

Affin Hwang Bond Fund

Annual Report
30 April 2019

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



AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad (429786-T)

TRUSTEE
AmanahRaya Trustee Berhad (766894-T)

AFFIN HWANG BOND FUND

Annual Report and Audited Financial Statements For the Financial Year Ended 30 April 2019

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FUND INFORMATION

Fund Name	Affin Hwang Bond Fund
Fund Type	Income & Growth
Fund Category	Bond
Investment Objective	To achieve steady capital growth at a rate better than the average deposit rates over a long-term period by investing in a wide portfolio of authorised securities and other investments
Benchmark	12-month fixed deposit rate quoted by Maybank
Distribution Policy	Distribution (if any) is on annual basis and will be subject to the availability of income

BREAKDOWN OF UNITHOLDERS BY SIZE AS AT 30 APRIL 2019

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	12,524	13,950
5,001 to 10,000	1,629	11,528
10,001 to 50,000	130	2,376
50,001 to 500,000	108	18,090
500,001 and above	78	498,766
Total	14,469	544,710

* Note: Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 30 Apr 2019 (%)	As at 30 Apr 2018 (%)	As at 30 Apr 2017 (%)
Portfolio Composition			
Unquoted fixed income securities – local	96.70	93.36	91.58
Cash	3.30	6.64	8.42
Total	100.00	100.00	100.00
Total NAV (RM'million)	319.849	64.769	51.454
NAV per Unit (RM)	0.5872	0.5737	0.5827
Unit in Circulation (million)	544.712	112.904	88.309
Highest NAV	0.5872	0.5875	0.5949
Lowest NAV	0.5702	0.5706	0.5720
Return of the Fund (%) ⁱⁱⁱ	6.80	3.69	5.04
- Capital Growth (%) ⁱ	2.35	-1.54	1.39
- Income Return (%) ⁱⁱ	4.35	5.31	3.60
Gross Distribution per Unit (sen)	2.46	3.00	2.05
Net Distribution per Unit (sen)	2.46	3.00	2.05
Management Expense Ratio (%) ¹	1.05	1.20	1.21
Portfolio Turnover Ratio (times) ²	1.89	0.64	1.59

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

Capital Returnⁱ = {NAV per Unit @ 30/04/19 ÷ NAV per Unit @ 30/04/18* – 1} x 100
= (0.5872 ÷ 0.5737 – 1) x 100
= **2.35%**

Income Return @ ex-date = {Income distribution per Unit ÷ NAV per Unit on ex-date} + 1
= {0.0050 ÷ 0.5702 @ 13/06/18} + 1 = 1.0088
= {0.0050 ÷ 0.5771 @ 19/09/18} + 1 = 1.0087
= {0.0100 ÷ 0.5741 @ 10/12/18} + 1 = 1.0174
= {0.0046 ÷ 0.5815 @ 26/03/19} + 1 = 1.0079

Total Income Returnⁱⁱ = [{Income Return @ ex-date x Income Return @ ex-date} – 1] x 100
= [{1.0088 x 1.0087 x 1.0174 x 1.0079} – 1] x 100
= **4.35%**

Return of the Fundⁱⁱⁱ = {(1 + Capital Return x (1 + Income Return)) – 1} x 100
= {(1 + 2.35%) x (1 + 4.35%)} – 1] x 100
= **6.80%**

*Source: AmanahRaya Trustees Berhad

¹The MER of the Fund was lower than previous period due to higher average Net Asset Value for the financial year.

²The Fund's PTR was higher than previous year as the Manager had increased its trading activities during the period under review.

Table 1: Performance of the Fund

	1 Year (1/5/18 - 30/4/19)	3 Years (1/5/16 - 30/4/19)	5 Years (1/5/14 - 30/4/19)	Since Commencement (14/12/01 - 30/4/19)
Fund	6.80%	16.31%	25.48%	98.67%
Benchmark	3.35%	9.97%	17.32%	77.93%
Outperformance	3.45%	6.34%	8.16%	20.74%

Source of Benchmark: Maybank

Table 2: Average Total Return

	1 Year (1/5/18 - 30/4/19)	3 Years (1/5/16 - 30/4/19)	5 Years (1/5/14 - 30/4/19)	Since Commencement (14/12/01 - 30/4/19)
Fund	6.80%	5.17%	4.64%	4.03%
Benchmark	3.35%	3.22%	3.24%	3.37%
Outperformance	3.45%	1.95%	1.40%	0.66%

Source of Benchmark: Maybank

Table 3: Annual Total Return

	FYE 2019 (01/5/18 - 30/4/19)	FYE 2018 (01/5/17 - 30/4/18)	FYE 2017 (01/5/16 - 30/4/17)	FYE 2016 (01/5/15 - 30/4/16)	FYE 2015 (01/5/14 - 30/4/15)
Fund	6.80%	3.69%	5.04%	3.54%	4.19%
Benchmark	3.35%	3.16%	3.14%	3.31%	3.27%
Outperformance	3.45%	0.53%	1.90%	0.23%	0.92%

Source of Benchmark: Maybank

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

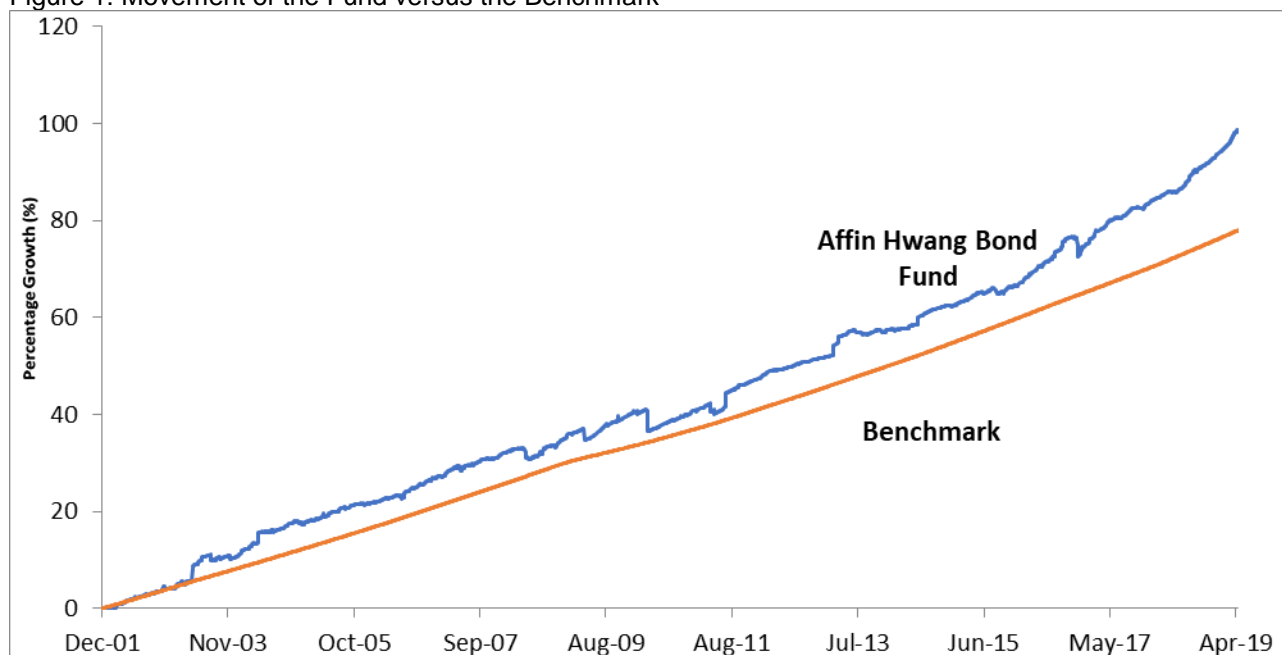
MANAGER'S REPORT

Performance Review

For the period 1 May 2018 to 30 April 2019 the Fund registered a 6.80% return. The Net Asset Value (NAV) per unit of the Fund as at 30 April 2019 was RM0.5872 while the NAV per unit as at 30 April 2018 was RM0.5737. The benchmark return for the period under review was 3.35%. The Fund thus outperformed the Benchmark by 3.45%. (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

Since commencement, the Fund has registered a return of 98.67% versus the benchmark of 77.93% which translates to an outperformance of 20.74%. The Fund has declared a total distribution of RM0.2815 to date. We believe the Fund's objective of providing investors with a steady income stream in the form of distribution has been met.

Figure 1: Movement of the Fund versus the Benchmark



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

Benchmark: 12-month fixed deposit rate quoted by Maybank

Income Distribution / Unit Split

Affin Hwang Asset Management Bhd has distributed a total of gross distribution of RM0.0246 per Unit for investors of the Affin Hwang Bond Fund over the period under review.

The NAV per Unit prior and subsequent to the distributions are as follow:

Cum Date	Ex-Date	Cum-distribution (RM)	Distribution per Unit (RM)	Ex-distribution (RM)
12 Jun 2018	13 Jun 2018	0.5751	0.0050	0.5702
18 Sep 2018	19 Sep 2018	0.5820	0.0050	0.5771
09 Dec 2018	10 Dec 2018	0.5839	0.0100	0.5741
25 Mar 2019	26 Mar 2019	0.5859	0.0046	0.5815

No unit splits were declared for the financial year ended 30 April 2019.

Asset Allocation

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

Figure 2: Asset allocation of the Fund

	<u>30 Apr 2019</u>	<u>30 Apr 2018</u>	<u>30 Apr 2017</u>
	(%)	(%)	(%)
Unquoted fixed income securities – local	96.70	93.36	91.58
Cash and Cash Equivalent	3.30	6.64	8.42
Total	100.00	100.00	100.00

During the period under review, the Fund's exposure in fixed income instruments had increased to 96.70%, 3.34 percentage points higher than 93.36% a year ago. Correspondingly, the cash level of the Fund was reduced to 3.30% due to purchase of securities.

Strategies Employed

With the return of volatility in markets, we raised our cash holdings and went into a defensive stance. Post-selloff and underperformance in 2018, we saw that valuations have become attractive and flows returning, where we then gradually increased exposure. However, in a late cycle environment, default rates tend to rise as growth slows, thus it is important to stick to quality credits.

Market Review

Emerging markets (EMs) saw a “tantrum-like” sell-off in 2018 where investors' appetite for risk-assets tapered off significantly on the back of fractious developments within Turkey and Argentina that have sent both their currencies into free fall.

Investors ploughed back money into the US on signs of quicker growth, rising interest rates and a stronger greenback that has undermined the attraction of riskier EM assets. Regionally, the MSCI Asia ex-Japan Index was weighed down by external risk plunging 6.26% in the period under review.

Trade remained a key overhang of markets following tit-for-tat tariffs, where the Trump administration announced 10.0% duties on USD200 billion worth of Chinese imports which took effect on September 2018. China swiftly retaliated by imposing tariffs of their own on USD60 billion worth of US goods ranging between 5.0-10.0%. The two global powerhouses have already slapped tariffs on USD50 billion worth of goods throughout its trade skirmish.

A sharp depreciation of the Chinese yuan also dragged down the rest of EMs, as a high correlation between markets led to further pain within other Asian currencies. The yuan has shed over 3.37% of its value YTD, when trade tensions started to brew. Due to concerns over trade-frictions with the US and possible second-order impacts on the Chinese economy that could manifest into slower investment and softer consumption, Beijing has shifted slightly towards a more neutral tone that leaves more room for China to loosen its grip on deleveraging and policy easing.

On the local front, the 14th General Election (GE14) concluded with jaw-dropping results that stunned political pundits and pollsters. In a watershed election, the opposition won GE14 by wrestling traditionally held strongholds from the incumbent by taking over states such as Johor, Kedah, and Melaka. Tun Dr. Mahathir aged 93 returns to parliament with a second stint as Prime Minister pledging institutional and fiscal reforms for the country.

Extensive kitchen-sinking and cost-cutting exercises embarked by the new government led to a fierce sell-off at the initial stage of the power transition. Construction stocks and politically-linked counters bore the brunt of the sell-off last month, as major infrastructure projects were reviewed and big-ticket items such as the Kuala Lumpur-Singapore High-Speed Rail (HSR) and the Mass Rapid Transit Line 3 (MRT3) project were scrapped. A massive clean-up that has swept across various institutions in the country post GE-14 saw numerous GLC & GLIC heads fall into the fray.

Coming into 2019, markets staged a fast and furious early-year rally that fuelled gains in Asian equity benchmark gauges. Coming from a deeply oversold position, markets were buoyed by increased trade optimism as both US and China come around the negotiation table to iron out a framework for a trade deal.

After a yearlong bitter trade conflict, we've since seen the two economic powerhouses change their political rhetoric to one of compromise and cooperation after extending the initial 1 March deadline. Some of the headwinds pressuring emerging markets (EMs) before are now receding with the US Federal Reserve turning more dovish and the US dollar strength starting to top-out. A gradual step-up in stimulus measures from China would also be supportive of markets and help drive growth.

On the domestic-front, the local market sold-off on the back of news that index provider FTSE Russell may drop Malaysian bonds from its global index which triggered outflows. FTSE Russell said it would review Malaysia's market accessibility level in its World Government Bond Index (WGBI) due to concerns about market liquidity.

Malaysia could potentially face total outflows of US\$ 7-8 billion dollar in the event of an exclusion from the WGBI with Malaysia making up 40bps of the index. Passive outflows which is the more susceptible component could see outflows totalling US\$2-3 billion. However, ample domestic liquidity would be able to shore up the bond market and absorb any shocks due to foreign selling. A final review by the index provider is due on September'19.

Investment Outlook

For the next six to nine months, we expect global economy to continue to grow at a healthy albeit at a slower pace and do not see major economic imbalances that will lead to a recession in the immediate term. That said, as we head into late cycle, we are mindful that uncertainty will stay high from economic, policy and politics perspective. In terms of interest rate cycle, we have likely entered the tail-end of rate hike cycle globally, including in the US after 9 consecutive rate hikes given slower growth and benign inflation outlook.

Among the G3, while the US Federal Reserve (Fed) could potentially deliver 1 more rate hike depending on market condition, the European Central Bank (ECB) and Bank of Japan (BOJ) are likely to remain accommodative and keep interest rates unchanged. Outside G3, we believe the pressures for central banks to hike rates have subsided especially for Emerging Markets (EM) given low inflation and our expectation of limited upside for US Dollar (USD) as Fed turns dovish and delivers less hikes.

As opposed to 2018 where we saw significant growth divergence between US and the Rest of World (RoW), we are transitioning towards synchronized deceleration globally, as the US "catches up" to RoW on a downward trajectory. With that, we expect slow down ahead in the US as a result of tighter fiscal and monetary policy as well as impact from the ongoing trade tension.

In a typical late cycle environment, inflation tends to rise as the economy overheats and that forces central banks to hike rates. The good news today is that inflation has not and does not seem to be rising significantly. Weakening global demand and other underlying structural issues such as aging demographic, elevated debts and technology are the reasons why inflationary pressures have been benign. This allows global central banks to be patient in raising rates even though economic growth has picked up. Therefore, we believe future rate hikes, if any are limited and interest rates will stay lower for longer.

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

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.

TRUSTEE'S REPORT

For the Financial Year Ended 30 April 2019

To the Unit Holders of
AFFIN HWANG BOND FUND

We, AMANAHRAYA TRUSTEES BERHAD, have acted as Trustee of AFFIN HWANG BOND FUND for the financial year ended 30 April 2019. In our opinion, AFFIN HWANG ASSET MANAGEMENT BERHAD, the Manager, has operated and managed AFFIN HWANG BOND FUND in accordance with the limitations imposed on the investment powers of the management company under the Deed, securities laws and applicable Guidelines on Unit Trust Funds during the financial year then ended.

We are of the opinion that:

- (a) Valuation and pricing is carried out in accordance with the Deed and any regulatory requirement;
- (b) Creation and cancellation of units are carried out in accordance with the Deed and other regulatory requirements; and
- (c) The distribution of income made by AFFIN HWANG BOND FUND as declared by the Manager is appropriate and reflects the investment objective of AFFIN HWANG BOND FUND.

Yours faithfully
AMANAHRAYA TRUSTEES BERHAD

HABSAH BINTI BAKAR
Chief Executive Officer

Kuala Lumpur, Malaysia
20 June 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019**

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
INVESTMENT INCOME			
Interest income from financial assets at fair value through profit or loss		7,333,643	2,525,929
Interest income from financial assets at amortised cost		496,342	99,511
Net gain/(loss) on financial assets at fair value through profit or loss	8	5,590,843	(33,313)
		<u>13,420,828</u>	<u>2,592,127</u>
EXPENSES			
Management fee	4	(1,524,088)	(535,689)
Trustee fee	5	(129,763)	(43,311)
Auditors' remuneration		(8,000)	(8,000)
Tax agent's fee		(6,280)	(6,280)
Other expenses		(34,503)	(53,263)
		<u>(1,702,634)</u>	<u>(646,543)</u>
NET PROFIT BEFORE TAXATION		11,718,194	1,945,584
TAXATION	6	<u>-</u>	<u>-</u>
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>11,718,194</u>	<u>1,945,584</u>
Net profit after taxation is made up of the following:			
Realised amount		6,678,872	2,145,199
Unrealised amount		5,039,322	(199,615)
		<u>11,718,194</u>	<u>1,945,584</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2019**

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
ASSETS			
Cash and cash equivalents	9	10,633,554	4,220,316
Amount due from Manager			
- creation of units		201,306	235,649
Financial assets at fair value through profit or loss	8	309,301,496	60,469,396
TOTAL ASSETS		<u>320,136,356</u>	<u>64,925,361</u>
LIABILITIES			
Amount due to Manager			
- management fee		246,839	53,089
- cancellation of units		-	76,795
Amount due to Trustee		19,747	4,247
Auditors' remuneration		9,590	9,590
Tax agent's fee		10,780	8,880
Other payable and accruals		153	3,545
TOTAL LIABILITIES		<u>287,109</u>	<u>156,146</u>
NET ASSET VALUE OF THE FUND		<u>319,849,247</u>	<u>64,769,215</u>
EQUITY			
Unitholders' capital		309,355,042	59,485,835
Retained earnings		10,494,205	5,283,380
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>319,849,247</u>	<u>64,769,215</u>
NUMBER OF UNITS IN CIRCULATION	10	<u>544,712,000</u>	<u>112,904,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.5872</u>	<u>0.5737</u>

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019**

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 May 2018	59,485,835	5,283,380	64,769,215
Total comprehensive income for the financial year	-	11,718,194	11,718,194
Distribution (Note 7)	-	(6,507,369)	(6,507,369)
Movement in unitholders' capital:			
Creation of units arising from applications	290,627,793	-	290,627,793
Creation of units arising from distributions	6,507,369	-	6,507,369
Cancellation of units	(47,265,955)	-	(47,265,955)
Balance as at 30 April 2019	<u>309,355,042</u>	<u>10,494,205</u>	<u>319,849,247</u>
Balance as at 1 May 2017	45,368,026	6,086,366	51,454,392
Total comprehensive income for the financial year	-	1,945,584	1,945,584
Distribution (Note 7)	-	(2,748,570)	(2,748,570)
Movement in unitholders' capital:			
Creation of units arising from applications	20,452,197	-	20,452,197
Creation of units arising from distributions	2,748,570	-	2,748,570
Cancellation of units	(9,082,958)	-	(9,082,958)
Balance as at 30 April 2019	<u>59,485,835</u>	<u>5,283,380</u>	<u>64,769,215</u>

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

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019**

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		185,989,350	27,945,853
Purchase of investments		(426,500,440)	(43,147,257)
Interest income from financial assets at amortised cost		496,342	99,511
Interest income from financial assets at fair value through profit or loss		4,603,476	2,349,093
Management fee paid		(1,330,338)	(524,827)
Trustee's fee paid		(114,263)	(42,442)
Payment for other fees and expenses		(50,275)	(66,904)
Net cash used in operating activities		<u>(236,906,148)</u>	<u>(13,386,973)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from creation of units		290,662,136	20,224,111
Payments for cancellation of units		(47,342,750)	(9,006,163)
Net cash generated from financing activities		<u>243,319,386</u>	<u>11,217,948</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		6,413,238	(2,169,025)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		<u>4,220,316</u>	<u>6,389,341</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	9	<u><u>10,633,554</u></u>	<u><u>4,220,316</u></u>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019

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

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues 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 K.

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

(b) New standards, amendments and interpretations effective after 1 May 2018 and have not been early adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

B INCOME RECOGNITION

Interest income

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

Up to 30 April 2018, when a loan and receivable is impaired, the Fund reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective profit rate of the instrument and continue unwinding the discount as profit income. Interest income on impaired loan and receivables are recognised using the original effective rate.

From 1 May 2018, interest income is calculated by applying the effective profit 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 rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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

Realised gain and loss 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)

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 profit earned during the financial year.

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 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

Up to 30 April 2018, the Fund designates its investment in unquoted fixed income securities as financial assets at fair value through profit or loss at inception.

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(i) Classification (continued)

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

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

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

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

(ii) Recognition and measurement

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

Financial liabilities, within the scope of MFRS 139 up to 30 April 2018 and MFRS 9 from 1 May 2019, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

Unquoted fixed income securities denominated in RM 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 Guidelines on Unit Trust Funds. 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.**

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest method over the period from the date of placement to the date of maturity of the deposits.

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

(iii) Impairment

Up to 30 April 2018, For assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (continued)

From 1 May 2018 onwards, the Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

The Fund write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial year.

G CASH AND CASH EQUIVALENTS

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)

H AMOUNTS DUE FROM/(TO) DEALERS

Amounts due from and to dealers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The due from dealers balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

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

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

I UNITHOLDERS' CAPITAL

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

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

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

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

J SEGMENT REPORTING

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)

K 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 content of the estimates, certain key variables that are anticipated to have material impact to the Funds' results and financial position are tested for sensitivity to changes in the underlying parameters.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019

1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name Affin Capital Fund (the "Fund") pursuant to the execution of a Master Deed dated 3 December 2001, First Supplemental Deed dated 29 August 2002, Second Supplemental Deed dated 23 August 2007, Third Supplemental Deed dated 8 September 2008, Fourth Supplemental Deed dated 13 October 2008, Sixth Supplemental Deed dated 6 August 2015 and seventh Supplemental Deed dated 10 April 2019. The Fund changed its name from Affin Capital Fund to Affin Hwang Bond Fund as amended by the Fifth Supplemental Deed dated 22 July 2014 (the "Deeds") entered into between Affin Hwang Asset Management Berhad (the "Manager") and AmanahRaya Trustees Berhad (the "Trustee").

The objective of the Fund is to achieve steady capital growth at a rate better than the average deposits rates over a long term period by investing in a wide portfolio of authorised securities and other investments as defined under Clause 3(1) of the Deed. The principal activity of the Fund is to invest in "Authorised Investments" as defined under Clause 1 of the Deed, which includes unlisted corporate bonds and money market instruments.

The Fund commenced operations on 12 December 2002 and will continue its operations until terminated by the Trustee as provided under Clause 23 of the Deed.

The Fund may invest in the following permitted investments subject to the following restrictions imposed or as may be amended from time to time by the SC and/or the relevant authorities and/or the Deed:

- (i) Listed securities;
- (ii) Unlisted securities including, without limitation, securities that have been approved by relevant authorities for the listing of and quotation for such securities;
- (iii) Fixed deposits with financial institutions;
- (iv) Money market instruments;
- (v) Government bonds, treasury bills and other Government approved or guaranteed bonds;
- (vi) Debentures including private debt securities and bonds;
- (vii) Units/shares in collective investment schemes, both local and foreign which are in line with the objective of the Trust; and
- (viii) Any other form of investments as may be permitted by the Securities Commissions from time to time that is in line with the Trust's objectives.

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

The financial statements were authorised for issue by the Manager on 20 June 2019.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	<u>Note</u>	Financial assets at amortised cost RM	Financial assets at fair value through profit or loss RM	<u>Total RM</u>
<u>2019</u>				
Unquoted fixed income securities	8	-	309,301,496	309,301,496
Cash and cash equivalents	9	10,633,554	-	10,633,554
Amount due from Manager - creation of units		201,306	-	201,306
Total		10,834,860	309,301,496	320,136,356

	<u>Note</u>	Loan and receivables RM	Financial assets at fair value through profit or loss RM	<u>Total RM</u>
<u>2018</u>				
Unquoted fixed income securities	8	-	60,469,396	60,469,396
Cash and cash equivalents	9	4,220,316	-	4,220,316
Amount due from Manager - creation of units		235,649	-	235,649
Total		4,455,965	60,469,396	64,925,361

All current liabilities are financial liabilities which are carried at amortised cost.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

Market risk

(a) Price risk

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

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

	<u>2019</u> RM	<u>2018</u> RM
Unquoted investment		
Unquoted fixed income securities *	<u>309,301,496</u>	<u>60,469,396</u>

* Includes interest receivable of RM3,581,730 (2018: RM616,760).

The following table summarises the sensitivity of the Fund's profit 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% and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable shift in unquoted investments, having regard to the historical volatility of the prices.

<u>% Change in price</u>	<u>Market value</u> RM	<u>Impact on profit after tax/NAV</u> RM
<u>2019</u>		
-5%	290,433,778	(15,285,988)
0%	305,719,766	-
+5%	<u>321,005,754</u>	<u>15,285,988</u>
<u>2018</u>		
-5%	56,860,004	(2,992,632)
0%	59,852,636	-
+5%	<u>62,845,268</u>	<u>2,992,632</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)

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

Market risk (continued)

(b) Interest rate risk

In general, when interest rates rise, unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund hold an unquoted fixed income securities 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, unquoted credit linked investment contracts and money market instruments are subject to interest rate fluctuations. Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

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

<u>% change in interest rate</u>	<u>Impact on profit after tax/NAV</u>	
	<u>2019</u>	<u>2018</u>
	RM	RM
+ 1%	(775,890)	(166,858)
- 1%	779,200	167,718
	<u> </u>	<u> </u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)

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

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.

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 by the Deeds and SC's Guidelines on Unit Trust Funds.

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

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

	Unquoted fixed income <u>securities</u> RM	Cash and cash <u>equivalents</u> RM	Amount due from <u>manager</u> RM	<u>Total</u> RM
<u>2019</u>				
Consumer Goods				
- AA2 / AA	1,274,038	-	-	1,274,038
- A1 / A+	17,945,533	-	-	17,945,533
Financials				
- AAA	516,851	7,520,183	-	8,037,034
- AA1 / AA+	9,205,281	-	-	9,205,281
- AA2 / AA	10,728,820	-	-	10,728,820
- AA3 / AA-	48,383,964	3,113,371	-	51,497,335
- A1 / A+	13,385,683	-	-	13,385,683
- A2 / A	11,489,508	-	-	11,489,508
- A3 / A-	10,464,014	-	-	10,464,014
- NR	16,451,089	-	-	16,451,089
Government				
- SOV	31,453,444	-	-	31,453,444
Industrials				
- AA1 / AA+	5,430,314	-	-	5,430,314
- AA2 / AA	5,390,337	-	-	5,390,337
- AA3 / AA-	37,335,096	-	-	37,335,096
Telecommunications				
- AAA	5,140,791	-	-	5,140,791
- AA1 / AA+	1,580,685	-	-	1,580,685

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

Credit risk (continued)

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

	Unquoted fixed income <u>securities</u> RM	Cash and cash <u>equivalents</u> RM	Amount due from <u>manager</u> RM	<u>Total</u> RM
<u>2019</u> (continued)				
Utilities				
- AAA	7,004,670	-	-	7,004,670
- AA1 / AA+	27,845,754	-	-	27,845,754
- AA2 / AA	10,845,567	-	-	10,845,567
- AA3 / AA-	37,430,059	-	-	37,430,059
Other				
- NR	-	-	201,306	201,306
	<u>309,301,496</u>	<u>10,633,554</u>	<u>201,306</u>	<u>320,136,356</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

Credit risk (continued)

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

	Unquoted fixed income <u>securities</u> RM	Cash and cash <u>equivalents</u> RM	Amount due from <u>manager</u> RM	<u>Total</u> RM
<u>2018</u>				
Construction				
- AA1	2,058,094	-	-	2,058,094
- AA-	3,493,230	-	-	3,493,230
Diversified Holdings				
- AA2	1,026,641	-	-	1,026,641
- AA3	1,125,401	-	-	1,125,401
- A1	4,061,135	-	-	4,061,135
Financials				
- AAA	1,510,610	4,067,079	-	5,577,689
- AA1	2,516,607	-	-	2,516,607
- AA2	1,527,628	-	-	1,527,628
- AA3	4,038,308	153,237	-	4,191,545
- A1	7,279,221	-	-	7,279,221
- A2	1,020,690	-	-	1,020,690
- NR	3,479,172	-	-	3,479,172
Plantation and Agriculture				
- AA2	1,520,760	-	-	1,520,760
Property and Real Estate				
- AA1	3,036,701	-	-	3,036,701
- NR	4,014,807	-	-	4,014,807
Utilities				
- AAA	1,529,940	-	-	1,529,940
- AA1	3,097,397	-	-	3,097,397
- AA3	1,066,624	-	-	1,066,624
- AA	1,530,288	-	-	1,530,288
- AA+	3,038,778	-	-	3,038,778
- AA-	8,497,364	-	-	8,497,364
Other				
- NR	-	-	235,649	235,649
	<u>60,469,396</u>	<u>4,220,316</u>	<u>235,649</u>	<u>64,925,361</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)

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

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its principal obligations. The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellation of units by unitholders. Liquid assets comprise cash, deposits with licensed financial institutions and other investments 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.

	Within one month RM	Between one month to one year RM	Total RM
2019			
Amount due to Manager:			
- management fee	246,839	-	246,839
Amount due to Trustee	19,747	-	19,747
Auditors' remuneration	-	9,590	9,590
Tax agent's fee	-	10,780	10,780
Other payables and accruals	-	153	153
Total	266,586	20,523	287,109

2018

Amount due to Manager:			
- management fee	53,089	-	53,089
- cancellation of units	76,795	-	76,795
Amount due to Trustee	4,247	-	4,247
Auditors' remuneration	-	9,590	9,590
Tax agent's fee	-	8,880	8,880
Other payables and accruals	3,440	105	3,545
Total	137,571	18,575	156,146

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)

3 FAIR VALUE ESTIMATION

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

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

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

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

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 categorized 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 judgement, considering factors specific to the asset or liability.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

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>2019</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	309,301,496	-	309,301,496
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>2018</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	60,469,396	-	60,469,396
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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 investment-grade corporate bonds and commercial papers. 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.

The carrying amount of cash and cash equivalents, amount due from Manager, and all current liabilities are a reasonable approximation of the fair values due to their short term nature.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)

4 MANAGEMENT FEE AND MANAGEMENT FEE REBATE

	<u>2019</u> RM	<u>2018</u> RM
Gross management fee	1,622,039	541,384
Management fee rebate		
- interest income earned on collection accounts	(97,951)	(5,695)
Net management fee	<u>1,524,088</u>	<u>535,689</u>

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 1.50% per annum of the NAV of the Fund, calculated on a daily basis.

For the financial year ended 30 April 2019, the management fee is recognised at a rate of 1.00% (2018: 1.00%) per annum based on the NAV of the Fund, calculated on a daily basis as stated in Fund's Prospectus.

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

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

5 TRUSTEE'S FEE

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.08% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 30 April 2019, the Trustee fee is recognised at a rate of 0.08% (2018: 0.08%) per annum based on the NAV of the Fund calculated on a daily basis as stated in Fund's Prospectus.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

6 TAXATION

	<u>2019</u> RM	<u>2018</u> RM
Current taxation - local	-	-

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

	<u>2019</u> RM	<u>2018</u> RM
Net income before taxation	11,718,194	1,945,584
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	2,812,367	466,940
Tax effect of:		
Investment income not subject to tax	(3,220,998)	(622,111)
Expenses not deductible for tax purposes	39,010	23,615
Restrictions on tax deductible expenses for Unit Trust Funds	369,621	131,556
Tax expense	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

7 DISTRIBUTION

	<u>2019</u> RM	<u>2018</u> RM
Distribution to unitholders is from the following sources:		
Current years' realised income	4,088,472	-
Previous years' realised income	2,507,998	2,748,570
	<hr/>	<hr/>
Gross realised income	6,596,470	2,748,570
Less: expenses	(89,101)	-
	<hr/>	<hr/>
Net distribution amount	<u>6,507,369</u>	<u>2,748,570</u>

	Gross/net distribution per unit (sen) RM
<u>2019</u>	
13.06.2018	0.50
19.09.2018	0.50
10.12.2018	1.00
26.03.2019	0.46
	<hr/>
	2.46
	<hr/>

<u>2018</u>	
13.06.2017	0.50
18.09.2017	0.50
12.12.2017	1.50
15.03.2018	0.50
	<hr/>
	3.00
	<hr/>

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

Included in distribution for the financial year is an amount of RM2,507,998 (2018: RM2,748,570) made from previous financial years' realised income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2019</u> RM	<u>2018</u> RM
Financial assets at fair value through profit or loss:		
- unquoted fixed income securities – local	309,301,496	60,469,396
Net gain/(loss) on financial assets at fair value through profit or loss		
- realised gain on sale of investments	639,254	63,840
- unrealised gain/(loss) on changes in fair value	4,951,589	(97,153)
	5,590,843	(33,313)

(a) Unquoted fixed income securities – local

(i) Unquoted fixed income securities – local as at 30 April 2019 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> %
BONDS				
6.65% AEON Credit Service M Bhd Call: 08.12.2023 (NR)	3,500,000	3,607,144	3,643,609	1.14
5.8% Affin Bank Bhd Call: 31.07.2023 (A3)	10,000,000	10,143,014	10,464,014	3.27
5.75% Alliance Bank Malaysia Bhd Call: 27.10.2020 (A2)	1,000,000	1,012,982	1,016,125	0.32
4.98% Ambank (M) Bhd Call: 15.11.2023 (AA3)	7,500,000	7,734,444	7,763,289	2.43
4.50% Bank Pembangunan Malaysia Bhd 04.11.2026 (AAA)	500,000	510,941	516,851	0.16
4.72% Besraya Malaysia Sdn Bhd 28.07.2020 (AA3)	5,000,000	5,074,249	5,077,597	1.59
5.10% BEWG M Sdn Bhd 17.07.2020 (AA)	6,500,000	6,631,862	6,649,974	2.08
5.40% BEWG M Sdn Bhd 19.07.2023 (AA)	2,000,000	2,069,387	2,089,473	0.65
5.50% BEWG M Sdn Bhd 19.07.2024 (AA)	2,000,000	2,080,502	2,106,120	0.66
7.10% BGSM Management Sdn Bhd 28.12.2022 (AA3)	1,000,000	1,095,991	1,118,051	0.35
5.05% Celcom Networks Sdn Bhd 29.08.2024 (AA+)	500,000	505,618	521,994	0.16
5.20% Celcom Networks Sdn Bhd 27.08.2027 (AA+)	500,000	507,998	530,626	0.17
5.27% Celcom Networks Sdn Bhd 28.10.2026 (AA+)	500,000	502,889	528,064	0.17
5.40% CIMB Group Holdings Bhd Call: 23.10.2023 (A1)	2,500,000	2,502,959	2,559,609	0.80

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

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

(i) Unquoted fixed income securities – local as at 30 April 2019 are as follows: (continued)

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>BONDS</u>				
5.80% CIMB Group Holdings Bhd Call: 25.05.2021 (A1)	4,000,000	4,135,568	4,193,276	1.31
5.20% CIMB Thai Bank PCL Call: 29.03.2023 (AA3)	2,000,000	2,009,403	2,028,003	0.63
6.5% Eco World Capital Assets Bhd 12.08.2022 (NR)	6,000,000	6,110,489	6,147,686	1.92
4.35% First Resources Ltd 05.06.2020 (AA2)	1,250,000	1,268,121	1,274,038	0.40
4.79% Gamuda Bhd 27.11.2023 (AA3)	10,000,000	10,269,560	10,320,911	3.23
4.825% Gamuda Bhd 23.11.2022 (AA3)	5,000,000	5,153,196	5,168,693	1.62
5.65% IJM Land Berhad Call: 19.03.2026 (A2)	5,000,000	5,033,281	5,219,881	1.63
5.73% IJM Land Berhad Call: 19.03.2027 (A2)	5,000,000	5,033,752	5,253,502	1.63
5.85% Jimah East Power Sdn Bhd 04.06.2031 (AA-)	1,000,000	1,100,179	1,142,271	0.36
5.10% Krung Thai Bank PLC Call: 06.07.2020 (AA2)	5,500,000	5,615,697	5,628,968	1.76
5.95% Lebuhraya DUKE Fasa 3 Sdn Bhd 23.08.2034 (AA-)	1,000,000	1,030,886	1,117,106	0.35
6.13% Lebuhraya DUKE Fasa 3 Sdn Bhd 22.08.2036 (AA-)	5,000,000	5,521,254	5,643,482	1.76
6.23% Lebuhraya DUKE Fasa 3 Sdn Bhd 21.08.2037 (AA-)	1,000,000	1,033,109	1,135,245	0.35
6.80% Mah Sing Group Bhd Call: 31.03.2020 (NR)	4,000,000	4,030,973	4,038,552	1.26
4.63% Malayan Banking Bhd Call: 31.01.2024 (AA1)	5,000,000	5,057,082	5,088,332	1.59
4.60% Malaysia Building Society Bhd 10.12.2020 (AA1)	1,000,000	1,016,274	1,022,896	0.32
3.906% Malaysia Government Bond 15.07.2026 (SOV)	10,000,000	10,206,646	10,204,375	3.19
6.30% MEX II Sdn Bhd 29.04.2033 (AA-)	2,500,000	2,554,444	2,833,538	0.89
4.498% MGS 15.04.2030 (SOV)	10,000,000	10,513,057	10,469,663	3.27
4.642% MGS 07.11.2033 (SOV)	10,000,000	10,715,012	10,779,406	3.37

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

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

(i) Unquoted fixed income securities – local as at 30 April 2019 are as follows: (continued)

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>BONDS</u>				
5.29% MMC Corp Berhad 26.04.2023 (AA-)	5,000,000	5,033,005	5,031,723	1.57
5.70% MMC Corp Berhad 24.03.2028 (AA-)	6,000,000	6,068,653	6,147,252	1.92
5.8% MMC Corp Berhad 12.11.2025 (AA-)	5,000,000	5,244,333	5,275,918	1.65
5.30% Northern Gateway Infra Sdn Bhd 29.08.2031 (AA1)	5,000,000	5,260,826	5,430,314	1.70
4.75% Orix Leasing Malaysia 14.02.2023 (AA2)	5,000,000	5,032,200	5,099,852	1.59
5.00% Perbadanan Kemajuan N Selangor 02.12.2022 (AA3)	5,000,000	5,110,076	5,168,385	1.62
5.15% Perbadanan Kemajuan N Selangor 10.08.2023 (AA3)	5,000,000	5,096,736	5,150,781	1.61
4.85% PTPTN 26.07.2041 (NR)	1,500,000	1,518,536	1,556,171	0.49
4.86% PTPTN 12.03.2032 (NR)	1,000,000	1,006,391	1,065,071	0.33
4.82% RHB Bank Bhd Call: 27.09.2022 (AA3)	500,000	502,311	508,841	0.16
4.55% Sabah Development Bank Bhd 08.08.2022 (AA1)	1,000,000	997,351	1,006,282	0.31
4.70% Sarawak Energy Bhd 24.11.2028 (AA1)	2,500,000	2,550,219	2,633,644	0.82
4.85% Sarawak Energy Bhd 19.01.2027 (AA1)	5,000,000	5,191,871	5,269,774	1.65
5.32% Sarawak Energy Bhd 03.12.2032 (AA1)	5,000,000	5,323,957	5,568,829	1.74
5.50% Sarawak Energy Bhd 04.07.2029 (AA1)	3,500,000	3,842,213	3,908,030	1.22
5.1% Segi Astana Sdn Bhd 07.01.2022 (AA-)	5,000,000	5,068,036	5,075,945	1.59
5.65% Sime Darby Bhd Call: 24.03.2026 (AA)	5,000,000	5,111,668	5,390,337	1.69
5.04% Southern Power Generation SB 28.04.2028 (AA-)	500,000	500,069	529,019	0.17
5.21% Southern Power Generation SB 31.10.2030 (AA-)	5,000,000	5,340,275	5,400,064	1.69
4.70% Tan Chong Motor Holdings Bhd 24.11.2021 (A1)	8,000,000	7,903,133	8,062,941	2.52

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

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

(i) Unquoted fixed income securities – local as at 30 April 2019 are as follows: (continued)

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>BONDS</u>				
5.70% Tanjung Bin Energy Issuer Bhd 16.03.2027 (AA3)	1,000,000	1,060,980	1,093,201	0.34
4.68% Telekom Malaysia Bhd 31.10.2028 (AAA)	5,000,000	5,140,011	5,140,791	1.61
5.18% Tenaga Nasional Bhd 03.08.2037 (AAA)	5,000,000	5,436,041	5,427,225	1.70
6.00% TF Varlik Kiralama AS 28.06.2019 (A1)	6,500,000	6,628,782	6,632,798	2.07
4.385% TNB Northern Energy Bhd 29.11.2029 (AAA)	500,000	503,646	515,090	0.15
5.10% TNB Western Energy Bhd 30.01.2025 (AAA)	1,000,000	1,032,728	1,062,355	0.33
4.85% UEM Edgenta Bhd 26.04.2022 (AA-)	2,000,000	2,001,329	2,030,129	0.63
4.58% UEM Sunrise Bhd 10.04.2020 (AA-)	5,000,000	5,016,185	5,029,575	1.57
4.9% UEM Sunrise Bhd 30.06.2021 (AA-)	5,000,000	5,111,656	5,133,519	1.60
5% UEM Sunrise Bhd 19.05.2023 (AA-)	1,000,000	1,029,382	1,041,435	0.33
5.06% UEM Sunrise Bhd 09.12.2022 (AA-)	5,000,000	5,142,192	5,198,084	1.63
5.15% UEM Sunrise Bhd 31.10.2025 (AA-)	5,000,000	5,071,221	5,168,055	1.62
6.2% UiTM Solar Power Sdn Bhd 27.04.2032 (AA-)	2,000,000	2,018,720	2,129,259	0.67
6.3% UiTM Solar Power Sdn Bhd 27.04.2033 (AA-)	10,000,000	10,399,820	10,681,352	3.34
6.35% UMW Holdings Bhd Call: 20.04.2028 (A1)	9,000,000	9,117,498	9,882,592	3.09
5.59% UniTapah Sdn Bhd 12.12.2024 (AA1)	400,000	425,982	435,304	0.14
5.69% UniTapah Sdn Bhd 12.12.2025 (AA1)	1,500,000	1,608,057	1,652,467	0.52
4.6% WCT Holdings Bhd 28.08.2020 (AA-)	500,000	493,219	502,677	0.16
4.95% WCT Holdings Bhd 22.10.2021 (AA-)	1,500,000	1,497,130	1,501,432	0.47

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

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

(i) Unquoted fixed income securities – local as at 30 April 2019 are as follows: (continued)

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>BONDS</u>				
5.17% WCT Holdings Bhd 23.10.2023 (AA-)	2,000,000	2,007,873	2,004,286	0.63
4.99% YTL Power International Bhd 24.08.2028 (AA1)	5,000,000	5,074,346	5,186,332	1.62
5.05% YTL Power International Bhd 03.05.2027 (AA1)	5,000,000	5,149,232	5,279,145	1.65
Total unquoted fixed income securities – local	295,650,000	304,055,852	309,301,496	96.70
Accumulated unrealised gain on unquoted fixed income securities – local		5,245,644		
Total unquoted fixed income securities – local		309,301,496		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

8 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 30 April 2018 are as follows:

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>BONDS</u>				
5.75% Alliance Bank Malaysia Bhd Call: 27.10.2020 (A2)	1,000,000	1,021,571	1,020,690	1.58
5.59% UniTapah Sdn Bhd 12.12.2024 (AA1)	400,000	428,632	430,332	0.66
5.69% UniTapah Sdn Bhd 12.12.2025 (AA1)	1,500,000	1,617,523	1,627,762	2.51
8.00% RHB Bank Bhd Call: 29.03.2019 (A1)	3,000,000	3,110,180	3,107,861	4.80
4.90% Malayan Banking Bhd Call: 29.01.2019 (AA1)	500,000	506,911	507,255	0.78
5.10% Krung Thai Bank PLC Call: 06.07.2020 (AA2)	500,000	507,894	513,604	0.79
5.20% CIMB Thai Bank PCL Call: 29.03.2023 (AA3)	2,000,000	2,009,403	2,002,803	3.09
5.10% TNB Western Energy Bhd 30.01.2025 (AAA)	1,000,000	1,035,701	1,040,025	1.61
4.385% TNB Northern Energy Bhd 29.11.2029 (AAA)	500,000	503,248	489,915	0.76
6.30% Malayan Banking Bhd Call: 25.09.2019 (AA2)	1,000,000	1,013,735	1,014,024	1.57
6.80% Mah Sing Group Bhd Call: 31.03.2020 (NR)	4,000,000	4,037,124	4,014,807	6.20
5.80% CIMB Group Holdings Bhd Call: 25.05.2021 (A1)	4,000,000	4,151,226	4,171,360	6.44
6.50% Eco World Capital Assets Bhd 12.08.2022 (NR)	1,000,000	1,013,534	1,016,214	1.57
4.60% WCT Holdings Bhd 28.08.2020 (AA-)	500,000	485,780	500,482	0.77
4.55% Sabah Development Bank Bhd 08.08.2022 (AA1)	1,000,000	993,837	994,952	1.54

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

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

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

(ii) Unquoted fixed income securities – local as at 30 April 2018 are as follows: (continued)

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>BONDS</u>				
4.82% RHB Bank Bhd Call: 27.09.2022 (AA3)	500,000	502,311	502,071	0.78
5.10% BEWG M Sdn Bhd 17.07.2020 (AA)	1,500,000	1,521,378	1,530,288	2.36
4.60% Asian Finance Bank Bhd 10.12.2020 (AA1)	1,000,000	1,015,308	1,014,400	1.57
6.00% TF Varlik Kiralama AS 28.06.2019 (AA3)	1,500,000	1,533,534	1,533,434	2.37
4.85% UEM Edgenta Bhd 26.04.2022 (AA-)	2,000,000	2,001,329	2,009,929	3.10
4.35% First Resources Ltd 05.06.2020 (AA2)	1,500,000	1,518,029	1,520,760	2.35
5.00% UEM Sunrise Bhd 19.05.2023 (AA-)	1,000,000	1,031,126	1,026,772	1.58
5.05% Celcom Networks Sdn Bhd 29.08.2024 (AA+)	500,000	505,836	508,049	0.78
7.10% BGSM Management Sdn Bhd 28.12.2022 (AA3)	1,000,000	1,113,493	1,125,401	1.74
4.75% Westports Holdings Bhd 03.04.2023 (AA+)	1,500,000	1,517,099	1,513,896	2.34
5.17% WCT Holdings Bhd 23.10.2023 (AA-)	2,000,000	2,008,965	1,990,106	3.07
5.22% UMW Holdings Bhd 02.10.2026 (AA2)	1,000,000	1,009,154	1,026,641	1.58
5.27% Celcom Networks Sdn Bhd 28.10.2026 (AA+)	500,000	503,111	508,002	0.78
4.50% Bank Pembangunan Malaysia Bhd 04.11.2026 (AAA)	500,000	511,061	504,596	0.78
4.62% Bank Pembangunan Malaysia Bhd 02.03.2027 (AAA)	500,000	503,746	501,066	0.77
5.05% YTL Power International Bhd 03.05.2027 (AA1)	3,000,000	3,078,661	3,097,397	4.78
5.20% Celcom Networks Sdn Bhd 27.08.2027 (AA+)	500,000	508,339	508,831	0.79
5.70% MMC Corp Bhd 24.03.2028 (AA-)	1,000,000	1,005,622	1,002,642	1.55
5.04% Southern Power Generation SB 28.04.2028 (AA-)	500,000	500,069	504,914	0.78
6.20% UiTM Solar Power Sdn Bhd 27.04.2032 (AA-)	2,000,000	2,020,269	2,019,959	3.12
5.70% Tanjung Bin Energy Issuer Bhd 16.03.2027 (AA3)	1,000,000	1,066,985	1,066,624	1.65

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

8 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 30 April 2018 are as follows: (continued)

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>BONDS</u>				
4.98% Bank Pembangunan Malaysia Bhd 02.03.2032 (AAA)	500,000	504,038	504,948	0.78
4.86% PTPTN 12.03.2032 (NR)	1,000,000	1,006,391	1,003,541	1.55
5.85% Jimah East Power Sdn Bhd 04.06.2031 (AA-)	1,000,000	1,104,687	1,093,771	1.69
6.30% MEX II Sdn Bhd 29.04.2033 (AA-)	2,500,000	2,556,400	2,695,382	4.16
5.95% Lebuhraya DUKE Fasa 3 Sdn Bhd 23.08.2034 (AA-)	1,000,000	1,032,018	1,082,822	1.67
6.23% Lebuhraya DUKE Fasa 3 Sdn Bhd 21.08.2037 (AA-)	1,000,000	1,034,091	1,100,516	1.70
4.85% PTPTN 26.07.2041 (NR)	1,500,000	1,518,337	1,459,417	2.25
6.35% UMW Holdings Bhd Call: 20.04.2028 (A1)	4,000,000	4,007,655	4,061,135	6.27
Total unquoted fixed income securities – local	58,900,000	60,175,341	60,469,396	93.36
Accumulated unrealised gain on unquoted fixed income securities – local		294,055		
Total unquoted fixed income securities – local		60,469,396		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

9 CASH AND CASH EQUIVALENTS

	<u>2019</u> RM	<u>2018</u> RM
Cash and bank balances	3,113,371	153,237
Deposit with licensed financial institution	7,520,183	4,067,079
	<u>10,633,554</u>	<u>4,220,316</u>

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

	<u>2019</u> %	<u>2018</u> %
Deposits with licensed financial institutions	<u>3.25</u>	<u>3.25</u>

Deposits with licensed financial institutions have an average maturity period of 2 days (2018: 2 days).

10 NUMBER OF UNITS IN CIRCULATION

	<u>2019</u> No. of units	<u>2018</u> No. of units
At the beginning of the financial year	112,904,000	88,309,000
Creation of units arising from application	501,754,468	35,425,959
Creation of units arising from distribution	11,280,746	4,783,497
Cancellation of units	<u>(81,227,214)</u>	<u>(15,614,456)</u>
At the end of the financial year	<u>544,712,000</u>	<u>112,904,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

11 TRANSACTIONS WITH DEALERS

- (i) Details of transactions with the top 10 dealers for the financial year ended 30 April 2019 are as follows:

<u>Name of dealers</u>	<u>Value of trade</u> RM	Percentage of total <u>Trade</u> %
Euroclear Bank S.A/N.V	165,821,300	27.50
Affin Hwang Investment Bank Berhad #	146,531,270	24.30
CIMB Bank Berhad	78,934,910	13.09
RHB Investment Bank Berhad #	35,416,150	5.87
Ambank (M) Berhad	30,700,550	5.09
Hong Leong Bank Berhad	25,928,900	4.30
Citibank, N.A	20,185,500	3.35
Malayan Banking Berhad	17,933,510	2.97
JP Morgan Chase Bank Berhad	12,656,700	2.10
CIMB Islamic Bank Berhad	10,150,000	1.68
Others	58,731,000	9.75
	<u>602,989,790</u>	<u>100.00</u>

- (ii) Details of transactions with the top 10 dealers for the financial year ended 30 April 2018 are as follows:

<u>Name of dealers</u>	<u>Value of trade</u> RM	Percentage of total <u>Trade</u> %
CIMB Bank Berhad	20,822,900	31.23
Affin Hwang Investment Bank Berhad	12,190,650	18.28
RHB Investment Bank Berhad #	11,080,800	16.62
Hong Leong Bank Berhad	5,126,000	7.69
JP Morgan Securities (Malaysia) Sdn Bhd	5,031,000	7.55
Malayan Banking Berhad	4,500,000	6.75
Ambank (M) Berhad	2,859,700	4.29
Hong Leong Islamic Bank Berhad	2,546,950	3.82
Standard Chartered Bank Malaysia Berhad	1,013,400	1.52
Kenanga Investment Bank Berhad	1,000,000	1.50
Others	501,550	0.75
	<u>66,672,950</u>	<u>100.00</u>

Included in transactions with dealers are trades with Affin Hwang Investment Bank Berhad a company related to the Manager amounting to RM146,531,270 (2018: RM12,190,650). The Manager is of the opinion that all transactions with the related company have been entered into in the normal course of business at agreed terms between the related parties.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

11 TRANSACTIONS WITH DEALERS (CONTINUED)

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

	<u>2019</u> RM	<u>2018</u> RM
Dealers		
Affin Hwang Investment Bank Bhd	53,969,300	-
RHB Investment Bank Bhd	12,090,900	8,570,800
RHB Bank Bhd	508,450	-
	<u>66,568,650</u>	<u>8,570,800</u>

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

	<u>2019</u> RM	<u>2018</u> RM
Affin Hwang Fixed Maturity Income Fund XIII	-	4,548,650
Affin Hwang Fixed Maturity Income Fund XII	-	3,021,900
Affin Hwang Select Cash Fund	-	1,000,250
Affin Hwang Select Bond Fund	10,067,500	-
Affin Hwang Enhanced Deposit Fund	5,001,000	-
Affin Hwang Select Balanced Fund	5,046,000	-
Affin Hwang Select Income Fund	10,402,000	-
Affin Hwang Income Fund I	10,066,500	-
Affin Hwang Wholesale Corporate Bond Fund	6,058,800	-
Private mandate managed by the Manager	19,926,850	-
	<u>66,568,650</u>	<u>8,570,800</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

12 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	Holding company of the Manager
Affin Bank Berhad ("ABB")	Ultimate holding company of the Manager
Subsidiaries and associates of ABB as in its financial statements	Subsidiary and associated companies disclosed of the ultimate holding company of the Manager

The units held by Manager at the end of the financial year is as below.

	<u>2019</u>		<u>2018</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>2,231</u>	<u>1,310</u>	<u>2,944</u>	<u>1,689</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

13 MANAGEMENT EXPENSE RATIO ("MER")

	<u>2019</u> %	<u>2018</u> %
MER	<u>1.05</u>	<u>1.20</u>

MER is derived from the following calculation:

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

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

The average net asset value of the Fund for the financial year calculated on a daily basis is RM162,012,381 (2018: RM54,097,787).

14 PORTFOLIO TURNOVER RATIO ("PTR")

	<u>2019</u>	<u>2018</u>
PTR	<u>1.89</u>	<u>0.64</u>

PTR is derived from the following calculation:

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

where: total acquisition for the financial year = RM426,500,440 (2018: RM41,222,103)
total disposal for the financial year = RM185,989,350 (2018: RM27,945,853)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)

15 SEGMENT INFORMATION

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

The committee is responsible for the Fund's entire portfolio and considers the business to have a single operating segment. The committee's asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of interest and gains on the appreciation in the value of investments, and is derived from unquoted fixed income securities in Malaysia.

The Fund has a diversified unitholder population. However, as at 30 April 2019, there were 4 unitholders (2018: 3 unitholders) who held more than 10% of the Fund's NAV. The unitholders' holdings were 15.40%, 13.60%, 12.60% and 11.20% (2018: 18.60%, 11.00% and 18.30%).

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

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

16 MFRS 9 FINANCIAL INSTRUMENTS

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

(a) Classification and measurement of financial assets

Up to 30 April 2018, financial assets were classified in the following categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables. Note F sets out the details of accounting policies for classification and measurement of financial instruments under MFRS 139.

From 1 May 2018, the Fund applies the following MFRS 9's classification approach to all types of financial assets, including those that contain embedded derivative features:

- **Investments in debt instruments:** There are 3 subsequent measurement categories: amortised cost, fair value with changes either recognised through other comprehensive income ("FVOCI") or through profit or loss ("FVTPL").

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)

16 MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Impairment

From 1 May 2018 onwards, the Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 (CONTINUED)**

16 MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

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

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

	Measurement category		Carrying amount			
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139)	Reclassifi- cations	Remeasu- rements	New (MFRS 9)
			RM	RM	RM	RM
Assets						
Financial assets	FVTPL	FVTPL	60,469,396	-	-	60,469,396
Cash and cash equivalents	Loans and receivables	Amortised cost	4,220,316	-	-	4,220,316
Amount due from Manager						
- Creations of units	Loans and receivables	Amortised cost	235,649	-	-	235,649
Liabilities						
Amount due to manager						
- Management fee	Amortised cost	Amortised cost	53,089	-	-	53,089
- Cancellation of units	Amortised cost	Amortised cost	76,795	-	-	76,795
Amount due to Trustee	Amortised cost	Amortised cost	4,247	-	-	4,247
Auditors' remuneration	Amortised cost	Amortised cost	9,590	-	-	9,590
Tax agent's fee	Amortised cost	Amortised cost	8,880	-	-	8,880
Other payables and accruals	Amortised cost	Amortised cost	3,545	-	-	3,545

AFFIN HWANG BOND FUND

STATEMENT BY THE MANAGER

I, Teng Chee Wai, as the Director of Affin Hwang Asset Management Berhad, do hereby state that in my opinion as the Manager, the financial statements set out on pages 10 to 50 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 30 April 2019 and of its financial performance, changes in equity and cash flows for the financial year ended 30 April 2019 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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

TENG CHEE WAI
EXECUTIVE DIRECTOR/MANAGING DIRECTOR

Kuala Lumpur
20 June 2019

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG BOND FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Affin Hwang Bond Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 30 April 2019, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 April 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 10 to 50.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG BOND FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's report but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG BOND FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG BOND FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
20 June 2019

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