

# Affin Hwang

## Enhanced Deposit Fund

Interim Report  
31 October 2020

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



**AFFIN HWANG**  
CAPITAL

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

**TRUSTEE**  
HSBC (Malaysia) Trustee Berhad  
193701000084 (1281-T)

# AFFIN HWANG ENHANCED DEPOSIT FUND

## Interim Report and Unaudited Financial Statements For the 6 Months Financial period Ended 31 October 2020

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## FUND INFORMATION

Fund Name	Affin Hwang Enhanced Deposit Fund
Fund Type	Income
Fund Category	Money Market
Investment Objective	The Fund aims to provide investors with a regular income stream and high level of liquidity to meet cash flow requirement whilst maintaining capital preservation.
Benchmark	The performance benchmark of the Fund is the Maybank Overnight Repo Rate
Distribution Policy	The Fund endeavours to distribute income on a monthly basis

## BREAKDOWN OF UNITHOLDERS BY SIZE RM CLASS AS AT 31 OCTOBER 2020

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	598	425
5,001 to 10,000	262	2,201
10,001 to 50,000	561	14,722
50,001 to 500,000	609	102,810
500,001 and above	295	2,255,291
<b>Total</b>	<b>2,325</b>	<b>2,375,449</b>

\* Note: Excluding Manager's stock

## FUND PERFORMANCE DATA

Category	As at 31 Oct 2020 (%)	As at 31 Oct 2019 (%)	As at 31 Oct 2018 (%)
Portfolio composition			
<b>Unquoted fixed income securities – local</b>			
- Bonds	-	-	26.02
- Commercial papers	-	-	4.22
<b>Total unquoted fixed income securities – local</b>	<b>-</b>	<b>-</b>	<b>30.24</b>
<b>Cash &amp; cash equivalent</b>	<b>100.10</b>	<b>100.03</b>	<b>69.76</b>
<b>Total</b>	<b>100.10**</b>	<b>100.03**</b>	<b>100.00</b>
Total NAV (RM'million)	2,782.849	2,728.738	492.120
NAV per Unit (RM)	1.1715	1.1760	1.622
Unit in Circulation (million)	2,375.514	2,320.306	423.424
Highest NAV	1.1743	1.1776	1.1622
Lowest NAV	1.1703	1.1748	1.1469
Return of the Fund (%) <sup>iii</sup>	1.12	1.77	1.86
- Capital Growth (%) <sup>i</sup>	-0.15	0.08	1.33
- Income Distribution (%) <sup>ii</sup>	1.27	1.69	0.52
Gross Distribution per Unit (sen)	1.48	1.97	0.60
Net Distribution per Unit (sen)	1.48	1.97	0.60
Management Expense Ratio (%) <sup>1</sup>	0.16	0.16	0.24
Portfolio Turnover Ratio (times) <sup>2</sup>	8.68	9.80	0.20

\*\* Total assets holding more than 100% of Net Asset Value due to the timing of trade settlement.

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

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

An illustration of the above would be as follow:-

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

<sup>1</sup>The MER of the Fund was unchanged for the financial period.

<sup>2</sup>The decreased in the Fund's PTR was due to higher average net asset value of the Fund for the financial period.

## 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)
12-May-20	13-May-20	1.1743	0.0017	1.1727
26-May-20	27-May-20	1.1735	0.0017	1.1722
09-Jun-20	10-Jun-20	1.1732	0.0017	1.1716
23-Jun-20	24-Jun-20	1.1726	0.0016	1.1710
07-Jul-20	08-Jul-20	1.1719	0.0016	1.1704
21-Jul-20	22-Jul-20	1.1713	0.0011	1.1703
11-Aug-20	12-Aug-20	1.1716	0.0009	1.1708
25-Aug-20	26-Aug-20	1.1717	0.0009	1.1708
08-Sep-20	09-Sep-20	1.1717	0.0009	1.1708
22-Sep-20	23-Sep-20	1.1717	0.0009	1.1709
13-Oct-20	14-Oct-20	1.1721	0.0009	1.1713
27-Oct-20	28-Oct-20	1.1721	0.0009	1.1713

No unit splits were declared for the financial period ended 31 October 2020.

### Performance Review

For the period 1 May 2020 to 31 Oct 2020, the Fund has registered a return of 1.12% as compared to the benchmark return of 0.18%. The Fund thus outperformed the benchmark by 0.94%. The Net Asset Value (NAV) per unit of the Fund as at 31 October 2020 was RM1.1715 while the NAV per unit on 30 April 2020 was RM 1.1733. During the same period under review, the Fund has declared a total income distribution of RM0.0148 per unit.

Since commencement, the Fund has outperformed the benchmark by 29.06% with returns of 64.98% compared to the benchmark return of 35.92%. The Fund has declared a total gross income distribution of RM0.3600 per unit to date. We believe the Fund's objective of providing investors with a steady income stream in the form of distribution has been met.

Table 1: Performance of the Fund

	6 Months (1/5/20 - 31/10/20)	1 Year (1/11/19 - 31/10/20)	3 Years (1/11/17 - 31/10/20)	5 Years (1/11/15 - 31/10/20)	Since Commencement (14/6/05 - 31/10/20)
<b>Fund</b>	<b>1.12%</b>	<b>2.69%</b>	<b>10.28%</b>	<b>18.62%</b>	<b>64.98%</b>
<b>Benchmark</b>	<b>0.18%</b>	<b>0.85%</b>	<b>4.53%</b>	<b>8.41%</b>	<b>35.92%</b>
<b>Outperformance</b>	<b>0.94%</b>	<b>1.84%</b>	<b>5.75%</b>	<b>10.21%</b>	<b>29.06%</b>

Source of Benchmark: Maybank

Table 2: Average Total Return

	1 Year (1/11/19 - 31/10/20)	3 Years (1/11/17 - 31/10/20)	5 Years (1/11/15 - 31/10/20)	Since Commencement (14/6/05 - 31/10/20)
<b>Fund</b>	<b>2.69%</b>	<b>3.31%</b>	<b>3.47%</b>	<b>3.31%</b>
<b>Benchmark</b>	<b>0.85%</b>	<b>1.49%</b>	<b>1.63%</b>	<b>2.01%</b>
<b>Outperformance</b>	<b>1.84%</b>	<b>1.82%</b>	<b>1.84%</b>	<b>1.30%</b>

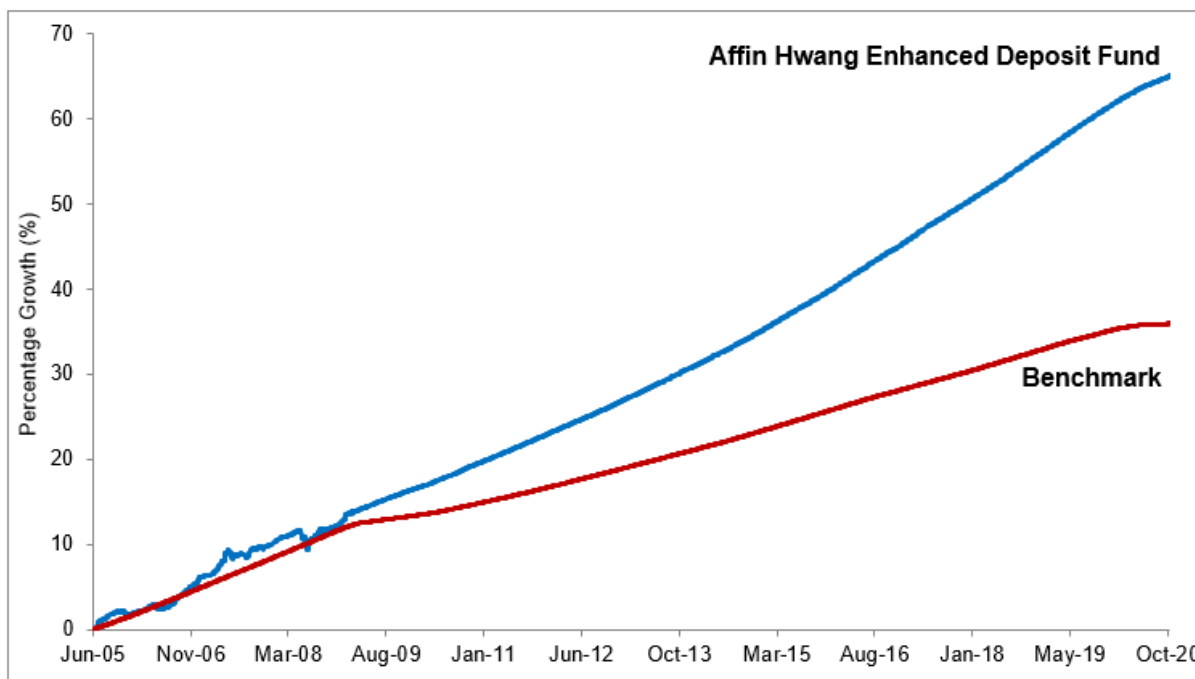
Source of Benchmark: Maybank

Table 3: Annual Total Return

	FYE 2020 (1/5/19 - 30/4/20)	FYE 2019 (1/5/18 - 30/4/19)	FYE 2018 (1/5/17 - 30/4/18)	FYE 2017 (1/5/16 - 30/4/17)	FYE 2016 (1/5/15 - 30/4/16)
<b>Fund</b>	<b>3.35%</b>	<b>3.73%</b>	<b>3.52%</b>	<b>3.74%</b>	<b>3.68%</b>
<b>Benchmark</b>	<b>1.48%</b>	<b>1.90%</b>	<b>1.79%</b>	<b>1.80%</b>	<b>2.01%</b>
<b>Outperformance</b>	<b>1.87%</b>	<b>1.83%</b>	<b>1.73%</b>	<b>1.94%</b>	<b>1.67%</b>

Source of Benchmark: Maybank

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



"This information is prepared by Affin Hwang Asset Management Berhad (AFFINHWANGAM) for information purposes only. Past earnings or the fund's distribution record is not a guarantee or reflection of the fund's future earnings/future distributions. Investors are advised that unit prices, distributions payable and investment returns may go down as well as up. Source of Benchmark is from Maybank."

Benchmark: Maybank Overnight Repo Rate

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

### **Asset Allocation**

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

As at 31 October 2020, the Fund's asset allocation stood at 100.10% in cash and cash equivalent, 0.07 percentage points higher compared to the previous period under review.

### **Strategies Employed**

Over the period under review, the Fund maintained a portfolio of short-dated fixed income instruments and deposits as it focuses in providing investors high level of liquidity.

## **Market Review**

Global markets got off to a rocky start in 2020 as benchmark gauges reeled from contagion fears as a result of the coronavirus outbreak. The World Health Organization declared a global health emergency as soon as the coronavirus outbreak has claimed the lives of at least 300 people with rates of infection rapidly increasing. The global equities trended lower as risk assets continue to reel from the impact of the Covid-19 outbreak which sent chills to investors. The rapid spread of the infection outside of China with new cases springing in Italy, South Korea and Iran led to a rush towards safe haven assets with US Treasury yields dipping to record lows.

Coming into March, the global markets faced a washout, as few asset classes were spared from the selloff due to the pandemic fears as infection rates continue to escalate rapidly. The MSCI Asia ex-Japan index closed 12.2% lower in the month. In the US, the S&P 500 index closed 12.5% lower that month. In an attempt to stem the fallout from the coronavirus, major economies led by the US has introduced an unprecedented relief package to cushion its economy. The relief package comes as the US also reports the most number of Covid-19 cases, making it the country with the largest outbreak in the world surpassing that of Italy and China.

However, global equities staged a rebound in April as markets looked past recent softness in economic data and were instead buoyed by stimulus optimism as well as encouraging developments on the COVID-19 front. The rally was fuelled by a volley of stimulus measures rolled out by major central banks including an expansion package by the US Federal Reserve and the European Union (EU). The S&P 500 index advanced since; while positive effects were also felt in Asia in which the Hong Kong Hang Seng and the broader MSCI Asia ex-Japan index rose by 4.4% and 8.9% respectively.

The US unveiled its Main Street Lending Program which is designed to provide support and ensure credit flow into SMEs that were in “good financial standing”. Similarly, the EU proposed a European Stability Mechanism (“ESM”) which offers a credit line of up to 240 billion Euros to EU members.

Tensions between the two global powerhouse rose recently after China ordered the US to close its Chengdu-based consulate. The order followed the US closure of the Chinese consulate in Houston. On the other hand, remarks by US President Donald Trump that he will move to ban Chinese-owned video app TikTok in the US also added fuel to this fire.

On commodities, crude oil prices slid by about 40% YTD as at end of October, after oil prices rebounded in June following a move by Organization of the Petroleum Exporting Countries (“OPEC”) and its oil-producing allies to extend the group’s historic production cut.

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

Malaysia's economy posted a smaller contraction of 2.7 per cent in the third quarter (3Q) of 2020, surpassing consensus estimate of -4.6 per cent, as well as the Gross Domestic Product (GDP) contraction of 17.1 per cent in 2Q, supported by improvements in all sectors.

Prime Minister Tan Sri Muhyiddin Yassin unveiled a RM250 billion economic stimulus package to soften the economic blow due to the impact of Covid-19 with businesses shuttered due to the movement control order (MCO). Called the Pakej Rangsangan Ekonomi Prihatin Rakyat or Prihatin, the package comprises RM128 billion to protect the welfare of the people, RM100 billion to protect the welfare of small and medium enterprises (“SMEs”) and RM2 billion to strengthen the country’s economy according to The Edge. This was on top of the RM20 billion stimulus that was earlier announced on 27 February.

Whilst RM250 billion seems like a massive amount on the surface, the actual fiscal spending outlay amounts to 10.0% or RM25billion. The rest of the relief package comes in the form of loan guarantees, moratorium in loan repayments, EPF withdrawals, among others. In April, Prime Minister had announced an additional RM10billion package to help SMEs cope during the pandemic.

Recent placement exercises by Tenaga Nasional Bhd (“TNB”) and Serba Dinamik Holdings Bhd point to strong appetite. Khazanah raised RM1 billion from TNB placement (3x oversubscribed) while Serba Dinamik raised RM456.7 million (1.5x oversubscribed). We could see more placement exercises in the market with ample liquidity on the side-lines as most funds are sitting on decent amounts of cash.

The Malaysia bond market treaded quietly for the most part of October as investors opted to stay on the side lines ahead of the several risk events lined-up, including BNM's monetary policy committee ("MPC") meeting as well as the tabling of the Malaysia Budget 2021. It was also quiet in terms of supply pipeline, though several new issuances are expected to roll out in the coming weeks.

### **Investment Outlook**

Global markets have rallied sharply from their lowest, supported by fiscal and monetary stimulus. The economy is still recovering, albeit at a slow pace, as consumers' confidence return following the low death rates despite the rise in infections. The accelerated efforts to shorten the timeline for a successful vaccine inoculation also lessened market's response towards increasing infection rates. Economic restarts have since moved at different paces between countries, each depending on their own ways of dealing with Covid-19.

A Biden presidency may be positive for the Asian stock markets. Biden prides himself as one who respects international laws, supporting more coordinated foreign policies. Trade tensions might ease, with technology sector equities and high-yield credits benefitting provided the ongoing Huawei and TikTok issues can be solved amicably. Biden's clean energy revolution plan could also revitalise US' energy sector and create more well-paying jobs, further boosting US economy. Considering that the World Trade Organisation ("WTO") has recently ruled Trump's China tariff as illegal, Biden may also consider reducing or removing tariffs on China imports.

The worldwide Covid-19 death toll has since breached the 1 million mark, with US cases remaining stable at a high rate and Europe battling new waves. The shift in infections to younger age groups and more effective treatments however ensured Europe's continuous recovery despite the increasing infection rates. It is also more exposed to global trade than US, thus will benefit from the rebound in Chinese demand. Europe's exposure to financials, cyclical sectors such as energy and industrials, will potentially outperform in the second phase of recovery when economy continues to pick up as yield curve steepens. US dollar should weaken as economy recovers globally given its counter-cyclical behaviour, with more economically sensitive currencies appreciating instead, including euro and British sterling that are undervalued. However, British sterling faces higher volatility due to Brexit negotiations.

On the other hand, recent alarming increase in Covid-19 cases caused targeted lockdowns in Malaysia, potentially delaying economic recovery although remaining positive on a full rebound by 2021. From a bottom-up perspective, markets are still focused on more export-oriented industries i.e. gloves, electromotive force and technology stocks. Politics pose as minor distraction seeing how the peak of political risk has passed after Sabah election results were released. However, the risk to policy continuity caused by uncertainty of a majority win could lead to potential loss on FDI opportunities to other emerging market countries.

Inflows into global equity funds surge past US\$100 billion in the last 3 weeks of November as investors continue to pile into equities with markets turning risk-on. Buoyed by a "Goldilocks" environment with a favourable US election outcome, low interest rates and positive developments on the vaccine front, we could see additional support for risk assets.

Earnings momentum is expected to continue into 2021 with earnings growth projected to rise by 38.0% in Asia ex-Japan (ex-Financials) according to estimates by some sell-side analysts. Key sectors leading the recovery include the energy, consumer discretionary and industrials. Though, this is tempered by moderately higher valuations which has crept up above historical averages.

### **State of Affairs of the Fund**

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



### **Soft Commissions received from Brokers**

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

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

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

### **Cross Trade**

No cross trade transactions have been carried out during the reported period.

## **TRUSTEE'S REPORT TO THE UNITHOLDERS OF AFFIN HWANG ENHANCED DEPOSIT FUND**

We have acted as Trustee of Affin Hwang Enhanced Deposit Fund ("the Fund") for the financial period ended 31 October 2020. To the best of our knowledge, Affin Hwang Asset Management Berhad ("the Management Company"), has operated and managed the Fund in accordance with the following:-

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

During this financial period, a total distribution of 1.48 sen per unit (gross) has been distributed to the unitholders of the Fund. We are of the view that the distribution is not inconsistent with the objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie  
Senior Manager, Investment Compliance Monitoring

Kuala Lumpur  
11 December 2020

**AFFIN HWANG ENHANCED DEPOSIT FUND**

**UNAUDITED INTERIM FINANCIAL STATEMENT**

**FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020**

# **AFFIN HWANG ENHANCED DEPOSIT FUND**

## **UNAUDITED INTERIM FINANCIAL STATEMENTS**

### **FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020**

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## AFFIN HWANG ENHANCED DEPOSIT FUND

### UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020

	<u>Note</u>	6 months financial period ended <u>31.10.2020</u> RM	6 months financial period ended <u>31.10.2019</u> RM
<b>INVESTMENT INCOME</b>			
Interest income for financial assets at fair value through profit or loss		35,318,006	43,437,851
		<u>35,318,006</u>	<u>43,437,851</u>
<b>EXPENSES</b>			
Management fee	4	(4,191,689)	(3,440,105)
Trustee fee	5	(279,446)	(229,340)
Auditors' remuneration		(4,033)	(4,033)
Tax agent's fee		(1,915)	(1,915)
Other expenses		(7,004)	(7,740)
		<u>(4,484,087)</u>	<u>(3,683,133)</u>
<b>NET PROFIT BEFORE TAXATION</b>		30,833,919	39,754,718
Taxation	6	-	-
<b>NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>		<u>30,833,919</u>	<u>39,754,718</u>
Net profit after taxation is made up of the following:			
Realised amount		30,833,919	39,754,718
Unrealised amount		-	-
		<u>30,833,919</u>	<u>39,754,718</u>

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

## AFFIN HWANG ENHANCED DEPOSIT FUND

### UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2020

	<u>Note</u>	<u>2020</u> RM	<u>2019</u> RM
<b>ASSETS</b>			
Cash and cash equivalents		663	837
Financial assets at fair value through profit or loss	8	2,785,745,431	2,729,482,102
<b>TOTAL ASSETS</b>		<u>2,785,746,094</u>	<u>2,729,482,939</u>
<b>LIABILITIES</b>			
Amount due to Manager - management fee		697,276	693,845
Amount due to Trustee		46,485	46,257
Auditors' remuneration		4,033	4,033
Tax agent's fee		5,285	5,715
Distribution payable		2,137,456	-
Other payables and accruals		6,243	5,229
<b>TOTAL LIABILITIES</b>		<u>2,896,778</u>	<u>755,079</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>2,782,849,316</u>	<u>2,728,727,860</u>
<b>EQUITY</b>			
Unitholders' capital		2,744,982,706	2,679,155,499
Retained earnings		37,866,610	49,572,361
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>2,782,849,316</u>	<u>2,728,727,860</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	9	<u>2,375,514,000</u>	<u>2,320,306,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>1.1715</u>	<u>1.1760</u>

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

## AFFIN HWANG ENHANCED DEPOSIT FUND

### UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 May 2020	2,937,630,330	42,353,991	2,979,984,321
Total comprehensive income for the financial period	-	30,833,919	30,833,919
Distributions (Note 7)	-	(35,321,300)	(35,321,300)
Movement in unitholders' capital:			
Creation of units arising from applications	1,036,940,688	-	1,036,940,688
Creation of units arising from distributions	31,269,204	-	31,269,204
Cancellation of units	(1,260,857,516)	-	(1,260,857,516)
Balance as at 31 October 2020	<u>2,744,982,706</u>	<u>37,866,610</u>	<u>2,782,849,316</u>
Balance as at 1 May 2019	1,579,127,506	48,591,056	1,627,718,562
Total comprehensive income for the financial period	-	39,754,718	39,754,718
Distributions (Note 7)	-	(38,773,413)	(38,773,413)
Movement in unitholders' capital:			
Creation of units arising from applications	1,722,820,546	-	1,722,820,546
Creation of units arising from distributions	36,406,717	-	36,406,717
Cancellation of units	(659,199,270)	-	(659,199,270)
Balance as at 31 October 2019	<u>2,679,155,499</u>	<u>49,572,361</u>	<u>2,728,727,860</u>

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

## AFFIN HWANG ENHANCED DEPOSIT FUND

### UNAUDITED INTERIM STATEMENT OF CASH FLOWS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020

	6 months financial period ended 31.10.2020 RM	6 months financial period ended 31.10.2019 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Placement of deposits with licensed financial institutions	(23,944,697,421)	(22,768,856,061)
Proceeds from maturity of deposits with licensed financial institutions	24,141,650,325	21,685,925,062
Interest received	33,413,944	25,042,621
Management fee paid	(4,235,617)	(3,144,205)
Trustee fee paid	(282,375)	(209,613)
Payment for other fees and expenses	(17,630)	(12,556)
Net cash generated from/(used in) operating activities	<u>225,831,226</u>	<u>(1,061,254,752)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from creation of units	1,036,940,689	1,722,820,546
Payments for cancellation of units	(1,260,857,516)	(659,199,270)
Payment for distributions	(1,914,641)	(2,366,696)
Net cash (used in)/generated from financing activities	<u>(225,831,468)</u>	<u>1,061,254,580</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(242)	(172)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<u>905</u>	<u>1,009</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<u><u>663</u></u>	<u><u>837</u></u>

Cash and cash equivalents comprise of bank balances.

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



## AFFIN HWANG ENHANCED DEPOSIT FUND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020

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

#### **A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

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

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

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

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

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019)
- Annual Improvements to MFRSs 2015 – 2017 Cycle (effective 1 January 2019)

The adoption of the above standards, amendments to standards or interpretations did not 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 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business.
- Amendments to MFRS 101 'Classification of liabilities as current or non-current (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained 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.

## AFFIN HWANG ENHANCED DEPOSIT FUND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020 (CONTINUED)

#### **B INCOME RECOGNITION**

##### Interest Income

Interest income from short term deposits with licensed financial institutions 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).

#### **C 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.

#### **D TAXATION**

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

#### **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

#### **F FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

##### (i) Classification

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

- those to be measured at fair value through profit or loss, and
- those to be measured at amortised cost

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

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

## AFFIN HWANG ENHANCED DEPOSIT FUND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020 (CONTINUED)

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

(i) Classification (continued)

The Fund classifies cash and cash equivalents as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

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

(ii) Recognition and measurement

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

Financial liabilities, within the scope of MFRS 9, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

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

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

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

(iii) Impairment

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

Definition of default and credit-impaired financial assets

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

## AFFIN HWANG ENHANCED DEPOSIT FUND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020 (CONTINUED)

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

##### (iii) Impairment

###### 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 period.

#### G CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balances which are subject to an insignificant risk of change in value.

#### H UNITHOLDERS' CAPITAL

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

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

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

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

## **AFFIN HWANG ENHANCED DEPOSIT FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020 (CONTINUED)**

#### **I CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

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

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

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

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

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

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

## **AFFIN HWANG ENHANCED DEPOSIT FUND**

### **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020**

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

The Unit Trust Fund was constituted under the name Hwang Enhanced Deposit Fund (the “Fund”) pursuant to the execution of a Master Deed dated 4 April 2005, First Supplemental Deed dated 29 December 2005, Second Supplemental Deed dated 20 February 2006, Third Supplemental Deed dated 18 June 2007, Fourth Supplemental Deed dated 15 October 2008, Fifth Supplemental Deed dated 12 March 2009, Sixth Supplemental Deed dated 19 March 2010, Seventh Supplemental Deed dated 18 January 2012, Eighth supplemental Deed dated 27 June 2014 and Ninth Supplemental Deed dated 19 December 2016 (the “Deeds”) entered into between Affin Hwang Asset Management Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”). The Fund has changed its name from HwangDBS Enhanced Deposit Fund to Hwang Enhanced Deposit Fund as amended by Seventh Supplemental Deed dated 18 January 2012 and from Hwang Enhanced Deposit Fund to Affin Hwang Enhanced Deposit Fund as amended by Eighth supplemental Deed dated 27 June 2014.

The Fund was launched on 18 April 2005 and will continue its operations until terminated by the Trustee as provided under Clause 3.1 of the Deed.

The Fund may invest in any of the following investments:

- (a) Debentures;
- (b) Unlisted securities, including without limitation, securities that have been approved by the relevant regulatory authorities for the listing of and quotation of such securities
- (c) Money market instruments;
- (d) Ringgit-denominated deposits;
- (e) Units or shares in collective investment schemes;
- (f) Any other form of investments as may be permitted by the SC from time to time which are in line with the objective of the Fund.

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

The Fund will select debt securities, the selection of which will depend largely on credit quality, to assure relative certainty of principal repayment and overall total return stability.

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

The financial statements were authorised for issue by the Manager on 11 December 2020.

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020 (CONTINUED)

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

Financial instruments are as follows:

	<u>Note</u>	At amortised cost RM	At fair value through profit or loss RM	<u>Total</u> RM
<u>2020</u>				
<u>Financial assets</u>				
Cash and cash equivalents		663	-	663
Deposits with licensed financial institutions	8	-	2,785,745,431	2,785,745,431
		<u>663</u>	<u>2,785,745,431</u>	<u>2,785,746,094</u>
<u>Financial liabilities</u>				
Amount due to Manager				
- management fee		697,276	-	697,276
Amount due to Trustee		46,485	-	46,485
Auditor's remuneration		4,033	-	4,033
Tax agent's fee		5,286	-	5,286
Distribution payable		2,137,456	-	2,137,456
Other payables and accruals		6,242	-	6,242
		<u>2,896,778</u>	<u>-</u>	<u>2,896,778</u>
<u>2019</u>				
<u>Financial assets</u>				
Cash and cash equivalents		837	-	837
Deposits with licensed financial Institutions	8	-	2,729,482,102	2,729,482,102
		<u>837</u>	<u>2,729,482,102</u>	<u>2,729,482,939</u>
<u>Financial liabilities</u>				
Amount due to Manager				
- management fee		693,845	-	693,845
Amount due to Trustee		46,257	-	46,257
Auditor's remuneration		4,033	-	4,033
Tax agent's fee		5,715	-	5,715
Other payables and accruals		5,229	-	5,229
		<u>755,079</u>	<u>-</u>	<u>755,079</u>

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020 (CONTINUED)

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

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

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

##### Market risk

###### (a) Interest rate risk

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

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

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

##### Liquidity risk

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

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

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

	<u>Within one month</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>2020</u>			
Amount due to Manager			
- management fee	697,276	-	697,276
Amount due to Trustee	46,485	-	46,485
Auditor's remuneration	-	4,033	4,033
Tax agent's fee	-	5,286	5,286
Distribution payable	2,137,456	-	2,137,456
Other payables and accruals		6,242	6,242
	<u>2,881,217</u>	<u>15,561</u>	<u>2,896,778</u>



## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020 (CONTINUED)

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

##### Liquidity risk (continued)

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

	<u>Within one month</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>2019</u>			
Amount due to Manager			
- management fee	693,845	-	693,845
Amount due to Trustee	46,257	-	46,257
Auditor's remuneration	-	4,033	4,033
Tax agent's fee	-	5,715	5,715
Other payables and accruals	-	5,229	5,229
	<u>740,102</u>	<u>14,977</u>	<u>755,079</u>

##### 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 investments. The Manager manages the credit risk by undertaking credit evaluation to minimise such risk.

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

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020 (CONTINUED)

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

##### Credit risk

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

	Deposits with licensed financial <u>institutions</u> RM	Cash and cash <u>equivalents</u> RM	<u>Total</u> RM
<u>2020</u>			
Financials			
- AAA	1,572,520,458	663	1,572,521,121
- AA2	857,658,539	-	857,658,539
- AA3	355,566,434	-	355,566,434
	<u>2,785,745,431</u>	<u>663</u>	<u>2,785,746,094</u>
<u>2019</u>			
Financials			
- AAA	1,236,487,989	837	1,236,488,826
- AA1	86,127,836	-	86,127,836
- AA2	929,088,309	-	929,088,309
- AA3	101,813,041	-	101,813,041
- AA-	20,017,808	-	20,017,808
- A1	102,511,438	-	102,511,438
- A3	197,322,023	-	197,322,023
- Baa3	56,113,658	-	56,113,658
	<u>2,729,482,102</u>	<u>837</u>	<u>2,729,482,939</u>

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020 (CONTINUED)

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

##### Capital risk

The capital of the Fund is represented by equity consisting of unitholders' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders.

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

#### 3 FAIR VALUE ESTIMATION

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

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the year end date.

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

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

##### (i) Fair value hierarchy

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

- Quoted prices (unadjusted) in active market for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

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

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

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020 (CONTINUED)

#### 3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>2020</u>				
Financial assets at fair value through profit or loss				
- deposits with licensed financial institutions	-	2,785,745,431	-	2,785,745,431
	-	2,785,745,431	-	2,785,745,431
	-	2,785,745,431	-	2,785,745,431
<u>2019</u>				
Financial assets at fair value through profit or loss				
- deposits with licensed financial institutions	-	2,729,482,102	-	2,729,482,102
	-	2,729,482,102	-	2,729,482,102
	-	2,729,482,102	-	2,729,482,102

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 deposits with licensed financial institutions. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

- (ii) The carrying values of cash and cash equivalents and all current liabilities are a reasonable approximation of the fair values due to their short term nature.

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020 (CONTINUED)

#### 4 MANAGEMENT FEE

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

For the 6 months financial period ended 31 October 2020, the management fee is recognised at the rate of 0.30% (2019: 0.30%) per annum on the NAV of the Fund calculated on daily basis as stated in the Prospectus.

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 Deeds, the Trustee is entitled to an annual fee at a rate not exceeding 0.30% per annum on the NAV of the Fund.

The trustee imposes a tiered trustee fee in respect of the Fund:-

<b>Net Asset Value (NAV)</b>	<b>% of NAV of the Fund</b>
< RM500 Million	0.03% per annum
≥ RM500 Million	0.02% per annum

For the 6 months financial period ended 31 October 2020 and 31 October 2019, the Trustee's fee is recognised at the rates stated above (2019: 0.05%).

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

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020 (CONTINUED)

#### 6 TAXATION

	6 months financial period ended <u>31.10.2020</u> RM	6 months financial period ended <u>31.10.2019</u> RM
Current taxation	-	-

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

	6 months financial period ended <u>31.10.2020</u> RM	6 months financial period ended <u>31.10.2019</u> RM
Net profit before taxation	30,833,919	39,754,718
Tax at Malaysian statutory rate of 24% (2019: 24%)	7,400,141	9,541,132
Tax effects of:		
Investment income not subject to tax	(8,476,321)	(10,425,084)
Expenses not deductible for tax purposes	67,998	56,149
Restriction on tax deductible expenses for Unit Trust Funds	1,008,182	827,803
Tax expense	-	-

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020 (CONTINUED)

#### 7 DISTRIBUTIONS

	6 months financial period ended 31.10.2020 RM	6 months financial period ended 31.10.2019 RM
Distribution to unitholders are from the following sources:		
Interest income	3,246,462	11,320
Previous year's realised income	33,110,042	39,347,107
Gross realised income	36,356,504	39,358,427
Less: Expenses	(1,035,204)	(585,014)
Net distribution amount	<u>35,321,300</u>	<u>38,773,413</u>

During the 6 months financial period 31 October 2020, distributions were made as follows:

	Gross/Net distribution per unit Sen
13.05.2020	0.17
27.05.2020	0.17
10.06.2020	0.17
24.06.2020	0.16
08.07.2020	0.16
22.07.2020	0.11
12.08.2020	0.09
26.08.2020	0.09
09.09.2020	0.09
23.09.2020	0.09
14.10.2020	0.09
28.10.2020	0.09
	<u>1.48</u>

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020 (CONTINUED)

#### 7 DISTRIBUTIONS (CONTINUED)

During the 6 months financial period 31 October 2019, distributions were made as follows:

	Gross/Net distribution per unit Sen
08.05.2019	0.12
15.05.2019	0.15
12.06.2019	0.17
26.06.2019	0.17
10.07.2019	0.17
24.07.2019	0.17
14.08.2019	0.17
28.08.2019	0.17
11.09.2019	0.17
25.09.2019	0.17
09.10.2019	0.17
23.10.2019	0.17
	<hr/>
	1.97
	<hr/> <hr/>

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

Included in distribution for the financial period is an amount of RM33,110,042 (2019: RM39,347,107) made from previous year's realised income.

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

	<u>2020</u> RM	<u>2019</u> RM
Financial assets at fair value through profit or loss:		
- deposits with licensed financial institutions	<u>2,785,745,431</u>	<u>2,729,482,102</u>

\*Includes interest receivable of RM20,606,128 (2019: RM36,565,146).

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

	<u>2020</u> %	<u>2019</u> %
Deposits with licensed financial institutions	<u>2.29</u>	<u>3.69</u>

The deposits have an average day to maturity of 111 days (2019: 62 days).



## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020 (CONTINUED)

#### 9 NUMBER OF UNIT IN CIRCULATION

	<u>2020</u>	<u>2019</u>
	No of units	No of units
At beginning of the financial period	2,539,891,000	1,385,220,000
Creation of units arising from applications	885,084,137	1,464,619,680
Creation of units arising from distributions	26,694,326	30,967,196
Cancellation of units	(1,076,155,463)	(560,500,876)
At the end of the financial period	<u>2,375,514,000</u>	<u>2,320,306,000</u>

#### 10 TRANSACTIONS WITH FINANCIAL INSTITUTIONS

- (i) Details of transactions with the financial institutions for the 6 months financial period ended 31 October 2020 are as follows:

<u>Name of financial institutions</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
Hong Leong Bank Bhd	19,747,308,861	71.55
Public Bank Bhd	1,863,903,105	6.75
Affin Hwang Investment Bank Bhd#	1,773,767,073	6.43
RHB Bank Bhd	1,063,109,711	3.85
Ambank Bhd Treasury Dept	965,205,311	3.50
CIMB Bank Bhd	622,395,260	2.25
CIMB Islamic Bank Bhd	521,138,110	1.89
Public Islamic Bank Bhd	412,846,692	1.49
Hong Leong Islamic Bank Bhd	230,891,329	0.84
Alliance Islamic Bank Bhd	221,191,128	0.80
Others	178,377,352	0.65
	<u>27,600,133,932</u>	<u>100.00</u>

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020 (CONTINUED)

#### 10 TRANSACTIONS WITH FINANCIAL INSTITUTIONS (CONTINUED)

- (ii) Details of transactions with the financial institutions for the 6 months financial period ended 31 October 2019 are as follows:

<u>Value of trade</u> RM <u>Name of financial institutions</u>	<u>Percentage of total trade</u> %
Hong Leong Bank Bhd	1,718,102,000 43.10
Public Bank Bhd	622,560,000 15.61
RHB Bank Bhd	359,785,000 9.03
CIMB Bank Bhd	308,617,000 7.74
Hong Leong Islamic Bank Bhd	230,000,000 5.77
United Overseas Bank (M) Bhd	205,000,000 5.14
Sumitomo Mitsui Bank Corporation	111,974,000 2.81
Affin Hwang Investment Bank Bhd#	85,000,000 2.13
Maybank Islamic Bhd	80,000,000 2.01
KAF Investment Bank Bhd	75,000,000 1.88
Others#	190,000,000 4.78
<u>3,986,038,000</u>	<u>100.00</u>

#Included in transactions with dealers are trades conducted with Affin Bank Bhd and Affin Hwang Investment Bank Bhd, companies related to the Manager amounting to RM nil and RM1,773,767,07 (2019: RM15,000,000 and RM85,000,000), respectively. The Manager is of the opinion that the transactions with the related company have been entered into in the normal course of business at agreed terms between the related parties .

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020 (CONTINUED)

#### 11 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

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

<u>Related parties</u>	<u>Relationship</u>
Affin Hwang Asset Management Berhad	The Manager
Affin Hwang Investment Bank Berhad	Holdings company of the Manager
Affin Bank Berhad (“ABB”)	Ultimate holding company of the Manager
Subsidiaries and associates of ABB as disclosed in its financial statements	Subsidiary and associated companies of the ultimate holding company of the Manager
Director of Affin Hwang Asset Management Berhad	Director of the Manager

The units held by the Manager and parties related to the Manager as at the end of the financial year are as follows:

	<u>2020</u>		<u>2019</u>	
	<u>No of units</u>	<u>RM</u>	<u>No. of units</u>	<u>RM</u>
<u>The Manager:</u>				
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)	<u>64,961</u>	<u>76,102</u>	<u>51,084</u>	<u>60,075</u>
<u>Party related to the Manager:</u>				
Affin Hwang Trustee Berhad (The units are held beneficially)	<u>1,171,957</u>	<u>1,372,948</u>	<u>1,059,696</u>	<u>1,246,202</u>
AXA Affin Life Insurance Berhad (The units are held beneficially)	<u>-</u>	<u>-</u>	<u>100,483,917</u>	<u>118,169,086</u>
Accelvantage Academy Sdn Bhd (The units are held beneficially)	<u>459,374</u>	<u>538,157</u>	<u>698,142</u>	<u>821,015</u>

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020 (CONTINUED)

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

	6 months financial period ended <u>31.10.2020</u> RM	6 months financial period ended <u>31.10.2019</u> RM
MER	<u>0.16</u>	<u>0.16</u>

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial period calculated on a daily basis is RM2,768,404,169 (2019: RM2,267,755,630).

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

	6 months financial period ended <u>31.10.2020</u> RM	6 months financial period ended <u>31.10.2019</u> RM
PTR (times)	<u>8.68</u>	<u>9.80</u>

PTR is derived from the following calculation:

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

where: total acquisition for the financial period = RM23,944,697,421 (2019: RM22,768,856,061)  
total disposal for the financial period = RM24,141,650,325 (2019: RM21,685,925,062)

## **AFFIN HWANG ENHANCED DEPOSIT FUND**

### **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2020 (CONTINUED)**

#### **14 SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD**

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

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

## **AFFIN HWANG ENHANCED DEPOSIT FUND**

### **STATEMENT BY THE MANAGER**

I, Teng Chee Wai, for and on behalf of the board of directors of the Manager, **Affin Hwang Asset Management Berhad**, do hereby state that in my opinion as the Manager, the financial statements set out on pages 1 to 25 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 October 2020 and of its financial performance, changes in equity and cash flows for the financial period ended 31 October 2020 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**

**TENG CHEE WAI**  
**EXECUTIVE DIRECTOR/MANAGING DIRECTOR**

Kuala Lumpur  
11 December 2020

## **DIRECTORY OF SALES OFFICE**

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