

# Affin Hwang

## Enhanced Deposit Fund

Interim Report  
31 October 2019

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



**AFFIN HWANG**  
CAPITAL

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

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

# AFFIN HWANG ENHANCED DEPOSIT FUND

## Interim Report and Unaudited Financial Statements For the 6 Months Financial period Ended 31 October 2019

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## FUND INFORMATION

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

## BREAKDOWN OF UNITHOLDERS BY SIZE RM CLASS AS AT 31 OCTOBER 2019

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	351	231
5,001 to 10,000	171	1,443
10,001 to 50,000	344	8,638
50,001 to 500,000	412	77,316
500,001 and above	260	2,232,626
<b>Total</b>	<b>1,538</b>	<b>2,320,254</b>

\* Note: Excluding Manager's stock

## FUND PERFORMANCE DATA

Category	As at 31 Oct 2019 (%)	As at 31 Oct 2018 (%)	As at 31 Oct 2017 (%)
Portfolio composition			
<b>Unquoted fixed income securities – local</b>			
- Bonds	-	26.02	31.87
- Commercial papers	-	4.22	8.00
<b>Total unquoted fixed income securities – local</b>	<b>-</b>	<b>30.24</b>	<b>39.87</b>
<b>Cash &amp; cash equivalent</b>	<b>100.03</b>	<b>69.76</b>	<b>60.13</b>
<b>Total</b>	<b>100.03**</b>	<b>100.00</b>	<b>100.00</b>
Total NAV (RM'million)	2,728.738	492.120	374.217
NAV per Unit (RM)	1.1760	1.622	1.1333
Unit in Circulation (million)	2,320.306	423.424	330.188
Highest NAV	1.1776	1.1622	1.1337
Lowest NAV	1.1748	1.1469	1.1197
Return of the Fund (%) <sup>iii</sup>	1.77	1.86	1.75
- Capital Growth (%) <sup>i</sup>	0.08	1.33	1.22
- Income Distribution (%) <sup>ii</sup>	1.69	0.52	0.53
Gross Distribution per Unit (sen)	1.97	0.60	0.60
Net Distribution per Unit (sen)	1.97	0.60	0.60
Management Expense Ratio (%) <sup>1</sup>	0.16	0.24	0.25
Portfolio Turnover Ratio (times) <sup>2</sup>	9.80	0.20	0.52

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

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

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

An illustration of the above would be as follow:-

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

$$\begin{aligned} \text{Capital Return}^i &= (\text{NAV per Unit @ 31/10/19} \div \text{NAV per Unit @ 30/4/19}^* - 1) \times 100 \\ &= (1.1760 \div 1.1751 - 1) \times 100 \\ &= \mathbf{0.08\%} \end{aligned}$$

$$\begin{aligned} \text{Income Return @ ex-date} &= \{\text{Income distribution per Unit} \div \text{NAV per Unit on ex- date}\} + 1 \\ &= \{0.0012 \div 1.1748 @ 08/05/19\} + 1 = 1.0010 \\ &= \{0.0015 \div 1.1515 @ 23/05/19\} + 1 = 1.0013 \\ &= \{0.0017 \div 1.1538 @ 12/06/19\} + 1 = 1.0014 \\ &= \{0.0017 \div 1.1559 @ 26/06/19\} + 1 = 1.0014 \\ &= \{0.0017 \div 1.1591 @ 10/07/19\} + 1 = 1.0014 \\ &= \{0.0017 \div 1.1613 @ 24/07/19\} + 1 = 1.0014 \\ &= \{0.0017 \div 1.1613 @ 14/08/19\} + 1 = 1.0014 \\ &= \{0.0017 \div 1.1613 @ 28/08/19\} + 1 = 1.0014 \\ &= \{0.0017 \div 1.1613 @ 11/09/19\} + 1 = 1.0014 \\ &= \{0.0017 \div 1.1613 @ 25/09/19\} + 1 = 1.0014 \\ &= \{0.0017 \div 1.1613 @ 09/10/19\} + 1 = 1.0014 \end{aligned}$$

<sup>1</sup>The MER of the Fund was lower than previous period under review due to average NAV of the Fund.

<sup>2</sup>The significantly increased in the Fund's PTR over the period under review was due to higher average sum of total acquisition and disposal for the financial period.

$$= \{0.0017 \div 1.1613 @ 23/10/19\} + 1 = 1.0014$$

**Total Income Return<sup>ii</sup>** = {Income distribution per Unit ÷ NAV per Unit on ex-date} x 100  
= {1.0010 x 1.0013 x 1.0014 x 1.0014 x 1.0014 x 1.0014 x 1.0014 x 1.0014 x 1.0014 x 1.0014 x 1.0014} – 1 x 100  
= **1.69%**

**Return of the Fund<sup>iii</sup>** = [(1 + Capital Return) x (1 + Income Return)] – 1] x 100  
= [(1 + 0.08%) x (1 + 1.69%)] – 1] x 100  
= **1.77%**

\* Source – HSBC Trustee

Table 1: Performance of the Fund

	<b>6 Months</b> (1/5/19 - 31/10/19)	<b>1 Year</b> (1/11/18 - 31/10/19)	<b>3 Years</b> (1/11/16 - 31/10/19)	<b>5 Years</b> (1/11/14 - 31/10/19)	<b>Since Commencement</b> (14/6/05 - 31/10/19)
<b>Fund</b>	1.77%	3.63%	11.26%	19.62%	60.66%
<b>Benchmark</b>	0.81%	1.76%	5.46%	9.65%	34.77%
<b>Outperformance</b>	0.96%	1.87%	5.80%	9.97%	25.89%

Source of Benchmark: Maybank

Table 2: Average Total Return

	<b>1 Year</b> (1/11/18 - 31/10/19)	<b>3 Years</b> (1/11/16 - 31/10/19)	<b>5 Years</b> (1/11/14 - 31/10/19)	<b>Since Commencement</b> (14/6/05 - 31/10/19)
<b>Fund</b>	3.63%	3.62%	3.65%	3.35%
<b>Benchmark</b>	1.76%	1.79%	1.86%	2.10%
<b>Outperformance</b>	1.87%	1.83%	1.79%	1.25%

Source of Benchmark: Maybank

Table 3: Annual Total Return

	<b>FYE 2019</b> (01/5/18 - 30/4/19)	<b>FYE 2018</b> (01/5/17 - 30/4/18)	<b>FYE 2017</b> (01/5/16 - 30/4/17)	<b>FYE 2016</b> (01/5/15 - 30/4/16)	<b>FYE 2015</b> (01/5/14 - 30/4/15)
<b>Fund</b>	3.73%	3.52%	3.74%	3.68%	3.44%
<b>Benchmark</b>	1.90%	1.79%	1.80%	2.01%	1.96%
<b>Outperformance</b>	1.83%	1.73%	1.94%	1.67%	1.48%

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.**

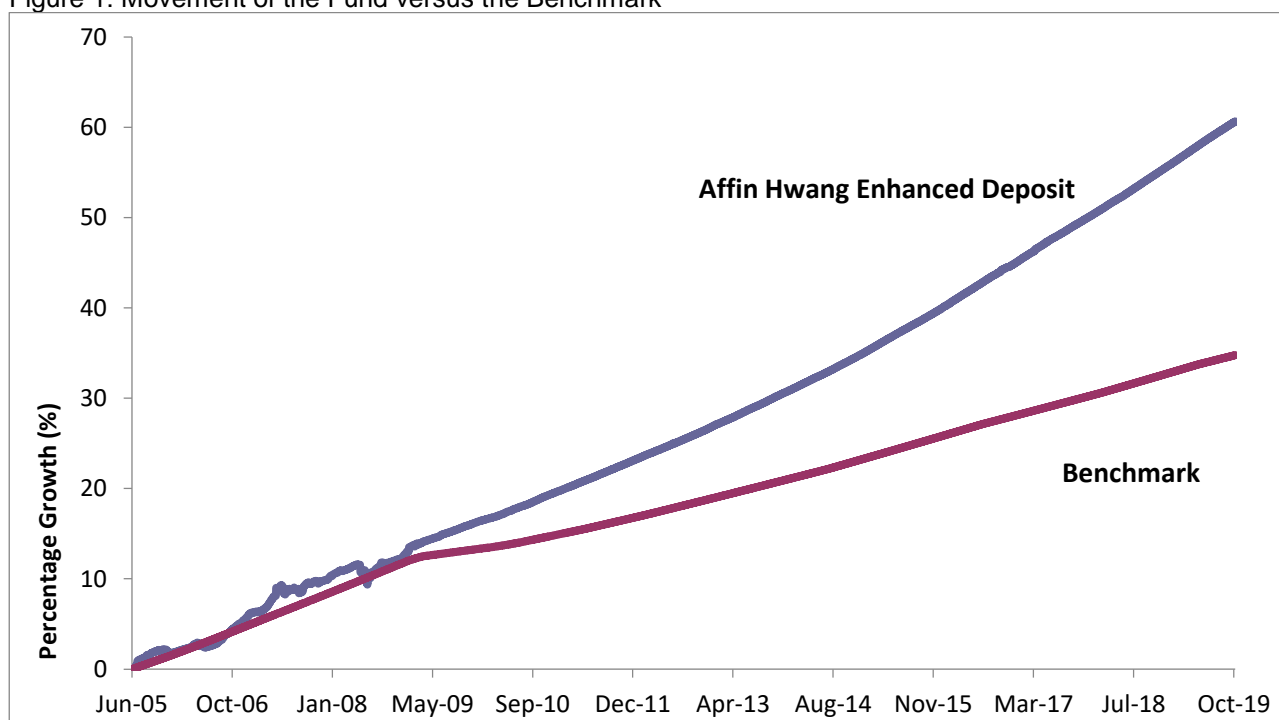
## MANAGER'S REPORT

### Performance Review

For the period 1 May 2019 to 31 October 2019 the Fund registered a 1.77% return. The Net Asset Value (NAV) per unit of the Fund as at 31 October 2019 was RM 1.1760 while the NAV per unit as 30 April 2019 was RM 1.1751. During the same period, the Fund has declared a total income distribution of RM0.0197 per unit by way of reinvestment in the form of additional units. The benchmark return for the period under review was 0.81%. The Fund thus outperformed the Benchmark by 0.96%. (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 60.66% versus the benchmark of 34.77% which translates to an outperformance of 25.89%. The Fund has declared a total distribution of RM0.3243 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: Maybank Overnight Repo Rate

### Income Distribution / Unit Split

Affin Hwang Asset Management Berhad recently declared a gross distribution of RM0.0197 per Unit for investors of the Affin Hwang Enhanced Deposit Fund over the period under review.

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

Cum Date	Ex-Date	Cum-distribution (RM)	Distribution per Unit (RM)	Ex-distribution (RM)
08 May 2019	08 May 2019	1.1759	0.0012	1.1748
23 May 2019	23 May 2019	1.1763	0.0015	1.1751
12 Jun 2019	12 Jun 2019	1.1773	0.0017	1.1757
26 Jun 2019	26 Jun 2019	1.1773	0.0017	1.1757

10 Jul 2019	10 Jul 2019	1.1771	0.0017	1.1755
24 Jul 2019	24 Jul 2019	1.1770	0.0017	1.1754
14 Aug 2019	14 Aug 2019	1.1776	0.0017	1.1761
28 Aug 2019	28 Aug 2019	1.1775	0.0017	1.1759
11 Sep 2019	11 Sep 2019	1.1773	0.0017	1.1757
25 Sep 2019	25 Sep 2019	1.1772	0.0017	1.1756
09 Oct 2019	09 Oct 2019	1.1770	0.0017	1.1754
23 Oct 2019	23 Oct 2019	1.1768	0.0017	1.1752

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

	<b><u>31 Oct 2019</u></b>	<b><u>31 Oct 2018</u></b>	<b><u>31 Oct 2017</u></b>
	(%)	(%)	(%)
Unquoted fixed income securities – local	-	30.24	39.87
Cash & cash equivalent	100.03	69.76	60.13
<b>Total</b>	<b>100.03</b>	<b>100.00</b>	<b>100.00</b>

As at 31 October 2019, the Fund's asset allocation stood at 100.03% in cash and cash equivalent. During the period under review, the Manager has stripped off the Fund's fixed income exposure with bonds and commercial papers' exposure reduced to 0% compared to 30.24% last year.

### **Strategies Employed**

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

### **Market Review**

"Sell in May and go away" has again proven to be a recurring theme this year after deteriorating trade relations between US and China wreaked further havoc across global financial markets in May. Trump raised the tariff on some US\$200 billion worth of Chinese imports to 25.0% from 10.0% earlier that month in an extreme bid to speed up trade negotiations. While the tariff hike was initially downplayed, things took a swift turn on when Trump banned Huawei with a national security order; thus prompting US companies to sever all business ties with the Chinese smartphone and telecommunications giant.

For the first time in more than a decade, the US Federal Reserve ("Fed") reduced interest rates by 25bps in July; effectively lowering the benchmark rate to a new range of 2.00-2.25%. However, the Fed delivered another widely expected 25bps rate cut at its policy meeting in September and October before Fed Chair Jerome Powell stopped short from guiding expectations of further easing indicating that 'monetary policy was in a good place'. The FOMC also dropped the use of the phrase 'act as appropriate' which markets took as a signal that the Fed would likely stay on hold for now.

Asian markets retreated in August as trade tensions flared up again after a surprise tariff announcement from US President Donald Trump. The Hong Kong Hang Seng index fell 7.4%, whilst the broader MSCI Asia ex-Japan index closed 4.6% lower as the prolonged trade row takes another turn for the worse. However things took a turn in October as markets were buoyed by positive trade developments and synchronised monetary easing by global central banks.

Meanwhile, Hong Kong continues to be plagued by protests which are starting to hurt businesses and dent economic growth. The unrest in Hong Kong started since early June when protesters took to the streets to oppose an extradition bill proposal. The demonstrations have shifted into a movement calling for more autonomy, full democracy and the ousting of Hong Kong's embattled leader Carrie Lam.

On a side note, BNM cut the Overnight Policy Rate by 25 bps to 3.00% on 7 May – likely a pre-emptive measure against a weakening external environment as well as slowing domestic growth. The announcement was largely priced in by investors, which saw the MGS market rallied strongly in the few weeks prior to the announcement, though the buying subsequently eased up amid the addition of risks on the global trade front.

### **Investment Outlook**

The global economy is poised to continue to grow at an even keel albeit at a slower pace. We do not see major economic imbalances that would lead to a recession in the immediate term. That said, as we head into a late cycle, we are mindful that uncertainty will stay high from economic, policy and politics perspective.

Whilst the partial trade deal helped provide a lift in sentiment, the temporary trade truce could be easily upended as seen before. Structural issues and more challenging areas in negotiations such as intellectual property and technology transfer has not been addressed yet. The last mile negotiations in the trade talks would be the most critical to look out for. The overall macro environment remains weak as global economies are still showing weak data.

Going forward, we believe there is limited room for further monetary policy easing given already low interest rates. Central banks are more inclined to “save some bullets” for future, i.e. in the event whereby a recession materialises, as well as adopting a “wait-and-see” approach to assess impact post recent rate cuts. Therefore, expectations are that global interest rates are close to bottoming out in the near term. Having said that, we do not foresee central banks reverting to an interest rate hike cycle anytime soon. The biggest risks (both upside and downside) to my view would be ongoing trade negotiations and US inflation.

The Budget 2020 placed a lot more emphasis on job creation and shifted away from the outright disbursement of large cash handouts and subsidies as seen in prior budgets before. In terms of impact, the budget was market-neutral with no immediate catalysts that could drive Bursa higher for now.

However, the absence of any pump-priming measures or announcement of mega infrastructure projects came as a disappointment to the construction sector. The consumer sector could benefit incrementally over time as the trickle-down effects of job creation, allocation for subsidies and social subsidies to address high cost of living and low income levels spur consumption.

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

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

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

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

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

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



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

We have acted as Trustee of Affin Hwang Enhanced Deposit Fund ("the Fund") for the financial period ended 31 October 2019. To the best of our knowledge, Affin Hwang Asset Management Berhad ("the Management Company"), has operated and managed the Fund in accordance with the following:-

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

During this financial period, a total distribution of 1.97 sen per unit (gross) has been distributed to the unitholders of the Fund. We are of the view that the distribution is not inconsistent with the objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

Vicknesan Balakrishnan  
Chief Executive Officer

Kuala Lumpur  
10 December 2019

## AFFIN HWANG ENHANCED DEPOSIT FUND

### UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019

	<u>Note</u>	6 months financial period ended <u>31.10.2019</u> RM	6 months financial period ended <u>31.10.2018</u> RM
<b>INVESTMENT INCOME</b>			
Interest income for financial assets at fair value through profit or loss	4	43,437,851	8,835,845
Net gain on financial assets at fair value through profit or loss	9	-	180,872
		<u>43,437,851</u>	<u>9,016,717</u>
<b>EXPENSES</b>			
Management fee	5	(3,440,105)	(964,419)
Trustee fee	6	(229,340)	(65,224)
Auditors' remuneration		(4,033)	(4,028)
Tax agent's fee		(1,915)	(1,916)
Other expenses		(7,740)	(9,164)
		<u>(3,683,133)</u>	<u>(1,044,751)</u>
<b>NET PROFIT BEFORE TAXATION</b>		39,754,718	7,971,966
<b>TAXATION</b>	7	-	-
<b>NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>		<u><u>39,754,718</u></u>	<u><u>7,971,966</u></u>
Net profit after taxation is made up of the following:			
Realised amount		39,754,718	7,624,851
Unrealised amount		-	347,115
		<u><u>39,754,718</u></u>	<u><u>7,971,966</u></u>

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

## AFFIN HWANG ENHANCED DEPOSIT FUND

### UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	9	2,729,482,102	492,341,650
Cash and cash equivalents		837	219
<b>TOTAL ASSETS</b>		<u>2,729,482,939</u>	<u>492,341,869</u>
<b>LIABILITIES</b>			
Amount due to Manager - management fee		693,845	196,429
Amount due to Trustee		46,257	11,786
Auditors' remuneration		4,033	4,028
Tax agent's fee		5,715	5,816
Other payables and accruals		5,229	3,857
<b>TOTAL LIABILITIES</b>		<u>755,079</u>	<u>221,916</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>2,728,727,860</u>	<u>492,119,953</u>
<b>EQUITY</b>			
Unitholders' capital		2,679,155,499	457,165,448
Retained earnings		49,572,361	34,954,505
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>2,728,727,860</u>	<u>492,119,953</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	10	<u>2,320,306,000</u>	<u>423,424,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>1.1760</u>	<u>1.1622</u>

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

## AFFIN HWANG ENHANCED DEPOSIT FUND

### UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 May 2019	1,579,127,506	48,591,056	1,627,718,562
Total comprehensive income for the financial period	-	39,754,718	39,754,718
Distribution (Note 8)	-	(38,773,413)	(38,773,413)
Movement in unitholders' capital:			
Creation of units arising from application	1,722,820,546	-	1,722,820,546
Creation of units arising from distribution	36,406,717	-	36,406,717
Cancellation of units	(659,199,270)	-	(659,199,270)
Balance as at 31 October 2019	<u>2,679,155,499</u>	<u>49,572,361</u>	<u>2,728,727,860</u>
Balance as at 1 May 2018	374,845,698	29,235,803	404,081,501
Total comprehensive income for the financial period	-	7,971,966	7,971,966
Distribution (Note 8)	-	(2,253,264)	(2,253,264)
Movement in unitholders' capital:			
Creation of units arising from application	222,117,934	-	222,117,934
Creation of units arising from distribution	2,253,264	-	2,253,264
Cancellation of units	(142,051,448)	-	(142,051,448)
Balance as at 31 October 2018	<u>457,165,448</u>	<u>34,954,505</u>	<u>492,119,953</u>

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

## AFFIN HWANG ENHANCED DEPOSIT FUND

### UNAUDITED INTERIM STATEMENT OF CASH FLOWS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019

	<u>Note</u>	6 months financial period ended <u>31.10.2019</u> RM	6 months financial period ended <u>31.10.2018</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		-	80,897,567
Purchase of investments		-	(93,037,963)
Placement of deposits with licensed financial institutions		(22,768,856,061)	(4,818,429,095)
Proceeds from maturity of deposits with licensed financial institutions		21,685,925,062	4,743,696,398
Interest received		25,042,621	7,637,761
Management fee paid		(3,144,205)	(927,369)
Trustee fee paid		(209,613)	(63,001)
Payment for other fees and expenses		(12,556)	(27,218)
Net cash used in operating activities		<u>(1,061,254,752)</u>	<u>(80,252,920)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from creation of units		1,722,820,546	222,117,934
Payments for cancellation of units		(659,199,270)	(142,051,448)
Payment for distribution		(2,366,696)	-
Net cash generated from financing activities		<u>1,061,254,580</u>	<u>80,066,486</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(172)	(186,434)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>		<u>1,009</u>	<u>186,653</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>		<u><u>837</u></u>	<u><u>219</u></u>

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

## **AFFIN HWANG ENHANCED DEPOSIT FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 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 period. It also requires the Manager to exercise their judgment in the process of applying the Fund’s accounting policies. Although these estimates and judgment are based on the Manager’s best knowledge of current events and actions, actual results may differ.

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

- (a) New standards, amendments and interpretations effective after 1 May 2019 and have not been early adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 May 2019 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

#### **B INCOME RECOGNITION**

##### Interest Income

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

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

For unquoted fixed income securities, realised gains and losses on sale of investments are accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on cost adjusted for accretion of discount or amortisation of premium on investments.

#### **C DISTRIBUTION**

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

#### **D TAXATION**

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

## AFFIN HWANG ENHANCED DEPOSIT FUND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

#### 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, which is the Fund’s functional and presentation

#### F FINANCIAL ASSETS AND FINANCIAL LIABILITIES

##### (i) Classification

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

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

The Fund classifies its investments based on both the Fund’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The 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 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, 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.

## AFFIN HWANG ENHANCED DEPOSIT FUND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

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

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

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

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

Unquoted fixed income securities denominated in Ringgit Malaysia are revalued on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with the 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

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

##### Significant increase in credit risk

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

##### Definition of default and credit-impaired financial assets

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



## AFFIN HWANG ENHANCED DEPOSIT FUND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

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

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

###### Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

The Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial 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 change in value.

#### H UNITHOLDERS' CAPITAL

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

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

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

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

#### I 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.

## **AFFIN HWANG ENHANCED DEPOSIT FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)**

#### **J CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

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

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

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019

#### 1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name Hwang Enhanced Deposit Fund (the "Fund") pursuant to the execution of a Master Deed dated 4 April 2005, First Supplemental Deed dated 29 December 2005, Second Supplemental Deed dated 20 February 2006, Third Supplemental Deed dated 18 June 2007, Fourth Supplemental Deed dated 15 October 2008, Fifth Supplemental Deed dated 12 March 2009, Sixth Supplemental Deed dated 19 March 2010 and Ninth Supplemental Deed dated 19 December 2017. The Fund has changed its name from HwangDBS Enhanced Deposit Fund to Hwang Enhanced Deposit Fund as amended by Seventh Supplemental Deed dated 18 January 2012 and from Hwang Enhanced Deposit Fund to Affin Hwang Enhanced Deposit Fund as amended by Eighth supplemental Deed dated 27 June 2014 (the "Deeds") entered into between Affin Hwang Asset Management Berhad (the "Manager") and HSBC (Malaysia) Trustee Berhad (the "Trustee").

The Fund may invest in any of the following investments:

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

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

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

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

The financial statements were authorised for issue by the Manager on 10 December 2019.

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

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

Financial instruments are as follows:

	Note	Financial assets at amortised <u>cost</u> RM	Financial assets at fair value through <u>profit or loss</u> RM	<u>Total</u> RM
<u>2019</u>				
Deposits with licensed financial Institutions	9	-	2,729,482,102	2,729,482,102
Cash and cash equivalent		837	-	837
		<u>837</u>	<u>2,729,482,102</u>	<u>2,729,482,939</u>

	Note	Loan and <u>receivables</u> RM	Financial assets at fair value through <u>profit or loss</u> RM	<u>Total</u> RM
<u>2018</u>				
Unquoted fixed income securities	9	-	148,816,103	148,816,103
Deposits with licensed financial Institutions	9	-	343,525,547	343,525,547
Cash and cash equivalent		219	-	219
		<u>219</u>	<u>492,341,650</u>	<u>492,341,869</u>

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 (including price risk and interest rate risk), liquidity risk, credit risk and capital risk.

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

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

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

##### Market risk

##### (a) Price risk

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

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

	<u>2019</u> RM	<u>2018</u> RM
<b>Unquoted investments*</b>		
Unquoted fixed income securities designated at fair value through profit or loss	-	148,816,103
	<u>                    </u>	<u>                    </u>

\* Include interest receivable of RM Nil (2018: RM1,716,633)

The following table summarises the sensitivity of the Fund's profit after taxation and net asset value to price risk movements. The analysis is based on the assumptions that the market price increased by 5% and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the unquoted securities having regard to the historical volatility of the price.

<u>% Change in price</u>	<u>Market value</u> RM	<u>Impact on</u> <u>profit after</u> <u>tax/NAV</u> RM
<u>2019</u>		
-5%	-	-
0%	-	-
+5%	-	-
	<u>                    </u>	<u>                    </u>
<u>2018</u>		
-5%	139,744,497	(7,354,974)
0%	147,099,470	-
+5%	154,454,444	7,354,974
	<u>                    </u>	<u>                    </u>

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

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

##### Market risk (continued)

##### (b) Interest rate risk

In general, when interest rates rise, prices of unquoted fixed income securities will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund hold an unquoted fixed income security until maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

This risk is crucial in an unquoted fixed income securities fund since unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of unquoted fixed income securities move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted fixed income securities decrease and vice versa. Furthermore, unquoted fixed income securities with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Investors should note that unquoted fixed income securities and money market instruments are subject to interest rate fluctuations. Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The table below summarises the sensitivity of the Fund's 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> RM	<u>2018</u> RM
+ 1%	-	(31,744)
- 1%	-	33,958

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.

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

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

##### Liquidity risk

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

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

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

	<u>Within one month</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>2019</u>			
Amount due to Manager			
- management fee	693,845	-	693,845
Amount due to Trustee	46,257	-	46,257
Auditor's remuneration	-	4,033	4,033
Tax agent's fee	-	5,715	5,715
Other payables and accruals	-	5,229	5,229
	<u>740,102</u>	<u>14,977</u>	<u>755,079</u>
<u>2018</u>			
Amount due to Manager			
- management fee	196,429	-	196,429
Amount due to Trustee	11,786	-	11,786
Auditor's remuneration	-	4,028	4,028
Tax agent's fee	-	5,816	5,816
Other payables and accruals	-	3,857	3,857
	<u>208,215</u>	<u>13,701</u>	<u>221,916</u>

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

#### 2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES 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 following table sets out the credit risk concentration of the Fund:

	Deposits with licensed financial <u>institutions</u> RM	Cash and cash <u>equivalents</u> RM	<u>Total</u> RM
<u>2019</u>			
Financials			
- A1	101,537,759	-	101,537,759
- A3	194,957,000	-	194,957,000
- AA-	20,000,000	-	20,000,000
- AA1	85,000,000	-	85,000,000
- AA2	920,510,873	-	920,510,873
- AA3	100,000,000	-	100,000,000
- AAA	1,215,911,324		837
	1,215,912,161		
- Baa3	55,000,000	-	55,000,000
	<u>2,692,916,956</u>	<u>837</u>	<u>2,692,917,793</u>



## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

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

##### Credit risk (continued)

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

	Unquoted fixed income <u>securities</u> RM	Deposits with licensed financial <u>institutions</u> RM	Cash and cash <u>equivalents</u> RM	<u>Total</u> RM
<u>2018</u>				
Consumer Goods				
- AA2	5,054,232		-	5,054,232
- AA3	15,161,599		-	15,161,599
Consumer Services				
- AA-	21,560,061		-	21,560,061
- AA3	5,044,947		-	5,044,947
- AAA	16,766,554		-	16,766,554
Financials				
- A1	-	25,085,124	-	25,085,124
- AA-	9,655,160		-	9,655,160
- AA	5,094,916		-	5,094,916
- AA1	3,060,082		-	3,060,082
- AA2	-	119,662,914	-	119,662,914
- AA2	7,135,176		-	7,135,176
- AA3	-	65,439,814	-	65,439,814
- AA3	15,241,745		-	15,241,745
- AAA	-	133,337,695	219	133,337,914
- P1	19,304,770		-	19,304,770
Health Care				
- MARC-1	1,470,360		-	1,470,360
Industrials				
- AA-	12,203,140		-	12,203,140
- AA3	5,038,961		-	5,038,961
Oil & Gas				
- AA-	2,007,973		-	2,007,973
Telecommunications				
- AA+	5,016,427	-	-	5,016,427
	<u>148,816,103</u>	<u>343,525,547</u>	<u>219</u>	<u>492,341,869</u>

The financial assets of the Fund are neither past due nor impaired.

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

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

##### Capital risk

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

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

#### 3 FAIR VALUE ESTIMATION

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

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

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

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

##### (i) Fair value hierarchy

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

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

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

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

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

#### 3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>2019</u>				
Financial assets at fair value through profit or loss				
- deposits with licensed financial institutions	-	2,729,482,102	-	2,729,482,102
	-	2,729,482,102	-	2,729,482,102
<u>2018</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	148,816,103	-	148,816,103
- deposits with licensed financial institutions	-	343,525,547	-	343,525,547
	-	492,341,650	-	492,341,650

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted fixed income securities and deposits with license financial instrument. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

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

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

#### 4 INTEREST INCOME

	<u>2019</u> RM	<u>2018</u> RM
Interest income from financial assets at fair value through profit or loss:		
- deposits with licensed financial institutions	43,437,851	5,566,512
- unquoted fixed income securities	-	3,269,333
	<u>43,437,851</u>	<u>8,835,845</u>

#### 5 MANAGEMENT FEE AND MANAGEMENT FEE REBATE

	<u>2019</u> RM	<u>2018</u> RM
Gross management fee	3,440,105	1,087,062
Management fee rebate		
- Interest income earned on collections account	-	(122,643)
Net management fee	<u>3,440,105</u>	<u>964,419</u>

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

For the financial period ended 31 October 2019, the management fee is recognised at the rate of 0.50% (2018: 0.50%) per annum on the NAV of the Fund calculated on daily basis as stated in the 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 the amounts recognised above.

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

#### 6 TRUSTEE FEE

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

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

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

For the financial period ended 31 October 2018, the Trustee's fee is recognised at the rates stated above (2018: 0.05%).

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

#### 7 TAXATION

	6 months financial period ended <u>31.10.2019</u> RM	6 months financial period ended <u>31.10.2018</u> RM
Current taxation	-	-

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

	6 months financial period ended <u>31.10.2019</u> RM	6 months financial period ended <u>31.10.2018</u> RM
Net profit before taxation	39,754,718	7,971,966
Tax at Malaysian statutory rate of 24% (2018: 24%)	9,541,132	1,913,272
Tax effects of:		
Investment income not subject to tax	(10,425,084)	(2,164,012)
Expenses not deductible for tax purposes	56,149	18,409
Restriction on tax deductible expenses for unit trust fund	827,803	232,331
Tax expense	-	-

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

#### 8 DISTRIBUTION

	6 months financial period ended <u>31.10.2019</u> RM	6 months financial period ended <u>31.10.2018</u> RM
Distribution to unitholders are from the following sources:		
Gross dividend income	11,320	-
Previous year's realised income	39,347,107	2,253,264
	<hr/>	<hr/>
Gross realised income	39,358,427	2,253,264
Less: Expenses	(585,014)	-
	<hr/>	<hr/>
Net distribution amount	38,773,413	2,253,264
	<hr/> <hr/>	<hr/> <hr/>

i) During the financial period 31 October 2019, distributions were made as follows:

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

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

#### 8 DISTRIBUTION (CONTINUED)

ii) During the financial period 31 October 2018, distributions were made as follows:

	Gross/Net distribution per unit Sen
23.05.2018	0.10
27.06.2018	0.10
25.07.2018	0.10
20.08.2018	0.10
26.09.2018	0.10
24.10.2018	0.10
	<hr/>
	0.60
	<hr/> <hr/>

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

Included in distribution for the financial period is an amount of RM39,347,107 (2018: RM2,253,264) made from previous year's realised income.

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

	<u>2019</u> RM	<u>2018</u> RM
Designated at fair value through profit or loss at Inception		
- unquoted fixed income securities - local	-	148,816,103
- deposits with licensed financial institutions	2,729,482,102	343,525,547
	<hr/>	<hr/>
	2,729,482,102	492,341,650
	<hr/> <hr/>	<hr/> <hr/>
Net gain on financial assets at fair value through profit or loss		
- realised loss of sale of investments	-	(2,601)
- unrealised gain on changes in fair value	-	183,473
	<hr/>	<hr/>
	-	180,872
	<hr/> <hr/>	<hr/> <hr/>

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

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

(a) Unquoted fixed income securities - local

(i) There is no investment in unquoted fixed income securities - local as at 31 October 2019.

(ii) Unquoted fixed income securities - local as at 31 October 2018 are as follows:

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>Bonds</u>				
5.00% Bumitama Agri Ltd 02.09.2019 (AA3)	5,000,000	5,057,522	5,062,911	1.03
5.25% Bumitama Agri Ltd 18.03.2019 (AA3)	10,000,000	10,091,983	10,098,688	2.05
4.50% UMW Holdings Bhd 15.02.2019 (AA2)	5,000,000	5,052,041	5,054,232	1.03
4.55% Berjaya Land Berhad 17.12.2018 (AAA)	10,000,000	10,169,702	10,169,234	2.07
4.85% Berjaya Land Berhad 16.12.2019 (AAA)	2,000,000	2,043,734	2,043,862	0.42
5.30% GB Services Bhd 08.11.2019 (AAA)	2,400,000	2,479,922	2,483,546	0.50
5.30% GB Services Bhd 08.11.2019 (AAA)	2,000,000	2,069,570	2,069,912	0.42
4.80% Media Chinese Intl Ltd 25.02.2019 (AA3)	5,000,000	5,040,547	5,044,947	1.03
4.53% Sports Toto Malaysia Sdn Bhd 28.06.2019 (AA-)	10,000,000	10,125,714	10,119,910	2.06
4.75% Sports Toto Malaysia Sdn Bhd 03.07.2019 (AA-)	10,000,000	10,161,519	10,167,767	2.07
4.82% Sports Toto Malaysia Sdn Bhd 28.06.2019 (AA-)	1,250,000	1,273,111	1,272,384	0.26
4.5% AmbankM Bhd 26.06.2020 (AA2)	7,000,000	7,114,220	7,135,176	1.45
4.5% AMMB Holdings Bhd 08.08.2019 (AA3)	7,000,000	7,069,561	7,085,886	1.44
4.35% Asian Finance Bank Bhd 10.12.2018 (AA1)	1,000,000	1,016,901	1,017,293	0.21
4.6% Asian Finance Bank Bhd 29.05.2019 (AA1)	2,000,000	2,040,968	2,042,789	0.42
4.90% BGSM Management Sdn Bhd 27.12.2018 (AA3)	1,000,000	1,017,999	1,018,155	0.21
4.5% Hong Leong Financial Group Bhd 30.11.2018 (AA)	5,000,000	5,093,355	5,094,916	1.04
4.5% Perbadanan Kemajuan N Selangor 03.12.2018 (AA3)	5,000,000	5,095,475	5,096,748	1.04
4.6% Perbadanan Kemajuan N Selangor 31.05.2019 (AA3)	2,000,000	2,039,883	2,040,956	0.41



## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

#### 9 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 31 October 2018 are as follows:  
(continued)

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>Bonds (Continued)</u>				
4.8% Segi Astana Sdn Bhd 08.01.2019 (AA-)	1,000,000	1,015,107	1,015,303	0.21
4.9% Segi Astana Sdn Bhd 08.01.2020 (AA-)	5,000,000	5,088,397	5,075,492	1.03
4.60% UEM Sunrise Bhd 13.12.2018 (AA-)	3,500,000	3,562,688	3,564,365	0.72
4.62% Gamuda Bhd 13.03.2019 (AA3)	5,000,000	5,036,230	5,038,961	1.02
4.80% WCT Holdings Bhd 28.12.2018 (AA-)	12,000,000	12,201,953	12,203,140	2.48
5.07% UiTM Solar Power Sdn Bhd 27.04.2020 (AA-)	2,000,000	2,003,689	2,007,973	0.41
3.75% Celcom Transmission Malaysia 29.08.2019 (AA+)	5,000,000	5,010,065	5,016,427	1.02
	126,150,000	127,971,856	128,040,973	26.02
<u>Commercial Papers</u>				
0% Pac Lease Bhd 05.11.2018 (P1)	2,500,000	2,498,895	2,498,950	0.51
0% Pac Lease Bhd 26.11.2018 (P1)	5,000,000	4,986,216	4,986,600	1.01
0% Perbadanan Kemajuan N Selangor 23.11.2018 (P1)	2,000,000	1,994,470	1,995,320	0.40
0% Perbadanan Kemajuan N Selangor 01.04.2019 (P1)	10,000,000	9,812,872	9,823,900	2.00
0% UEM Edgenta Bhd 26.04.2019 (MARC-1)	1,500,000	1,468,282	1,470,360	0.30
	21,000,000	20,760,735	20,775,130	4.22
Total unquoted fixed income securities – local	147,150,000	148,732,591	148,816,103	30.24
Accumulated unrealised gain on unquoted fixed income securities – local		83,512		
Total unquoted fixed income securities - local		148,816,103		

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

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

(b) Deposits with licensed financial institutions

	<u>2019</u> RM	<u>2018</u> RM
Deposits with licensed financial institutions	2,692,916,956	343,525,547
	<u>2,692,916,956</u>	<u>343,525,547</u>

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

	<u>2019</u> %	<u>2018</u> %
Deposit with a licensed financial institutions	3.69%	3.98

The deposits with licensed financial institutions have an average maturity of 62 days (2018: 98 days)

#### 10 NUMBER OF UNIT IN CIRCULATION

	<u>2019</u> No of units	<u>2018</u> No of units
At beginning of the financial period	1,385,220,000	352,325,000
Creation of units arising from applications	1,464,619,680	192,212,923
Creation of units arising from distributions	30,967,196	1,950,359
Cancellation of units	(560,500,876)	(123,064,282)
At the end of the financial period	<u>2,320,306,000</u>	<u>423,424,000</u>

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

#### 11 TRANSACTIONS WITH DEALERS AND FINANCIAL INSTITUTIONS

- (i) Details of transactions, primarily cash placements with financial institutions for the financial period ended 31 October 2019 are as follows:

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

- (ii) Details of transactions with the top 10 dealers for the 6 months financial period ended 31 October 2018 are as follows:

<u>Name of dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
HSBC Bank (M) Bhd	39,000,000	29.54
OCBC Bank (M) Bhd	33,386,040	25.28
CIMB Bank Bhd	17,979,110	13.62
RHB Investment Bank Bhd#	11,252,712	8.52
Hong Leong Bank Bhd	9,012,700	6.83
AmlInvestment Bank Bhd	5,000,000	3.79
Standard Chartered Bank (M) Bhd	4,995,000	3.78
Bank Islam (M) Bhd	4,019,200	3.04
Affin Hwang Investment Bank Bhd#	3,369,701	2.55
CIMB Bank Bhd	2,019,800	1.53
Others	2,003,700	1.52
	<u>132,037,963</u>	<u>100.00</u>

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

#### 11 TRANSACTIONS WITH DEALERS AND FINANCIAL INSTITUTIONS (CONTINUED)

- (ii) Details of transactions, primarily cash placements with financial institutions for the financial period ended 31 October 2018 are as follows:

<u>Name of financial institutions</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
Hong Leong Bank Bhd	933,369,000	76.66
Public Bank Bhd	80,500,000	6.61
RHB Bank Bhd	75,000,000	6.16
Affin Bank Bhd	50,000,000	4.11
KAF Investment Bank Bhd	30,012,852	2.47
Alliance Bank Bhd	25,000,000	2.05
Affin Bank Bhd	10,000,000	0.82
Hong Leong Investment Bank Bhd	8,680,000	0.71
Affin Hwang Investment Bank Bhd	5,000,000	0.41
	<u>1,217,561,852</u>	<u>100.00</u>

There is no brokerage fee paid to the dealers.

Included in transactions with dealers are trades conducted with Affin Bank Bhd and Affin Hwang Investment Bank Bhd, companies related to the Manager amounting to RM2,177,887,000 (2018: RM68,369,701). The Manager is of the opinion that all transactions with the related company have been entered into at agreed terms between the related parties.

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

#### 11 TRANSACTIONS WITH DEALERS AND FINANCIAL INSTITUTIONS (CONTINUED)

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

<u>Name of dealers</u>	<u>2019</u> RM	<u>2018</u> RM
Affin Hwang Investment Bank Bhd	-	1,413,580
RHB Investment Bank Bhd	-	9,253,713
	<hr/>	<hr/>
	-	10,667,293
	<hr/> <hr/>	<hr/> <hr/>

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

	<u>2019</u> RM	<u>2018</u> RM
Affin Hwang Flexible Maturity Income Fund 6	-	1,253,313
Affin Hwang Institutional Bond Fund	-	1,413,580
Affin Hwang Income Fund I	-	8,000,400
	<hr/>	<hr/>
	-	10,667,293
	<hr/> <hr/>	<hr/> <hr/>

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

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

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

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

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

	<u>2019</u>	<u>2018</u>
	No. of units	No. of units
	RM	RM
<u>The Manager:</u>		
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)	51,084	60,075
	8,981	10,438
<u>Party related to the Manager:</u>		
Affin Hwang Trustee Berhad (The units are held beneficially)	1,059,696	1,246,202
	374,971	435,791
AXA Affin Life Insurance Berhad (The units are held beneficially)	100,483,917	118,169,086
	-	-
Accelvantage Academy Sdn Bhd (The units are held beneficially)	698,142	821,015
	-	-

## AFFIN HWANG ENHANCED DEPOSIT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

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

	6 months financial period ended <u>31.10.2019</u> RM	6 months financial period ended <u>31.10.2018</u> RM
MER	<u>0.16</u>	<u>0.24</u>

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial period calculated on a daily basis is RM2,267,755,630 (2018: RM430,764,787).

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

	6 months financial period ended <u>31.10.2019</u> RM	6 months financial period ended <u>31.10.2018</u> RM
PTR (times)	<u>9.80</u>	<u>0.20</u>

PTR is derived from the following calculation:

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

where: total acquisition for the financial period = RM22,768,856,061 (2018: RM93,037,963)  
total disposal for the financial period = RM21,685,925,062 (2018: RM80,900,168)

## **AFFIN HWANG ENHANCED DEPOSIT FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 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 the Manager 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.

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

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.



## **AFFIN HWANG ENHANCED DEPOSIT 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 9 to 39 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 October 2019 and of its financial performance, changes in equity and cash flows for the financial period ended 31 October 2019 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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

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

Kuala Lumpur  
[10 December 2019]

## **DIRECTORY OF SALES OFFICE**

### **HEAD OFFICE**

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