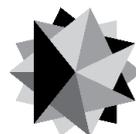


# Affin Hwang

## Flexible Maturity Income Fund 11

Annual Report  
31 January 2020

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



**AFFIN HWANG**  
CAPITAL

**MANAGER**  
Affin Hwang Asset Management Berhad  
199701014290 (429786-T)

**TRUSTEE**  
TMF Trustees Malaysia Berhad (610812-W)

# AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

## Annual Report and Audited Financial Statements For The Financial Period From 26 February 2019 (Date of Launch) To 31 January 2020

---

<b>Contents</b>	<b>Page</b>
FUND INFORMATION .....	III
FUND PERFORMANCE DATA.....	IV
MANAGER'S REPORT .....	V
TRUSTEE'S REPORT .....	IX
FINANCIAL STATEMENTS	
DIRECTORY OF SALES OFFICE	

## FUND INFORMATION

Fund Name	Affin Hwang Flexible Maturity Income Fund 11
Fund Type	Income
Fund Category	Fixed Income (close-ended)
Investment Objective	The Fund aims to provide income through investments in fixed income instruments
Duration of the Fund	Three (3) years close-ended Fund
Termination Date	8 March 2022
Benchmark	3-years Malayan Banking Berhad fixed deposit rate as at Investment Date
Distribution Policy	Depending on the level of income the Fund generates, the Fund will provide distribution on an annual basis

## BREAKDOWN OF UNITHOLDERS BY SIZE AS AT 31 JANUARY 2020

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	59	193
5,001 to 10,000	39	375
10,001 to 50,000	63	1,731
50,001 to 500,000	32	5,165
500,001 and above	4	143,702
<b>Total</b>	<b>197</b>	<b>151,166</b>

\* Note: Excluding Manager's stock

## FUND PERFORMANCE DATA

Category	As at 31 Jan 2020 (%)
Portfolio composition	
Unquoted fixed income securities – local	13.98
Unquoted fixed income securities – foreign	81.12
<b>Total unquoted fixed income securities</b>	<b>95.10</b>
<b>Cash &amp; cash equivalent</b>	<b>4.90</b>
<b>Total</b>	<b>100.00</b>
Total NAV (RM'million)	162.752
NAV per Unit (RM)	1.0766
Unit in Circulation (million)	151.168
Highest NAV	1.0781
Lowest NAV	1.0000
Return of the Fund (%) <sup>iii</sup>	7.66
- Capital Growth (%) <sup>i</sup>	7.66
- Income Distribution (%) <sup>ii</sup>	Nil
Gross Distribution per Unit (sen)	Nil
Net Distribution per Unit (sen)	Nil
Management Expense Ratio (%)	0.07
Portfolio Turnover Ratio (times)	0.81

### **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

## MANAGER'S REPORT

### Income Distribution / Unit Split

No income distribution or unit split were declared for the financial period ended 31 January 2020.

### Performance of the Fund (8 March 2019 to 31 January 2020)

For the period 8 March 2019 to 31 January 2020, the Fund registered a return of 7.66%. The Fund outperformed the Benchmark by 4.59 percentage points compared to the Benchmark return of 3.07% for the same period. (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively). The Net Asset Value (NAV) per unit of the Fund as at 31 January 2020 was RM1.0766 while the NAV per unit as at 7 March 2019 was RM1.0000.

Table 1: Performance of the Fund

	<b>Since Commencement</b> <b>(8/3/19 - 31/1/20)</b>
<b>Fund</b>	<b>7.66%</b>
<b>Benchmark</b>	<b>3.07%</b>
<b>Outperformance</b>	<b>4.59%</b>

Source of Benchmark : Maybank

Table 2: Average Total Return

	<b>Since Commencement</b> <b>(8/3/19 - 31/1/20)</b>
<b>Fund</b>	<b>8.51%</b>
<b>Benchmark</b>	<b>3.40%</b>
<b>Outperformance</b>	<b>5.11%</b>

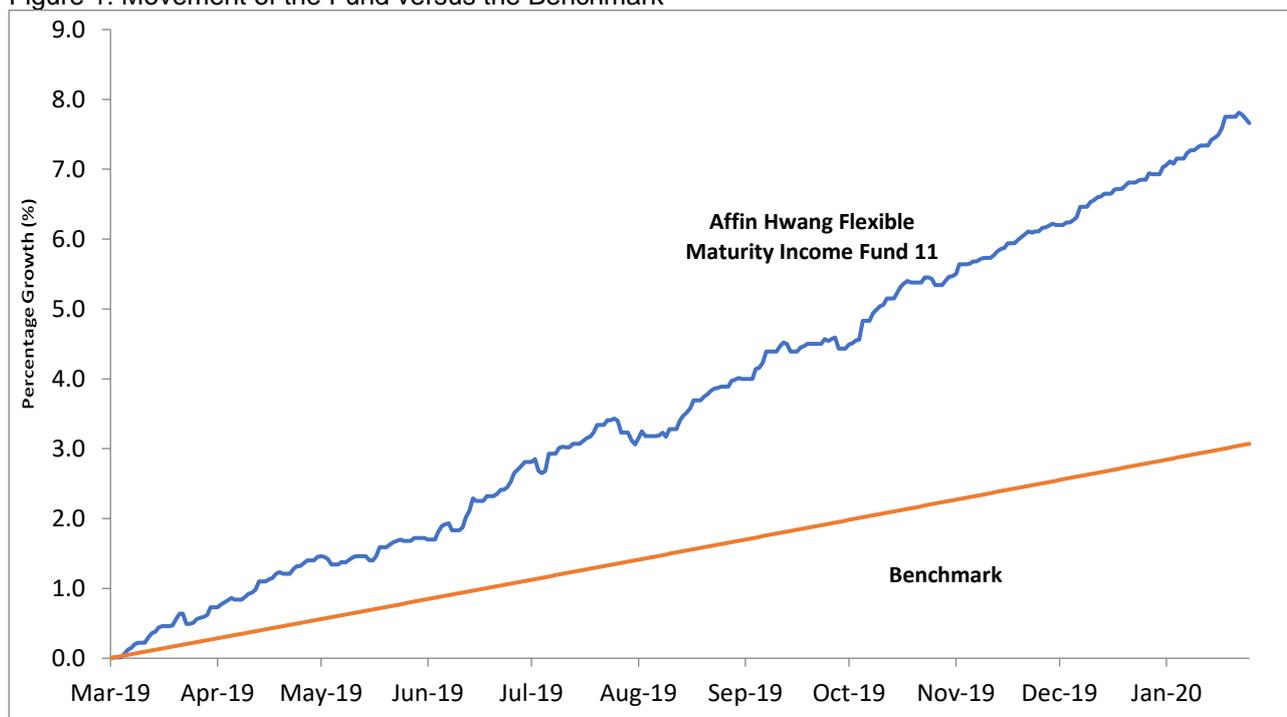
Source of Benchmark : Maybank

Table 3: Annual Total Return

	<b>FYE 2020</b> <b>(8/3/19 - 31/1/20)</b>
<b>Fund</b>	<b>7.66%</b>
<b>Benchmark</b>	<b>3.07%</b>
<b>Outperformance</b>	<b>4.59%</b>

Source of Benchmark : Maybank

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 Maybank."*

Benchmark: 3-years Malayan Banking Berhad fixed deposit rate as at Investment Date

## **Asset Allocation**

As at 31 January 2020, the asset allocation of the Fund stood at 95.10% of the Fund's NAV in fixed income securities while the remaining was held in cash and cash equivalent.

## **Strategies Employed**

Over the period under review, the Manager maintained a focus on high conviction credit names across both domestic and regional space. To date, the Fund's bond holdings have continued to meet their respective financial obligations in respect of their outstanding debt.

## **Market Review**

Global markets got off to a rocky start in 2020 as benchmark gauges reeled from contagion fears as a result of the coronavirus outbreak. The Hong Kong Hang Seng index tumbled 6.7% in January, whilst the broader MSCI Asia ex-Japan index fell 4.5%. The World Health Organization declared a global health emergency over the coronavirus outbreak that has claimed the lives of at least 300 people with rates of infection rapidly increasing.

Investors have been closely tracking the coronavirus outbreak to assess its potential impact to the economy as a result of wide scale city and factory shutdowns in China, as well as travel restriction bans. Global supply chains could see disruption due to stalled manufacturing activity; impacting markets like Taiwan and Korea which are heavily interlinked. Meanwhile, the US-China trade war made some positive headway with the two countries signing a phase-one trade deal. US President Donald Trump and Chinese Vice Premier Liu He signed the pact that will roll back some tariffs as well as see Beijing boost purchases of US goods and services by US\$200 billion over two years. This include purchases of US agriculture products by US\$32 billion over the next two years by China.

The US will cut by half the tariff rate it imposed on September 1 on US\$120 billion worth of Chinese goods to 7.5%. Tariffs that were scheduled to go into effect on December 15 on nearly US\$160 billion worth of Chinese goods including electronics goods were suspended indefinitely. China's retaliatory December 15 tariffs including a 25.0% tariff on US-made autos were also suspended. However, US tariffs of 25.0% on US\$250 billion worth of Chinese goods put in place earlier will remain. These could be rolled back as part of a Phase 2 trade negotiation according to US Treasury Secretary Steven Mnuchin. Negotiations for the second phase of the trade deal is expected to commence before the presidential election in November.

On monetary policy, the US Federal Reserve ("Fed") kept its benchmark rates unchanged in its policy meeting, but extended its repo injection programme by two more months to June 2020. This has resulted in a surge in the Fed's balance sheet to above the US\$4 trillion mark. With US inflation currently hovering 0.7% below the Fed's target of 2.0%, consensus now expects the central bank to deliver two rate cuts in 2H'2020.

Meanwhile, the European Central Bank left monetary policy unchanged at a historic low of -0.5%, and announced the launched of a strategic review of its monetary policy strategy to assess if its inflation target is still appropriate.

Bank Negara Malaysia unexpectedly lowered its overnight policy rate by 25bps to 2.75% during its January meeting, its first interest rate cut since March 2019. The rate cut is expected to boost economic growth amid price stability.

## **Investment Outlook**

Markets are drawing comparisons of the coronavirus outbreak to that of SARS (Severe Acute Respiratory Syndrome) in 2003, when the economy also came to a standstill at the height of the disease. However, the long-term impact of epidemics to significantly derail economic growth is transient and stock markets staged a quick recovery soon thereafter once the outbreak is contained.

The quick and measured response from Chinese authorities in containing the outbreak has also soothed fears, as authorities draw upon lessons from past outbreaks like SARS and MERS. Whilst we could see impact to China's 1Q'2020 GDP, additional fiscal and monetary support may cushion downside to its economy albeit with a lag effect.

While the temporary trade truce between US and China has allowed financial markets to stand on firmer ground as compared to 2018, President Trump's hardball negotiation tactics to claim more favourable terms – as reflected in the resurgence of tariff threats in late April 2019 – may spark a new phase of trade uncertainty. Though, the more synchronised dovish stance by central banks globally may help prop up markets to some extent.

The market could see further weakness following a plunge in commodity prices such as crude oil and palm oil, as demand from China wanes due to the outbreak. On the flipside, glove makers lead gainers as expectations of rising healthcare demand would lift sales.

### **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 FLEXIBLE MATURITY INCOME FUND 11**

We have acted as Trustee of Affin Hwang Flexible Maturity Income Fund 11 for financial period ended 31 January 2020. To the best of our knowledge, **Affin Hwang Asset Management Berhad**, the Manager, has managed the Fund in accordance with the limitations imposed on the investment powers of the management company and the trustee under the Deed, other provisions of the Deed, the Capital Markets and Services Act 2007, the Securities Commission's Guidelines on Unit Trust Funds and other applicable laws during the period then ended.

We have also ensured the following:

- (a) the procedures and processes employed by **Affin Hwang Asset Management Berhad** to value and/or price the units of the Fund are adequate and that such valuation/pricing is carried out in accordance with the Deed of the Fund and other regulatory requirements; and
- (b) the creation and cancellation of units have been carried out in accordance with the Deed and relevant regulatory requirements.

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

**NORHAYATI BINTI AZIT**  
**DIRECTOR – FUND SERVICES**

Kuala Lumpur  
11 March 2020

**AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11**

**FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019  
(DATE OF LAUNCH) TO 31 JANUARY 2020**

# **AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11**

## **FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019  
(DATE OF LAUNCH) TO 31 JANUARY 2020**

<b>CONTENTS</b>	<b>PAGE (S)</b>
STATEMENT OF COMPREHENSIVE INCOME	1 - 2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF CHANGES IN EQUITY	4
STATEMENT OF CASH FLOWS	5
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	6 – 11
NOTES TO THE FINANCIAL STATEMENTS	12 - 30
STATEMENT BY THE MANAGER	31
INDEPENDENT AUDITORS' REPORT	32 - 35

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020

	<u>Note</u>	Financial period from 26.2.2019 (date of launch) to <u>31.1.2020</u> RM
<b>INVESTMENT INCOME</b>		
Interest income from financial assets at amortised cost		474,376
Interest income from financial assets at fair value through profit or loss		6,631,917
Exit fee income		39,081
Net loss on foreign currency exchanges		(702,112)
Net gain on forward foreign currency contracts at fair value through profit or loss		1,345,020
Net gain on financial assets at fair value through profit or loss	7	3,965,890
		<u>11,754,172</u>
<b>EXPENSES</b>		
Trustee fee	5	(57,942)
Auditors' remuneration		(8,000)
Tax agent's fee		(3,500)
Other expenses		(43,065)
		<u>(112,507)</u>
<b>NET PROFIT BEFORE TAXATION</b>		11,641,665
Taxation	6	(9,134)
<b>NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>		<u><u>11,632,531</u></u>

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

	<u>Note</u>	Financial period from 26.2.2019 (date of launch) to <u>31.1.2020</u> RM
Net profit after taxation is made up of the following:		
Realised amount		7,477,202
Unrealised amount		4,155,329
		<hr/> 11,632,531 <hr/> <hr/>

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

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2020

	<u>Note</u>	<u>2020</u> RM
<b>ASSETS</b>		
Cash and cash equivalents	8	6,669,492
Financial assets at fair value through profit or loss	7	154,772,412
Forward foreign currency contracts at fair value through profit or loss	9	1,610,744
Exit fee income receivable		941
Tax recoverable		14,916
<b>TOTAL ASSETS</b>		<u>163,068,505</u>
<b>LIABILITIES</b>		
Amount due to Manager - cancellation of units		31,239
Amount due to Trustee		5,514
Auditors' remuneration		8,000
Tax agent's fee		3,500
Other payables and accruals		2,725
Forward foreign currency contracts at fair value through profit or loss	9	265,724
<b>TOTAL LIABILITIES</b>		<u>316,702</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>162,751,803</u>
<b>EQUITY</b>		
Unitholders' capital		151,119,272
Retained earnings		11,632,531
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>162,751,803</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	10	<u>151,168,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>1.0766</u>

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

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020

	<u>Unitholders' capital</u> RM	<u>Retained earnings</u> RM	<u>Total</u> RM
Balance as at 26 February 2019 (date of launch)	-	-	-
Total comprehensive income for the financial period	-	11,632,531	11,632,531
Movement in unitholders' capital:			
Creation of units arising from applications	152,421,000	-	152,421,000
Cancellation of units	(1,301,728)	-	(1,301,728)
Balance as at 31 January 2020	<u>151,119,272</u>	<u>11,632,531</u>	<u>162,751,803</u>

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

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020

	<u>Note</u>	Financial period from 26.2.2019 (date of launch) to <u>31.1.2020</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from sale of investments		52,233,966
Purchase of investments		(201,248,186)
Interest received		5,313,991
Exit fee income received		38,140
Trustee fee paid		(52,428)
Payment for other fees and expenses		(40,340)
Net realised foreign exchange loss		(718,782)
Tax paid		(24,050)
		<hr/>
Net cash used in operating activities		(144,497,689)
		<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from creation of units		152,421,000
Payments for cancellation of units		(1,270,489)
		<hr/>
Net cash generated from financing activities		151,150,511
		<hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		6,652,822
<b>EFFECTS OF FOREIGN CURRENCY EXCHANGE</b>		16,670
<b>CASH AND CASH EQUIVALENTS AT THE DATE OF LAUNCH</b>		<hr/> -
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	8	<hr/> <hr/> 6,669,492

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

## **AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020**

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, International Financial Reporting Standards (“MFRS”).

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 period. 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 J.

(a) Standards and amendments to existing standards effective 1 February 2019:

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 February 2019 that have a material effect on the financial statements of the Fund.

(b) New standards, amendments and interpretations effective after 1 February 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 February 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**

##### 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 accrual basis.

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).

## **AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)**

#### **B INCOME RECOGNITION (CONTINUED)**

##### Realised gains and losses on sale of investments

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.

##### Exit fee income

Exit fee income is a redemption fee charged to unitholders on cancellation of units before the maturity date and is recognised upon cancellation of units.

#### **C 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 period.

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.

#### **D 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 Ringgit Malaysia (“RM”), which is the Fund’s functional and presentation currency.

#### **E FOREIGN CURRENCY TRANSLATION**

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 remeasured. 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.

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

#### F FINANCIAL ASSETS AND FINANCIAL LIABILITIES

##### (i) Classification

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

- those to be measured subsequently at fair value 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 contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents and exit fee income 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, auditors' remuneration, tax agent's fee and other payables and accruals as financial liabilities measured at amortised cost.

##### (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 9, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

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 on financial assets at fair value through profit and loss' in the period which they arise.

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

#### F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

##### (ii) Recognition and measurement (continued)

Unquoted fixed income securities including money market instruments denominated in Ringgit Malaysia are revalued on a daily basis based on fair value prices quoted by a bond pricing agency (“BPA”) registered with the Securities Commission (“SC”) as per the SC’s Guidelines on Unit Trust Funds. Where such quotations are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income security differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- (i) records its basis for using a non-BPA price;
- (ii) obtains necessary internal approvals to use the non-BPA price; and
- (iii) keeps an audit trail of all decisions and basis for adopting the market yield.

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 using 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.

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

##### (iii) Impairment

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

The Fund defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

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

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

#### F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

##### (iii) Impairment (continued)

###### Definition of default and credit-impaired financial assets (continued)

###### Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Fund considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

###### 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 period.

#### G 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.

#### H UNITHOLDERS' CAPITAL

The unitholders' contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's net asset value;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial period if a unitholder exercises the right to put the unit back to the Fund.

Units are created and cancelled at prices based on the Fund's net asset value per unit at the time of creation or cancellation. The Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units.

## **AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)**

#### **I 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.

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. Financial derivative positions 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 as fair value through profit or loss.

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

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 financial assets/liabilities at fair value through profit or loss.

#### **J 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 on 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.

However, the Manager is of the opinion that there are no accounting policies which require significant judgment to be exercised.

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 SC's Guidelines on Unit Trust Funds.

#### **K REALISED AND UNREALISED PORTIONS OF PROFIT OR LOSS AFTER TAX**

The analysis of realised and unrealised profit or loss after tax as presented on the statement of comprehensive income is prepared in accordance with SC's Guidelines on Unit Trust Funds.

## **AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020**

#### **1 INFORMATION ON THE FUND**

The Unit Trust Fund was constituted under the name Affin Hwang Flexible Maturity Income Fund 11 (the “Fund”) pursuant to the execution of a Deed dated 14 September 2018. (the “Deed”) entered into between Affin Hwang Asset Management Berhad (the “Manager”) and TMF Trustees Malaysia Berhad (the “Trustee”).

The Fund commenced operations on 4 March 2019 and will continue its operations until terminated by the Trustee as provided under Clause 12.1 of the Deed or on maturity date of the Fund which falls on the third anniversary of the investment date or such earlier date in accordance with the provisions of the Deed or subject to the early maturity feature.

The Fund may invest in any of the following investments:

- (a) Debentures;
- (b) Money market instruments;
- (c) Deposits;
- (d) Derivatives;
- (e) Structured products; and
- (f) Any other form of investments permitted by the SC from time to time which is in line with the objective of the Fund.

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

The main objective of the Fund is to provide income through investments in fixed income instruments.

The Manager is a company incorporated in Malaysia. The principal activities of the Manager are establishment and management of unit trust funds, exchange-traded 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 11 March 2020.

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

#### 2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	<u>Note</u>	At amortised cost RM	At fair value through profit or loss RM	<u>Total</u> RM
<u>2020</u>				
<u>Financial assets</u>				
Cash and cash equivalents	8	6,669,492	-	6,669,492
Unquoted fixed income securities	7	-	154,772,412	154,772,412
Forward foreign currency contracts	9	-	1,610,744	1,610,744
Exit fee income receivable		941	-	941
Total		<u>6,670,433</u>	<u>156,383,156</u>	<u>163,053,589</u>
<u>Financial liabilities</u>				
Amount due to Manager		31,239	-	31,239
- cancellation of units		5,514	-	5,514
Amount due to Trustee		8,000	-	8,000
Auditors' remuneration		3,500	-	3,500
Tax agent's fee		2,725	-	2,725
Other payables and accruals		-	-	-
Forward foreign currency contracts	9	-	265,724	265,724
Total		<u>50,978</u>	<u>265,724</u>	<u>316,702</u>

The Fund is exposed to a variety of risks which include market risk (including price risk, interest rate risk and currency risk), credit risk, liquidity risk and capital risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated by the SC's Guidelines on Unit Trust Funds.

#### 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.

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

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

##### Market risk (continued)

##### (a) Price risk (continued)

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

	<u>2020</u> RM
<b>Unquoted investment</b>	
Unquoted fixed income securities*	154,772,412

\* Unquoted investment as at 31 January 2020 includes interest receivable of RM2,147,062.

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 unquoted securities.

<u>% Change in price</u>	<u>Market value</u> RM	Impact on profit after <u>tax/NAV</u> RM
<u>2020</u>		
-5%	144,994,083	(7,631,268)
0%	152,625,350	-
+5%	160,256,618	7,631,268

##### (b) Interest rate risk

In general, when interest rates rise, prices of unquoted fixed income securities 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 an unquoted fixed income security until 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.

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

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

##### Market risk (continued)

##### (b) Interest rate risk (continued)

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 taxation 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>2020</u> RM
+ 1%	(127,269)
- 1%	127,424

The Fund's exposure to interest rate risk associated with deposit with a licensed financial institution 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. When the foreign currencies fluctuate in an unfavourable movements against Ringgit Malaysia, 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 Ringgit Malaysia based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels and technical chart considerations.

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

	<u>Unquoted</u> <u>fixed income</u> <u>securities</u> RM	<u>Forward</u> <u>foreign</u> <u>currency</u> <u>contracts</u> RM	<u>Cash</u> <u>and cash</u> <u>equivalents</u> RM	<u>Total</u> RM
<u>2020</u>				
<u>Financial assets</u>				
Australian Dollar	-	32,857	557,706	590,563
Euro	10,646,518	619,577	166,854	11,432,949
Singapore Dollar	20,378,899	388,191	442,585	21,209,675
United States Dollar	100,995,720	570,119	1,913,245	103,479,084
	<u>132,021,137</u>	<u>1,610,744</u>	<u>3,080,390</u>	<u>136,712,271</u>

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (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: (continued)

	Forward Unquoted fixed income securities RM	foreign currency contracts RM	Cash and cash equivalents RM	Total RM
<u>2020</u> (continued)				
<u>Financial liabilities</u>				
United States Dollar	-	265,724	-	265,724

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 based on each currency's respective historical volatility, with all other variables remain 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 each currency's respective historical volatility. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	<u>Change in price</u> %	<u>Impact on profit after tax/NAV</u> RM
<u>2020</u>		
Australian Dollar	+/-5.72	+/- 33,780
Euro	+/-4.60	+/- 525,916
Singapore Dollar	+/-2.55	+/- 540,847
United States Dollar	+/-3.19	+/- 3,292,506

##### Credit risk

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

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

For unquoted fixed income securities, the Manager regularly reviews the rating assigned to the issuer so that necessary steps can be taken if the rating falls below those described in the Deed and SC's Guidelines on Unit Trust Funds.

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

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

##### Credit risk (continued)

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 of the Fund:

	Unquoted fixed income <u>securities</u> RM	Cash and cash <u>equivalents</u> RM	Forward foreign currency <u>contracts</u> RM	Exit fee income <u>receivable</u> RM	<u>Total</u> RM
<u>2020</u>					
Basic Materials					
- Baa1	2,086,808	-	-	-	2,086,808
- BBB+	3,362,280	-	-	-	3,362,280
Consumer Goods					
- A1	2,552,391	-	-	-	2,552,391
Consumer Services					
- BBB+	1,496,899	-	-	-	1,496,899
Financial Services					
- A1	1,035,686	-	-	-	1,035,686
- A3	3,303,127	-	-	-	3,303,127
- AA2	-	-	685,771	-	685,771
- AA3	-	-	263,927	-	263,927
- AAA	-	6,669,492	586,240	-	7,255,732
- B+	1,713,248	-	-	-	1,713,248
- B1	13,025,210	-	-	-	13,025,210
- Ba2	7,080,747	-	-	-	7,080,747
- Ba3	1,793,194	-	-	-	1,793,194
- Baa1	12,187,660	-	-	-	12,187,660
- Baa2	4,375,685	-	-	-	4,375,685
- Baa3	26,307,034	-	-	-	26,307,034
- BB-	4,877,540	-	-	-	4,877,540
- BBB-	17,829,745	-	-	-	17,829,745
- BBB+	2,849,799	-	-	-	2,849,799
- NR	16,369,374	-	74,806	-	16,444,180
Industrial					
- A1	5,098,249	-	-	-	5,098,249
- AA-	2,611,765	-	-	-	2,611,765
- BBB-	5,239,275	-	-	-	5,239,275
- NR	14,677,072	-	-	-	14,677,072
Utilities					
- Baa2	4,899,624	-	-	-	4,899,624
Others					
- NR	-	-	-	941	941
	<u>154,772,412</u>	<u>6,669,492</u>	<u>1,610,744</u>	<u>941</u>	<u>163,053,589</u>

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

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

##### 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 payments and cancellation of units 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.

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.

	<u>Within one month</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>2020</u>			
Amount due to Manager			
- cancellation of units	31,239	-	31,239
Amount due to Trustee	5,514	-	5,514
Auditors' remuneration	-	8,000	8,000
Tax agent's fee	-	3,500	3,500
Other payables and accruals	-	2,725	2,725
Forward foreign currency contracts at fair value through profit or loss	-	265,724	265,724
	<u>36,753</u>	<u>279,949</u>	<u>316,702</u>

##### Capital risk

The capital of the Fund is represented by equity consisting of unitholders' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

#### 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 market (such as trading securities) is based on quoted market prices at the close of trading on the year end date. The Fund utilises the current bid prices 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.

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (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> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>2020</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	154,772,412	-	154,772,412
- forward foreign currency contracts	-	1,610,744	-	1,610,744
	-	156,383,156	-	156,383,156
Financial liabilities at fair value through profit or loss:				
- forward foreign currency contracts	-	265,724	-	265,724

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 and exit fee income 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.

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

#### 4 MANAGEMENT FEE

In accordance with the Deed, 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.

The Manager does not intend to impose any management fee in respect of this Fund for the current financial period.

#### 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 NAV of the Fund, exclusive of foreign custodian fees.

For the financial period from 26 February 2019 (date of launch) to 31 January 2020, the Trustee fee is recognised at a rate of 0.04% per annum on the NAV of the Fund, exclusive of foreign custodian fees and charges, 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

	Financial period from 26.2.2019 (date of launch) to <u>31.1.2020</u> RM
Current taxation	9,134

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

#### 6 TAXATION (CONTINUED)

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

	Financial period from 26.2.2019 (date of launch) to <u>31.1.2020</u> RM
Net profit before taxation	11,641,665
Tax at Malaysian statutory rate of 24%	2,794,000
Tax effects of:	
Investment income not subject to tax	(2,811,622)
Expenses not deductible for tax purposes	24,543
Restriction on tax deductible expenses for Unit Trust Funds	2,213
Tax expense	<u>9,134</u>

#### 7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2020</u> RM
Financial assets at fair value through profit or loss:	
- unquoted fixed income securities – local	22,751,275
- unquoted fixed income securities – foreign	132,021,137
	<u>154,772,412</u>
	<u>2020</u> RM
Net gain on financial assets at fair value through profit or loss:	
- realised gain on sale of investments	824,809
- unrealised gain on changes in fair value	3,141,081
	<u>3,965,890</u>

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

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

(a) Unquoted fixed income securities – local

(i) Unquoted fixed income securities – local as at 31 January 2020 are as follows:

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Adjusted cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>Bonds</u>				
5.80% CIMB Group Holdings Bhd Call: 25.05.2021 (A1)	1,000,000	1,035,562	1,035,686	0.64
6.50% Eco World Capital Assets Bhd 12.08.2022 (NR)	3,500,000	3,642,564	3,703,357	2.28
5.06% Lafarge Cement Sdn Bhd 08.07.2022 (A1)	5,000,000	5,021,681	5,098,249	3.13
6.90% Mah Sing Group Bhd Call: 04.04.2022 (NR)	7,400,000	7,700,993	7,749,827	4.76
4.70% Tan Chong Motor Holdings Bhd 24.11.2021 (A1)	2,500,000	2,477,142	2,552,391	1.57
5.17% WCT Holdings Bhd 23.10.2023 (AA-)	2,500,000	2,543,344	2,611,765	1.60
Total unquoted fixed income securities – local	<u>21,900,000</u>	<u>22,421,286</u>	<u>22,751,275</u>	<u>13.98</u>
Accumulated unrealised gain on unquoted fixed income securities – local		<u>329,989</u>		
Total unquoted fixed income securities – local		<u>22,751,275</u>		

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

#### 7 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 January 2020 are as follows:

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Adjusted cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>Bonds</u>				
4.625% Argentum Netherlands BV Swiss Call: 15.08.2022 (BBB+)	350,000	1,445,076	1,496,899	0.92
7.25% Asahi Mutual Life Insurance Co Call: 24.01.2022 (BBB-)	400,000	1,782,307	1,767,082	1.09
5.75% AusNet Services Hldgs Pty Ltd Call: 17.09.2021 (Baa2)	1,120,000	4,815,090	4,899,624	3.01
5.875% Banco Bilbao Vizcaya Arg SA Call: 24.09.2023 (Ba2)	200,000	915,880	1,006,481	0.62
6.00% Banco Bilbao Vizcaya Arg SA Call: 29.03.2024 (Ba2)	400,000	1,854,810	2,043,536	1.25
3.625% Bank of Communications Co Ltd Call: 03.10.2021 (BBB+)	600,000	2,884,275	2,849,799	1.75
4.25% Chalco HK Investment Co Ltd Call: 07.11.2021 (BBB+)	800,000	3,320,082	3,362,280	2.07
8.125% Champion Sincerity Holdings Ld Call: 08.02.2022 (Ba3)	400,000	1,754,754	1,793,194	1.10
4.625% China CITIC Bank International Call: 28.02.2024 (Baa3)	400,000	1,709,404	1,758,474	1.08
4.00% China Life Insurance Co. Ltd Call: 03.07.2020 (A3)	800,000	3,090,492	3,303,127	2.03
3.75% China Minmetals Corp Call: 13.11.2022 (Baa1)	500,000	2,044,939	2,086,808	1.28
4.875% China Overseas Grand Ocean Fin 01.06.2021 (Baa2)	300,000	1,284,947	1,271,871	0.78
5.50% CIFI Holdings Group Co Ltd Call: 04.03.2020 (BB-)	500,000	2,062,972	2,066,729	1.27
6.55% CIFI Holdings Group Co Ltd Call: 28.03.2022 (BB-)	300,000	1,257,194	1,274,519	0.78
4.85% Ciputra Development Tbk PT 20.09.2021 (BB-)	500,000	1,523,262	1,536,292	0.94
5.50% Cooperatieve Rabobank UA Call: 29.06.2020 (Baa3)	600,000	2,912,390	2,777,058	1.71
6.625% Cooperatieve Rabobank UA Call: 29.06.2021 (Baa3)	400,000	1,953,264	1,969,644	1.21
4.25% Dah Sing Bank Ltd Call: 30.11.2021 (Baa1)	1,600,000	6,826,213	6,734,000	4.14
4.35% Far East Horizon Ltd Call: 14.06.2022 (NR)	1,200,000	4,623,264	4,916,190	3.02

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

#### 7 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 January 2020 are as follows (continued):

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Adjusted cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>Bonds</u> (continued)				
4.00% Franshion Brilliant Ltd Call: 03.01.2023 (Baa3)	800,000	3,194,362	3,312,958	2.03
6.875% HSBC Holdings PLC Call: 01.06.2021 (Baa3)	1,100,000	4,717,680	4,780,837	2.94
4.50% Huarong Finance 2017 Co Call: 24.01.2022 (Baa1)	1,300,000	5,425,531	5,453,660	3.35
5.75% Julius Baer Group Ltd Call: 20.04.2022 (Baa3)	750,000	2,045,331	2,396,953	1.47
5.90% Julius Baer Group Ltd Call: 18.11.2020 (Baa3)	500,000	1,567,253	1,558,990	0.96
3.75% Landesbank Baden- Wuerttemberg Call: 18.05.2022 (Baa2)	1,000,000	3,032,439	3,103,814	1.91
5.625% Phoenix Group Holdings PLC Call: 29.01.2025 (BBB-)	600,000	2,496,153	2,556,247	1.57
5.60% Shimao Property Holdings Ltd Call: 15.07.2023 (BBB-)	400,000	1,659,478	1,721,658	1.06
6.125% Shimao Property Holdings Ltd Call: 21.02.2022 (BBB-)	500,000	2,145,233	2,216,662	1.36
6.375% Shimao Property Holdings Ltd Call: 15.10.2020 (BBB-)	2,200,000	9,601,382	9,568,096	5.88
4.30% Societe Generale SA Call: 19.05.2021 (Baa3)	2,500,000	7,799,905	7,752,120	4.76
6.125% Societe Generale SA Call: 16.04.2024 (Ba2)	1,250,000	3,849,903	4,030,730	2.48
7.625% Times China Holdings Ltd Call: 21.02.2021 (B1)	1,700,000	7,440,000	7,401,315	4.55
3.75% Weichai Int HK Energy Grp Co Call: 14.09.2022 (BBB-)	1,250,000	4,730,006	5,239,275	3.22
7.85% Yinson Juniper Ltd Call: 05.10.2022 (NR)	1,400,000	5,926,224	5,959,310	3.66
8.10% Yinson Juniper Ltd Call: 29.03.2024 (NR)	2,000,000	8,351,898	8,717,762	5.36
7.90% Yuzhou Properties Co Ltd Call: 11.05.2020 (B+)	400,000	1,736,363	1,713,248	1.05
8.50% Yuzhou Properties Co Ltd Call: 26.02.2022 (B1)	400,000	1,709,147	1,752,642	1.08

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

#### 7 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 January 2020 are as follows (continued):

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Adjusted cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>Bonds</u> (continued)				
8.625% Yuzhou Properties Co Ltd 23.01.2022 (B1)	900,000	3,721,142	3,871,253	2.38
Total unquoted fixed income securities – foreign	<u>32,320,000</u>	<u>129,210,045</u>	<u>132,021,137</u>	<u>81.12</u>
Accumulated unrealised gain on unquoted fixed income securities – foreign		<u>2,811,092</u>		
Total unquoted fixed income securities – foreign		<u>132,021,137</u>		

#### 8 CASH AND CASH EQUIVALENTS

	<u>2020</u> RM
Cash and bank balances	3,104,176
Deposit with a licensed financial institution	3,565,316
	<u>6,669,492</u>

Weighted average effective interest rates per annum of deposit with a licensed financial institution is as follows:

	<u>2020</u> %
Deposit with a licensed financial institution	<u>2.75</u>

The deposit with a licensed financial institution has an average maturity of 3 days.

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

#### 9 FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 44 forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM134,894,895. The forward foreign currency contracts entered into during the financial period were for hedging against the currency exposure arising from the investment in the foreign unquoted fixed income securities denominated in Australian Dollar, Euro, Singapore Dollar and United States Dollar. As the Fund has not adopted hedge accounting during the financial period, the changes in the fair value of the forward foreign currency contracts are recognised immediately in the statement of comprehensive income.

#### 10 NUMBER OF UNITS IN CIRCULATION

	<u>2020</u> No. of units
Balance as at 26 February 2019 (date of launch)	-
Creation of units arising from applications	152,421,000
Cancellation of units	(1,253,000)
Balance as at 31 January 2020	<u>151,168,000</u>

#### 11 TRANSACTIONS WITH DEALERS

(i) Details of transactions with the top 10 dealers for the financial period from 26 February 2019 (date of launch) to 31 January 2020 are as follows:

<u>Name of dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
Nomura Singapore Ltd#	37,319,745	15.70
RHB Investment Bank Bhd#	27,092,846	11.40
HSBC Banking Corporation Ltd	27,023,051	11.37
Affin Hwang Investment Bank Bhd#	17,444,925	7.34
Barclays Bank Plc	15,527,507	6.53
Standard Chartered Bank	13,622,112	5.73
Citigroup Global Markets	13,246,528	5.57
DBS Bank Ltd	11,732,807	4.93
Morgan Stanley and Co International Plc	8,826,738	3.71
JP Morgan Securities Plc	8,160,670	3.43
Others	57,738,374	24.29
	<u>237,735,303</u>	<u>100.00</u>

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

#### 11 TRANSACTIONS WITH DEALERS (CONTINUED)

Included in the transactions with dealers are trades in the stockbroking industry with Affin Hwang Investment Bank Bhd, a company related to the Manager amounting to RM17,444,925. The Manager is of the opinion that all transactions with the related company have been entered into at agreed terms between the related parties.

# Included in the transactions with dealers are cross trades conducted between the Fund and other funds; and private mandates managed by the Manager amounting to:

	Financial period from 26.2.2019 (date of launch) to <u>31.1.2020</u> RM
<u>Name of dealers</u>	
Affin Hwang Investment Bank Bhd	17,444,925
Nomura Singapore Ltd	17,335,665
RHB Investment Bank Bhd	27,092,846
	<u>61,873,436</u>

The cross trades are conducted between the Fund and other funds; and private mandates managed by the Manager as follows:

	Financial period from 26.2.2019 (date of launch) to <u>31.1.2020</u> RM
Affin Hwang Flexible Maturity Income Fund IV	33,654,147
Affin Hwang Flexible Maturity Income Fund 5	2,023,461
Affin Hwang Flexible Maturity Income Fund 6	2,850,941
Affin Hwang Flexible Maturity Income Fund 7	842,173
Affin Hwang Multi-Asset Fund 2	4,945,500
Affin Hwang Select Bond Fund	4,016,951
Affin Hwang Select Income Fund	7,760,772
Private Mandates	5,779,491
	<u>61,873,436</u>

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

#### 12 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>Relationship</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
Subsidiaries and associates of ABB as disclosed in its financial statements	Subsidiary and associated companies of the ultimate holding company of the Manager

The number of units held by the Manager as at the end of the financial period as follows:

	<u>2020</u>
	No. of units      RM
<u>The Manager:</u>	
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)	2,870      3,090
	<u>                    </u> <u>                    </u>

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

	Financial period from 26.2.2019 (date of launch) to <u>31.1.2020</u>
	%
MER	<u>                    </u> 0.07

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 26 FEBRUARY 2019 (DATE OF LAUNCH) TO 31 JANUARY 2020 (CONTINUED)

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

MER is derived from the following calculation:

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

A	=	Trustee fee
B	=	Auditors' remuneration
C	=	Tax agent's fee
D	=	Other expenses
E	=	Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial period calculated on a daily basis is RM155,506,003.

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

	Financial period from 26.2.2019 (date of launch) to <u>31.1.2020</u>
PTR (times)	<u>0.81</u>

PTR is derived from the following calculation:

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

where: total acquisition for the financial period = RM201,248,186

total disposal for the financial period = RM51,409,157

#### 15 COMPARATIVES

There are no comparative figures as this is the first set of annual financial statements prepared since launch of the Fund.

## **AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11**

### **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 1 to 30 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 January 2020 and of its financial performance, changes in equity and cash flows for the financial period from 26 February 2019 (date of launch) to 31 January 2020 in accordance with the Malaysian Financial Reporting Standards, 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  
11 March 2020

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 11

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Affin Hwang Flexible Maturity Income Fund 11 ("the Fund") give a true and fair view of the financial position of the Fund as at 31 January 2020, and of its financial performance and its cash flows for the financial period from 26 February 2019 (date of launch) to 31 January 2020 in accordance with Malaysian Financial Reporting Standards, 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 January 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial period from 26 February 2019 (date of launch) to 31 January 2020, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 30.

### 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 FLEXIBLE MATURITY INCOME FUND 11 (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, 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 FLEXIBLE MATURITY INCOME FUND 11 (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 Company'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 FLEXIBLE MATURITY INCOME FUND 11 (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  
11 March 2020

## **DIRECTORY OF SALES OFFICE**

### **HEAD OFFICE**

Affin Hwang Asset Management Berhad  
Ground Floor  
Menara Boustead  
69, Jalan Raja Chulan  
50200 Kuala Lumpur

Tel : 03 – 2116 6000  
Fax : 03 – 2116 6100  
Toll free no : 1-800-88-7080  
Email: [customercare@affinhwangam.com](mailto:customercare@affinhwangam.com)

### **PENANG**

Affin Hwang Asset Management Berhad  
No. 10-C-24 Precinct 10  
Jalan Tanjung Tokong  
10470 Penang

Tel : 04 – 899 8022  
Fax : 04 – 899 1916

### **PERAK**

Affin Hwang Asset Management Berhad  
13A Persiaran Greentown 7  
Greentown Business Centre  
30450 Ipoh Perak

Tel : 05 – 241 0668  
Fax : 05 – 255 9696

### **MELAKA**

Affin Hwang Asset Management Berhad  
Ground Floor, No. 584, Jalan Merdeka  
Taman Melaka Raya  
75000 Melaka

Tel : 06 – 281 2890 / 3269  
Fax : 06 – 281 2937

### **JOHOR**

Affin Hwang Asset Management Berhad  
Unit 22-05, Level 22  
Menara Landmark  
No. 12, Jalan Ngee Heng  
80000 Johor Bahru  
Johor Darul Takzim

Tel : 07 – 227 8999  
Fax : 07 – 223 8998

### **SABAH**

Affin Hwang Asset Management Berhad  
Lot No. B-2-09, 2<sup>nd</sup> Floor  
Block B, Warisan Square  
Jalan Tun Fuad Stephens  
88000 Kota Kinabalu  
Sabah

Tel : 088 – 252 881  
Fax : 088 – 288 803

## **DIRECTORY OF SALES OFFICE (CONTINUED)**

### **SARAWAK**

Affin Hwang Asset Management Berhad  
Ground Floor, No. 69  
Block 10, Jalan Laksamana Cheng Ho  
93200 Kuching  
Sarawak

Tel : 082 – 233 320  
Fax : 082 – 233 663

Affin Hwang Asset Management Berhad  
1<sup>st</sup> Floor, Lot 1291  
Jalan Melayu, MCLD  
98000 Miri  
Sarawak

Tel : 085 – 418 403  
Fax : 085 – 418 372

---

[www.affinhwangam.com](http://www.affinhwangam.com)

Affin Hwang Asset Management Berhad  
199701014290 (429786-T)