

# Affin Hwang

## Smart Invest Portfolio - Growth

Annual Report  
29 February 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 SMART INVEST PORTFOLIO - GROWTH**

## **Annual Report and Audited Financial Statements For The Financial Period From 17 May 2019 (Date of Launch) To 29 February 2020**

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## FUND INFORMATION

Fund Name	Affin Hwang Smart Invest Portfolio - Growth
Fund Type	Income & Growth
Fund Category	Mixed assets (Fund-of-Funds)
Investment Objective	The Fund aims to provide investors with regular income and capital growth over medium to long-term period through a portfolio of collective investment schemes
Benchmark	Absolute return of 8% per annum
Distribution Policy	Subject to the availability of income, the Fund will distribute income on an annual basis, after the end of its first financial year

## BREAKDOWN OF UNITHOLDERS BY SIZE AS AT 29 FEBRUARY 2020

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	800	1,344
5,001 to 10,000	202	1,582
10,001 to 50,000	363	8,776
50,001 to 500,000	296	44,359
500,001 and above	33	40,573
<b>Total</b>	<b>1,694</b>	<b>96,634</b>

\* Note: Excluding Manager's stock

## FUND PERFORMANCE DATA

Category	As at 29 Feb 2020 (%)
Portfolio composition	
Collective investment scheme – local	32.05
Collective investment scheme – foreign	52.79
<b>Total collective investment scheme</b>	<b>84.84</b>
<b>Exchange-traded fund – foreign</b>	<b>14.72</b>
<b>Cash &amp; cash equivalent</b>	<b>0.44</b>
<b>Total</b>	<b>100.00</b>
Total NAV (RM'million)	49.534
NAV per Unit (RM)	0.5126
Unit in Circulation (million)	96.638
Highest NAV	0.5408
Lowest NAV	0.4970
Return of the Fund (%) <sup>iii</sup>	2.52
- Capital Growth (%) <sup>i</sup>	2.52
- Income Distribution (%) <sup>ii</sup>	Nil
Gross Distribution per Unit (sen)	Nil
Net Distribution per Unit (sen)	Nil
Management Expense Ratio (%)	1.56
Portfolio Turnover Ratio (times)	1.43

### **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 29 February 2020.

### Performance Review

For the period 7 June 2019 to 29 February 2020, the fund registered a return of 2.52%, underperformed the benchmark return of 5.81% by 3.29 percentage points. The Net Asset Value (NAV) per unit of the fund on 29 February 2020 was RM0.5126 while 6 June 2019 was RM0.5000. As such, the Fund will continue to be managed in a manner to fulfill its objective.

Table 1: Performance of the Fund

	Since Commencement (7/6/19 - 29/2/20)
<b>Fund</b>	<b>2.52%</b>
<b>Benchmark</b>	<b>5.81%</b>
<b>Outperformance / (Underperformance)</b>	<b>(3.29%)</b>

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	Since Commencement (7/6/19 - 29/2/20)
<b>Fund</b>	<b>3.45%</b>
<b>Benchmark</b>	<b>8.00%</b>
<b>Outperformance / (Underperformance)</b>	<b>(4.55%)</b>

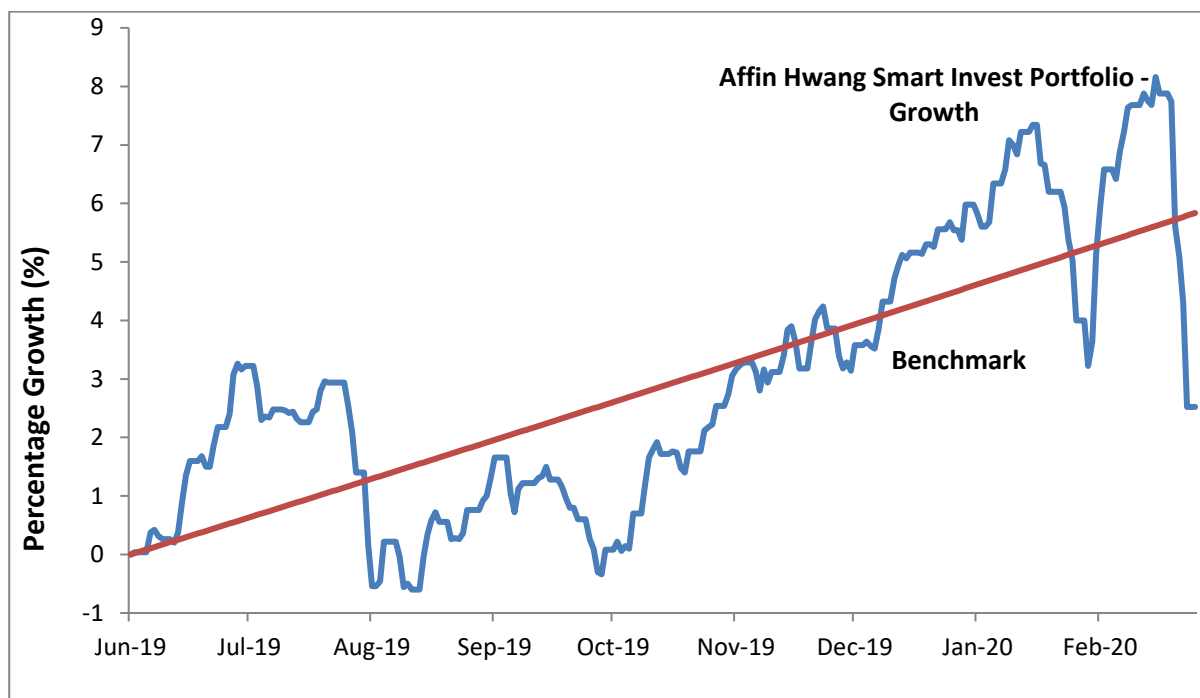
Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	FYE 2020 (7/6/19 - 29/2/20)
<b>Fund</b>	<b>2.52%</b>
<b>Benchmark</b>	<b>5.81%</b>
<b>Outperformance / (Underperformance)</b>	<b>(3.29%)</b>

Source of Benchmark: Bloomberg

Figure 1: Movement of the Fund versus the Benchmark since commencement.



*"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: Absolute Return 8%

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

### **Asset Allocation**

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

During the period under review, the Fund's total exposure into collective investment scheme stood at 99.56% while the remaining was held in cash and cash equivalent.

### **Strategy Employed**

Over the period under review, the Manager continued to focus on the collective investment schemes. With the extreme volatility in markets, we raised our cash holdings and went into a defensive stance in our allocation. As the sell-down accelerated, we then slowly deployed back into the market. We continue to keep close monitor on market development amidst the rare double whammy of global pandemic and oil price collapse.

### **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.

However, the global equities trended even lower in February as risk assets continue to reel from the impact of the Covid-19 outbreak which sent chills to investors. The rapid spread of the infection outside of China with new cases springing in Italy, South Korea and Iran led to a rush towards safe haven assets with US Treasury yields dipping to record lows. The S&P 500 index tumbled 8.4%, whilst the index Dow Jones closed 10.1% lower in the month. The broader MSCI Asia ex-Japan index fell 2.9%.

After Australia, Thailand and the US reported over the weekend their first coronavirus-related deaths. US and Europe stock markets caught up with losses as investors become increasingly fearful of a contagion effect as the coronavirus reaches their shores.

Seoul raised its coronavirus alert to the “highest level,” with the latest spike in numbers bringing the country with the most cases outside of mainland China. Industry heavyweight Samsung Electronics had also announced that a coronavirus case had been confirmed at a mobile device factory complex in South Korea, resulting in the shutdown of the entire facility. The affected factory reportedly accounts for a small portion of Samsung’s total smartphone production.

The impact of the coronavirus outbreak has been felt acutely in the world’s second largest economy. China’s latest Purchasing Managers’ Index (“PMI”) data plunged to a record low in February as sentiment was soured by the outbreak. The Markit/ Caixin manufacturing PMI dropped to 40.3 below the 50-point threshold signalling contraction. 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, as well as travel restriction bans. Global supply chains have seen disruption due to stalled manufacturing activity.

On the domestic front, the benchmark KLCI fell by 3% in February as the country plunged into political turmoil which ultimately culminated in the appointment of Tan Sri Muhyiddin Yassin as the eighth Prime Minister, from the Perikatan Nasional coalition (UMNO, PAS, Bersatu and a splinter faction of PKR). The appointment was announced by Istana Negara amidst shifting political allegiances and frantic horse-trading across the ruling and opposition coalitions.

Meanwhile, the US-China trade war made some positive headway with the two countries signing a phase-one trade deal in January. 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 over two years. This includes purchases of US agriculture products over the next two years by China. 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 in January, 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%.

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. There is further room for BNM to loosen monetary policy by up to 75bps using history as a guide. The rate cut is expected to boost economic growth amid price stability.

## **Investment Outlook**

The ensuing market correction is likely overdone with volatility exacerbated by the presence of algo-traders. Strict containment measures undertaken by China has helped to reduce the spread of infection as factories gradually begin to reopen. Apple and Starbucks which temporarily shuttered their retail outlets due to the outbreak have also begun to reopen in China.

The central Hubei province, which was the epicentre of the country’s coronavirus outbreak, reported less than 200 cases of new infections for the first time since January at the time of writing. If the outbreak can be effectively contained, we could then begin to see factory activities start to normalise and consumption picking-up again. Expectations that governments would also embark on additional fiscal stimulus to support the economy is seen positively by investors to soothe a recovery.

Whilst Muhyiddin’s appointment as PM has ended the political stalemate temporarily, we expect volatility to continue to persist in the local market. Without a strong mandate or a solid support base, Muhyiddin could face challenges in pushing through policy decisions or may even find himself challenged again.

Sin stocks such as Carlsberg, Heineken and Genting faced selling pressure amidst concerns over policy changes in the industry under the new government that is perceived to be more conservative. The small-mid-caps which has outperformed the rest of the market last year were not spared from the sell-off as well with the FBM Small Cap index down 4% in February.

On top of the political uncertainty, the economy faces additional headwinds from the covid-19 with the government reducing its growth outlook for 2020 to 3.2-4.2% from 4.8% previously. Nonetheless, the government will be under a lot of pressure to implement policies to support economic growth and shore up support.

### **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 SMART INVEST PORTFOLIO - GROWTH**

We have acted as Trustee of Affin Hwang Smart Invest Portfolio - Growth ("the Fund") for the financial period from 17 May 2019 (date of launch) to 29 February 2020. 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 Capital Markets and Services Act 2007, the Securities Commission's Guidelines on Unit Trust Funds 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 have been carried out in accordance with the Deeds and relevant regulatory requirements.

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

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

Kuala Lumpur  
24 April 2020

## **AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH**

### **FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH)  
TO 29 FEBRUARY 2020**

# **AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH**

## **FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH)  
TO 29 FEBRUARY 2020**

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## AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

### STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020

	<u>Note</u>	Financial period from 17.5.2019 (date of launch) to <u>29.2.2020</u> RM
<b>INVESTMENT LOSS</b>		
Dividend income		162,385
Interest income from financial assets at amortised cost		15,747
Net gain on foreign currency exchange		20,885
Net loss on forward foreign currency contracts at fair value through profit or loss		(162,604)
Net loss on financial assets at fair value through profit or loss	7	(46,736)
Exit fee income		424
		<u>(9,899)</u>
<b>EXPENSES</b>		
Management fee	4	(337,747)
Trustee fee	5	(11,434)
Auditors' remuneration		(7,500)
Tax agent's fee		(3,500)
Transaction costs		(604)
Other expenses		(9,542)
		<u>(370,327)</u>
<b>NET LOSS BEFORE TAXATION</b>		(380,226)
<b>TAXATION</b>	6	-
<b>NET LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD</b>		<u><u>(380,226)</u></u>
Net loss after taxation is made up of the following:		
Realised amount		(17,848)
Unrealised amount		(362,378)
		<u><u>(380,226)</u></u>

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

## AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

### STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2020

	<u>Note</u>	<u>2020</u> RM
<b>ASSETS</b>		
Cash and cash equivalents	8	263,613
Dividend receivable		15,755
Amount due from Manager		
- creation of units		188,366
- management fee rebate receivable		26,381
Financial assets at fair value through profit or loss	7	49,314,692
<b>TOTAL ASSETS</b>		<u>49,808,807</u>
<b>LIABILITIES</b>		
Forward foreign currency contracts at fair value through profit or loss	9	189,970
Amount due to Manager		
- management fee		69,805
Amount due to Trustee		2,327
Auditors' remuneration		7,500
Tax agent's fee		3,500
Other payables and accruals		2,000
<b>TOTAL LIABILITIES</b>		<u>275,102</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>49,533,705</u>
<b>EQUITY</b>		
Unitholders' capital		49,913,931
Accumulated losses		(380,226)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>49,533,705</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	10	<u>96,638,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.5126</u>

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

## AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020

	Unitholders' <u>capital</u> RM	Accumulated <u>losses</u> RM	<u>Total</u> RM
Balance as at 17 May 2019 (date of launch)	-	-	-
Total comprehensive loss for the financial period	-	(380,226)	(380,226)
Movement in unitholders' capital:			
Creation of units arising from applications	49,919,630	-	49,919,630
Cancellation of units	(5,699)	-	(5,699)
Balance as at 29 February 2020	<u>49,913,931</u>	<u>(380,226)</u>	<u>49,533,705</u>

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

## **AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH**

### **STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020**

		Financial period from 17.5.2019 (date of launch) to <u>29.2.2020</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Sales of investments		9,620,580
Purchase of investments		(59,140,238)
Dividends received		146,630
Interest received		15,747
Exit fee income earned		424
Management fee paid		(267,942)
Rebate management fee received		131,245
Trustee fee paid		(9,107)
Realised gain on forward foreign currency contract		27,366
Net loss on foreign currency exchange		(17,398)
Payment for other fees and expenses		(7,542)
Net cash used in operating activities		<u>(49,500,235)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from creation of units		49,731,264
Payments from cancellation of units		(5,699)
Net cash generated from financing activities		<u>49,725,565</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		225,330
<b>EFFECTS OF FOREIGN CURRENCY EXCHANGE</b>		38,283
<b>CASH AND CASH EQUIVALENTS AT THE DATE OF LAUNCH</b>		<u>–</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	8	<u><u>263,613</u></u>

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

## **AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 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 L.

(a) Standards and amendments to existing standards effective 17 May 2019:

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 17 May 2019 that have a material effect on the financial statements of the Fund.

(b) New standards, amendments and interpretations effective after 17 May 2019 and have not been early adopted:

A number of new standards, amendments to standards and interpretations are effective for annual financial periods beginning after 17 May 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 from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income on the ex-dividend date, when the right to receive the dividend has been established.

##### Interest income

Interest income from short term deposit with licensed financial institutions is 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 SMART INVEST PORTFOLIO - GROWTH**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020 (CONTINUED)**

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

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

For collective investment schemes ("CIS"), 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.

##### 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 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 and brokers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

#### **D 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.

Tax on investment income from foreign investments is based on the tax regime of the respective countries that the Fund invests in.

#### **E 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.

#### **F 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 the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

## **AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020 (CONTINUED)**

#### **G FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

##### **(i) Classification**

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

- those to be measured 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 Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income.

The Fund classifies cash and cash equivalents, dividend receivable and amount due from Manager 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 currency 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 financial period which they arise.

Investment in collective investment schemes are valued at the last published NAV per unit at the date of the statement of financial position.

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

## AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020 (CONTINUED)

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

##### (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 and lifetime 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.

##### 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 bad debt recoveries. There are no write-offs/recoveries during the financial year.

## **AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020 (CONTINUED)**

#### **H 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.

#### **I 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 assets 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 year if 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.

#### **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. Refer to Note G for accounting policy on recognition and measurement.

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

#### **K 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 the statement of comprehensive income 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 investments that have a negative fair value are presented as liabilities at fair value through profit or loss.

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

## **AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020 (CONTINUED)**

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

#### **L 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 Securities Commission's ("SC") Guidelines on Unit Trust Fund.

#### **M 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 SMART INVEST PORTFOLIO - GROWTH**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020**

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

The Unit Trust Fund was constituted under the name Affin Hwang Smart Invest Portfolio - Growth (the "Fund") pursuant to the execution of a Deed dated 15 January 2019 entered in between Affin Hwang Asset Management Berhad (the "Manager") and TMF Trustees Malaysia Berhad (the "Trustee").

The Fund was launched on 17 May 2019 and will continue its operations until terminated by the Trustee as provided under Clause 12.1 of the Deed.

The Fund may invest any of in the following assets, subject to the Deed, the Fund's objective, the Guidelines, the requirements of the SC and all relevant laws:

- (a) Units/shares in collective investment schemes;
- (b) Money market instruments;
- (c) Fixed deposits;
- (d) Derivatives; and
- (e) Any other form of investments as may be 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 achieve capital appreciation over a medium to long term period.

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 24 April 2020.

## AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020 (CONTINUED)

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

Financial instruments are as follows:

	Note	Amortised cost RM	Fair value through profit or loss RM	Total RM
<u>2020</u>				
<u>Financial assets</u>				
Collective investment schemes	7	-	42,023,144	42,023,144
Exchange-traded fund			7,291,548	7,291,548
Dividend receivable		15,755	-	15,755
Cash and cash equivalents	8	263,613	-	263,613
Amount due from Manager				
- creation of units		188,366	-	188,366
- management fee rebate receivable		26,381	-	26,381
Total		494,115	49,314,692	49,808,807
<u>Financial liabilities</u>				
Forward foreign currency contracts at fair value through profit or loss	9	-	189,970	189,970
Amount due to Manager				
- management fee		69,805	-	69,805
Amount due to Trustee		2,327	-	2,327
Auditors' remuneration		7,500	-	7,500
Tax agent's fee		3,500	-	3,500
Other payables and accruals		2,000	-	2,000
Total		85,132	189,970	275,102

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.

## AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020 (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>2020</u> RM
<b>Quoted investments</b>	
Collective investment schemes	42,023,144
Exchange-traded fund	7,291,548
	<u>49,314,692</u>

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 7.5% and decreased by 7.5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the quoted investments.

<u>% Change in price</u>	<u>Market value</u> RM	Impact on profit after <u>tax/NAV</u> RM
<u>2020</u>		
-7.5%	45,616,090	(3,698,602)
0%	49,314,692	-
+7.5%	<u>53,013,294</u>	<u>3,698,602</u>

##### (b) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows.

The Fund's exposure to the interest rate risk is mainly confined to a short term placement with a financial institution. The Manager overcomes this exposure by way of maintaining deposits on short term basis.

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



## AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020 (CONTINUED)

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

##### Market risk (continued)

##### (c) Currency risk

Currency risk is associated with investments denominated in foreign currencies. When the foreign currencies fluctuate in unfavourable movement 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:

	Forward currency contract RM	Collective investment scheme RM	Exchange- traded fund RM	Cash and cash equivalents RM	Dividend receivable RM	Total RM
<u>2020</u>						
Hong Kong Dollar	-	-	2,472,470	6,696	-	2,479,166
Japanese Yen	-	-	4,819,078	8,248	-	4,827,326
United States Dollar	(189,970)	26,149,252	-	22,066	15,755	25,997,103
	<u>(189,970)</u>	<u>26,149,252</u>	<u>7,291,548</u>	<u>37,010</u>	<u>15,755</u>	<u>33,303,595</u>

## AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020 (CONTINUED)

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

##### Market risk (continued)

##### (c) Currency risk

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 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 each currency's respective historical volatility. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in rate %	Impact on profit after tax/ NAV RM
<u>2020</u>		
Hong Kong Dollar	+/- 3.96	+/- 98,175
Japanese Yen	+/- 8.16	+/- 393,910
United States Dollar	+/- 4.03	+/- 1,047,683

##### 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 cancellations 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.

## AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020 (CONTINUED)

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

##### Liquidity risk (continued)

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

	Within <u>one month</u> RM	Between one month <u>to one year</u> RM	<u>Total</u> RM
<u>2020</u>			
Amount due to Manager			
- management fee	69,805	-	69,805
Amount due to Trustee	2,327	-	2,327
Auditors' remuneration	-	7,500	7,500
Tax agent's fee	-	3,500	3,500
Other payables and accruals	-	2,000	2,000
Forward foreign currency contracts at fair value through profit or loss	50,898	139,072	189,970
	<u>123,030</u>	<u>152,072</u>	<u>275,102</u>

##### 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.

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:

	Cash and cash <u>equivalents</u> RM	Other <u>assets*</u> RM	<u>Total</u> RM
<u>2020</u>			
Financials			
- AAA	263,613	-	263,613
- NR	-	214,747	214,747
Others			
- NR	-	15,755	15,755
	<u>263,613</u>	<u>230,502</u>	<u>494,115</u>

\* Other assets consist of dividend receivable and amount due from Manager.

## AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020 (CONTINUED)

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

##### Capital risk

The capital of the Fund is represented by the net assets attributable to unitholders. The amount of net assets attributable to unitholder's 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 financial period end date.

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 SMART INVEST PORTFOLIO - GROWTH

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 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				
- collective investment schemes	42,023,144	-	-	42,023,144
- exchange-traded fund	7,291,548	-	-	7,291,548
	<u>49,314,692</u>	<u>-</u>	<u>-</u>	<u>49,314,692</u>
Financial liabilities at fair value through profit or loss				
- forward foreign currency contracts	-	189,970	-	189,970
	<u>-</u>	<u>189,970</u>	<u>-</u>	<u>189,970</u>

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include collective investment scheme. 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 includes 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 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

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 5.00% per annum on the net asset value ("NAV") of the Fund calculated on a daily basis.

For the financial period from 17 May 2019 (date of launch) to 29 February 2020, the management fee is recognised at a rate of 1.80% per annum on the NAV of the Fund, calculated on a daily basis as stated in the Prospectus.

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

## AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020 (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, excluding of foreign custodian fees and charges.

For the financial period from 17 May 2019 (date of launch) to 29 February 2020, the Trustee's fee is recognised at a rate of 0.06% per annum on the NAV of the Fund, calculated on a daily basis as stated in the 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 17.5.2019 (date of launch) to <u>29.2.2020</u> RM
Current taxation	-

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

	Financial period from 17.5.2019 (date of launch) to <u>29.2.2020</u> RM
Net loss before taxation	(380,226)
Tax at Malaysian statutory rate of 24%	(91,254)
Tax effects of:	
Investment loss not brought to tax	2,376
Expenses not deductible for tax purposes	82,832
Restriction on tax deduction expenses for Unit Trust Funds	6,046
Tax expense	-

## AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020 (CONTINUED)

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

	Financial period from 17.5.2019 (date of launch) to <u>29.2.2020</u> RM
Financial assets at fair value through profit or loss:	
- collective investment schemes – local	15,873,892
- collective investment schemes – foreign	26,149,252
- exchange-traded fund - foreign	7,291,548
	<u>49,314,692</u>
Net loss on assets at fair value through profit or loss:	
- realised gain on sale of investment	6,329
- unrealised loss on changes in fair value	(210,691)
- management fee rebate on collective investment income #	157,626
	<u>(46,736)</u>

# In arriving at the fair value of the Fund's investment in a collective investment scheme, the management fee paid to the Manager of collective investment scheme has been considered as part of its net asset value. In order to minimise the impact of management fees charged by the fund manager, management fee charged on the Fund's investment in the collective scheme has been refunded to the Fund. Accordingly, any rebate of management received from the Manager of collective investment scheme is reflected as an increase in the net asset value of the collective investment scheme.

## AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020 (CONTINUED)

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

##### (a) Collective investment schemes - local

##### (i) Collective investment schemes - local as at 29 February 2020 are as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
Affin Hwang Select Asia (ex Japan) Opportunity Fund – MYR Class	10,698,985	7,727,000	7,968,604	16.09
Affin Hwang Select Asia (ex Japan) Quantum Fund - MYR Class	2,829,213	3,888,000	4,104,339	8.29
Affin Hwang Aiiman Money Market Fund	7,097,943	3,800,239	3,800,949	7.67
Total collective investment scheme - local	20,626,141	15,415,239	15,873,892	32.05
Accumulated unrealised gain on collective investment schemes - local		458,653		
Total collective investment schemes - local		15,873,892		

##### (b) Collective investment schemes - foreign

##### (i) Collective investment schemes - foreign as at 29 February 2020 are as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
Global Sicav II Global Smaller Companies Fund	112,770	4,889,931	4,534,547	9.15
Nikko AM Shenton Global Oppo USD	2,657,937	11,722,776	11,648,569	23.52
PIMCO GIS Income Fund Institutional USD	101,689	4,960,907	5,030,811	10.16
UBS (Lux) Investment SICAV - China A Opportunity (USD)	4,099	4,873,355	4,935,325	9.96
Total collective investment scheme - foreign	2,876,495	26,446,969	26,149,252	52.79
Accumulated unrealised loss on collective investment scheme - foreign		(297,717)		
Total collective investment scheme - foreign		26,149,252		



## AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020 (CONTINUED)

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

(c) Exchange-traded fund - foreign

(i) Exchange-traded fund - foreign as at 29 February 2020 are as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
iShares Core TOPIX ETF	80,757	5,266,742	4,819,078	9.73
Premia Asia Innovative Technology ETF	52,200	2,396,433	2,472,470	4.99
Total exchange-traded fund - foreign	132,957	7,663,175	7,291,548	14.72
Accumulated unrealised loss on exchange-traded fund - foreign		(371,627)		
Total exchange-traded fund - foreign		7,291,548		

#### 8 CASH AND CASH EQUIVALENTS

	<u>2020 RM</u>
Cash and bank balances	60,573
Deposit with a licensed financial institution	203,040
	263,613

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

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

Deposit with a licensed financial institution of the Fund has an average maturity of 2 days.

## AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020 (CONTINUED)

#### 9 FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 15 forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM10,184,052. The forward currency contracts entered into during the financial period were for hedging against the currency exposure arising from the Fund's investment in the collective investment schemes denominated in United States Dollar. As the fund has not adopted hedge accounting during the financial period, the change 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 17 May 2019 (date of launch)	-
Creation of units arising from applications	96,649,000
Cancellation of units	(11,000)
Balance as at 29 February 2020	<u>96,638,000</u>

#### 11 TRANSACTIONS WITH BROKERS

(i) Details of transaction with the brokers for the financial period from 17 May 2019 (date of launch) to 29 February 2020 are as follows:

<u>Name of brokers/dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage</u> %
Affin Hwang Asset Management Berhad	34,560,819	50.33	-	-
MFEX Mutual Funds Exchange AB	26,446,969	38.51	-	-
Flow Traders	6,484,621	9.44	-	-
Macquarie Bank Limited Hong Kong Branch	983,313	1.43	492	81.32
CLSA Ltd	195,241	0.29	113	18.68
	<u>68,670,963</u>	<u>100.00</u>	<u>605</u>	<u>100.00</u>

Included in transactions with brokers are trades with Affin Hwang Asset Management Berhad, the Manager, amounting to RM34,560,819. The Manager is of the opinion that all transactions with the related company have been entered into at agreed terms between the related parties.

## AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 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>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 period are 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)	2,961 1,518

#### 13 MANAGEMENT EXPENSE RATIO ("MER")

	Financial period from 17.5.2019 (date of launch) to <u>29.2.2020</u> %
MER	<u>1.56</u>

MER is derived from the following calculation:

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

A	=	Management fee, excluding management fee rebates
B	=	Trustee fee
C	=	Auditors' remuneration
D	=	Tax agent's fee
E	=	Other expenses
F	=	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 RM24,067,514.

## AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 29 FEBRUARY 2020 (CONTINUED)

#### 14 PORTFOLIO TURNOVER RATIO ("PTR")

	Financial period from 17.5.2019 (date of launch) to <u>29.2.2020</u>
PTR (times)	<u>1.43</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 = RM59,140,238  
total disposal for the financial period = RM9,614,251

#### 15 SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD

The worsening macro-economic outlook as a result of Covid-19, both domestically and globally, has resulted in the deterioration of the Fund's Net Asset Value/unit as of the date of this report. This is mainly due to the decrease in the fair value of the Fund's investments at fair value through profit or loss.

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

## **AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH**

### **STATEMENT BY THE MANAGER**

I, Teng Chee Wai, the Director of **Affin Hwang Asset Management Berhad**, do hereby state that in my opinion as the Manager, the financial statements set out on pages 1 to 25 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 29 February 2020 and of its financial performance for the financial period from 17 May 2019 (date of launch) to 29 February 2020, changes in equity and cash flows for the financial period ended 29 February 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  
24 April 2020

# INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Affin Hwang Smart Invest Portfolio - Growth (“the Fund”) give a true and fair view of the financial position of the Fund as at 29 February 2020, and of its financial performance and its cash flows for the financial period from 17 May 2019 to 29 February 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 29 February 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 25.

### 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 UNIT HOLDERS OF AFFIN HWANG SMART INVEST PORTFOLIO -  
GROWTH (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 the 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 to terminate the Fund, or has no realistic alternative but to do so.

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.

INDEPENDENT AUDITORS' REPORT  
TO THE UNIT HOLDERS OF AFFIN HWANG SMART INVEST PORTFOLIO -  
GROWTH (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

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



INDEPENDENT AUDITORS' REPORT  
TO THE UNIT HOLDERS OF AFFIN HWANG SMART INVEST PORTFOLIO -  
GROWTH (CONTINUED)

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur  
24 April 2020

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