



ANNUAL REPORT
28 February 2023

Affin Hwang **Flexible** **Maturity Income** **Fund 17**

MANAGER
AHAM Asset Management Berhad
*(Formerly known as Affin Hwang Asset
Management Berhad)*
199701014290 (429786-T)

TRUSTEE
TMF Trustees Malaysia Berhad
(200301008392 [610812-W])

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AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

Annual Report and Audited Financial Statements For the Financial Year Ended 28 February 2023

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FUND INFORMATION

Fund Name	Affin Hwang Flexible Maturity Income Fund 17
Fund Type	Income
Fund Category	Fixed Income (Wholesale)
Investment Objective	The Fund aims to provide income through investments in fixed income instruments
Duration of the Fund	Five (5) years close-ended Fund
Termination Date	24 December 2024
Benchmark	5-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

FUND PERFORMANCE DATA

Category	As at 28 Feb 2023 (%)	As at 28 Feb 2022 (%)	As at 28 Feb 2021 (%)
Portfolio composition			
Unquoted fixed income securities – local	19.48	20.36	16.47
Unquoted fixed income securities – foreign	78.72	72.67	79.84
Total unquoted fixed income securities	98.20	93.03	96.31
Cash & cash equivalent	1.80	6.97	3.69
Total	100.00	100.00	100.00
Total NAV (RM'million)	130.989	139.983	160.668
NAV per Unit (RM)	0.8638	0.9209	1.0458
Unit in Circulation (million)	151.639	152.011	153.638
Highest NAV	0.9298	1.0654	1.0761
Lowest NAV	0.7677	0.9097	0.9305
Return of the Fund (%)	-4.36	-7.91	9.08
- Capital Growth (%)	-6.20	-11.94	4.58
- Income Distribution (%)	1.97	4.58	4.30
Gross Distribution per Unit (sen)	1.65	4.437	4.437
Net Distribution per Unit (sen)	1.65	4.437	4.437
Total Expense Ratio (%) ¹	0.28	0.28	0.33
Portfolio Turnover Ratio (times) ²	0.46	0.04	0.93

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

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

An illustration of the above would be as follow:-

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

¹ The TER of the Fund remains unchanged during the financial year.

² The PTR of the Fund increased due to lower average NAV of the Fund and higher trading activities for the financial year.

MANAGER'S REPORT

Income Distribution / Unit Split

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

Cum Date	Ex-Date	Cum-distribution (RM)	Distribution per Unit (RM)	Ex-distribution (RM)
20-Dec-22	21-Dec-22	0.8560	0.0165	0.8396

No unit split were declared for the financial year ended 28 February 2023.

Performance Review (1 March 2022 to 28 February 2023)

For the period 1 March 2022 to 28 February 2023 the Fund registered a -4.36% return compared to the benchmark return of 3.35%. The Fund thus underperformed the Benchmark by 7.71%. The Net Asset Value ("NAV") per unit of the Fund as at 28 February 2023 was RM0.8638 while the NAV as at 28 February 2022 was RM0.9209. The Fund declared a gross income distribution of RM0.0165 per unit for the period.

Since commencement, the Fund has registered a return of -3.93% compared to the benchmark return of 11.07%, underperforming by 15.00%.

Fund Performance

Table 1: Performance of the Fund

	1 Year (1/3/22 - 28/2/23)	3 Years (1/3/20 - 28/2/23)	Since Commencement (24/12/19 - 28/2/23)
Fund	(4.36%)	(5.89%)	(3.93%)
Benchmark	3.35%	10.39%	11.07%
Outperformance	(7.71%)	(16.28%)	(15.00%)

Source of Benchmark: Maybank

Table 2: Average Total Return

	1 Year (1/3/22 - 28/2/23)	3 Years (1/3/20 - 28/2/23)	Since Commencement (24/12/19 - 28/2/23)
Fund	(4.36%)	(2.00%)	(1.25%)
Benchmark	3.35%	3.35%	3.35%
Outperformance	(7.71%)	(5.35%)	(4.60%)

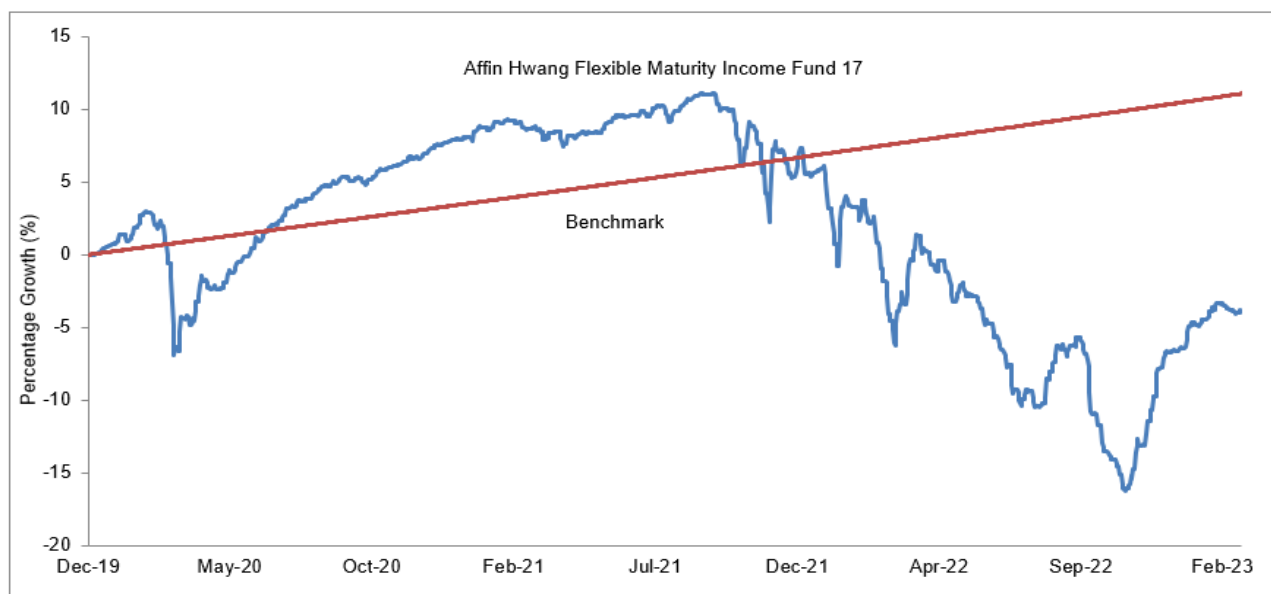
Source of Benchmark: Maybank

Table 3: Annual Total Return

	FYE 2023 (1/3/22 - 28/2/23)	FYE 2022 (1/3/21 - 28/2/22)	FYE 2021 (24/12/19 - 28/2/21)
Fund	(4.36%)	(7.91%)	9.08%
Benchmark	3.35%	3.35%	3.99%
Outperformance	(7.71%)	(11.26%)	5.09%

Source of Benchmark: Maybank

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



“This information is prepared by AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) 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: 5-years Malayan Banking Berhad fixed deposit rate as at Investment Date

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

As at 28 February 2023, the asset allocation of the Fund stood at 98.20% of the Fund’s NAV in fixed income securities while the remaining was held in cash and cash equivalent.

Strategies Employed

Exposure to the China property sector and volatile rates movement has affected the Fund’s performance. the Manager continues to monitor the debt restructuring process for distressed names and identify opportunities for recovery.

Market Review

During the review period, global markets experienced significant inflationary pressures stemming from a combination of fiscal and monetary responses to the Covid-19 pandemic, as well as disruptions in supply chains. As a result, the US Consumer Price Index (“CPI”) rose above 9% year-on-year, prompting central banks worldwide to raise interest rates aggressively. The US Federal Reserve increased its interest rates from 0.25% in March 2022 to 4.50% by year-end, with the current Federal Funds Rate standing at 5.00%. This sharp increase in inflation and interest rates triggered a sell-off of financial assets, including fixed income markets. While some stability was observed in the fourth quarter of 2022, global fixed income markets, as measured by the Bloomberg Global Aggregate Index and JP Morgan Asia Composite Index, recorded returns of -16.3% and -13.5%, respectively, in USD terms for the year, a rare occurrence in bond markets, which had not seen two consecutive years of negative returns in over 47 years.

China’s property developers went through an unprecedented phase, leading to a widespread default in the USD Asia Credit market. In 2022, defaults amounting to USD 67.3 billion emerged from the China high-yield (“HY”) property sector, translating to a default rate of close to 66% of the China HY bonds. The defaults began emerging after the Chinese government implemented a series of tightening policies to rein in financial risks after being the first to emerge from the Covid-19 pandemic. Among the tightening measures used were tighter

funding channels, tighter escrow account monitoring, and slower mortgage approvals by local governments. The Covid-19 lockdowns implemented throughout most of 2022 also significantly dampened property sales in China.

Given that the property sector accounts for 25% to 30% of China's GDP, it is an important sector for the Chinese economy. While the Chinese government has cut interest rates and announced various measures to support the property sector, it was only in the fourth quarter of 2022 that the government started rolling out more constructive measures. They introduced the Three Arrows (loans, onshore bonds, and equity) and a 16-point plan to support the property market. Several developers were able to issue onshore bonds with credit enhancements such as guarantees from China state-owned entities or credit risk management tools.

Notable USD bond defaults in 2022 included top 20 national developers such as Shimao Holdings and CIFI Holdings. The default by Shimao Holdings was driven by the tough operating environment and its large off-balance sheet debt, while CIFI Holdings' default was also a big surprise to the bond market despite having access to various funding channels such as the onshore bond market, credit lines from banks and equity placement. Other mid-sized developers such as Yuzhou Group and Times China defaulted on their offshore debt obligations in March 2022 and December 2022, respectively, highlighting the challenging operating environment and difficulty in accessing funding for smaller developers.

Despite heightened market volatility in a rising interest rates environment and continued foreign portfolio outflows, the domestic Ringgit bond market remained more resilient in 2022. Non-residents were net sellers in the domestic government bond market in 2022, with a net outflow of RM7.8 billion, as observed in many other emerging economies amid expectations of tighter global monetary conditions. The 10-year Malaysian Government Securities ("MGS") yield rose 51 basis points ("bps") in 2022 following the 100 bps rate hike by Bank Negara Malaysia. At its peak, the 10 MGS yields rose to 4.55% in late October, consistent with global yield trends.

Investment Outlook

In 2023, the fixed income investment landscape presents a mix of risks and opportunities, with improved valuation conditions for global rates compared to the previous year. Bond yields have shifted significantly higher, offering better entry points, in contrast to the low-interest rate environment of 2020. However, inflation trends, employment, and other economic data must be closely monitored in developed markets to determine the trajectory of global economic growth.

Major central banks, including the Federal Reserve, took measures in 2022 to prevent inflation from becoming entrenched via a flurry of rate hikes. Despite the high US inflation rate, which is expected to decline due to base year effects and slower economic growth, economic data such as manufacturing and retail sales indicate a potential increase in the risk of a US recession. As such, central banks are expected to maintain a more balanced approach to interest rate policy, resulting in a slower pace of adjustment in rates and lower volatility in rates, which is supportive for the overall bond market.

The China property sector is expected to see home sales fall by 8% yoy for the second straight year in 2023, with a smaller decline compared to the sharp 25% decline in 2022, due to government policy supportive measures and the lifting of strict anti-COVID policies. A recovery in the sector will take some time and more debt restructuring is likely to take place.

Amongst the defaulted developers, CIFI Holdings has recently announced a preliminary restructuring plan which includes an extension of repayment of not more than 7 years and a potential debt to equity swap. According to news reports in February 2023, Times China is in the midst of engaging their onshore holders to extend all of their onshore bonds by 3-4 years, with instalment payments starting from late 2024 on a quarterly basis. Shimao is also in the midst of restructuring their onshore bonds where it was reported that they are seeking to extend the maturities of some of their domestic bonds until 2027. If these onshore bond restructuring plans progress, it should help push through the restructuring plan for their offshore bonds. We expect Yuzhou to follow suit with its restructuring plan later this year.

In summary, investors are closely monitoring global economic data, inflation trends, and central bank policies, while staying cautious about investing in China's property sector.

The Notes to Financial Statement regarding Credit Suisse Group AG

The Credit Suisse Group was experiencing a crisis of confidence in mid March 2023, which has resulted in considerable outflows of deposits. This was intensified by the upheavals in the US banking market in early March 2023. There was a risk of the bank becoming illiquid, even if it remained solvent, and the regulators deemed it necessary to act in order to prevent serious damage to the Swiss and international financial markets. Following this on 19 March 2023, the Swiss Financial Market Supervisory Authority ("FINMA") has announced its approval for the takeover of Credit Suisse Group by UBS Group. The details of UBS's proposed merger transaction with Credit Suisse ("CS") were still being worked out and subject to customary closing conditions. According to the press release by CS, it is expected to complete by end of 2023 if possible.

According to FINMA, while the transaction has prevented the bankruptcy of Credit Suisse, the extraordinary government support will trigger a complete write-down of the nominal value of all Additional Tier 1 ("AT1") bonds of Credit Suisse in the amount of around CHF 16 billion. This has a direct impact on the Fund where the underlying bond are the 5.6250% CREDIT SUISSE GROUP AG(06.06.2024) Callable (ISIN:CH0482172324) and 6.2500% Credit Suisse Group AG (Call: 18.12.2024) (ISIN: XS1076957700).

The decision to fully write down CHF 16 billion of CS Additional Tier-1 ("AT1") bonds rattled global investors, surprised not only that a large Swiss bank had failed, but also that the order of absorbing losses was reversed. Under the ordinary scenario, shareholders are the ones to be hit first, and only after equity values are erased, AT1 bond holders were to take a hit. In the case of CS, equity value remained, while AT1 bonds were completely cancelled. The complete write down of AT1 bonds issued by a bank with every indication that it was solvent was unprecedented. As of the time of writing, CS has not issued any formal notice to AT1 bond holders that the value of AT1 is zero.

The Swiss Parliament has convened an extraordinary assembly on 12 April, to debate the special ordinance that provides liquidity assistance which is cited as the reason to trigger a write down of the value of AT1 bond holders on 19 March 2023. The Swiss parliament has then rejected the Credit Suisse rescue package, however the vote is largely symbolic as the government commitment, made using emergency law which cannot be overturned.

The situation remains fluid and with the ongoing developments on the following items i.e. the completion of merger transaction, formal notice by CS to AT1 bond holders, the upcoming parliament discussion about emergency ordinance and potential legal options pursued by the Manager.

The Manager is keeping abreast of the ongoing development, seeking legal advice and exploring the feasibility with various law firms on class action suits. The Manager is also engaging with large global peers with CS AT1 exposures for their viewpoint and next course of action.

Based on the audited financial statements of Credit Suisse Group AG as of 31 December 2022, the Common Equity Tier 1 ("CET1") ratio was 14.1% and the Liquidity Coverage Ratio ("LCR") was 144%. As the announcement of the write-down of the AT1 bonds by FINMA was made in March 2023 and there was no indication of the write down as at 28 February 2023, the financial statements of the Fund for the financial year ended 28 February 2023 has not been adjusted.

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

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 year under review, no soft commission was received by the Manager on behalf of the Fund.

Cross Trade

Cross trade transactions have been carried out during the reported period and the Investment Committee of the Fund has reviewed that such transaction are in the best interest of the Fund, transacted in the normal course of business at agreed terms and on a fair value basis.

Securities Financing Transactions

The Fund has not undertaken any securities lending or repurchase transactions during the financial year under review.

Changes Made To the Fund's Information Memorandum

There were no changes made to the Fund's Information Memorandum during the financial year under review.

TRUSTEE’S REPORT

TO THE UNITHOLDERS OF AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17 (“Fund”)

We have acted as the Trustee of the Fund for the financial year ended 28 February 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) has operated and managed the Fund during the year covered by these financial statements in accordance with the following:-

1. Limitations imposed on the investment powers of the Management Company under the Deed, securities laws and the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework;
2. Valuation and pricing is carried out in accordance with the Deeds; and
3. Any creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirement.

We are of the opinion that the distribution of income by the Fund is appropriate and reflects the investment objective of the Fund.

For TMF Trustees Malaysia Berhad
(Company No.: (200301008392 [610812-W])

NORHAYATI BINTI AZIT
DIRECTOR – FUND SERVICES

Kuala Lumpur
26 April 2023

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023

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AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023

	<u>Note</u>	<u>2023</u> RM	<u>2022</u> RM
INVESTMENT LOSS			
Interest income from financial assets at amortised cost		87,688	57,054
Interest income from financial assets at fair value through profit or loss		7,680,841	7,512,864
Net (loss)/gain on foreign currency exchange		(464,660)	142,376
Net loss on forward foreign currency contracts at fair value through profit or loss	13	(4,096,802)	(717,421)
Net loss on financial assets at fair value through profit or loss	9	(7,616,901)	(18,762,036)
		<u>(4,409,834)</u>	<u>(11,767,163)</u>
EXPENSES			
Management fee	4	(259,693)	(313,235)
Trustee fee	5	(51,939)	(62,647)
Fund accounting fee	6	(14,083)	(13,000)
Auditors' remuneration		(8,000)	(8,000)
Tax agent's fee		(3,500)	(3,500)
Other expenses		(31,294)	(40,391)
		<u>(368,509)</u>	<u>(440,773)</u>
NET LOSS BEFORE TAXATION		(4,778,343)	(12,207,936)
Taxation	8	(1,401,506)	(23,030)
NET LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		<u>(6,179,849)</u>	<u>(12,230,966)</u>
Net loss after taxation is made up of the following:			
Realised amount		1,144,372	7,973,248
Unrealised amount		(7,324,221)	(20,204,214)
		<u>(6,179,849)</u>	<u>(12,230,966)</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 17

STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2023

	<u>Note</u>	<u>2023</u> RM	<u>2022</u> RM
ASSETS			
Cash and cash equivalents	11	2,238,203	8,488,624
Term deposits	12	2,015,375	-
Financial assets at fair value through profit or loss	9	128,645,219	130,228,313
Forward foreign currency contracts at fair value through profit or loss	13	28,680	1,389,968
Tax recoverable		108,583	-
TOTAL ASSETS		<u>133,036,060</u>	<u>140,106,905</u>
LIABILITIES			
Forward foreign currency contracts at fair value through profit or loss	13	1,479,854	30,300
Amount due to dealer		-	30,560
Amount due to Manager			
- management fee		20,153	21,928
- cancellation of units		16,437	-
Amount due to Trustee		4,031	4,386
Auditors' remuneration		8,000	8,000
Tax agent's fee		7,000	3,500
Other payables and accruals		3,284	2,463
Tax payable		-	2,443
Deferred tax liabilities	10	508,473	20,587
TOTAL LIABILITIES		<u>2,047,232</u>	<u>124,167</u>
NET ASSET VALUE OF THE FUND		<u>130,988,828</u>	<u>139,982,738</u>
EQUITY			
Unitholders' capital		151,617,367	151,928,906
Accumulated losses		(20,628,539)	(11,946,168)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>130,988,828</u>	<u>139,982,738</u>
NUMBER OF UNITS IN CIRCULATION	14	<u>151,639,000</u>	<u>152,011,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.8638</u>	<u>0.9209</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 17

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023

	Unitholders' <u>capital</u> RM	Accumulated <u>losses</u> RM	<u>Total</u> RM
Balance as at 1 March 2022	151,928,906	(11,946,168)	139,982,738
Total comprehensive loss for the financial year	-	(6,179,849)	(6,179,849)
Distribution (Note 7)	-	(2,502,522)	(2,502,522)
Movement in unitholders' capital:			
Cancellation of units	(311,539)	-	(311,539)
Balance as at 28 February 2023	<u>151,617,367</u>	<u>(20,628,539)</u>	<u>130,988,828</u>
Balance as at 1 March 2021	153,638,000	7,029,970	160,667,970
Total comprehensive loss for the financial year	-	(12,230,966)	(12,230,966)
Distribution (Note 7)	-	(6,745,172)	(6,745,172)
Movement in unitholders' capital:			
Cancellation of units	(1,709,094)	-	(1,709,094)
Balance as at 28 February 2022	<u>151,928,906</u>	<u>(11,946,168)</u>	<u>139,982,738</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 17

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023

	<u>Note</u>	<u>2023</u> RM	<u>2022</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale and redemption of investments		51,107,227	9,582,508
Purchase of investments		(60,248,877)	(4,475,362)
Interest received		7,235,405	8,247,558
Placement of term deposits		(2,015,375)	-
Management fee paid		(261,468)	(315,896)
Trustee fee paid		(52,294)	(63,179)
Fund accounting fee paid		(14,083)	(13,000)
Payment for other fees and expenses		(38,473)	(50,703)
Net realised loss on forward foreign currency contract		(1,285,960)	(255,295)
Net realised gain on foreign exchange		3,737,557	83,510
Tax paid		(1,024,646)	-
		<hr/>	<hr/>
Net cash flows (used in)/generated from operating activities		(2,860,987)	12,740,141
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for cancellation of units		(295,102)	(1,709,094)
Payment for distribution		(2,502,522)	(6,745,172)
		<hr/>	<hr/>
Net cash flows used in financing activities		(2,797,624)	(8,454,266)
		<hr/>	<hr/>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(5,658,611)	4,285,875
EFFECTS OF FOREIGN CURRENCY EXCHANGE		(591,810)	58,866
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		8,488,624	4,143,883
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	11	2,238,203	8,488,624
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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 17

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023

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 in accordance with the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported financial year. It also requires the Manager to exercise their judgment in the process of applying the Fund’s accounting policies. Although these estimates and judgment are based on the Manager’s best knowledge of current events and actions, actual results may differ.

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

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

- Amendments to MFRS 3 ‘Reference to Conceptual Framework’ (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework.
- Annual Improvements to MFRSs 2018 – 2020 Cycle (effective for annual periods beginning on or after 1 January 2022).
- Amendments to MFRS 137 ‘Onerous contracts - cost of fulfilling a contract’ (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts.

The adoption of the above standards, amendments to standards or interpretations is not expected to have a material effect on the financial statements of the Fund.

(b) Standards and amendments that have been issued but not yet effective:

- Amendments to MFRS 101 ‘Classification of liabilities as current or non-current’ (effective 1 January 2024) clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity’s expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). In addition, the amendments clarify that when a liability could be settled by the transfer of an entity’s own equity instruments (e.g. a conversion option in a convertible bond), conversion option meeting the definition of an equity instrument in MFRS 132 ‘Financial Instruments: Presentation’ does not impact the current or non-current classification of the convertible instrument.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards and amendments that have been issued but not yet effective: (continued)

The amendments also specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

The adoption of the above standards, amendments to standards or interpretations is not 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).

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.

C TAXATION

Tax expense for the year comprises current and deferred income tax.

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

The income tax expense or credit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

C TAXATION (CONTINUED)

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

D DISTRIBUTION

A distribution to the Fund's unitholders is accounted for as a deduction from realised reserve. A proposed distribution is recognised as a liability in the period in which it is approved by the Trustee of the Fund.

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 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 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 FLEXIBLE MATURITY INCOME FUND 17

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

G 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 Fund has not taken the option to irrevocably designate any equities securities as fair value through other comprehensive income.

The contractual cash flows of the Fund's debt securities are solely principal and interest ("SPPI"). However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments and derivatives not designated as hedging instruments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents and term deposits as financial assets at amortised cost as these financial assets are held to collect contractual cash flows that represent SPPI.

The Fund classifies amount due to Manager, amount due to Dealer, 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.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

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.

Unquoted fixed income securities including money market instrument 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 Unlisted Capital Market Products under the Lodge and Launch Framework. Where such quotation are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income securities 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 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's financial assets measured at amortised cost are subject to expected credit losses. 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:

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (continued)

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

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.

H CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances and short-term deposits held in highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

I AMOUNT DUE FROM/(TO) DEALER

Amount due from and to dealer represent receivables for securities sold and payable 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 dealer 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.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

I AMOUNT DUE FROM/(TO) DEALER (CONTINUED)

Significant financial difficulties of the dealer, probability that the dealer will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

J 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 year if a unitholder exercises the right to put the unit back to the Fund.

Units are created and cancelled at the unitholders' option 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.

K DERIVATIVE FINANCIAL INSTRUMENTS

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

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 positive fair value and negative fair value are presented as financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, respectively.

The fair value of forward foreign currency contracts is determined using forward exchange rates on the date of the statement 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.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

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 SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

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 Unlisted Capital Market Products under the Lodge and Launch Framework.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023

1 INFORMATION ON THE FUND

The Wholesale Fund was constituted under the name Affin Hwang Flexible Maturity Income Fund 17 (the “Fund”) pursuant to the execution of a Deed dated 28 November 2019 (the “Deed”) entered into between AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) (the “Manager”) and TMF Trustees Malaysia Berhad (the “Trustee”).

The Fund commenced operations on 9 December 2019 and will continue its operations until terminated by the Trustee as provided under Clause 11.1 of the Deed or on maturity date of the Fund which falls on the fifth 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, subject to the Deed, the Fund’s objective, the Guidelines, the requirements of the SC and all relevant laws:

- (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 Unlisted Capital Market Products under the Lodge and Launch Framework, 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. On 10 November 2022, the Manager has changed its name from Affin Hwang Asset Management Berhad to AHAM Asset Management Berhad.

The financial statements were authorised for issue by the Manager on 26 April 2023.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (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 RM</u>
<u>2023</u>				
<u>Financial assets</u>				
Cash and cash equivalents	11	2,238,203	-	2,283,203
Term deposits	12	2,015,375	-	2,015,375
Unquoted fixed income securities	9	-	128,645,219	128,645,219
Forward foreign currency contracts	13	-	28,680	28,680
Total		<u>4,253,578</u>	<u>128,673,899</u>	<u>132,927,477</u>
<u>Financial liabilities</u>				
Amount due to Manager				
- management fee		20,153	-	20,153
- cancellation of units		16,437	-	16,437
Amount due to Trustee		4,031	-	4,031
Auditors' remuneration		8,000	-	8,000
Tax agent's fee		7,000	-	7,000
Other payables and accruals		3,284	-	3,284
Forward foreign currency contracts	13	-	1,479,854	1,479,854
Total		<u>58,905</u>	<u>1,479,854</u>	<u>1,538,759</u>
<u>2022</u>				
<u>Financial assets</u>				
Cash and cash equivalents	11	8,488,624	-	8,488,624
Unquoted fixed income securities	9	-	130,228,313	130,228,313
Forward foreign currency contracts	13	-	1,389,968	1,389,968
Total		<u>8,488,624</u>	<u>131,618,281</u>	<u>140,106,905</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

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

Financial instruments are as follows: (continued)

	<u>Note</u>	At amortised <u>cost</u> RM	At fair value through <u>profit or loss</u> RM	<u>Total</u> RM
<u>2022 (continued)</u>				
<u>Financial liabilities</u>				
Amount due dealer		30,560	-	30,560
Amount due to Manager				
- management fee		21,928	-	21,928
Amount due to Trustee		4,386	-	4,386
Auditors' remuneration		8,000	-	8,000
Tax agent's fee		3,500	-	3,500
Other payables and accruals		2,463	-	2,463
Forward foreign currency contracts	12	-	30,300	30,300
Total		<u>70,837</u>	<u>30,300</u>	<u>101,137</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 Unlisted Capital Market Products under the Lodge and Launch Framework.

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>2023</u> RM	<u>2022</u> RM
Unquoted investments		
Unquoted fixed income securities*	<u>128,645,219</u>	<u>130,228,313</u>

*Includes interest receivable of RM2,510,285 (2022: RM2,205,247)

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

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

Market risk (continued)

(a) Price risk (continued)

The following table summarises the sensitivity of the Fund's loss after taxation and net asset value ("NAV") to price risk movements. The analysis is based on the assumptions that the market price increased by 5% (2022: 1%) and decreased by 5% (2022: 1%) 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	<u>Impact on</u> <u>loss after</u> <u>tax/NAV</u> RM
<u>2023</u>		
-5%	119,828,187	(6,306,746)
0%	126,134,934	-
+5%	132,441,679	6,306,746
<u>2022</u>		
-1%	126,742,835	(1,280,231)
0%	128,023,066	-
+1%	129,303,297	1,280,231

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

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

Market risk (continued)

(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.

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 loss 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 2% (200 basis points) (2022: 2%) with all other variables held constant.

<u>% Change in interest rate</u>	<u>Impact on loss after tax/NAV</u>	
	<u>2023</u>	<u>2022</u>
	RM	RM
+ 2%	(498,244)	(567,353)
- 2%	321,235	105,875

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

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (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 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:

	Unquoted fixed income securities RM	Forward foreign currency contracts RM	Cash and cash equivalents RM	<u>Total</u> RM
<u>2023</u>				
<u>Financial assets</u>				
Australian Dollar	1,192,050	-	112,970	1,305,020
Chinese Yuan	1,156,996	28,680	103,981	1,289,657
Euro	2,400,426	-	40,573	2,440,999
British Pound Sterling	1,884,161	-	89,845	1,974,006
Singapore Dollar	17,060,186	-	33,366	17,093,552
United States Dollar	79,425,714	-	334,510	79,760,224
	<u>103,119,533</u>	<u>28,680</u>	<u>715,245</u>	<u>103,863,458</u>
			Forward foreign currency contracts RM	<u>Total</u> RM
<u>Financial liabilities</u>				
Australian Dollar			19,907	19,907
Euro			25,983	25,983
British Pound Sterling			61,479	61,479
Singapore Dollar			257,847	257,847
United States Dollar			1,114,638	1,114,638
			<u>1,479,854</u>	<u>1,479,854</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (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)

	Unquoted fixed income <u>securities</u> RM	Forward foreign currency <u>contracts</u> RM	Cash and cash <u>equivalents</u> RM	<u>Total</u> RM
<u>2022</u>				
<u>Financial assets</u>				
Australian Dollar	1,218,584	10,748	205,444	1,434,776
Euro	1,823,778	58,014	2,219	1,884,011
British Pound Sterling	2,254,229	90,875	132,246	2,477,350
Singapore Dollar	19,955,048	142,991	37,350	20,135,389
United States Dollar	76,477,531	1,087,340	3,527,638	81,092,509
	<u>101,729,170</u>	<u>1,389,968</u>	<u>3,904,897</u>	<u>107,024,035</u>
			Forward foreign currency <u>contracts</u> RM	<u>Total</u> RM
<u>Financial liabilities</u>				
United States Dollar			30,300	30,300
			<u>30,300</u>	<u>30,300</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

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

Market risk (continued)

(c) Currency risk (continued)

The table below summarises the sensitivity of the Fund's loss 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 loss after tax/NAV</u> RM
<u>2023</u>		
Australian Dollar	+/-12.30	+/- 162,966
Chinese Yuan	+/-5.66	+/- 72,994
Euro	+/-8.80	+/- 217,094
British Pound Sterling	+/-11.23	+/- 228,585
Singapore Dollar	+/-4.51	+/- 782,548
United States Dollar	+/-5.46	+/- 4,415,767
<u>2022</u>		
Australian Dollar	+/-7.21	+/- 103,447
Euro	+/-4.67	+/- 87,983
British Pound Sterling	+/-5.81	+/- 143,934
Singapore Dollar	+/-2.73	+/- 549,696
United States Dollar	+/-3.12	+/- 2,529,141

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 cash and bank balances is managed by ensuring that they are held by parties with credit rating of AA or higher.

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.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

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

Credit risk (continued)

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 Unlisted Capital Market Products under the Lodge and Launch Framework.

The settlement terms of the proceeds from the creation of units' receivable from the Manager are governed by the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

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

	Unquoted fixed income securities RM	Cash and cash equivalents RM	Forward foreign currency contracts RM	Total RM
<u>2023</u>				
Basic Materials				
- Baa2	891,427	-	-	891,427
- Ba3	2,521,666	-	-	2,521,666
Construction and Materials				
- NR	2,655,348	-	-	2,655,348
Consumer Discretionary				
- Baa2	806,179	-	-	806,179
- Baa3	7,321,130	-	-	7,321,130
- BBB+	2,695,589	-	-	2,695,589
- BBB-	3,306,161	-	-	3,306,161
Energy				
- Baa1	1,308,233	-	-	1,308,233
Financial Services				
- AAA	2,034,655	4,253,578	-	6,288,233
- AA3	-	-	28,680	28,680
- A2	1,645,101	-	-	1,645,101
- A3	14,163,982	-	-	14,163,982
- Baa1	6,254,959	-	-	6,254,959
- Baa2	2,174,690	-	-	2,174,690
- Baa3	1,699,864	-	-	1,699,864
- BBB+	855,787	-	-	855,787
- BBB	16,340,796	-	-	16,340,796
- BBB-	7,085,104	-	-	7,085,104
- Ba1	1,675,517	-	-	1,675,517
- Ba2	6,751,248	-	-	6,751,250
- BB	800,686	-	-	800,686
- B1	2,726,584	-	-	2,726,584
- B+	1,509,603	-	-	1,509,603
Health Care				
- Ba2	724,909	-	-	724,909

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

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

Credit risk (continued)

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

	Unquoted fixed income securities RM	Cash and cash equivalents RM	Forward foreign currency contracts RM	Total RM
<u>2023</u> (continued)				
Industrials				
- AA3	6,071,882	-	-	6,071,882
- A	5,150,851	-	-	5,150,851
Real Estate				
- Baa1	2,970,643	-	-	2,970,643
- Caa3	2,171,880	-	-	2,171,880
- C	2,024,365	-	-	1,903,270
- NR	15,744,617	-	-	15,744,617
Technology				
- Baa2	4,929,474	-	-	4,929,474
- Baa3	1,632,289	-	-	1,632,289
	<u>128,645,219</u>	<u>4,253,578</u>	<u>28,680</u>	<u>132,927,477</u>
<u>2022</u>				
Basic Materials				
- Baa2	6,875,358	-	-	6,875,358
- Baa3	1,713,403	-	-	1,713,403
Consumer Discretionary				
- Baa3	5,545,641	-	-	5,545,641
- Ba2	3,184,420	-	-	3,184,420
Financial Services				
- AAA	-	8,488,624	803,178	9,291,802
- AA1	-	-	287,307	287,307
- AA3	-	-	299,483	299,483
- A3	12,608,258	-	-	12,608,258
- Baa1	2,620,410	-	-	2,620,410
- Baa2	2,140,388	-	-	2,140,388
- Baa3	6,521,869	-	-	6,521,869
- BBB+	864,795	-	-	864,795
- BBB	9,741,884	-	-	9,741,884
- BBB-	5,395,384	-	-	5,395,384
- Ba1	1,823,778	-	-	1,823,778
- Ba2	9,726,317	-	-	9,726,317
- BB	799,886	-	-	799,886

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

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

Credit risk (continued)

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

	Unquoted fixed income <u>securities</u> RM	Cash and cash <u>equivalents</u> RM	Forward foreign currency <u>contracts</u> RM	<u>Total</u> RM
<u>2022</u> (continued)				
Industrials				
- AA3	10,195,533	-	-	10,195,533
- A	5,189,801	-	-	5,189,801
- BBB	6,055,607	-	-	6,055,607
- NR	7,780,055	-	-	7,780,055
Real Estate				
- Baa1	1,707,869	-	-	1,707,869
- Baa2	2,139,928	-	-	2,139,928
- Baa3	4,177,880	-	-	4,177,880
- BBB-	4,926,385	-	-	4,926,385
Real Estate				
- BB-	5,331,633	-	-	5,331,633
- B2	5,307,600	-	-	5,307,600
- B-	2,240,807	-	-	2,240,807
- Caa3	1,856,327	-	-	1,856,327
- NR	2,102,415	-	-	2,102,415
Technology				
- Baa2	1,654,682	-	-	1,654,682
	<u>130,228,313</u>	<u>8,488,624</u>	<u>1,389,968</u>	<u>140,106,905</u>

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 institution 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 FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (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.

	<u>Within one month</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>2023</u>			
Amount due to Manager			
- management fee	20,153	-	20,153
- cancellation of units	16,437	-	16,437
Amount due to Trustee	4,031	-	4,031
Auditors' remuneration	-	8,000	8,000
Tax agent's fee	-	7,000	7,000
Other payables and accruals	-	3,284	3,284
Forward foreign currency contracts	-	1,479,854	1,479,854
	<u>40,621</u>	<u>1,498,138</u>	<u>1,538,759</u>
<u>2022</u>			
Amount due to dealer	30,560	-	30,560
Amount due to Manager			
- management fee	21,928	-	21,928
Amount due to Trustee	4,386	-	4,386
Auditors' remuneration	-	8,000	8,000
Tax agent's fee	-	3,500	3,500
Other payables and accruals	-	2,463	2,463
Forward foreign currency contracts	-	30,300	30,300
	<u>56,874</u>	<u>44,263</u>	<u>101,137</u>

Capital risk

The capital of the Fund is represented by equity consisting of unitholders' capital net of accumulated losses. 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 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

3 FAIR VALUE ESTIMATION

Financial instruments comprise financial assets and financial liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 financial year end date. The Fund utilises the current bid price for financial assets which falls within the bid-ask spread.

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

The fair value of financial assets and financial liabilities 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 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (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 and financial liabilities (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>2023</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	128,645,219	-	128,645,219
- forward foreign currency contracts	-	28,680	-	28,680
	-	128,673,899	-	128,673,899
Financial liabilities at fair value through profit or loss:				
- forward foreign currency contracts	-	1,479,854	-	1,479,854
<u>2022</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	130,228,313	-	130,228,313
- forward foreign currency contracts	-	1,389,968	-	1,389,968
	-	131,618,281	-	131,618,281
Financial liabilities at fair value through profit or loss:				
- forward foreign currency contracts	-	30,300	-	30,300

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.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

- (ii) The carrying values of cash and cash equivalents, term deposits 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 3.00% per annum on the NAV of the Fund, calculated on a daily basis.

For the financial year ended 28 February 2023, the management fee is recognised at a rate of 0.20% (2022: 0.20%) per annum on the NAV of the Fund, calculated on a daily basis as stated in the Fund's Information Memorandum.

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

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 and charges.

For the financial year ended 28 February 2023, the Trustee fee is recognised at a rate of 0.04% (2022: 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 Information Memorandum.

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

6 FUND ACCOUNTING FEE

The fund valuation and accounting fee for the Fund is RM14,083 (2022:RM13,000) per annum.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

7 DISTRIBUTION

	<u>2023</u> RM	<u>2022</u> RM
Distribution to unitholders is from the following sources:		
Interest income	-	3,139,801
Previous year's realised income	2,506,223	3,706,950
	<hr/>	<hr/>
Gross realised income	2,506,223	6,846,751
Less: Expenses	(3,701)	(101,579)
	<hr/>	<hr/>
Net distribution amount	<u>2,502,522</u>	<u>6,745,172</u>

During the financial year ended 28 February 2023, distributions were made as follows:

<u>Ex-date</u>	<u>Gross/Net distribution per unit</u> (sen)
21.12.2022	1.6500
	<hr/>

During the financial year ended 28 February 2022, distributions were made as follows:

<u>Ex-date</u>	<u>Gross/Net distribution per unit</u> (sen)
24.12.2021	4.4370
	<hr/>

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

Included in distributions for the financial year is an amount of RM2,506,223 (2022:RM3,706,950) made from previous year's realised income.

The Fund has incurred an unrealised loss of RM7,324,221 (2022:RM20,204,214) for the financial year ended 28 February 2023.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

8 TAXATION

	<u>2023</u> RM	<u>2022</u> RM
Current taxation	913,620	2,443
Deferred tax (Note 10)	487,886	20,587
	<u>1,401,506</u>	<u>23,030</u>

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

	<u>2023</u> RM	<u>2022</u> RM
Net loss before taxation	<u>(4,778,343)</u>	<u>(12,207,936)</u>
Tax at Malaysian statutory rate of 24% (2022: 24%)	(1,146,802)	(2,929,905)
Tax effects of:		
Investment income not subject to tax	2,391,722	2,844,706
Expenses not deductible for tax purposes	23,836	28,330
Restriction on tax deductible expenses for Wholesale Funds	64,606	77,456
Income subject to different tax rate	68,144	2,443
Tax expense	<u>1,401,506</u>	<u>23,030</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2023</u> RM	<u>2022</u> RM
Financial assets at fair value through profit or loss:		
- unquoted fixed income securities – local	25,525,686	28,499,143
- unquoted fixed income securities – foreign	103,119,533	101,729,170
	<u>128,645,219</u>	<u>130,228,313</u>
Net loss on financial assets at fair value through profit or loss:		
- realised (loss)/gain on sale of investments	(3,454,305)	384,549
- unrealised loss on changes in fair value	(4,162,596)	(19,146,585)
	<u>(7,616,901)</u>	<u>(18,762,036)</u>

(a) Unquoted fixed income securities – local

(i) Unquoted fixed income securities – local as at 28 February 2023 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>				
5.25% Malayan Cement Bhd 13.01.2026 (AA3)	6,000,000	6,040,562	6,071,882	4.64
5.05% MBSB Bank Bhd Call: 20.12.2024 (A3)	10,000,000	10,538,381	10,221,333	7.80
5.25% MBSB Bank Bhd Call: 21.12.2026 (A3)	2,000,000	2,099,304	2,046,965	1.56
4.56% Toyota Capital Malaysia 20.01.2028 (AAA)	2,000,000	2,014,222	2,034,655	1.55
5.8% WCT Holdings Bhd Call: 27.09.2024 (A)	5,000,000	5,164,315	5,150,851	3.93
Total unquoted fixed income securities – local	<u>25,000,000</u>	<u>25,856,784</u>	<u>25,525,686</u>	<u>19.48</u>
Accumulated unrealised loss on unquoted fixed income securities – local		<u>(331,098)</u>		
Total unquoted fixed income securities – local		<u>25,525,686</u>		

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

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

(a) Unquoted fixed income securities – local (continued)

(ii) Unquoted fixed income securities – local as at 28 February 2022 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>				
6.5% Eco World Capital Services Bhd 12.08.2022 (NR)	500,000	504,333	505,551	0.36
4.6% Lafarge Cement Sdn Bhd 13.01.2023 (AA3)	10,000,000	10,060,263	10,195,533	7.28
5.05% MBSB Bank Bhd Call: 20.12.2024 (A3)	10,000,000	10,592,691	10,493,833	7.50
5.25% MBSB Bank Bhd Call: 21.12.2026 (A3)	2,000,000	2,106,358	2,114,425	1.51
5.8% WCT Holdings Bhd Call: 27.09.2024 (A)	5,000,000	5,164,343	5,189,801	3.71
Total unquoted fixed income securities – local	<u>27,500,000</u>	<u>28,427,988</u>	<u>28,499,143</u>	<u>20.36</u>
Accumulated unrealised gain on unquoted fixed income securities – local		<u>71,155</u>		
Total unquoted fixed income securities – local		<u>28,499,143</u>		

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

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

(b) Unquoted fixed income securities – foreign

(i) Unquoted fixed income securities – foreign as at 28 February 2023 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>				
2.625% AAC Technologies Holdings Inc Call: 02.05.2026 (Baa2)	1,794,000	1,483,915	1,539,412	1.17
3% AAC Technologies Holdings Inc Call: 27.11.2023 (Baa2)	3,588,000	3,431,301	3,390,062	2.59
5.75% Argentum Netherlands BV Swiss Call: 15.08.2025 (BBB+)	2,691,000	2,684,920	2,695,589	2.06
6.5% Asahi Mutual Life Insurance Co Call: 05.09.2023 (BBB)	5,382,000	5,471,660	5,550,337	4.24
6.9% Asahi Mutual Life Insurance Co Call: 26.01.2028 (BBB)	1,345,500	1,306,526	1,367,174	1.04
4.375% Banco Santander SA Call: 14.01.2026 (Ba1)	1,902,720	1,841,283	1,675,517	1.28
6.125% Barclays PLC Call: 15.12.2025 (Ba2)	1,345,500	1,274,098	1,291,855	0.99
5.75% Celestial Miles Ltd Call: 31.01.2024 (NR)	2,691,000	2,448,261	2,655,348	2.03
5.85% CIFI Holdings Group Co Ltd Call: 04.05.2023 (NR) *	3,548,050	3,584,244	1,156,996	0.88
6.45% CIFI Holdings Group Co Ltd Call: 07.11.2024 (NR) *	4,485,000	4,383,979	1,405,935	1.07
6.55% CIFI Holdings Group Co Ltd Call: 04.05.2023 (NR) *	2,242,500	2,129,343	646,822	0.49
5.7% Commerzbank AG Call: 03.02.2028 (Baa3)	831,175	811,175	840,202	0.64
6.5% Country Garden Holdings Co Ltd Call: 04.05.2023 (NR)	6,279,000	6,104,642	5,369,923	4.10
8% Country Garden Holdings Co Ltd Call: 04.05.2023 (NR)	2,242,500	2,044,959	2,029,961	1.55
5.625% Credit Suisse Group AG Call: 06.06.2024 (B1) ****	3,324,700	3,088,160	2,726,584	2.08
6.25% Credit Suisse Group AG Call: 18.12.2024 (B+) ****	1,794,000	1,721,199	1,509,603	1.15
5% Dah Sing Bank Ltd Call: 15.01.2024 (Baa1)	2,691,000	2,559,635	2,671,594	2.04
6.75% Eurofins Scientific SE Call: 14.04.2028 (Ba2)	713,520	700,813	724,909	0.55
2.625% Far East Horizon Ltd 03.03.2024 (BBB-)	3,588,000	3,387,904	3,453,016	2.64
4.125% Ford Motor Credit Co LLC 20.06.2024 (BBB-)	3,324,700	3,070,804	3,306,161	2.52

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

9 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 28 February 2023 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)				
4.98% Frasers Property Treasury Pte Call: 11.04.2024 (NR)	1,662,350	1,554,455	1,684,356	1.29
4% Geely Automobile Holdings Ltd Call: 09.12.2024 (Baa3)	7,624,500	7,056,237	7,321,130	5.59
4.50% GS Caltex Corp 05.01.2026 (Baa1)	1,345,500	1,333,697	1,308,233	1.00
4.25% Huarong Finance 2019 Co Ltd Call: 30.09.2025 (BB)	897,000	766,707	800,686	0.61
5.5% Huarong Finance II Co Ltd 16.01.2025 (Baa3)	897,000	871,330	859,662	0.66
8.25% Indika Energy Capital IV Call: 04.05.2023 (Ba3)	2,466,750	2,471,256	2,521,666	1.92
4.75% Indonesia Asahan Aluminium Tbk Call: 15.04.2025 (Baa2)	897,000	872,965	891,427	0.68
2.125% Meituan Call: 28.09.2025 (Baa3)	1,794,000	1,611,945	1,632,289	1.25
2.7% MINOR International PCL Call: 19.04.2026 (Baa2)	897,000	791,659	806,179	0.62
3.8% Nanyang Commercial Bank Ltd Call: 20.11.2024 (Baa2)	2,242,500	2,079,321	2,174,690	1.66
6.15% NWD Finance BVI Ltd Call: 16.03.2025 (NR)	3,588,000	3,405,553	3,450,624	2.63
1.832% Oversea-Chinese Banking Corp Call: 10.09.2025 (A2)	1,794,000	1,598,507	1,645,101	1.26
4.75% Phoenix Group Holdings PLC Call: 04.06.2026 (BBB+)	897,000	891,349	855,787	0.65
5.625% Phoenix Group Holdings PLC Call: 29.01.2025 (BBB)	3,588,000	3,347,974	3,303,584	2.52
5.75% Phoenix Group Holdings PLC Call: 26.04.2028 (BBB)	2,166,440	2,438,718	1,884,161	1.44
6.95% Powerlong Real Estate Call: 04.05.2023 (Caa3)	6,727,500	6,301,438	2,171,880	1.66
6.75% QBE Insurance Group Ltd Call: 02.12.2024 (BBB-)	3,588,000	3,659,272	3,632,088	2.77
4.75% Scentre Group Trust 2 Call: 24.06.2026 (Baa1)	3,139,500	2,967,143	2,970,643	2.27
4.875% Societe Generale SA Call: 12.09.2024 (Ba2)	1,205,560	1,155,655	1,192,050	0.91
6.125% Societe Generale SA Call: 16.04.2024 (Ba2)	4,155,875	3,940,996	4,267,343	3.26

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

9 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 28 February 2023 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)				
7.776% Standard Chartered PLC Call: 16.11.2024 (A3)	1,794,000	1,934,288	1,895,684	1.45
6.75% Times China Holdings Ltd Call: 04.05.2023 (C) **	3,588,000	3,427,024	816,106	0.62
5.875% UBS Grp Funding Switzerland AG Call: 28.11.2023 (BBB)	4,155,875	4,051,408	4,235,540	3.23
3.875% United Overseas Bank Ltd Call: 19.10.2023 (Baa1)	3,588,000	3,639,039	3,583,365	2.74
8.375% Yuzhou Group Holdings Co Ltd Call: 04.05.2023 (C) ***	8,970,000	8,431,066	1,208,259	0.92
Total unquoted fixed income securities – foreign	<u>129,473,215</u>	<u>124,127,823</u>	<u>103,119,533</u>	<u>78.72</u>
Accumulated unrealised loss on unquoted fixed income securities – foreign		<u>(21,008,290)</u>		
Total unquoted fixed income securities – foreign		<u>103,119,533</u>		

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

(ii) Unquoted fixed income securities – foreign as at 28 February 2022 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>				
3% AAC Technologies Holdings Inc Call: 27.11.2022 (Baa2)	1,678,800	1,703,588	1,654,682	1.18
6.5% Asahi Mutual Life Insurance Co Call: 05.09.2023 (BBB-)	5,036,400	5,468,127	5,395,384	3.85
4.375% Banco Santander SA Call: 14.01.2026 (Ba1)	1,876,720	1,841,566	1,823,778	1.30
6.125% Barclays PLC Call: 15.12.2025 (Ba2)	1,259,100	1,272,981	1,327,508	0.95

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

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

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

(ii) Unquoted fixed income securities – foreign as at 28 February 2022 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)				
3.875% Bluestar Finance Holdings Ltd Call: 24.06.2023 (Baa3)	1,678,800	1,714,461	1,713,403	1.22
3.75% China Resources Land Ltd Call: 09.12.2024 (Baa2)	2,098,500	2,067,890	2,139,928	1.53
6.45% CIFI Holdings Group Co Ltd Call: 07.11.2022 (BB-) *	4,197,000	4,250,718	3,515,932	2.51
6.55% CIFI Holdings Group Co Ltd Call: 28.03.2022 (BB-) *	2,098,500	2,146,795	1,815,701	1.30
3.375% CNAC HK Finbridge Co Ltd 19.06.2024 (Baa2)	6,715,200	6,559,618	6,875,358	4.91
6.5% Country Garden Holdings Co Ltd Call: 08.04.2022 (BBB-)	5,875,800	6,260,767	4,926,385	3.52
5.625% Credit Suisse Group AG Call: 06.06.2024 (Ba2) ****	3,088,300	3,114,914	3,146,049	2.25
5% Dah Sing Bank Ltd Call: 15.01.2024 (Baa1)	2,518,200	2,575,551	2,620,410	1.87
4.3% Dianjian Haiyu Ltd Call: 20.06.2024 (BBB)	3,357,600	3,356,330	3,471,693	2.48
4.875% DNB Bank ASA Call: 12.11.2024 (Baa3)	2,518,200	2,519,850	2,561,917	1.83
4.125% Ford Motor Credit Co LLC 20.06.2024 (Baa2)	3,088,300	3,070,152	3,184,420	2.28
4% Franshion Brilliant Ltd Call: 03.01.2023 (Baa3)	4,197,000	4,125,818	4,177,880	2.98
4.98% Frasers Property Treasury Pte Call: 11.04.2024 (NR)	1,544,150	1,565,847	1,596,864	1.13
4% Geely Automobile Holdings Ltd Call: 09.12.2024 (Baa3)	5,456,100	5,399,600	5,545,641	3.96
4.25% Huarong Finance 2019 Co Ltd Call: 30.09.2025 (BB)	839,400	735,560	799,886	0.57
5.75% Julius Baer Group Ltd Call: 20.04.2022 (Baa3)	3,860,375	4,022,978	3,959,952	2.83
3.8% Nanyang Commercial Bank Ltd Call: 20.11.2024 (Baa2)	2,098,500	2,079,717	2,140,388	1.53
4.75% Phoenix Group Holdings PLC Call: 04.06.2026 (BBB+)	839,400	890,003	864,795	0.62
5.625% Phoenix Group Holdings PLC Call: 29.01.2025 (BBB)	3,357,600	3,360,958	3,454,068	2.47
5.75% Phoenix Group Holdings PLC Call: 26.04.2028 (BBB)	2,242,560	2,442,783	2,254,229	1.61

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

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

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

(ii) Unquoted fixed income securities – foreign as at 28 February 2022 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)				
6.95% Powerlong Real Estate Call: 30.03.2022 (B2)	6,295,500	6,390,786	3,762,418	2.69
4.75% Scentre Group Trust 2 Call: 24.06.2026 (Baa1)	1,678,800	1,688,277	1,707,869	1.22
5.2% Shimao Group Holdings Ltd Call: 16.03.2022 (B-)	6,295,500	6,508,531	1,966,574	1.41
6.125% Shimao Group Holdings Ltd Call: 07.03.2022 (B-)	839,400	868,745	274,233	0.20
4.875% Societe Generale SA Call: 12.09.2024 (Ba2)	1,208,800	1,156,036	1,218,584	0.87
6.125% Societe Generale SA Call: 16.04.2024 (Ba2)	3,860,375	3,982,309	4,034,176	2.88
6.75% Times China Holdings Ltd Call: 16.07.2022 (B2) **	3,357,600	3,341,422	1,545,182	1.10
5.875% UBS Grp Funding Switzerland AG Call: 28.11.2023 (BBB)	3,860,375	4,050,857	4,033,587	2.88
3.75% Weichai Int HK Energy Grp Co Call: 14.09.2022 (BBB)	2,518,200	2,511,601	2,583,914	1.85
7.85% Yinson Juniper Ltd Call: 05.10.2022 (NR)	2,098,500	2,150,695	2,227,424	1.59
8.1% Yinson Juniper Ltd Call: 29.03.2024 (NR)	5,036,400	5,094,470	5,552,631	3.97
8.375% Yuzhou Group Holdings Co Ltd Call: 30.10.2022 (Caa3) ***	8,394,000	8,686,816	1,856,327	1.33
Total unquoted fixed income securities – foreign	<u>116,963,955</u>	<u>118,977,117</u>	<u>101,729,170</u>	<u>72.67</u>
Accumulated unrealised loss on unquoted fixed income securities – foreign		<u>(17,247,947)</u>		
Total unquoted fixed income securities – foreign		<u>101,729,170</u>		

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

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

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

* CIFI Holdings Group Co Ltd

The company defaulted on their offshore debt obligations after not being able to cure their missed coupons, for 4.375% senior notes due 2027, within the 30 days grace period which ended on 11 November 2022. The default of CIFI was a surprise to the bond market as they had access to various funding channels such as tapping the onshore bond market, securing M&A lines from banks and equity placement in August 2022. Since the default, the Manager believes CIFI management is working on restructuring of their offshore bonds. CIFI recently announced some preliminary restructuring plans for the offshore bonds which included no hair cut to bondholders, an extension of repayment of not more than 7 years and some potential debt to equity swap. Details are still lacking and the Manager is awaiting for more details of the debt restructuring plan. CIFI bonds are still tradable in the market as at the date of the financial statements.

In terms of rating actions, Moody's downgraded CIFI's issuer rating by multiple notches in 2022 on several occasions, from Ba2 to Ca. The rating outlook remains negative. S&P downgraded CIFI's rating from BB to B+ in September 2022 and they subsequently withdrawn the ratings on CIFI in October 2022. Fitch downgraded CIFI's issuer rating by multiple notches in 2022 on several occasions, from BB to CC, before withdrawing their ratings on CIFI in October 2022.

In March 2023, CIFI released the preliminary indicative key terms for the restructuring of their offshore debt. As per the company, the indicative terms have not been agreed by any parties. But the terms may be subjected to changes given that they are still discussion with professional advisor, coordination committee, ad-hoc group and their professional advisors. Summary of preliminary key terms include no principal haircut, equity options, reduction in interest paid in cash, maturity extension of not more than 7 years from maturity date and credit enhancement plan is still in talks.

** Times China Holdings Ltd

The company officially defaulted on their offshore debt obligations after not being able to cure their missed coupons, for 6.6% senior notes due 2023, within the 30 days grace period which ended on 30 December 2022. The default highlighted the tough operating environment and tight liquidity positions of the smaller developers. According to the Bloomberg news in 9 February 2023, Times China is in the midst of engaging their onshore holders to extend all of their onshore bonds. They proposed to repay the bonds which they have extended previously by around 3.5 years, while the ones that they have not extended before, they are looking to extend repayment by 4.5 years. Installment payments will start from November 2024 or December 2024 on a quarterly basis if approved. Subsequently, per Caixin's news on 23 Feb 2023, the payment extension period for all their onshore debt will be shortened by half a year and bondholders is to be scheduled to meet between 23 February 2023 to 3 March 2023. It is unclear whether the proposal has been approved. The Fund's exposure is in the USD bonds. If the onshore bond restructuring progresses well, it should help push through the restructuring talks for offshore bond investors. The Manager awaits further details on the restructuring plan of the offshore bonds. Times China's bonds are still tradable in the market as at the date of the financial statements.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

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

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

**** Times China Holdings Ltd (continued)**

In terms of rating actions, Moody's downgraded Times' issuer ratings by multiple notches in 2022, from B1 to Caa1. Their rating was further downgraded in January 2023 to Ca (negative outlook) after their notice to inform that they did not cure the missed coupon interest payments within the 30 days grace period. S&P downgraded Times' rating in January 2022 from BB- to B+ and subsequently withdrawn their ratings in May 2022. Fitch downgraded Times' issuer ratings by multiple notches in 2022, from BB- to CC before it was withdrawn in November 2022.

***** Yuzhou Group**

The company officially defaulted on their offshore debt obligations after not being able to cure their missed coupons, for 8.5% senior notes due 2023, within the 30 days grace period which ended on 6 March 2022. The default of Yuzhou was a reflection of the tough operating environment and tight liquidity positions of the smaller developers in China. The company is working on a restructuring plan for offshore investors but have yet to announce any proposal. The details of the debt restructuring plan are yet to announce and Yuzhou's bonds are still tradeable in the market.

In terms of rating actions, Moody's downgraded Yuzhou's issuer rating from Caa2 to Ca in June 2022. The company's rating remained on negative rating outlook. Fitch downgraded Yuzhou's issuer rating from B to restricted default (RD) in February 2022 before withdrawing their ratings on the company in May 2022.

****** Credit Suisse Group AG**

The Credit Suisse Group was experiencing a crisis of confidence in mid March 2023, which has resulted in considerable outflows of deposits. This was intensified by the upheavals in the US banking market in early March 2023. There was a risk of the bank becoming illiquid, even if it remained solvent, and the regulators deemed it necessary to act in order to prevent serious damage to the Swiss and international financial markets. Following this on 19 March 2023, the Swiss Financial Market Supervisory Authority ("FINMA") has announced its approval for the takeover of Credit Suisse Group by UBS Group. The details of UBS's proposed merger transaction with Credit Suisse ("CS") were still being worked out and subject to customary closing conditions. According to the press release by CS, it is expected to complete by end of 2023 if possible.

According to FINMA, while the transaction has prevented the bankruptcy of Credit Suisse, the extraordinary government support will trigger a complete write-down of the nominal value of all Additional Tier 1 ("AT1") bonds of Credit Suisse in the amount of around CHF 16 billion. This has a direct impact on the Fund where the underlying bonds are the 5.6250% CREDIT SUISSE GROUP AG(06.06.2024) Callable (ISIN:CH0482172324) and 6.2500% Credit Suisse Group AG (Call: 18.12.2024) (ISIN: XS1076957700)

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

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

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

**** Credit Suisse Group AG (continued)

The decision to fully write down USD17 billion of CS Additional Tier-1 (“AT1”) bonds rattled global investors, surprised not only that a large Swiss bank had failed, but also that the order of absorbing losses was reversed. Under the ordinary scenario, shareholders are the ones to be hit first, and only after equity values are erased, AT1 bond holders were to take a hit. In the case of CS, equity value remained, while AT1 bonds were completely cancelled. The complete write down of AT1 bonds issued by a bank with every indication that it was solvent was unprecedented. As of the time of writing, CS has not issued any formal notice to AT1 bond holders that the value of AT1 is zero.

The Swiss Parliament has convened an extraordinary assembly on 12 April, to debate the special ordinance that provides liquidity assistance which is cited as the reason to trigger a write down of the value of AT1 bond holders on 19 March 2023. The Swiss parliament has then rejected the Credit Suisse rescue package, however the vote is largely symbolic as the government commitment, made using emergency law which cannot be overturned.

The situation remains fluid and with the ongoing developments on the following items i.e. the completion of merger transaction, formal notice by CS to AT1 bond holders, the upcoming parliament discussion about emergency ordinance and potential legal options pursued by the Manager.

The Manager is keeping abreast of the ongoing development, seeking legal advice and exploring the feasibility with various law firms on class action suits. The Manager is also engaging with large global peers with CS AT1 exposures for their viewpoint and next course of action.

Based on the audited financial statements of Credit Suisse Group AG as of 31 December 2022 the Common Equity Tier 1 (“CET1”) ratio was 14.1% and the Liquidity Coverage Ratio (“LCR”) was 144%. As the announcement of the write down of the AT1 bonds by FINMA was made in March 2023 and there was no indication of the write down as at 28 February 2023, the financial statements of the Fund for the financial year ended 28 February 2023 has not been adjusted.

10 DEFERRED TAX LIABILITIES

	<u>2023</u> RM	<u>2022</u> RM
Deferred tax liabilities	508,473	20,587

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

10 DEFERRED TAX LIABILITIES (CONTINUED)

The deferred tax balances comprise temporary differences attributable to:

	<u>2023</u> RM	<u>2022</u> RM
<u>Deferred tax liabilities</u>		
Foreign interest receivables on financial assets at FVTPL	508,473	20,587
	<u>508,473</u>	<u>20,587</u>

Movement of deferred tax liabilities is as follows:

	Foreign interest receivables on financial assets at FVTPL RM	<u>Total</u> RM
At 1.3.2022	20,587	20,587
Recognised in profit or loss	487,886	487,886
At 28.2.2023	<u>508,473</u>	<u>508,473</u>
	Foreign interest receivables on financial assets at FVTPL RM	<u>Total</u> RM
At 1.3.2021	-	-
Recognised in profit or loss	20,587	20,587
At 28.2.2022	<u>20,587</u>	<u>20,587</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

11 CASH AND CASH EQUIVALENTS

	<u>2023</u> RM	<u>2022</u> RM
Cash and bank balances	719,545	3,942,279
Deposit with a licensed financial institution	1,518,658	4,546,345
	<u>2,238,203</u>	<u>8,488,624</u>

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

	<u>2023</u> %	<u>2022</u> %
Deposit with a licensed financial institution	<u>2.75</u>	<u>1.75</u>

The deposit with a licensed financial institution has an average maturity of 1 day (2022: 1 day).

12 TERM DEPOSITS

The weighted average effective interest rates per annum for deposits that was effective as at balance sheet date was as follows:

	2023 %	2022 %
Deposits with licensed financial institutions	<u>6.10</u>	<u>-</u>

The deposits with licensed financial institutions has an average maturity of 122 days (2022: Nil days). The amount includes interest receivable of RM15,375 (2022: RMNil).

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

13 FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 16 (2022:15) forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM193,257,132 (2022: RM115,145,004). The forward foreign currency contracts entered into during the financial year were for hedging against the currency exposure arising from the investment in the foreign unquoted fixed income securities denominated in Australian Dollar, Chinese Yuan, Euro, British Pound Sterling, Singapore Dollar and United States Dollar. As the Fund has not adopted hedge accounting during the financial year, the changes in the fair value of the forward foreign currency contracts are recognised immediately in the statement of comprehensive income.

	<u>2023</u> RM	<u>2022</u> RM
Financial assets at fair value through profit or loss:		
- forward foreign currency contracts	28,680	1,389,968
	<u>28,680</u>	<u>1,389,968</u>
Financial liabilities at fair value through profit or loss:		
- forward foreign currency contracts	1,479,854	30,300
	<u>1,479,854</u>	<u>30,300</u>
	<u>2023</u> RM	<u>2022</u> RM
Net loss on forward foreign currency contracts at fair value through profit or loss		
- realised loss on forward foreign currency contracts	(1,285,960)	(255,295)
- unrealised loss on changes in fair value	(2,810,842)	(462,126)
	<u>(4,096,802)</u>	<u>(717,421)</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

13 FORWARD FOREIGN CURRENCY CONTRACTS (CONTINUED)

(a) Forward foreign currency contracts

(i) Forward foreign currency contracts as at 28 February 2023 are as follows:

<u>Name of issuer</u>	<u>Receivables</u> RM	<u>Payables</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
Affin Hwang Investment Bank Bhd #	35,422,530	35,850,475	(427,945)	(0.33)
BNP Paribas Malaysia Bhd	30,469,915	31,080,961	(611,046)	(0.47)
CIMB Bank Bhd	3,180,791	3,254,304	(73,513)	(0.05)
Hong Leong Bank Bhd	1,185,120	1,205,027	(19,907)	(0.01)
Standard Chartered Bank Malaysia Bhd	2,211,510	2,272,989	(61,479)	(0.05)
United Overseas Bank (M) Bhd	24,158,700	24,415,984	(257,284)	(0.20)
Total forward foreign currency contracts	<u>96,628,566</u>	<u>98,079,740</u>	<u>(1,451,174)</u>	<u>(1.11)</u>

(ii) Forward foreign currency contracts as at 28 February 2022 are as follows:

<u>Name of issuer</u>	<u>Receivables</u> RM	<u>Payables</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
Affin Hwang Investment Bank Bhd #	32,248,090	31,948,607	299,483	0.21
Bank of America Malaysia Bhd	6,747,794	6,778,094	(30,300)	(0.02)
BNP Paribas Malaysia Bhd	20,562,130	20,274,823	287,307	0.21
CIMB Bank Berhad	29,793,515	29,383,125	410,390	0.29
Hong Leong Bank Berhad	1,225,800	1,215,052	10,748	0.01
Standard Chartered Bank Malaysia Bhd	2,614,725	2,523,850	90,875	0.06
United Overseas Bank (M) Bhd	21,952,950	21,661,785	291,165	0.21
Total forward foreign currency contracts	<u>115,145,004</u>	<u>113,785,336</u>	<u>1,359,668</u>	<u>0.97</u>

The Manager is of the opinion that all transactions with the former holding company of the Manager have been entered into normal course of business of agreed terms between the related parties.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

14 NUMBER OF UNITS IN CIRCULATION

	<u>2023</u>	<u>2022</u>
	No. of units	No. of units
At the beginning of the financial year	152,011,000	153,638,000
Cancellation of units	(372,000)	(1,627,000)
At the end of the financial year	<u>151,639,000</u>	<u>152,011,000</u>

15 TRANSACTIONS WITH DEALERS

- (i) Details of transactions with the top 10 dealers for the financial year ended 28 February 2023 are as follows:

<u>Name of dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
Nomura Singapore Ltd	11,714,964	13.33
Barclays Bank Plc	9,480,510	10.79
DBS Bank Ltd	8,395,335	9.55
Bank of America Corporation	8,290,300	9.44
HSBC Bank Malaysia Bhd	8,049,099	9.16
HSBC Banking Corporation Ltd	7,439,928	8.47
MarketAxess Holdings Inc #	7,113,330	8.10
Citigroup Global Markets	6,301,386	7.17
Standard Chartered Bank Malaysia Bhd	6,286,922	7.16
Jefferies International Ltd	6,201,550	7.06
Others	8,593,955	9.77
	<u>87,867,279</u>	<u>100.00</u>

- (ii) Details of transactions with the top 10 dealers for the financial year ended 28 February 2022 are as follows:

<u>Name of dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
Citibank Bhd	4,123,442	33.28
BNP Paribas Securities	2,616,736	21.12
Standard Chartered Bank Malaysia Bhd	2,087,200	16.85
Nomura Singapore Ltd	1,841,079	14.86
Mizuho Securities Asia Ltd	872,616	7.04
MarketAxess Holdings Inc #	847,883	6.85
	<u>12,388,956</u>	<u>100.00</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

15 TRANSACTIONS WITH DEALERS (CONTINUED)

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

<u>Name of dealers</u>	<u>2023</u> RM	<u>2022</u> RM
MarketAxess Holdings Inc	5,476,683	847,883
	<u>5,476,683</u>	<u>847,883</u>

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

	<u>2023</u> RM	<u>2022</u> RM
Affin Hwang Flexible Maturity Income Fund 13	-	847,883
AHAM Select Bond Fund (formerly known as Affin Hwang Select Bond Fund)	5,476,683	-
	<u>5,476,683</u>	<u>847,883</u>

16 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>
CVC Capital Partners Asia V L.P. ("CVC Asia V")	Ultimate holding company of the Manager
Lembaga Tabung Angkatan Tentera ("LTAT")	Former ultimate holding corporate body of the Manager
Affin Bank Berhad ("ABB")	Former penultimate holding company of the Manager
Affin Hwang Investment Bank Berhad	Former holding company of the Manager
Starlight TopCo Limited	Penultimate holding company of the Manager
Starlight Universe Limited	Intermediate holding company of the Manager
Starlight Asset Sdn Bhd	Immediate holding company of the Manager

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

16 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER (CONTINUED)

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

<u>Related parties</u>	<u>Relationship</u>
Nikko Asset Management International Limited ("NAM")	Substantial shareholder of the Manager
AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)	The Manager
Subsidiaries and associated companies of CVC Asia V as disclosed in its financial statements	Subsidiaries and associated companies of the ultimate holding company of the Manager
Subsidiaries and associated companies of ABB as disclosed in its financial statements	Subsidiaries and associated companies of the former penultimate holding company of the Manager
Directors of AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)	Directors of the Manager

The number of units held by the Manager and its related party as at the end of the financial year as follows:

	<u>2023</u>		<u>2022</u>	
	No. of units	RM	No. of units	RM
<u>The Manager:</u>				
AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) (The units are held legally for booking purpose)	10,540	9,104	9,714	8,946
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Subsidiary and associated companies of the former penultimate holding company of the Manager:</u>				
ABB Nominee (Tempatan) Sdn Bhd (The units are held beneficially)	-	-	9,354,706	8,614,491
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

17 TOTAL EXPENSE RATIO (“TER”)

	<u>2023</u> %	<u>2022</u> %
TER	0.28	0.28

TER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial year calculated on a daily basis is RM129,846,697 (2022: RM156,616,541).

18 PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>2023</u>	<u>2022</u>
PTR (times)	0.46	0.04

PTR is derived from the following calculation:

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

where: total acquisition for the financial year = RM60,248,877 (2022: RM4,475,362)
total disposal for the financial year = RM58,171,939 (2022: RM9,197,959)

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 (CONTINUED)

19 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Change in corporate shareholding of AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad).

On 28 January 2022, Affin Bank Berhad announced that funds advised by CVC Capital Partners, a leading global private equity and investment advisory firm with approximately US\$125 billion of assets under management, has agreed to acquire approximately 68% of the equity interest in AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad).

The Acquisition has been approved by Securities Commissions Malaysia on 1 July 2022, and upon completion of the Acquisition on 29 July 2022, AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) has ceased to be a subsidiary of Affin Hwang Investment Bank Berhad.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

STATEMENT BY THE MANAGER

I, Dato' Teng Chee Wai, for and on behalf of the board of directors of the Manager, **Affin Hwang Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)**, do hereby state that in the opinion of the Manager, the financial statements set out on pages 1 to 48 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 28 February 2023 and of its financial performance, changes in equity and cash flows for the financial year ended 28 February 2023 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,
AFFIN HWANG ASSET MANAGEMENT BERHAD

DATO' TENG CHEE WAI
EXECUTIVE DIRECTOR/MANAGING DIRECTOR

Kuala Lumpur
26 April 2023

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Affin Hwang Flexible Maturity Income Fund 17 (“the Fund”) give a true and fair view of the financial position of the Fund as at 28 February 2023, and of its financial performance and its cash flows for the financial year ended 28 February 2023 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 28 February 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended 28 February 2023, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 48.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Emphasis of matter

We draw attention to Note 9 to the financial statements, which describes the status of the Fund's investment in certain China real estate bonds which have defaulted and the write-down of the Credit Suisse Additional Tier-1 bonds subsequent to the financial year end. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17 (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 and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

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

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 UNITHOLDERS OF
AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17 (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 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.

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

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 17 (CONTINUED)

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
26 April 2023

DIRECTORY OF SALES OFFICE

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AHAM Asset Management Berhad

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