 Jun 2019	19 Jun 2019	0.6430	0.0050	0.6392

No unit split were declared for the financial year ended 31 August 2019.

Asset Allocation

For a snapshot of the Fund's asset mix during the period under review, please refer to Figure 2.

Figure 2: Asset allocation of the Fund

	<u>31 Aug 2019</u>	<u>31 Aug 2018</u>	<u>31 Aug 2017</u>
	(%)	(%)	(%)
Quoted equities	12.83	17.74	17.72
Unquoted fixed income securities	81.12	76.96	75.60
Cash & Cash equivalent	6.05	5.30	6.68
Total	100.00	100.00	100.00

As at 31 August 2019, the asset allocation of the Fund stood at 12.83% in equities, 81.12% in fixed income instruments while the balance was held in cash and cash equivalent. During the year under review, asset allocation of the Fund remained relatively unchanged compare to a year ago, although exposures into equities were lowered and exposures into fixed income were increased. Cash level on the other hand moved marginally higher compared to previous year.

Strategies Employed

With the return of volatility in markets, we raised our cash holdings and went into a defensive stance in our allocation, deploying into domestic-driven sectors that are less directly impacted from trade tariffs. As the sell-down accelerated, we took a view that the correction was overdone and a recession was not imminent, where we then deployed back into the market with a focus on quality.

Market Review

Trade remained a key overhang of markets following tit-for-tat tariffs. A sharp depreciation of the Chinese yuan also dragged down the rest of EMs, as a high correlation between markets led to further pain within other Asian currencies. The yuan has shed its value when trade tensions started to brew. Due to concerns over trade-frictions with the US and possible second-order impacts on the Chinese economy that could manifest into slower investment and softer consumption, Beijing has shifted slightly towards a more neutral tone that leaves more room for China to loosen its grip on deleveraging and policy easing.

Coming into 2019, for the first time in more than a decade, the US Federal Reserve ("Fed") reduced interest rates by 25bps in July; effectively lowering the benchmark rate to a new range of 2.00-2.25%. Fed Chair Jerome Powell struck a neutral tone; explaining that the rate cut was a mid-cycle adjustment to better sustain the US' current economic expansion. While it was also highlighted that the Fed would do whatever it takes to support the economy, Powell's statement stopped short of committing to a series of near-term interest rate cuts.

Australia's central bank has cut the official cash rate by 0.25% to a new record low of 0.75% recently to increase employment and lift inflation back into the 2-3% target band. The RBA's cut marked the third reduction in the cash rate in five months. The move was long expected as signals were given by the governor Philip Lowe that the Reserve Bank ("RBA") was prepared to push rates lower.

Meanwhile, Hong Kong continues to be plagued by protests which are starting to hurt businesses and dent economic growth. The unrest in Hong Kong started since early June when protesters took to the streets to oppose an extradition bill proposal. The demonstrations have shifted into a movement calling for more autonomy, full democracy and the ousting of Hong Kong's embattled leader Carrie Lam.

On a side note, BNM cut the Overnight Policy Rate by 25 bps to 3.00% on 7 May – likely a pre-emptive measure against a weakening external environment as well as slowing domestic growth. The announcement was largely priced in by investors, which saw the MGS market rallied strongly in the few weeks prior to the announcement, though the buying subsequently eased up amid the addition of risks on the global trade front.

Investment Outlook

Despite Trump's mercurial and volatile nature, it is apparent that China President Xi Jinping is emerging as the dark horse in this protracted US-China trade war. It will be important to gauge the response from Beijing where President Xi has warned of a 'long march' and that it will be prepared to dig in to stave off a potential slowdown. The stakes are higher for Trump who faces a presidential re-election bid in 2020 if the tariffs begins to bite and his popularity wanes.

On monetary policy, the Fed is expected to make a 25bps at its September policy meeting where the central bank will also release its dot plot projection then. Recall at its July 30-31 FOMC meeting, the Fed made a 25bps rate cut, which was the first interest rate reduction since the 2008-GFC.

Fed funds futures are also partially pricing-in another rate cut before the year ends, though this may be slightly ahead of the curve due to underlying strength of the US economy and inflation still benign. Another factor at play is the Fed also wanting to assert its independence and not seen to be influenced by political pressure especially from Trump. Similarly, there may be room for Bank Negara Malaysia ("BNM") to cut rates if macro conditions deteriorate and if the protracted trade war becoming a drag on global growth. The trade impasse which has stretched into a yearlong skirmish between US and China shows no signs of abating yet with negotiations ongoing which could lead to more choppy market conditions.

State of Affairs of the Fund

There is neither any significant change to the state affairs of the Fund nor any circumstances that materially affect any interests of the unit holders during the period under review.

Soft Commissions received from Brokers

As per the requirements of the Securities Commission's Guidelines on Unit Trust Funds and Guidelines on Compliance Function for Fund Management Companies, soft commissions received from brokers/dealers may be retained by the management company only if the :-

- (i) goods and services provided are of demonstrable benefit to Unit holders of the Fund; and
- (ii) goods and services are in the form of research and advisory services that assists in the decision making process.

During the financial period under review, the management company had received on behalf of the Fund, soft commissions in the form of research materials, data and quotation services, investment-related publications, market data feed and industry benchmarking agencies which are of demonstrable benefit to Unitholders of the Fund.

TRUSTEE'S REPORT TO THE UNITHOLDERS OF AFFIN HWANG SELECT AUD INCOME FUND

We have acted as Trustee of Affin Hwang Select AUD Income Fund ("the Fund") for the financial year ended 31 August 2019. To the best of our knowledge, **Affin Hwang Asset Management Berhad**, the Manager, has operated and managed the Fund in accordance with the following:-

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

During this financial period, the total distributions of 2.50 sen per Unit for MYR class and 2.00 cent per Unit for AUD class have been distributed to the Unitholders of the Fund. We are of the view that the distributions are not inconsistent with the objective of the Fund.

For TMF Trustees Malaysia Berhad
(Company No: 610812-W)

NORHAYATI AZIT
DIRECTOR – FUND SERVICES

Kuala Lumpur
14 October 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019**

	<u>Note</u>	<u>2019</u> AUD	<u>2018</u> AUD
INVESTMENT INCOME			
Dividend income		1,776,152	1,770,653
Interest income from financial assets at fair value through profit or loss		6,584,740	6,893,871
Interest income from financial assets at amortised cost		100,539	131,765
Net (loss)/gain on foreign currency exchange		(31,603)	5,428
Net loss on forward foreign currency contracts at fair value through profit or loss		(1,381,741)	(1,068,799)
Net gain on financial assets at fair value through profit or loss	8	12,108,695	3,710,572
		<u>19,156,782</u>	<u>11,443,490</u>
EXPENSES			
Management fee	4	(3,117,005)	(3,225,038)
Trustee fee	5	(166,342)	(172,133)
Auditors' remuneration		(3,023)	(2,651)
Tax agent's fee		(1,277)	(1,091)
Transaction costs		(152,523)	(213,190)
Other expenses		(80,576)	(206,002)
		<u>(3,520,746)</u>	<u>(3,820,105)</u>
NET PROFIT BEFORE FINANCE COST AND TAXATION		15,636,036	7,623,385
FINANCE COST (EXCLUDING INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)			
Distributions	7	(6,808,940)	(6,996,408)
NET PROFIT BEFORE TAXATION		8,827,096	626,977
TAXATION	6	-	(46,413)
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>8,827,096</u>	<u>580,564</u>
Increase in net assets attributable to unitholders is made up of the following:			
Realised amount		1,186,968	775,451
Unrealised amount		7,640,128	(194,887)
		<u>8,827,096</u>	<u>580,564</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2019**

	<u>Note</u>	<u>2019</u> AUD	<u>2018</u> AUD
ASSETS			
Cash and cash equivalents	9	12,278,963	11,314,563
Amount due from Manager			
- creation of units		1,935,778	169,471
Amount due from brokers		-	1,580,064
Dividend receivables		164,117	87,395
Other receivable		46,131	-
Financial assets at fair value through profit or loss	8	210,028,720	208,889,033
TOTAL ASSETS		<u>224,453,709</u>	<u>222,040,526</u>
LIABILITIES			
Amount due to Manager			
- management fee		277,360	281,259
- cancellation of units		49,915	449,760
Amount due to Trustee		14,793	15,001
Amount due to brokers		-	500,000
Auditors' remuneration		2,770	2,748
Tax agent's fee		976	1,063
Other payables and accruals		(100)	2,922
Forward foreign currency contracts at fair value through profit or loss	10	552,402	223,201
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)		<u>898,116</u>	<u>1,475,954</u>
NET ASSET VALUE OF THE FUND		<u>223,555,593</u>	<u>220,564,572</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>223,555,593</u>	<u>220,564,572</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2019 (CONTINUED)**

	<u>Note</u>	<u>2019</u> AUD	<u>2018</u> AUD
REPRESENTED BY			
FAIR VALUE OF OUTSTANDING UNITS			
- RM class		13,281,940	13,299,900
- AUD class		210,273,653	207,264,672
		<u>223,555,593</u>	<u>220,564,572</u>
NUMBER OF UNITS IN CIRCULATION			
- RM class	11	68,332,000	70,616,000
- AUD class	11	322,523,000	332,536,000
		<u>390,855,000</u>	<u>403,152,000</u>
NET ASSET VALUE PER UNIT (AUD)			
- RM class		0.1944	0.1883
- AUD class		0.6520	0.6233
		<u>0.6520</u>	<u>0.6233</u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES			
- RM class		RM0.5503	RM0.5641
- AUD class		AUD0.6520	AUD0.6233
		<u>AUD0.6520</u>	<u>AUD0.6233</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019**

	<u>2019</u> AUD	<u>2018</u> AUD
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR	220,564,572	196,085,873
Movement due to units created and cancelled during the financial year		
Creation of units arising from applications	31,435,977	47,101,648
- RM class	1,771,715	4,055,111
- AUD class	29,664,262	43,046,537
Creation of units arising from distributions	5,602,537	5,865,189
- RM class	459,621	476,860
- AUD class	5,142,916	5,388,329
Cancellation of units	(42,874,589)	(29,068,702)
- RM class	(2,643,173)	(6,458,707)
- AUD class	(40,231,416)	(22,609,995)
Net increase in net assets attributable to unitholders during the financial year	8,827,096	580,564
- RM class	393,877	(293,468)
- AUD class	8,433,219	874,032
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL YEAR	<u>223,555,593</u>	<u>220,564,572</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019**

	<u>Note</u>	<u>2019</u> AUD	<u>2018</u> AUD
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		149,417,254	100,252,694
Purchase of investments		(138,170,128)	(122,294,348)
Dividends received		1,662,588	1,777,861
Interest received		7,288,571	7,006,931
Management fee paid		(3,120,904)	(3,192,879)
Trustee fee paid		(166,550)	(170,417)
Realised losses on forward foreign currency contracts		(1,052,540)	(825,439)
Payments for other fees and expenses		(51,121)	(231,564)
Net realised (loss)/gain on foreign currency exchange		(33,083)	46,500
Net cash generated from/(used in) operating activities		<u>15,774,087</u>	<u>(17,630,661)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from creation of units		29,669,670	47,662,425
Payments for cancellation of units		(43,274,434)	(28,883,767)
Payments for distributions		(1,206,403)	(1,131,219)
Net cash (used in)/generated from financing activities		<u>(14,811,167)</u>	<u>17,647,439</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		962,920	16,778
EFFECTS OF FOREIGN CURRENCY EXCHANGE		1,480	3,866
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>11,314,563</u>	<u>11,293,919</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	9	<u><u>12,278,963</u></u>	<u><u>11,314,563</u></u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019

The following accounting policies have been used in dealing with items which are considered material in relation to the financial statements.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention, except as disclosed in the summary of significant accounting policies and comply with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The preparation of financial statements in conformity with MFRS 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 revenue and expenses during the reported financial year. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. Although these estimates and judgment are based on the Manager's best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note O.

(a) Standards, amendments to published standards and interpretations that are effective:

The Fund has applied the following amendments for the first time for the financial year beginning on 1 September 2018:

- MFRS 9 'Financial Instruments' became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in MFRS 139.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest ("SPPI"). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. MFRS 9 also introduces a new expected credit loss ("ECL") impairment model.

MFRS 9 has been applied retrospectively by the Fund and has resulted in the changes outlined in Note H.

The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

- (a) Standards, amendments to published standards and interpretations that are effective: (continued)

The Fund has applied the following amendments for the first time for the financial year beginning on 1 September 2018: (continued)

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2018 that have a material effect on the financial statements of the Fund.

- (b) New standards, amendments and interpretations effective after 1 January 2019 and have not been early adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 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.

B INCOME RECOGNITION

Dividend income

Dividend income is recognised on the ex-dividend date, when the right to receive the dividend has been established.

Interest income

Interest income from short term deposits with licensed financial institutions and unquoted fixed income securities are recognised based on effective interest rate method on an accruals basis.

Up to 31 August 2018, when a loan and receivable is impaired, the Fund reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continue unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

From 1 September 2018, 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 asset (after deduction of the loss allowance).

The changes did not result in any material impact in the Fund.

Realised gains and losses on sale of investments

For quoted equities, realised gains and losses on sale of investments are accounted for as the difference between the net disposal proceeds and the carrying amount of the investments, determined on a weighted average cost basis.

For unquoted fixed income securities, realised gains and losses on sale of investments are accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on cost adjusted for accretion of discount or amortisation of premium on investments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

C DISTRIBUTION

A distribution to the Fund's unitholders is accounted for as a finance cost in the statement of comprehensive income. A proposed distribution is recognised as a liability in the period in which it is approved by the Trustee of the Fund.

D TRANSACTION COSTS

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include the bid-ask spread, fees and commissions paid to agents, advisors, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

E TAXATION

Current tax expense is determined according to the Malaysian tax laws at the current rate based upon the taxable profits earned during the financial year.

Withholding taxes on investment income from foreign investment are based on tax regime of the respective countries that the Fund invests in. Such withholding taxes are not "income tax" in nature and are recognised, measured based on the requirements of MFRS 137. They are presented within other expenses line in the statement of comprehensive income.

F FUNCTIONAL AND PRESENTATION 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 Australian Dollar ("AUD"), which is the Fund's functional and presentation currency.

G FOREIGN CURRENCY TRANSLATIONS

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

H FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

Up to 31 August 2018, the Fund designates its investments in quoted equities and unquoted fixed income securities as financial assets at fair value through profit or loss.

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

Derivatives are financial assets/liabilities at fair value through profit or loss categorised as held-for-trading unless they are designated hedges (Note N).

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund's loan and receivables comprise cash and cash equivalents, amount due from Manager, amount due from brokers and dividend receivables.

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

The Fund classifies amount due to Manager, amount due to Trustee, amount due to brokers, auditors' remuneration, tax agent's fee and other payables and accruals as other financial liabilities.

From 1 September 2018, the Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments and derivatives not designated as hedging instruments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents, amount due from Manager, dividend receivables and other receivable as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies amount due to Manager, amount due to Trustee, amount due to brokers, auditors' remuneration, tax agent's fee and other payables and accruals as financial liabilities measured at amortised cost.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

H FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement

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

Financial liabilities, within the scope of MFRS 139 up to 31 August 2018 and MFRS 9 from 1 September 2018, 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.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category including the effects of foreign transactions are presented in the statement of comprehensive income within 'net gain/(loss) on financial assets at fair value through profit or loss' in the period which they arise.

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

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 basis approved by the Trustee after appropriate technical consultation.

Unquoted fixed income securities including money market instruments denominated in foreign currencies are revalued at least twice a week by reference to the mid-price quoted in Bloomberg. The Fund uses the Composite Bloomberg Bond Trader ("CBBT") which is a weighted average bid and ask of price contributions submitted by Bloomberg Dealers. However, if such quotations are not available, the fair value shall be determined by reference to the bid and offer prices quoted by independent and reputable financial institutions.

Derivative investment consists of forward foreign currency contracts. Financial derivative position will be "marked to market" at the close of each valuation day. Foreign exchange gains and losses on the derivative financial instrument are recognised in profit or loss when settled or at the date of the statement of financial position at which time they are included in the measurement of the derivative financial instrument. Derivative instruments that have a negative fair value are presented as liabilities at fair value through profit or loss.

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 maturity of the deposits.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

H FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

Financial assets at amortised cost and other financial liabilities are subsequently carried at amortised cost using the effective interest method.

(iii) Impairment

Up to 31 August 2018, for assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

From 1 September 2018 onwards, 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 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.

Definition of default and credit-impaired financial assets

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

H FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (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 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.

I CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances and deposits held in highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

J AMOUNT DUE FROM/(TO) BROKERS

Amounts due from and 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 statement of financial position date respectively. The 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 broker 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 broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

K CREATION AND CANCELLATION OF UNITS

The unitholders' contributions to the Fund meet the definition of puttable instruments classified as financial liability under MFRS 132 "Financial Instruments: Presentation".

The Fund issues cancellable units, in two classes of units, known respectively as the RM class and AUD class, which are cancelled at the unitholder's option and do not have identical features. The units are classified as financial liabilities. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value ("NAV") of respective classes. The outstanding units are carried at the redemption amount that is payable at the statement of financial position if the unitholder exercises the right to put back the unit to the Fund.

Units are created and cancelled at the unitholder's option at prices based on the Fund's NAV per unit of respective classes at the close of business on the relevant dealing day. The Fund's NAV per unit of respective classes is calculated by dividing the net assets attributable to unitholders of respective classes with the total number of outstanding units of respective classes.

L INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Income not distributed is included in net assets attributable to unitholders.

M SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic asset allocation committee of the Manager that makes strategic decisions.

N DERIVATIVE FINANCIAL INSTRUMENTS

A derivative financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The Fund's derivative financial instruments comprise forward foreign currency contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The fair value of forward foreign currency contracts is determined using forward exchange rates at the date of statement of financial position, with the resulting value discounted back to present value.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

N DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note H.

O CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information contents of the estimates, certain key variables that are anticipated to have material impacts to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgments are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the Securities Commission's ("SC") Guidelines on Unit Trust Funds.

Functional currency

Due to mixed factors in determining the functional currency of the Fund, the Manager has used its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have determined the functional currency to be in AUD primarily due to the following factors:

- i) Significant portion of the NAV is invested in quoted and unquoted investments denominated in AUD.
- ii) Significant portion of the Fund's expenses are denominated in AUD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019

1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name HwangDBS AUD Income Fund (the “Fund”) pursuant to the execution of a Deed dated 11 February 2009, First Supplemental Deed dated 21 January 2010, Second Supplemental Deed dated 21 February 2011, Third Supplement Deed dated 8 August 2011, Fourth Supplemental Deed dated 18 January 2012, Fifth Supplemental Deed dated 21 January 2013, Sixth Supplement Deed dated 27 June 2014, Seventh Supplemental Deed dated 19 December 2016 and Eighth Supplemental Deed dated 5 October 2018 (the “Deeds”) entered into between Affin Hwang Asset Management Berhad (the “Manager”) and TMF Trustees Malaysia Berhad (the “Trustee”). The Fund changed its name from HwangDBS AUD Income Fund to Hwang AUD Income Fund as amended by Fourth Supplemental Deed dated 18 January 2012 and changed the objectives and the base currency of the Fund as amended by Fifth Supplemental Deed dated 21 January 2013 and from Hwang AUD Income Fund to Affin Hwang Select AUD Income Fund as amended by the Sixth Supplement Deed dated 27 June 2014.

The Fund commenced operations on 18 March 2010 and will continue its operations until terminated by the Trustee as provided under Clause 12.1 of the Deeds.

The Fund may invest any of the following investments:

- (a) Equities of Australia companies listed in approved exchanges/markets and listed on the Australian Securities Exchange;
- (b) Debentures, including private debt securities and bonds carrying the minimum investment grade of BBB- by S&P (or its equivalent by Moody's or Fitch);
- (c) Unlisted securities, including without limitation, securities that have been approved by the relevant regulatory authorities for the listing of and quotation of such securities;
- (d) Money market instruments;
- (e) Deposits;
- (f) Derivatives for the purpose of hedging only;
- (g) Warrants;
- (h) Structured products;
- (i) Units or shares in collective investment schemes; and
- (j) Any other form of investments as may be permitted by the SC from time to time which are in line with the objective of the Fund.

All investments will be subjected to the SC's Guidelines on Unit Trust Funds, the Deeds and the objective of the Fund.

The main objective of the Fund is to provide regular and steady income distribution over the long-term.

The Manager is a company incorporated in Malaysia. The principal activities of the Manager are establishment and management of unit trust funds and private retirement schemes as well as providing fund management services to private clients.

The financial statements were authorised for issue by the Manager on 14 October 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	<u>Note</u>	Financial assets at amortised cost AUD	Financial assets/(liabilities) at fair value through profit or loss AUD	<u>Total</u> AUD
<u>2019</u>				
Quoted equities	8	-	28,677,374	28,677,374
Unquoted fixed income securities	8	-	181,351,346	181,351,346
Cash and cash equivalents	9	12,278,963	-	12,278,963
Amount due from Manager				
- creation of units		1,935,778	-	1,935,778
Dividend receivables		164,117	-	164,117
Other receivable		46,131	-	46,131
Forward foreign currency contracts		-	(552,402)	(552,402)
Total		<u>14,424,989</u>	<u>209,476,318</u>	<u>223,901,307</u>

	<u>Note</u>	Loans and receivables AUD	Financial assets/(liabilities) at fair value through profit or loss AUD	<u>Total</u> AUD
<u>2018</u>				
Quoted equities	8	-	39,133,136	39,133,136
Unquoted fixed income securities	8	-	169,755,897	169,755,897
Cash and cash equivalents	9	11,314,563	-	11,314,563
Amount due from Manager				
- creation of units		169,471	-	169,471
Amount due from brokers		1,580,064	-	1,580,064
Dividend receivables		87,395	-	87,395
Forward foreign currency contracts		-	(223,201)	(223,201)
Total		<u>13,151,493</u>	<u>208,665,832</u>	<u>221,817,325</u>

All current liabilities except for forward foreign currency contracts are financial liabilities which are carried at amortised cost.

The Fund is exposed to a variety of risks which include market risk (including price risk, interest rate risk and currency risk), liquidity risk, credit 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 by the SC's Guidelines on Unit Trust Funds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk

(a) Price risk

Price risk arises mainly from the uncertainty about future prices of investments. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Manager manages the risk of unfavourable changes in prices by continuous monitoring of the performance and risk profile of the investment portfolio.

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

	<u>2019</u> AUD	<u>2018</u> AUD
Quoted investments		
Quoted equities	28,677,374	39,133,136
Unquoted investments		
Unquoted fixed income securities*	181,351,346	169,755,897

* Includes interest receivable of AUD2,128,834 (2018: AUD2,242,394)

The following table summarises the sensitivity of the Fund's profit after taxation and net asset value to price risk movements. The analysis is based on the assumptions that the market price increased by 5% and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the quoted and unquoted securities, having regard to the historical volatility of the prices.

<u>% Change in price</u>	<u>Market value</u> AUD	Impact on profit after tax/NAV AUD
<u>2019</u>		
-5%	197,504,892	(10,394,994)
0%	207,899,886	-
+5%	218,294,880	10,394,994
<u>2018</u>		
-5%	196,314,307	(10,332,332)
0%	206,646,639	-
+5%	216,978,971	10,332,332

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(b) Interest rate risk

In general, when interest rates rise, unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund hold unquoted fixed income securities till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

This risk is crucial in an unquoted fixed income securities fund since unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of unquoted fixed income securities move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted fixed income securities decrease and vice versa. Furthermore, unquoted fixed income securities with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Investors should note that unquoted fixed income securities and money market instruments are subject to interest rate fluctuations. Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The table below summarises the sensitivity of the Fund's profit after tax and NAV to movements in prices of unquoted fixed income securities held by the Fund as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate increased and decreased by 1% (100 basis points) with all other variables held constant.

<u>% Change in interest rate</u>	<u>Impact on profit after tax/NAV</u>	
	<u>2019</u>	<u>2018</u>
	AUD	AUD
+1%	(207,398)	(228,835)
- 1%	207,450	229,077

The Fund's exposure to interest rate risk associated with deposits with licensed financial institutions is not material as the deposits are held on a short term basis.

(c) Currency risk

Currency risk is associated with investments denominated in foreign currencies other than the functional currency of the Fund. When the foreign currencies fluctuate in an unfavourable movement against the Australian Dollar, the investments will face currency losses in addition to the capital gain/(loss). The Manager will evaluate the likely directions of the foreign currency versus the Australian Dollar based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels, and technical chart considerations.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)**

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(c) Currency risk (continued)

The following table sets out the foreign currency risk concentrations and counterparties of the Fund:

	<u>Quoted equities</u> AUD	<u>Unquoted fixed income securities</u> AUD	<u>Forward foreign currency contracts</u> AUD	<u>Cash and cash equivalents</u> AUD	<u>Other assets*</u> AUD	<u>Other payables**</u> AUD	<u>Net assets attributable to unitholders</u> AUD	<u>Total</u> AUD
<u>2019</u>								
Malaysian Ringgit	-	-	-	1,395,399	4,280	(53,561)	(13,281,940)	(11,935,822)
Singapore Dollar	2,455,546	-	-	2,077,470	87,613	-	-	4,620,629
United States Dollar	-	30,962,897	(552,402)	66,777	-	-	-	30,477,272
	<u>2,455,546</u>	<u>30,962,897</u>	<u>(552,402)</u>	<u>3,539,646</u>	<u>91,893</u>	<u>(53,561)</u>	<u>(13,281,940)</u>	<u>23,162,079</u>
<u>2018</u>								
Malaysian Ringgit	-	-	-	1,155,507	31,476	(302,993)	(13,299,900)	(12,415,910)
Singapore Dollar	6,750,213	-	-	272,006	-	-	-	7,022,219
United States Dollar	-	15,789,978	(223,201)	24,239	-	-	-	15,591,016
	<u>6,750,213</u>	<u>15,789,978</u>	<u>(223,201)</u>	<u>1,451,752</u>	<u>31,476</u>	<u>(302,993)</u>	<u>(13,299,900)</u>	<u>10,197,325</u>

* Other assets consist of amount due from Manager, dividend receivables and other receivable

** Other payables consist of amount due to Manager, auditors' remuneration, tax agent's fee and other payables and accruals

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(c) Currency risk (continued)

The table below summarises the sensitivity of the Fund's profit after tax and net asset value to changes in foreign exchange movements. The analysis is based on the assumption that the foreign exchange rate changes by 5%, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Any increase/(decrease) in foreign exchange rate will result in a corresponding (decrease)/increase in the net assets attributable to unitholders by approximately 5%. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in rate %	Impact on profit after tax/NAV AUD
<u>2019</u>		
Malaysian Ringgit	+/- 5	-/+ 596,791
Singapore Dollar	+/- 5	+/- 231,031
United States Dollar	+/- 5	+/- 1,523,864
	<hr/>	<hr/>
<u>2018</u>		
Malaysian Ringgit	+/- 5	-/+ 620,795
Singapore Dollar	+/- 5	+/- 351,111
United States Dollar	+/- 5	+/- 779,551
	<hr/>	<hr/>

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations. The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payment and cancellations of unit by unitholders. Liquid assets comprise cash, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 days.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

The amounts in the table below are the contractual undiscounted cash flows.

	Within <u>one month</u> AUD	Between one month <u>to one year</u> AUD	<u>Total</u> AUD
<u>2019</u>			
Amount due to Manager			
- management fee	277,360	-	277,360
- cancellation of units	49,915	-	49,915
Amount due to Trustee	14,793	-	14,793
Auditors' remuneration	-	2,770	2,770
Tax agent's fee	-	976	976
Other payables and accruals	-	(100)	(100)
Forward foreign currency contracts at fair value through profit or loss	-	552,402	552,402
Net assets attributable to unitholders*	223,555,593	-	223,555,593
	<u>223,897,661</u>	<u>556,048</u>	<u>224,453,709</u>
<u>2018</u>			
Amount due to Manager			
- management fee	281,259	-	281,259
- cancellation of units	449,760	-	449,760
Amount due to Trustee	15,001	-	15,001
Amount due to brokers	500,000	-	500,000
Auditors' remuneration	-	2,748	2,748
Tax agent's fee	-	1,063	1,063
Other payables and accruals	-	2,922	2,922
Forward foreign currency contracts at fair value through profit or loss	-	223,201	223,201
Net assets attributable to unitholders*	220,564,572	-	220,564,572
	<u>221,810,592</u>	<u>229,934</u>	<u>222,040,526</u>

* Outstanding units are redeemed on demand at the unitholders' option. However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Credit risk refers to the ability of an issuer or counterparty to make timely payments of interests, principals and proceeds from realisation of investments. The Manager manages credit risk by undertaking credit evaluation to minimise such risk.

The settlement terms of amount due from brokers are governed by the relevant rules and regulations as prescribed by the respective stock exchanges.

Credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

The settlement terms of the proceeds from the creation of units' receivable from the Manager are governed by the SC's Guidelines on Unit Trust Funds.

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

	Unquoted fixed income securities AUD	Forward foreign currency contracts AUD	Cash and cash equivalents AUD	Other assets* AUD	Total AUD
<u>2019</u>					
Basic Materials					
- Baa1 / BBB+	5,340,508	-	-	-	5,340,508
- Baa2 / BBB	3,011,701	-	-	-	3,011,701
- NR	-	-	-	21,986	21,986
Consumer Goods					
- A2 / A	3,119,910	-	-	-	3,119,910
- A3 / A-	3,002,970	-	-	-	3,002,970
Consumer Services					
- Baa1 / BBB+	3,425,940	-	-	-	3,425,940
- Baa2 / BBB	2,784,275	-	-	-	2,784,275
Financials					
- AAA	3,172,410	-	2,381,457	-	5,553,867
- Aa1 / AA+	-	-	9,897,506	-	9,897,506
- Aa2 / AA	-	(449,117)	-	-	(449,117)
- Aa3 / AA-	6,136,900	(103,285)	-	-	6,033,615
- A1 / A+	3,126,951	-	-	-	3,126,951
- A2 / A	7,345,445	-	-	-	7,345,445
- A3 / A-	32,010,109	-	-	-	35,254,099
- Baa1 / BBB+	16,223,949	-	-	-	16,223,949
- Baa2 / BBB	9,749,806	-	-	-	4,710,806
- Baa3 / BBB-	11,025,994	-	-	-	11,025,994
- NR	-	-	-	131,767	131,767

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

The following table sets out the credit risk concentration and counterparties of the Fund: (continued)

	Unquoted fixed income <u>securities</u> AUD	Forward foreign currency <u>contracts</u> AUD	Cash and cash <u>equivalents</u> AUD	Other <u>assets*</u> AUD	<u>Total</u> AUD
<u>2019</u> (continued)					
Government					
- AAA	10,922,785	-	-	-	10,922,785
- Aa1 / AA+	3,607,650	-	-	-	3,607,650
Health Care					
- NR	-	-	-	2,688	2,688
Industrials					
- A3 / A-	3,243,990	-	-	-	3,243,990
- Baa2 / BBB	12,239,355	-	-	-	12,239,355
Oil & Gas					
- Baa3 / BBB-	7,470,341	-	-	-	7,470,341
- NR	-	-	-	22,287	22,287
Quasi-Gov					
- Aa1 / AA+	2,810,025	-	-	-	2,810,025
- Aa3 / AA-	1,745,625	-	-	-	1,745,625
Technology					
- Aa1 / AA+	2,837,620	-	-	-	2,837,620
Telecommunications					
- Baa1 / BBB+	2,334,460	-	-	-	2,334,460
- Baa2 / BBB	6,406,077	-	-	-	6,406,077
- NR	-	-	-	31,520	31,520
Utilities					
- Aa2 / AA	5,342,000	-	-	-	5,342,000
- A3 / A-	7,003,190	-	-	-	7,003,190
- Baa1 / BBB+	2,694,100	-	-	-	2,694,100
- Baa2 / BBB	3,217,260	-	-	-	3,217,260
Others					
- NR	-	-	-	1,935,778	1,935,778
	<u>181,351,346</u>	<u>(552,402)</u>	<u>12,278,963</u>	<u>2,146,026</u>	<u>195,223,933</u>

* Others assets consist of amount due from Manager, dividend receivables and other receivable

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

The following table sets out the credit risk concentration and counterparties of the Fund: (continued)

	Unquoted fixed income <u>securities</u> AUD	Cash and cash <u>equivalents</u> AUD	Other <u>assets*</u> AUD	<u>Total</u> AUD
<u>2018</u>				
Basic Materials				
- Baa2 / BBB	7,221,327	-	-	7,221,327
Consumer Services				
- Baa2 / BBB	2,614,025	-	-	2,614,025
Financials				
- Aa1 / AA+	2,033,780	11,314,563	-	13,348,343
- Aa2 / AA	7,292,260	-	-	7,292,260
- Aa3 / AA-	9,751,715	-	-	9,751,715
- A1 / A+	1,810,044	-	-	1,810,044
- A2 / A	4,017,695	-	-	4,017,695
- A3 / A-	21,825,385	-	-	21,825,385
- Baa1 / BBB+	23,388,685	-	-	23,388,685
- Baa2 / BBB	9,036,312	-	-	9,036,312
- Baa3 / BBB-	16,697,620	-	-	16,697,620
Government				
- AAA	8,573,600	-	-	8,573,600
Industrials				
- A3 / A-	805,456	-	-	805,456
- Baa2 / BBB	17,746,783	-	-	17,746,783
- Baa3 / BBB-	3,175,290	-	-	3,175,290
Quasi-Gov				
- Aa3 / AA-	1,562,925	-	-	1,562,925
Technology				
- Aa1 / AA+	2,742,750	-	-	2,742,750
Telecommunications				
- Baa1 / BBB+	6,063,030	-	-	6,063,030
Utilities				
- Aa2 / AA	5,372,500	-	-	5,372,500
- A3 / A-	9,088,885	-	-	9,088,885
- Baa1 / BBB+	2,624,100	-	-	2,624,100
- Baa2 / BBB	6,311,730	-	-	6,311,730
Others				
- NR	-	-	1,836,930	1,836,930
	<u>169,755,897</u>	<u>11,314,563</u>	<u>1,836,930</u>	<u>182,907,390</u>

* Others assets consist of amount due from Manager, amount due from brokers and dividend receivables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital risk

The capital of the Fund is represented by net assets attributable to unitholders. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders.

The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

3 FAIR VALUE ESTIMATION

Financial instruments comprise financial assets and financial liabilities. Fair value is 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.

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the period end date. The Fund utilises the current bid price for financial assets which falls within the bid-ask spread.

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

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques.

(i) Fair value hierarchy

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1)
- 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 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

	<u>Level 1</u> AUD	<u>Level 2</u> AUD	<u>Level 3</u> AUD	<u>Total</u> AUD
<u>2019</u>				
Financial assets at fair value through profit or loss				
- quoted equities	28,677,374	-	-	28,677,374
- unquoted fixed income securities	-	181,351,346	-	181,351,346
	<u>28,677,374</u>	<u>181,351,346</u>	<u>-</u>	<u>210,028,720</u>
Financial liabilities at fair value through profit or loss				
- forward foreign currency contracts	-	(552,402)	-	(552,402)
	<u>-</u>	<u>(552,402)</u>	<u>-</u>	<u>(552,402)</u>
<u>2018</u>				
Financial assets at fair value through profit or loss				
- quoted equities	39,133,136	-	-	39,133,136
- unquoted fixed income securities	-	169,755,897	-	169,755,897
	<u>39,133,136</u>	<u>169,755,897</u>	<u>-</u>	<u>208,889,033</u>
Financial liabilities at fair value through profit or loss				
- forward foreign currency contracts	-	(223,201)	-	(223,201)
	<u>-</u>	<u>(223,201)</u>	<u>-</u>	<u>(223,201)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities. The Fund does not adjust the quoted prices for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted fixed income securities and forward foreign currency contracts. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

- (ii) The carrying values of cash and cash equivalents, amount due from Manager, amount due from brokers, dividend receivables, other receivable and all current liabilities except for forward foreign currency contracts are a reasonable approximation of the fair values due to their short term nature.

4 MANAGEMENT FEE AND MANAGEMENT FEE REBATE

	<u>2019</u> AUD	<u>2018</u> AUD
Gross management fee	3,118,907	3,227,498
Management fee rebate		
- interest income earned on collection accounts	(1,902)	(2,460)
Net management fee	<u>3,117,005</u>	<u>3,225,038</u>

In accordance with the Deeds, the Manager is entitled to a management fee at a rate not exceeding 3.00% per annum on the NAV of the Fund calculated on a daily basis.

For the financial year ended 31 August 2019, the management fee is recognised at a rate of 1.50% (2018: 1.50%) per annum on the NAV of the Fund, calculated on a daily basis as stated in the Fund's Prospectus.

The interest income earned by the Manager from the Fund's trust collection account maintained by the Manager is netted off against the gross management fee charged by the Manager.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

5 TRUSTEE FEE

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.10% per annum on the net asset value ("NAV") of the Fund subject to a minimum fee of RM18,000 per annum, excluding of foreign custodian fees and charges.

For the financial year ended 31 August 2019, the Trustee's fee is recognised at a rate of 0.08% (2018: 0.08%) per annum on the NAV of the Fund, inclusive of local custodian fee but exclusive of foreign sub-custodian fee, calculated on a daily basis as stated in the Fund's Prospectus.

There will be no further liability to the Trustee in respect of Trustee fee other than the amounts recognised above.

6

TAXATION

	<u>2019</u> AUD	<u>2018</u> AUD
Current taxation – foreign	-	46,413

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

	<u>2019</u> AUD	<u>2018</u> AUD
Net profit before finance cost and taxation	15,636,036	7,623,385
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	3,752,649	1,829,612
Tax effects of:		
Investment income not subject to tax	(4,597,628)	(2,746,438)
Expenses not deductible for tax purposes	96,011	142,039
Restrictions on tax deductible expenses for Unit Trust Funds	748,968	774,787
Foreign investment income subject to different tax rates	-	46,413
Tax expense	-	46,413

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)**

7 DISTRIBUTIONS

	<u>2019</u> AUD	<u>2018</u> AUD
Distributions to unitholders are from the following sources:		
Dividend income	-	447,017
Interest income	-	338,498
Previous years' realised income	6,811,858	6,210,893
	<hr/>	<hr/>
Gross realised income	6,811,858	6,996,408
Less: Expenses	(2,918)	-
	<hr/>	<hr/>
Net distribution amount	6,808,940	6,996,408
	<hr/> <hr/>	<hr/> <hr/>

	Gross/Net distribution per unit (sen)	
	<u>RM class</u> RM	<u>AUD class</u> AUD
<u>2019</u>		
19.09.2018	0.50	0.50
10.12.2018	1.00	0.50
20.03.2019	0.50	0.50
19.06.2019	0.50	0.50
	<hr/>	<hr/>
	2.50	2.00
	<hr/> <hr/>	<hr/> <hr/>
<u>2018</u>		
18.09.2017	0.50	0.50
12.12.2017	1.00	0.50
15.03.2018	0.50	0.50
13.06.2018	0.50	0.50
	<hr/>	<hr/>
	2.50	2.00
	<hr/> <hr/>	<hr/> <hr/>

Gross distribution per unit is derived from gross realised income less expenses divided by the number of units in circulation, while net distribution per unit is derived from gross realised income less expenses and taxation divided by the number of units in circulation.

Included in distribution for the financial year is an amount of AUD6,811,858 (2018: AUD6,210,893) made from previous years' realised income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)**

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2019</u> AUD	<u>2018</u> AUD
Financial assets at fair value through profit or loss:		
- quoted equities – foreign	28,677,374	39,133,136
- unquoted fixed income securities – foreign	181,351,346	169,755,897
	<u>210,028,720</u>	<u>208,889,033</u>
Net gain on financial assets at fair value through profit or loss:		
- realised gain on sale of investments	3,615,231	3,478,147
- unrealised gain on changes in fair value	8,493,464	232,425
	<u>12,108,695</u>	<u>3,710,572</u>

(a) Quoted equities – foreign

(i) Quoted equities – foreign as at 31 August 2019 are as follows:

	<u>Quantity</u>	<u>Aggregate cost</u> AUD	<u>Fair value</u> AUD	<u>Percentage of NAV</u> %
<u>Australia</u>				
<u>Basic Materials</u>				
BHP Group Ltd	51,490	1,502,700	1,868,057	0.84
Hastings Technology Metals Ltd	2,100,000	441,000	357,000	0.16
Rio Tinto Ltd	7,148	396,123	625,736	0.28
	<u>2,158,638</u>	<u>2,339,823</u>	<u>2,850,793</u>	<u>1.28</u>
<u>Consumer Services</u>				
Aristocrat Leisure Ltd	65,000	1,556,125	1,885,000	0.84
<u>Financials</u>				
Goodman Group	123,342	1,022,539	1,785,992	0.80
Mirvac Group	530,874	1,273,552	1,688,179	0.76
National Australia Bank Ltd	47,492	1,446,452	1,294,157	0.58
Viva Energy REIT	815,697	2,022,278	2,357,364	1.05
Westpac Banking Corp	109,705	3,112,115	3,091,487	1.38
	<u>1,627,110</u>	<u>8,876,936</u>	<u>10,217,179</u>	<u>4.57</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)**

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(a) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 August 2019 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost AUD</u>	<u>Fair value AUD</u>	<u>Percentage of NAV %</u>
<u>Australia (continued)</u>				
<u>Health Care</u>				
ResMed Inc Depositary Receipt	54,790	751,562	1,114,977	0.50
<u>Industrials</u>				
Amcor PLC Depositary Receipt	63,190	936,618	910,568	0.41
Transurban Group	168,647	1,973,892	2,514,527	1.12
	231,837	2,910,510	3,425,095	1.53
<u>Oil & Gas</u>				
Oil Search Ltd	248,000	1,969,482	1,639,280	0.73
WorleyParsons Ltd	148,579	2,466,233	1,812,664	0.81
	396,579	4,435,715	3,451,944	1.54
<u>Telecommunications</u>				
Telstra Corporation Limited	600,000	2,181,126	2,226,000	1.00
<u>Utilities</u>				
Origin Energy Ltd	139,000	1,019,940	1,050,840	0.47
<u>Singapore</u>				
<u>Financials</u>				
Frasers Logistic & Indus Trust	1,877,140	1,613,367	2,455,546	1.10
Total quoted equities – foreign	7,150,094	25,685,104	28,677,374	12.83
Accumulated unrealised gain on quoted equities – foreign		2,992,270		
Total quoted equities – foreign		28,677,374		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)**

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(a) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 August 2018 are as follows:

	<u>Quantity</u>	<u>Aggregate cost AUD</u>	<u>Fair value AUD</u>	<u>Percentage of NAV %</u>
<u>Australia</u>				
<u>Basic Materials</u>				
BHP Billiton Ltd	98,800	2,883,409	3,280,160	1.49
Hastings Technology Metals Ltd	2,100,000	441,000	420,000	0.19
Nufarm Australia Ltd	152,604	1,155,166	1,040,759	0.47
Rio Tinto Ltd	21,859	1,168,037	1,586,963	0.72
	<u>2,373,263</u>	<u>5,647,612</u>	<u>6,327,882</u>	<u>2.87</u>
<u>Consumer Services</u>				
Aristocrat Leisure Ltd	92,319	2,128,821	2,912,665	1.32
<u>Financials</u>				
Goodman Group	250,000	2,072,569	2,647,500	1.20
National Australia Bank Ltd	77,492	2,360,154	2,196,898	1.00
Villa World Ltd	738,672	1,647,964	1,676,785	0.76
Viva Energy REIT	455,697	1,029,254	979,749	0.44
Westpac Banking Corp	41,841	1,294,295	1,193,305	0.54
	<u>1,563,702</u>	<u>8,404,236</u>	<u>8,694,237</u>	<u>3.94</u>
<u>Health Care</u>				
CSL Ltd	5,569	974,868	1,264,720	0.57
Ramsay Health Care Ltd	19,644	1,256,432	1,093,582	0.50
	<u>25,213</u>	<u>2,231,300</u>	<u>2,358,302</u>	<u>1.07</u>
<u>Industrials</u>				
Amcor Ltd	155,901	2,310,803	2,213,794	1.00
Boral Ltd	360,952	2,738,290	2,512,226	1.14
Transurban Group	129,729	1,502,479	1,751,342	0.79
	<u>646,582</u>	<u>6,551,572</u>	<u>6,477,362</u>	<u>2.93</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)**

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(a) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 August 2018 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost AUD</u>	<u>Fair value AUD</u>	<u>Percentage of NAV %</u>
<u>Australia (continued)</u>				
<u>Oil & Gas</u>				
Woodside Petroleum Ltd	61,008	1,772,201	2,245,094	1.02
WorleyParsons Ltd	38,000	682,765	765,320	0.35
	<u>99,008</u>	<u>2,454,966</u>	<u>3,010,414</u>	<u>1.37</u>
<u>Utilities</u>				
Origin Energy Ltd	120,250	897,907	954,785	0.43
Spark Infrastructure Group	689,237	1,571,058	1,647,276	0.75
	<u>809,487</u>	<u>2,468,965</u>	<u>2,602,061</u>	<u>1.18</u>
<u>Singapore</u>				
<u>Financials</u>				
Fraser's Logistic & Indus Trust	6,168,140	5,438,159	6,750,213	3.06
Total quoted equities – foreign	<u>11,777,714</u>	<u>35,325,631</u>	<u>39,133,136</u>	<u>17.74</u>
Accumulated unrealised gain on quoted equities – foreign		<u>3,807,505</u>		
Total quoted equities – foreign		<u>39,133,136</u>		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)**

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(b) Unquoted fixed income securities – foreign

(i) Unquoted fixed income securities – foreign as at 31 August 2019 are as follows:

<u>Name of issuer</u>	<u>Nominal value AUD</u>	<u>Adjusted cost AUD</u>	<u>Fair value AUD</u>	<u>Percentage of NAV %</u>
Bonds				
4.3309% AAI Ltd Call:06.10.2022 (A3)	5,000,000	4,970,715	5,258,150	2.35
5.00% AGL Energy Ltd 05.11.2021 (Baa2)	3,000,000	3,044,653	3,217,260	1.44
3.7% Apple Inc 28.08.2022 (Aa1)	2,650,000	2,678,420	2,837,620	1.27
3.45% AT&T Inc 19.09.2023 (Baa2)	3,200,000	3,243,789	3,445,952	1.54
4.6% AT&T Inc 19.09.2028 (Baa2)	2,500,000	2,576,773	2,960,125	1.32
2.6% AusNet Services Hldgs Pty Ltd 31.07.2029 (A3)	1,500,000	1,490,201	1,555,890	0.70
1.55% Australia New Zealand Bank Gp 29.08.2024 (Aa3)	2,000,000	2,000,136	2,001,060	0.90
3.04% Australia New Zealand Bank Gp Call: 26.07.2024 (Baa1)	1,500,000	1,504,620	1,510,170	0.68
4.75% Australia New Zealand Bank Gp Call: 13.05.2022 (Baa1)	2,500,000	2,560,395	2,689,025	1.20
2.25% Australian Capital Territory 22.05.2029 (AAA)	2,000,000	1,994,289	2,146,680	0.96
4.50% Australian Gas Networks Vic 3 17.12.2021 (Baa1)	2,500,000	2,521,307	2,694,100	1.20
3% Australian Government 21.03.2047 (Aaa)	6,500,000	7,071,128	8,776,105	3.93
4% Australian Postal Corp 01.12.2026 (AA-)	1,500,000	1,510,494	1,745,625	0.78
2.77% Banco Santander SA 19.01.2023 (Baa1)	4,400,000	4,338,701	4,419,976	1.98
3.25% Barclays PLC 26.06.2024 (Baa3)	2,500,000	2,515,876	2,572,125	1.15
4% Barclays PLC 26.06.2029 (Baa3)	1,500,000	1,546,402	1,622,880	0.73
6.75% BHP Billiton Finance USA Ltd Call: 20.10.2025 (Baa1)	4,456,180	4,588,695	5,340,508	2.39
5.375% BOC Aviation Ltd 03.03.2021 (A-)	3,000,000	3,084,340	3,243,990	1.45
3.3% BWP Trust Call: 09.02.2026 (A3)	1,000,000	1,010,238	1,085,380	0.48
3.06420% Challenger Life Co Ltd Call: 24.11.2022 (BBB)	5,000,000	4,916,922	5,039,000	2.25
4.375% CIMB Bank Bhd 25.09.2019 (A3)	3,000,000	3,122,610	3,126,510	1.40
4.05% Commonwealth Bank of Australia Call: 03.06.2021 (Baa1)	4,000,000	4,004,623	4,144,360	1.85
3.4% ConnectEast Finance Pty Ltd Call: 25.12.2025 (Baa2)	1,500,000	1,521,454	1,633,620	0.73

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)**

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(b) Unquoted fixed income securities – foreign (continued)

(i) Unquoted fixed income securities – foreign as at 31 August 2019 are as follows: (continued)

<u>Name of issuer</u> (continued)	<u>Nominal value</u> AUD	<u>Adjusted cost</u> AUD	<u>Fair value</u> AUD	<u>Percentage of NAV</u> %
<u>Bonds</u> (continued)				
4.75% Emirates NBD PJSC 09.02.2028 (A3)	1,000,000	1,000,631	1,157,670	0.52
3.657% General Property Trust Call: 24.02.2026 (A)	2,500,000	2,482,042	2,749,475	1.23
4.50% GPT RE Ltd 11.09.2020 (A)	1,500,000	1,543,229	1,555,320	0.70
2.525% GPT Wholesale Office Fund No 1 Call: 12.10.2025 (A-)	1,000,000	1,003,500	1,034,000	0.46
3.95% Incitec Pivot Finance LLC Call: 03.05.2027 (Baa2)	2,970,787	2,563,475	3,011,701	1.35
5.75% Korea South-East Power 25.09.2020 (AA)	5,000,000	5,189,845	5,342,000	2.39
5% Landesbank Baden-Wuerttemberg 17.05.2028 (Baa2)	1,400,000	1,424,689	1,592,948	0.71
6.00% Lendlease Finance Ltd 13.05.2020 (Baa3)	3,400,000	3,481,457	3,561,840	1.59
1.865% Lloyds Bank PLC 12.08.2022 (Aa3)	2,000,000	2,002,040	1,999,440	0.89
3.8% McDonald's Corp Call: 08.12.2028 (Baa1)	3,000,000	3,070,880	3,425,940	1.53
1.625% Mercedes-Benz Australia Pac Ltd 30.08.2022 (A-)	3,000,000	3,000,381	3,002,970	1.34
2.5% Mercedes-Benz Australia Pac Ltd 20.03.2022 (A2)	3,000,000	3,030,993	3,119,910	1.40
3.625% Mirvac Group Finance Ltd Call: 18.12.2026 (A3)	4,456,180	3,947,774	4,694,199	2.10
3.12% National Australia Bank Ltd Call: 17.05.2024 (Baa1)	2,000,000	2,002,620	2,024,420	0.91
3.933% National Australia Bank Ltd Call: 02.08.2029 (Baa1)	891,236	871,760	926,234	0.41
2% New South Wales Treasury Corp 20.03.2031 (Aaa)	3,000,000	3,056,381	3,172,410	1.42
5.50% Perth Airport Pty Ltd 25.03.2021 (Baa2)	6,800,000	7,062,335	7,385,548	3.30
4.4% Qantas Airways Ltd 10.10.2023 (Baa2)	2,500,000	2,553,164	2,784,275	1.24
5.875% QBE Insurance Group Ltd Call: 17.06.2026 (BBB-)	1,485,393	1,371,107	1,601,219	0.72
6.75% QBE Insurance Group Ltd Call: 02.12.2024 (BBB-)	1,485,393	1,419,639	1,667,929	0.75
5.00% QPH Finance Co Pty Ltd 07.07.2021 (BBB)	3,000,000	3,024,844	3,214,230	1.44

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)**

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(b) Unquoted fixed income securities – foreign (continued)

(i) Unquoted fixed income securities – foreign as at 31 August 2019 are as follows: (continued)

<u>Name of issuer</u> (continued)	<u>Nominal value</u> AUD	<u>Adjusted cost</u> AUD	<u>Fair value</u> AUD	<u>Percentage of NAV</u> %
<u>Bonds</u> (continued)				
3.5% Queensland Treasury Corp 21.08.2030 (Aa1)	3,000,000	3,248,665	3,607,650	1.61
5.25% Santos Finance Ltd Call: 13.12.2028 (BBB-)	6,684,270	6,739,096	7,470,341	3.34
5.50% SGSP Australia Assets Pty Ltd 12.03.2021 (A3)	5,000,000	5,171,287	5,447,300	2.44
2.9% Standard Chartered PLC Call: 28.06.2024 (A2)	3,000,000	3,430,201	3,040,650	1.36
3.3% Stockland Trust Management Ltd Call: 22.02.2024 (A-)	3,000,000	3,039,782	3,193,860	1.43
3.54% Suncorp Group Ltd Call: 05.12.2023 (BBB+)	500,000	504,265	509,765	0.23
3.3% Suncorp-Metway Ltd 15.04.2024 (A1)	2,970,787	2,848,219	3,126,951	1.40
3.25% Toyota Finance Australia Ltd 21.02.2022 (Aa3)	2,000,000	2,031,805	2,136,400	0.96
4.5% Transurban Queensland Fin Pty 19.04.2028 (BBB)	1,485,393	1,302,879	1,639,577	0.73
4.5% Verizon Communications Inc 17.08.2027 (Baa1)	2,000,000	2,002,847	2,334,460	1.04
3.1% Volkswagen Fin Serv Aust 17.04.2023 (A3)	5,500,000	5,600,633	5,738,150	2.57
3.25% Volkswagen Fin Serv Aust 13.04.2021 (A3)	3,500,000	3,541,386	3,620,820	1.62
3.3% Volkswagen Fin Serv Aust 28.02.2022 (A3)	3,000,000	2,996,506	3,101,370	1.39
2.75% Western Australian Treasury 24.07.2029 (Aa1)	2,500,000	2,504,002	2,810,025	1.26
5% Westpac Banking Corp Call: 21.09.2027 (Baa2)	1,485,393	1,342,974	1,484,238	0.66
Total unquoted fixed income securities – foreign	<u>167,721,012</u>	<u>169,224,114</u>	<u>181,351,346</u>	<u>81.12</u>
Accumulated unrealised gain on unquoted fixed income securities – foreign		<u>12,127,232</u>		
Total unquoted fixed income securities – foreign		<u>181,351,346</u>		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)**

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(b) Unquoted fixed income securities – foreign (continued)

(ii) Unquoted fixed income securities – foreign as at 31 August 2018 are as follows:

<u>Name of issuer</u>	<u>Nominal value AUD</u>	<u>Adjusted cost AUD</u>	<u>Fair value AUD</u>	<u>Percentage of NAV %</u>
<u>Bonds</u>				
5.26% AAI Ltd Call:06.10.2022 (A3)	5,000,000	5,133,140	5,320,050	2.41
5% AGL Energy Ltd 05.11.2021 (Baa2)	3,000,000	3,043,020	3,189,510	1.45
3.7% Apple Inc 28.08.2022 (Aa1)	2,650,000	2,686,978	2,742,750	1.24
5.4% Asciano Finance Ltd 12.05.2027(Baa3)	3,000,000	3,099,910	3,175,290	1.44
4.4% AusNet Services Hldgs Pty Ltd 16.08.2027 (A3)	3,500,000	3,483,104	3,644,585	1.65
4.75% Australia New Zealand Bank Gp Call: 13.05.2022 (Baa1)	2,500,000	2,569,010	2,604,363	1.18
6.75% Australia New Zealand Bank Gp Call: 15.06.2026 (Baa2)	4,114,721	4,261,007	4,363,867	1.98
4.5% Australian Gas Networks Vic 3 17.12.2021 (Baa1)	2,500,000	2,520,541	2,624,100	1.19
5.75% Australian Government 15.05.2021 (Aaa)	2,000,000	2,222,068	2,229,860	1.01
4.5% Australian Government 15.04.2020 (Aaa)	6,000,000	6,335,474	6,343,740	2.88
4% Australian Postal Corp 01.12.2026 (AA-)	1,500,000	1,509,970	1,562,925	0.71
3.65% Banco Santander SA 19.01.2023 (Baa1)	4,400,000	4,480,065	4,404,840	2.00
6.75% BHP Billiton Finance USA Ltd Call: 19.10.2025 (Baa2)	4,114,721	4,631,426	4,635,438	2.10
5.375% BOC Aviation Ltd 03.03.2021 (A-)	3,000,000	3,087,779	3,233,100	1.47
3.9% Brisbane Airport Corp Pty Ltd 24.04.2025 (Baa2)	800,000	806,684	817,320	0.37
4.0542% Challenger Life Co Ltd Call: 24.11.2022 (BBB)	5,000,000	5,087,902	5,036,950	2.28
4.375% CIMB Bank Bhd 25.09.2019 (A3)	3,000,000	3,122,620	3,146,020	1.43
3.1199% Commonwealth Bank of Australia 17.01.2022 (Aa3)	3,000,000	3,011,790	3,046,290	1.38
4.645% Commonwealth Bank of Australia Call: 03.06.2021 (Baa1)	4,000,000	4,052,505	4,179,320	1.89
6% DBNGP Finance Co Pty Ltd 11.10.2019 (BBB)	3,000,000	3,064,210	3,122,220	1.42
3.6405% DBS Group Holdings Ltd Call:16.03.2023 (A3)	2,000,000	2,014,960	2,016,960	0.91

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)**

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(b) Unquoted fixed income securities – foreign (continued)

(ii) Unquoted fixed income securities – foreign as at 31 August 2018 are as follows: (continued)

<u>Name of issuer</u> (continued)	<u>Nominal value</u> AUD	<u>Adjusted cost</u> AUD	<u>Fair value</u> AUD	<u>Percentage of NAV</u> %
<u>Bonds</u> (continued)				
4.75% Emirates NBD PJSC 09.02.2028 (A3)	1,500,000	1,500,621	1,550,655	0.70
4.5% Export-Import Bank of Korea 17.04.2019 (Aa2)	5,000,000	5,095,035	5,138,200	2.33
5.375% Export-Import Bank of Korea 12.09.2019 (Aa2)	2,000,000	2,103,128	2,154,060	0.98
6.125% Far East Horizon Ltd 19.08.2019 (BBB-)	1,000,000	1,001,749	1,020,282	0.46
3.657% General Property Trust 24.08.2026 (A)	2,500,000	2,479,594	2,453,225	1.11
4.5% GPT RE Ltd 11.09.2020 (A)	1,500,000	1,553,814	1,564,470	0.71
6.125% ICICI Bank Limited 03.04.2019 (Baa3)	3,900,000	4,006,083	4,057,712	1.84
3.95% Incitec Pivot Finance LLC Call: 03.05.2027 (Baa2)	2,743,147	2,563,343	2,585,889	1.17
5.75% Korea South-East Power 25.09.2020 (AA)	5,000,000	5,247,991	5,372,500	2.44
4.9% Landesbank Baden -Wuerttemberg 29.06.2027 (Baa2)	3,200,000	3,253,292	3,247,164	1.47
5% Landesbank Baden -Wuerttemberg 17.05.2028 (Baa2)	1,400,000	1,425,445	1,425,281	0.65
5.5% Lendlease Finance Ltd 13.11.2019 (Baa3)	3,000,000	3,048,686	3,065,670	1.39
6% Lendlease Finance Ltd 13.05.2020 (Baa3)	3,400,000	3,509,072	3,624,400	1.64
3.2605% OCBC/Sydney 17.03.2020 (Aa1)	2,000,000	2,013,580	2,033,780	0.92
5.5% Perth Airport Pty Ltd 25.03.2021 (Baa2)	6,800,000	7,122,530	7,363,788	3.34
4.4% Qantas Airways Ltd 10.10.2023 (Baa2)	2,500,000	2,555,341	2,614,025	1.19
5.875% QBE Insurance Group Ltd Call: 17.06.2026 (BBB-)	1,371,574	1,369,733	1,387,589	0.63
6.75% QBE Insurance Group Ltd Call: 02.12.2024 (BBB-)	1,371,574	1,431,816	1,464,000	0.66
5% QPH Finance Co Pty Ltd 07.07.2021 (BBB)	3,000,000	3,025,952	3,175,530	1.44
5.5% SGSP Australia Assets Pty Ltd 12.03.2021 (A3)	5,000,000	5,197,116	5,444,300	2.47
5% Shinhan Bank Co Ltd 30.08.2028 (Baa1)	1,500,000	1,500,405	1,505,655	0.68

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)**

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(b) Unquoted fixed income securities – foreign (continued)

(ii) Unquoted fixed income securities – foreign as at 31 August 2018 are as follows: (continued)

<u>Name of issuer</u> (continued)	<u>Nominal value</u> AUD	<u>Adjusted cost</u> AUD	<u>Fair value</u> AUD	<u>Percentage of NAV</u> %
<u>Bonds</u> (continued)				
3.75% Shopping Centres Australasia PRT 20.04.2021 (Baa1)	3,000,000	3,040,217	3,066,690	1.39
5% Societe Generale SA 19.05.2027 (Baa3)	2,000,000	2,031,380	2,077,967	0.94
4.105232% Suncorp Group Ltd Call: 05.12.2023 (BBB+)	500,000	500,000	505,150	0.23
2.925% Suncorp-Metway Ltd 16.08.2022 (A1)	1,800,000	1,802,304	1,810,044	0.82
3.25% Toyota Finance Australia Ltd 21.02.2022 (Aa3)	4,000,000	4,061,988	4,143,200	1.88
4.25% Toyota Finance Australia Ltd 15.05.2019 (Aa3)	2,500,000	2,531,475	2,562,225	1.16
4.5% Transurban Queensland Fin Pty 19.04.2028 (BBB)	1,371,574	1,299,902	1,353,195	0.61
4.5% Verizon Communications Inc 17.08.2027 (Baa1)	3,000,000	3,004,150	3,066,390	1.39
4% Victoria Power Networks Fin Lt Call: 18.05.2027 (A-)	800,000	800,509	805,456	0.37
4.2% Vodafone Group PLC 13.12.2027 (Baa1)	3,000,000	3,008,382	2,996,640	1.36
3.25% Volkswagen Fin Serv Aust 13.04.2021 (A3)	3,500,000	3,539,990	3,562,020	1.61
3.3% Volkswagen Fin Serv Aust 28.02.2022 (A3)	3,000,000	2,995,880	2,996,580	1.36
4.334% Westpac Banking Corp Call: 16.08.2024 (Baa1)	4,000,000	4,001,827	4,009,600	1.82
4.8% Westpac Banking Corp Call: 14.06.2023 (Baa1)	3,000,000	3,090,871	3,113,067	1.41
Total unquoted fixed income securities – foreign	<u>163,237,311</u>	<u>166,937,364</u>	<u>169,755,897</u>	<u>76.96</u>
Accumulated unrealised gain on unquoted fixed income securities – foreign		<u>2,818,533</u>		
Total unquoted fixed income securities – foreign		<u>169,755,897</u>		

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)**

9 CASH AND CASH EQUIVALENTS

	<u>2019</u> AUD	<u>2018</u> AUD
Cash and bank balances	3,897,256	648,718
Deposits with licensed financial institutions	8,381,707	10,665,845
	<hr/>	<hr/>
	12,278,963	11,314,563
	<hr/> <hr/>	<hr/> <hr/>

The weighted average effective interest rates per annum of deposits with licensed financial institutions are as follows:

	<u>2019</u> %	<u>2018</u> %
Deposits with licensed financial institutions	1.16	1.90
	<hr/> <hr/>	<hr/> <hr/>

Deposits with licensed financial institutions have an average maturity of 3 days (2018: 11 days).

10 FORWARD FOREIGN CURRENCY CONTRACTS

As at 31 August 2019, there are 4 (2018: 3) forward foreign currency contracts outstanding. The notional principal amounts of the outstanding forward foreign currency contracts amounted to AUD9,174,828 (2018: AUD15,247,594). The forward foreign currency contracts entered into during the financial year were for hedging against the currency exposure arising from investments in foreign unquoted fixed income securities denominated in United States Dollar. As the Fund has not adopted hedge accounting during the financial year, the changes in the fair value of the forward foreign currency contracts are recognised immediately in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)**

11 NUMBER OF UNITS IN CIRCULATION

(a) RM class units in circulation

	<u>2019</u>	<u>2018</u>
	No. of units	No. of units
At the beginning of the financial year	70,616,000	80,808,000
Creation of units arising from applications	9,323,387	21,271,289
Creation of units arising from distributions	2,488,882	2,512,711
Cancellation of units	<u>(14,096,269)</u>	<u>(33,976,000)</u>
At the end of the financial year	<u>68,332,000</u>	<u>70,616,000</u>

(b) AUD class units in circulation

	<u>2019</u>	<u>2018</u>
	No. of units	No. of units
At the beginning of the financial year	332,536,000	291,059,000
Creation of units arising from applications	46,647,750	69,280,994
Creation of units arising from distributions	8,299,787	8,719,830
Cancellation of units	<u>(64,960,537)</u>	<u>(36,523,824)</u>
At the end of the financial year	<u>322,523,000</u>	<u>332,536,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)**

12 TRANSACTIONS WITH BROKERS AND DEALERS

- (a) Details of transactions with the top 10 brokers/dealers for the financial year ended 31 August 2019 are as follows:

<u>Name of brokers/dealers</u>	<u>Value of trade</u> AUD	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> AUD	<u>Percentage of total brokerage</u> %
Australia And New Zealand Banking Group Ltd	47,169,106	17.89	-	-
Morgan Financial Ltd	39,336,484	14.92	98,341	65.38
Commonwealth Bank of Australia	34,077,519	12.93	-	-
Mizuho	25,742,641	9.76	-	-
Nomura Securities International Inc.	19,813,942	7.52	-	-
Citibank Berhad	19,602,508	7.44	-	-
CLSA Australia Pty Ltd	13,512,196	5.12	18,692	12.42
Anz National Bank Ltd	11,978,875	4.54	-	-
Euroclear Bank S.A / N.V	10,415,970	3.95	-	-
Daiwa Capital Markets Singapore Limited	8,327,700	3.16	-	-
Others	33,654,406	12.77	33,389	22.20
	<u>263,631,347</u>	<u>100.00</u>	<u>150,422</u>	<u>100.00</u>

- (b) Details of transactions with the top 10 brokers/dealers for the financial year ended 31 August 2018 are as follows:

<u>Name of brokers/dealers</u>	<u>Value of trade</u> AUD	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> AUD	<u>Percentage of total brokerage</u> %
Morgan Financial Limited	51,704,939	26.06	129,262	60.63
Mizuho Bank Limited	20,187,500	10.18	-	-
Australia and New Zealand Banking Group Limited	15,147,547	7.64	-	-
Macquarie Bank Limited (Australia)	13,082,451	6.59	32,706	15.34
Commonwealth Bank of Australia	12,251,080	6.18	-	-
CLSA Australia Pty Ltd	11,999,171	6.05	23,998	11.26
Citigroup Global Markets Limited	11,828,724	5.96	23,658	11.10
UBS Warburg, Inc.	6,007,050	3.03	-	-
Mizuho Securities Aisa Ltd	5,399,738	2.72	-	-
HSBC Bank Malaysia Bhd	5,042,104	2.54	-	-
Others	45,731,365	23.05	3,566	1.67
	<u>198,381,669</u>	<u>100.00</u>	<u>213,190</u>	<u>100.00</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

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

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

<u>Related parties</u>	<u>Relationships</u>
Affin Hwang Asset Management Berhad	The Manager
Affin Hwang Investment Bank Berhad	Holding company of the Manager
Affin Bank Berhad ("ABB")	Ultimate holding company of the Manager

The units held by the Manager as at the end of the financial year are as follows:

		<u>2019</u>		<u>2018</u>
	No. of units	AUD	No. of units	AUD
<u>The Manager:</u>				
Affin Hwang Asset Management Berhad				
(The units are held legally for booking purposes)				
- RM class	16,210	3,151	2,812	530
- AUD class	2,484	1,620	3,118	1,943

14 MANAGEMENT EXPENSE RATIO ("MER")

	<u>2019</u>	<u>2018</u>
	%	%
MER	1.60	1.67

MER is derived from the following calculation:

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

A	=	Net management fee
B	=	Trustee fee
C	=	Auditors' remuneration
D	=	Tax agent's fee
E	=	Other expenses, excluding withholding tax
F	=	Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial year calculated on a daily basis is AUD207,909,018 (2018: AUD215,146,811).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

15 PORTFOLIO TURNOVER RATIO ("PTR")

	<u>2019</u>	<u>2018</u>
PTR (times)	<u>0.69</u>	<u>0.51</u>

PTR is derived from the following calculation:

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

where: total acquisition for the financial year = AUD137,606,553 (2018: AUD122,794,348)
total disposal for the financial year = AUD147,972,270 (2018: AUD96,927,926)

16 SEGMENT INFORMATION

The strategic asset allocation committee of the Investment Manager makes the strategic resource allocations on behalf of the Fund. The Fund has determined the operating segments based on the reports reviewed by this committee that are used to make strategic decisions.

The committee considers the business as two sub-portfolios, which are managed by separate specialist teams at the Investment Manager. These sub-portfolios consist of an equity portfolio, which focuses on equity securities; the second sub-portfolio consisting of debt and cash instruments.

The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of interest and gains on the appreciation in the value of investments, and is derived from quoted equities and unquoted fixed income securities in Australia, Bahrain, France, Germany, Hong Kong, Korea, Malaysia, Papua New Guinea, Singapore, Spain, United Arab Emirates, United Kingdom and United States.

The Fund has a diversified unitholder population. However, as at 31 August 2019, there were 3 (2018: nil) unitholders who held more than 10% of the Fund's NAV. The unitholders' holdings were 40.70%, 16.50% and 16.00% (2018: nil).

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

The internal reporting provided to this committee for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and IFRS.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

17 MFRS 9 FINANCIAL INSTRUMENTS

As disclosed in Note A, the Fund has adopted MFRS 9, which resulted in the following changes in accounting policies:

(a) Classification and measurement of financial assets

Up to 31 August 2018, financial assets were classified in the following categories: financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. Note H sets out the details of accounting policies for classification and measurement of financial instruments under MFRS 139.

From 1 September 2018, the Fund applies the following MFRS 9's classification approach to all types of financial assets:

- Investments in equity instruments: These instruments are always measured at fair value with changes in fair value presented in profit or loss unless the Fund has made an irrevocable choice to present changes in fair value in other comprehensive income ("OCI") for investments that are not held for trading.
- Investments in debt instruments: There are 3 subsequent measurement categories: amortised cost, fair value with changes either recognised through other comprehensive income ("FVOCI") or through profit or loss ("FVTPL").

(b) Impairment

From 1 September 2018 onwards, 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 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.

Definition of default and credit-impaired financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2019 (CONTINUED)

17 MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Impairment (continued)

As disclosed above, the adoption of MFRS 9 in 2018 resulted in a change in measurement categories of certain financial assets and financial liabilities.

The measurement category and the carrying amount of financial assets and financial liabilities in accordance with MFRS 139 and MFRS 9 at 1 September 2018 are compared as follows:

	Measurement category		Carrying amount			
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139)	Reclassifi- cations	Remeasu- rements	New (MFRS 9)
			AUD	AUD	AUD	AUD
Assets						
Cash and cash equivalents	Loans and receivables	Amortised cost	11,314,563	-	-	11,314,563
Investment in quoted equities	FVTPL	FVTPL	39,133,136	-	-	39,133,136
Investment in unquoted fixed income securities	FVTPL	FVTPL	169,755,897	-	-	169,755,897
Amount due from Manager	Loans and receivables	Amortised cost	169,471	-	-	169,471
Amount due from brokers	Loans and receivables	Amortised cost	1,580,064	-	-	1,580,064
Dividend receivables	Loans and receivables	Amortised cost	87,395	-	-	87,395
Liabilities						
Forward foreign currency contracts at fair value through profit or loss	FVTPL	FVTPL	223,201	-	-	223,201
Amount due to Manager - management fee	Amortised cost	Amortised cost	281,259	-	-	281,259
Amount due to Manager - cancellation of units	Amortised cost	Amortised cost	449,760	-	-	449,760
Amount due to Trustee	Amortised cost	Amortised cost	15,001	-	-	15,001
Amount due to brokers	Amortised cost	Amortised cost	500,000	-	-	500,000
Auditors' remuneration	Amortised cost	Amortised cost	2,748	-	-	2,748
Tax agent's fee	Amortised cost	Amortised cost	1,063	-	-	1,063
Other payables and accruals	Amortised cost	Amortised cost	2,922	-	-	2,922

AFFIN HWANG SELECT AUD INCOME FUND

STATEMENT BY THE MANAGER

I, Teng Chee Wai, as the Director of **Affin Hwang Asset Management Berhad**, do hereby state that in our opinion as the Manager, the financial statements set out on pages 12 to 57 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 August 2019 and of its financial performance, changes in net assets attributable to unitholders and cash flows for the financial year ended 31 August 2019 in accordance with the Malaysia Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,

AFFIN HWANG ASSET MANAGEMENT BERHAD

TENG CHEE WAI

EXECUTIVE DIRECTOR/MANAGING DIRECTOR

Kuala Lumpur

14 October 2019

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG SELECT AUD INCOME FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Affin Hwang Select AUD Income Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 31 August 2019, and of its financial performance and its cash flows for the 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 August 2019, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 57.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG SELECT AUD INCOME 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 has no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG SELECT AUD INCOME 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 judgment 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.
- (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 represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
AFFIN HWANG SELECT AUD INCOME FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
14 October 2019

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