

Affin Hwang

Flexible Maturity Income Fund 6

Annual Report

30 September 2018

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



AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad (429786-T)

TRUSTEE
TMF Trustees Malaysia Berhad (610812-W)

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 6

Annual Report and Audited Financial Statements For The Financial Year Ended 30 September 2018

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FUND INFORMATION

Fund Name	Affin Hwang Flexible Maturity Income Fund 6
Fund Type	Income
Fund Category	Fixed Income (close-ended)
Investment Objective	The Fund aims to provide income through investments in fixed income instruments
Duration of the Fund	Three (3) years close-ended Fund
Termination Date	27 December 2019
Benchmark	3-years Malayan Banking Berhad fixed deposit rate as at Investment Date
Distribution Policy	Depending on the level of income the Fund generates, the Fund will provide distribution on an annual basis

BREAKDOWN OF UNITHOLDERS BY SIZE AS AT 30 SEPTEMBER 2018

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	37	147
5,001 to 10,000	32	292
10,001 to 50,000	73	2,131
50,001 to 500,000	68	12,204
500,001 and above	12	115,504
Total	222	130,278

* Note: Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 30 Sep 2018 (%)	As at 30 Sep 2017 (%)
Portfolio composition		
Unquoted fixed income securities – local	22.23	22.83
Unquoted fixed income securities – foreign	60.73	69.99
Cash & cash equivalent	17.04	7.18
Total	100.00	100.00
Total NAV (RM'million)	136.657	139.306
NAV per Unit (RM)	1.0489	1.0635
Unit in Circulation (million)	130.281	130.985
Highest NAV	1.0707	1.0641
Lowest NAV	1.0235	1.0000
Return of the Fund (%) ⁱⁱⁱ	3.10	6.35
- Capital Growth (%) ⁱ	-1.37	6.36
- Income Distribution (%) ⁱⁱ	4.53	Nil
Gross Distribution per Unit (sen)	4.64	Nil
Net Distribution per Unit (sen)	4.64	Nil
Management Expense Ratio (%) ¹	0.08	0.07
Portfolio Turnover Ratio (times) ²	0.46	1.18

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

$$\begin{aligned} \text{Capital Return}^i &= \{ \text{NAV per Unit @ 30/09/18} \div \text{NAV per Unit @ 30/09/17}^* - 1 \} \times 100 \\ &= \{ 1.0489 \div 1.0635 - 1 \} \times 100 \\ &= \underline{\underline{-1.37\%}} \end{aligned}$$

$$\begin{aligned} \text{Income Return} &= \{ \text{Income distribution per Unit} \div \text{NAV per Unit on ex-date} \} + 1 \\ \text{@ ex-date} &= \{ 0.0464 \div 1.0242 \} + 1 \\ &= 1.0453 \end{aligned}$$

$$\begin{aligned} \text{Total Income Return}^{ii} &= \{ \text{Income return @ ex-date} \times \text{Income return @ ex-date} \} - 1 \times 100 \\ &= \{ 1.0453 \} - 1 \times 100 \\ &= \underline{\underline{4.53\%}} \end{aligned}$$

$$\begin{aligned} \text{Return of the Fund}^{iii} &= \{ [(1 + \text{Capital Growth}) \times (1 + \text{Total Income Return})] - 1 \} \times 100 \\ \text{Fund}^{iii} &= \{ [(1 + (-1.37\%)) \times (1 + 4.53\%)] - 1 \} \times 100 \\ &= \underline{\underline{3.10\%}} \end{aligned}$$

* Source – TMF Trustees Malaysia Bhd

¹ The Fund's MER remained relatively unchanged, albeit marginally higher than previous period under review.

² The Fund's PTR was lower than previous year due to lower average sum of total acquisition and disposal for the financial year.

Table 1: Performance of the Fund

	1 Year (1/10/17 - 30/9/18)	Since Commencement (27/12/16 - 30/9/18)
Fund	3.10%	9.65%
Benchmark	3.30%	5.89%
Outperformance / (underperformed)	(0.20%)	3.76%

Source of Benchmark: Maybank

Table 2: Average Total Return

	1 Year (1/10/17 - 30/9/18)	Since Commencement (27/12/16 - 30/9/18)
Fund	3.10%	5.37%
Benchmark	3.30%	3.30%
Outperformance / (underperformed)	(0.20%)	2.07%

Source of Benchmark: Maybank

Table 3: Annual Total Return

	FYE 2018 (01/10/17 - 30/9/18)	FYE 2017 (27/12/16 - 30/9/17)
Fund	3.10%	6.35%
Benchmark	3.30%	2.50%
Outperformance/(underperformed)	(0.20%)	3.85%

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.

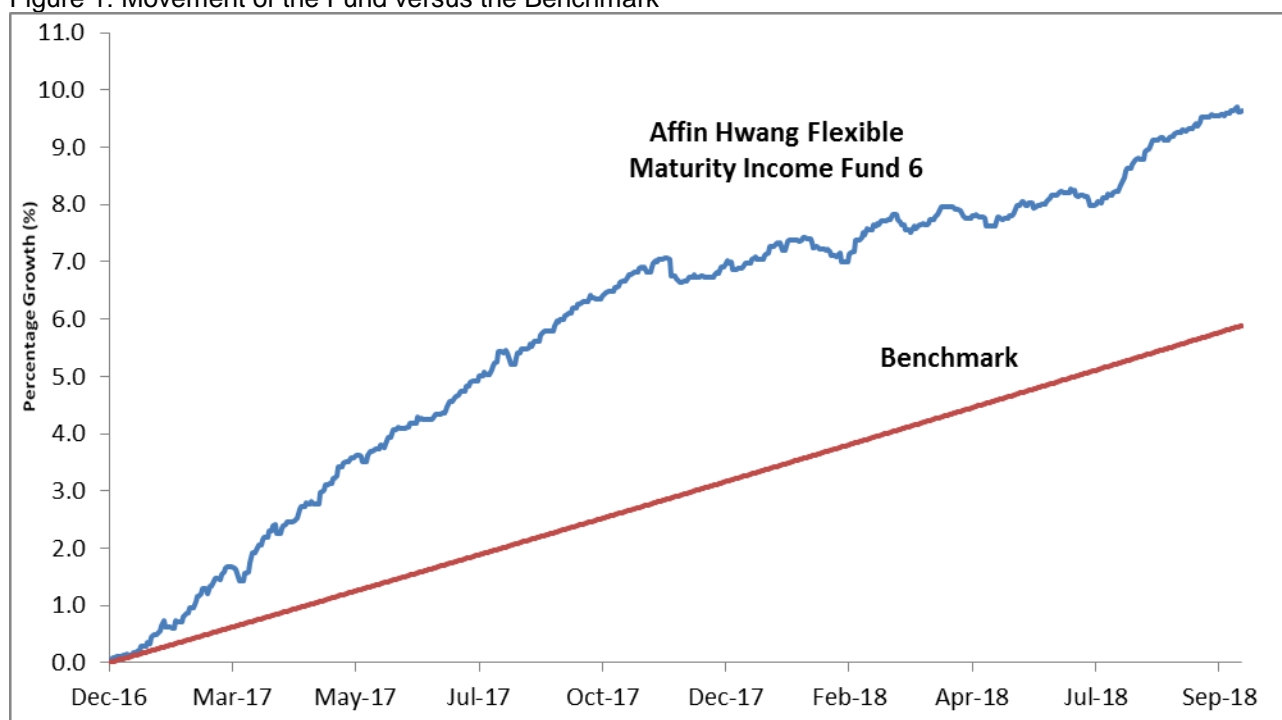
MANAGER'S REPORT

Performance Review

For the period under review from 1 October 2017 to 30 September 2018, the Fund registered a return of 3.10%. Compared to the Benchmark return of 3.30%, the Fund thus underperformed the Benchmark by 0.20%. The Net Asset Value ("NAV") per unit of the Fund as at 30 September 2018 was RM 1.0489 compared to the NAV per unit of RM 1.0635 as at 30 September 2017. During the period under review, the Fund has declared a total income distribution of RM0.046431 per unit by way of reinvestment in the form of additional units.

The Fund has met its objective and still on track to provide annual income distributions and is expected to meet its objective in the longer term.

Figure 1: Movement of the Fund versus the Benchmark



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

Benchmark: 3-years Malayan Banking Berhad fixed deposit rate as at Investment Date

Income Distribution / Unit Split

Affin Hwang Asset Management Berhad last declared a gross distribution of RM0.0464 per unit for investors of the Affin Hwang Flexible Maturity Income Fund 6 over the period under review.

The Net Asset Value per Unit prior and subsequent to the distributions was as follows:

Cum-Distribution Date	Ex-Date	Cum-distribution (RM)	Distribution per Unit (RM)	Ex-distribution (RM)
26 Dec 2017	27 Dec 2017	1.0705	0.0464	1.0242

No unit split were declared for the financial year ended 30 September 2018.

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 Sep 2018</u>	<u>30 Sep 2017</u>
	(%)	(%)
Unquoted fixed income securities – local	22.23	22.83
Unquoted fixed income securities – foreign	60.73	69.99
Cash & cash equivalent	17.04	7.18
Total	100.00	100.00

As at 30 September 2018, the asset allocation of the Fund stood at 82.96% of the Fund's NAV in fixed income securities while the remaining was held in cash & cash equivalent.

Strategies Employed

With the return of volatility in markets, we are gradually raising our cash holdings and will stay more defensive in our allocation with capital protection taking precedence. We maintain a short duration bias for the fund and invest in companies with better corporate financial discipline, where leverage is manageable in a rising rate environment.

Market Review

Global markets enjoyed a strong run up to the tail-end of 2017, where an economic upswing buoyed regional markets particularly in Asia in terms of asset returns and earnings recovery. Accelerated growth, but benign inflation kept policy tightening at bay, creating the right conditions for risk-assets to perform well under a 'Goldilocks' environment.

The strong market rally subsequently took a breather in early-February'18, as markets entered correction territory as strong inflation & labour data prompted concerns that the US Federal Reserve would accelerate the pace of interest rate hikes. Global equities were broadly down as a bond rout deepened which lifted US Treasury Yields to near 3%.

Regionally, the MSCI Asia ex-Japan Index was weighed down by external risk slipping 0.85% in the period under review. Emerging markets are seeing a "tantrum-like" sell-off, where investors' appetite for risk-assets have tapered off significantly on the back of fractious developments within Turkey and Argentina that have sent both their currencies into free fall. Investors are ploughing 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.

Trade remained a key overhang of markets as tensions escalate between the US and China. Following the fresh round of tariffs by the Trump administration who announced 10.0% duties on USD200 billion worth of Chinese imports which took effect on 24 September 2018. Washington had previously toyed with imposing a 25.0% tariff rate that was subsequently postponed to next year. 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, before the new wave of tariffs in September.

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 5% 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.

Fed minutes from the recent August FOMC gathering showed US central bankers confident of strong economic growth where a 25bps rate hike in September has been widely priced-in by markets. If the Fed raises rates at its September policy meeting, that would lift the fed funds rate to a range of 2.00% -2.25%. However, the Fed cautioned against downside risks including escalating trade tensions that could dampen

growth and curb investment spending. Fed officials sounded a dovish stance against the need to raise rates aggressively especially with no strong signal of inflation accelerating and signs of yield curve inversion.

Treasury yields would likely be capped from rising further in the longer term, as we may see investors reallocate back to safe haven instruments should the US-China dispute worsen. Regionally, with more new fixed income issuances rolling in, there may be repricing opportunities which could push yield spreads wider. Technical support for recent supply of bonds haven't been too strong, in which we believe that most managers and investors are awaiting for valuations to correct further from here.

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 wresting 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. The benchmark KLCI edged up 2.14% in the period under review, whilst the small-cap rout deepened with the small-cap index down by -15.74% YTD.

Investment Outlook

The recent market correction will likely presage a new era of higher volatility in markets. We expect volatility to pick-up in the year, as markets adjust to a reversal of a rate-cut cycle, with global central banks expected to gradually lift interest rates and embark on their balance-sheet unwinding. The gradual withdrawal of monetary stimulus would be a key focal point in markets, as markets adjust to tighter liquidity conditions. Inflation data may be a key-data point to monitor in coming quarters, especially if inflation picks up more than market's expectation, which would lead to an acceleration in rate hikes.

We expect a ramping-up of trade protectionist rhetoric and politicking in the lead up to the US midterm elections in November, as President Trump attempts to rile up support for his presidency and protectionist agenda. Nonetheless, our base case is that the outcome will be more modest than the intended threats or rhetoric used, as both parties will have to bring all their bargaining chips onto the negotiation table before eventually arriving at a middle ground. Having said that, we are not dismissing the risk especially due to the severity of the sell-down.

Domestically, markets will look to further clarity from the new government on policy direction of its fiscal and debt management. We expect reform policies to generate a return of monetary and human capital that would drive back capital flows. Whilst, markets could be volatile in the short-term as a result of regulatory uncertainty and kitchen-sinking exercises undertaken by the new government, we expect such concerns to ease as the government clarifies its position and sets policy direction. A robust governance framework will eventually lend to business stability that would attract more sustainable forms of FDIs. This, coupled with fresh pro-growth policies would provide the uplift of growth for the economy and increase wealth distribution

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 FLEXIBLE MATURITY INCOME FUND 6

We have acted as Trustee of Affin Hwang Flexible Maturity Income Fund 6 ("the Fund") for the financial year ended 30 September 2018. To the best of our knowledge, Affin Hwang Asset Management Berhad, the Manager, has operated and managed the Fund in accordance with the following:-

- (a) limitations imposed on the investment powers of the Management Company and the Trustee under the Deeds, the 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, the total distributions of 4.6431 sen per Unit for MYR class have been distributed to the Unitholders of the Fund. We are of the view that the distributions are not inconsistent with the objective of the Fund.

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

NORHAYATI AZIT
DIRECTOR – FUND SERVICES

Kuala Lumpur
13 November 2018

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018**

	<u>Note</u>	<u>2018</u> RM	Financial period from 28.11.2016 (date of launch) to <u>30.9.2017</u> RM
INVESTMENT INCOME			
Interest income	4	6,694,438	4,896,840
Exit fee income		17,129	11,195
Net gain/(loss) on foreign currency exchange		664,305	(123,204)
Net gain on forward foreign currency contracts at fair value through profit or loss		2,795,062	5,610,109
Net loss on financial assets at fair value through profit or loss	9	(5,905,271)	(1,987,972)
Other income		3,005	35,433
		<u>4,268,668</u>	<u>8,442,401</u>
EXPENSES			
Trustee fee	6	(54,465)	(42,936)
Auditors' remuneration		(8,000)	(8,000)
Tax agent's fee		(3,700)	(8,100)
Other expenses		(37,931)	(34,391)
		<u>(104,096)</u>	<u>(93,427)</u>
NET PROFIT BEFORE TAXATION		4,164,572	8,348,974
TAXATION	7	(3,867)	(10,860)
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD		<u>4,160,705</u>	<u>8,338,114</u>
Net profit after taxation is made up of the following:			
Realised amount		6,347,561	5,590,562
Unrealised amount		(2,186,856)	2,747,552
		<u>4,160,705</u>	<u>8,338,114</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 SEPTEMBER 2018**

	<u>Note</u>	<u>2018</u> RM	<u>2017</u> RM
ASSETS			
Cash and cash equivalents	10	17,016,418	4,716,845
Financial assets at fair value through profit or loss	9	113,365,189	129,301,987
Forward foreign currency contracts at fair value through profit or loss	11	6,659,523	5,299,971
Tax recoverable		22,861	20,590
TOTAL ASSETS		<u>137,063,991</u>	<u>139,339,393</u>
LIABILITIES			
Amount due to Trustee		4,495	4,573
Auditors' remuneration		8,000	8,000
Tax agent's fee		8,300	8,100
Other payables and accruals		6,641	6,274
Forward foreign currency contracts at fair value through profit or loss	11	379,237	5,976
TOTAL LIABILITIES		<u>406,673</u>	<u>32,923</u>
NET ASSET VALUE OF THE FUND		<u>136,657,318</u>	<u>139,306,470</u>
EQUITY			
Unitholders' capital		130,230,095	130,968,356
Retained earnings		6,427,223	8,338,114
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>136,657,318</u>	<u>139,306,470</u>
NUMBER OF UNITS IN CIRCULATION	12	<u>130,281,000</u>	<u>130,985,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.0489</u>	<u>1.0635</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 SEPTEMBER 2018**

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 October 2017	130,968,356	8,338,114	139,306,470
Total comprehensive income for the financial year	-	4,160,705	4,160,705
Distribution (Note 8)	-	(6,071,596)	(6,071,596)
Movement in unitholders' capital:			
Cancellation of units	(738,261)	-	(738,261)
Balance as at 30 September 2018	<u>130,230,095</u>	<u>6,427,223</u>	<u>136,657,318</u>
Balance as at 28 November 2016 (date of launch)	-	-	-
Total comprehensive income for the financial period	-	8,338,114	8,338,114
Movement in unitholders' capital:			
Creation of units arising from applications	131,361,000	-	131,361,000
Cancellation of units	(392,644)	-	(392,644)
Balance as at 30 September 2017	<u>130,968,356</u>	<u>8,338,114</u>	<u>139,306,470</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 SEPTEMBER 2018**

	<u>Note</u>	<u>2018</u>	Financial period from 28.11.2016 (date of launch) to <u>30.9.2017</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		68,328,283	84,008,399
Purchase of investments		(57,097,960)	(213,279,856)
Interest received		6,895,728	3,563,778
Exit fee income received		17,129	11,195
Other income received		3,005	35,433
Trustee fee paid		(54,543)	(38,363)
Payment for other fees and expenses		(49,064)	(28,117)
Realised gain on forward foreign currency contracts		1,808,771	316,114
Net realised foreign currency exchange loss		(1,370,832)	(570,102)
Taxation paid		(6,138)	(31,450)
		<u>18,474,379</u>	<u>(126,012,969)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from creation of units		-	131,361,000
Payments for cancellation of units		(738,261)	(392,644)
Payments for distributions		(6,071,596)	-
		<u>(6,809,857)</u>	<u>130,968,356</u>
		<u>11,664,522</u>	<u>4,955,387</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		635,051	(238,542)
EFFECTS OF FOREIGN CURRENCY EXCHANGE			
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR/DATE OF LAUNCH		<u>4,716,845</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR/PERIOD	10	<u><u>17,016,418</u></u>	<u><u>4,716,845</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 SEPTEMBER 2018

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/period. It also requires the Manager to exercise their judgement in the process of applying the Fund's accounting policies. Although these estimates and judgement are based on the Manager's best knowledge of current events and actions, actual results may differ.

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

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

The Fund has applied the following amendments for the first time for the financial year beginning on 1 October 2017:

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative'.

The adoption of these amendments did not have any impact on the current year and is not likely to affect future years.

(b) The new standards and amendments to the published standards that are applicable to the Fund but not yet effective and have not been early adopted are as follows:

(i) Financial year beginning on/after 1 October 2018

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) The new standard and amendments to the published standard that is applicable to the Fund but not yet effective and has not been early adopted is as follows: (continued)

(i) Financial year beginning on/after 1 October 2018 (continued)

A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Fund has reviewed its financial assets and liabilities and does not expect any impact from the adoption of the new standard on 1 October 2018.

There will be no impact on the Fund's accounting for financial assets as the Fund's equity investments currently measured at fair value through profit or loss will continue to be measured on the same basis under MFRS 9.

There will be no impact on the Fund's accounting for financial liabilities as the Fund's investments in forward foreign currency contracts will continue to be measured on the same basis under MFRS 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost. Based on the assessments undertaken to date, the Fund does not expect any loss allowance to be recognised upon adoption of MFRS 9.

B INCOME RECOGNITION

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.

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 SEPTEMBER 2018 (CONTINUED)

B INCOME RECOGNITION (CONTINUED)

Exit fee income is a redemption fee charged to unitholders on cancellation of units before the maturity date and is recognised upon cancellation of units.

C 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 period.

Tax on interest income from foreign unquoted fixed income securities is based on the tax regime of the respective countries that the Fund invests in.

E FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Fund's functional and presentation currency.

F FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

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.

Derivatives are financial assets/liabilities at fair value through profit or loss categorised as held-for-trading unless they are designated hedges (Note K).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(i) Classification (continued)

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.

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 Trustee, auditors' remuneration, tax agent's fee and other payables and accruals as other financial liabilities.

(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.

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 foreign transactions are presented in the statement of comprehensive income within 'net gain on financial assets at fair value through profit and loss' in the period which they arise.

Unquoted fixed income securities 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's Guidelines on Unit Trust Funds. Where such quotations are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income security 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 a 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

Unquoted fixed income securities denominated in foreign currencies are revalued at least twice a week by reference to the mid price quoted in Bloomberg using Composite Bloomberg Bond Trader (CBBT) which is a weighted average bid and ask of price contributions submitted by Bloomberg Dealers. However, if such quotations are not available, the fair value shall be determined by reference to the bid and offer prices quoted by independent and reputable financial institutions.

Prior to 1 June 2018, the valuation of money market instruments are based on the amortisation cost. Effective 1 June 2018, the valuation of Ringgit denominated money market instruments will be done using the price quoted by a BPA registered with the SC. For foreign money market instruments, valuation will be done using the average indicative yield quoted by 3 independent and reputable institutions.

Derivative investments consist of forward foreign currency contracts. Financial derivative positions will be "marked to market" at the close of each valuation day. Foreign exchange gains and losses on the derivative financial instrument are recognised in profit or loss when settled or at the date of the statement of financial position at which time they are included in the measurement of the derivative financial instrument.

Deposit 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 deposit.

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

(iii) Impairment

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (continued)

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.

H CASH AND CASH EQUIVALENTS

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

I UNITHOLDERS' CAPITAL

The unit holders' 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 unit holder 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 unit holders 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 SEPTEMBER 2018 (CONTINUED)

K DERIVATIVE FINANCIAL INSTRUMENTS

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

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The Fund's derivative financial instruments comprise forward foreign currency contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

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

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held-for-trading and accounted for in accordance with the accounting policy set out in Note G.

L CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name Affin Hwang Flexible Maturity Income Fund 6 (the "Fund") pursuant to the execution of a Deed dated 23rd June 2016 (the "Deed") entered into between Affin Hwang Asset Management Berhad (the "Manager") and TMF Trustees Malaysia Berhad (the "Trustee").

The Fund commenced operations on 28th November 2016 and will continue its operations until terminated by the Trustee as provided under Clause 12.1 of the Deed or on maturity date of the Fund which falls on the third anniversary of the investment date or such earlier date in accordance with the provisions of the Deed or subject to the early maturity feature.

The Fund may invest in any of the following investments:

- (a) Bonds and other forms of securitised debt;
- (b) Money market instruments;
- (c) Fixed deposits;
- (d) Derivatives;
- (e) Structured products; and
- (f) Any other form of investments as may be permitted by the SC from time to time which is in line with the objective of the Fund.

All investments will be subjected to the Securities Commission's ("SC") Guidelines on Unit Trust Fund, the Deed and the objective of the Fund.

The main objective of the Fund is to provide income through investments in fixed income instruments.

The Manager is a company incorporated in Malaysia. The principal activities of the Manager are establishment and management of unit trust funds 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 13 November 2018.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	<u>Note</u>	<u>Loans and receivables</u> RM	<u>Financial assets/ (liabilities) at fair value through profit or loss</u> RM	<u>Total</u> RM
<u>2018</u>				
Unquoted fixed income securities	9	-	113,365,189	113,365,189
Cash and cash equivalents	10	17,016,418	-	17,016,418
Forward foreign currency contracts	11	-	6,280,286	6,280,286
Total		<u>17,016,418</u>	<u>119,645,475</u>	<u>136,661,893</u>
<u>2017</u>				
Unquoted fixed income securities	9	-	129,301,987	129,301,987
Cash and cash equivalents	10	4,716,845	-	4,716,845
Forward foreign currency contracts	11	-	5,293,995	5,293,995
Total		<u>4,716,845</u>	<u>134,595,982</u>	<u>139,312,827</u>

All current liabilities, except forward foreign currency contracts 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, interest rate risk and currency risk), credit risk, liquidity risk and capital risk.

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

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

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

Market risk (continued)

(a) Price risk(continued)

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

	<u>2018</u> RM	<u>2017</u> RM
Unquoted investment		
Unquoted fixed income securities designated at fair value through profit or loss*	113,365,189	129,301,987

* Includes interest receivable of RM1,365,817 (2017: RM1,418,461).

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 prices.

<u>% Change in price</u>	<u>Market value</u> RM	<u>Impact on</u> <u>profit after</u> <u>tax/NAV</u> RM
<u>2018</u>		
-5%	106,399,403	(5,599,969)
0%	111,999,372	-
+5%	117,599,341	5,599,969
<u>2017</u>		
-5%	121,489,350	(6,394,176)
0%	127,883,526	-
+5%	134,277,702	6,394,176

(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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

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

Market risk (continued)

(b) Interest rate risk (continued)

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 net asset value 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>2018</u> RM	<u>2017</u> RM
+ 1%	(123,488)	(149,976)
- 1%	122,884	150,358

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

(c) Currency risk

Currency risk is associated with investments denominated in foreign currencies. When the foreign currencies fluctuate in an unfavourable movement against Ringgit Malaysia, the investments will face currency losses in addition to the capital gain/(loss). The Manager will evaluate the likely directions of a foreign currency versus Ringgit Malaysia based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels and technical chart considerations.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

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

Market risk (continued)

(c) Currency risk (continued)

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

	Unquoted fixed income <u>securities</u> RM	Forward foreign currency <u>contracts</u> RM	Cash and cash <u>equivalents</u> RM	<u>Total</u> RM
<u>2018</u>				
Australian Dollar	-	-	2,819	2,819
Euro	2,969,969	(58,203)	77,189	2,988,955
Singapore Dollar	5,414,021	(94,036)	1,653,180	6,973,165
United States Dollar	74,608,640	6,432,525	7,658,415	88,699,580
	<u>82,992,630</u>	<u>6,280,286</u>	<u>9,391,603</u>	<u>98,664,519</u>
<u>2017</u>				
Australian Dollar	-	-	3,124	3,124
Euro	2,490,890	60,756	69,418	2,621,064
Singapore Dollar	9,057,166	91,090	647,897	9,796,153
United States Dollar	85,947,470	5,142,149	824,559	91,914,178
	<u>97,495,526</u>	<u>5,293,995</u>	<u>1,544,998</u>	<u>104,334,519</u>

The table below summarises the sensitivity of the Fund's profit after tax and net asset value to changes in foreign exchange movements. The analysis is based on the assumption that the foreign exchange rate changes by 5%, with all other variables held constants. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Any increase/ (decrease) in foreign exchange rate will result in a corresponding (decrease)/ increase in the net assets attributable to unitholders by approximately 5%. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	<u>Change in price</u> %	<u>Impact on profit after tax/NAV</u> RM
<u>2018</u>		
Australian Dollar	+/-5	+/- 141
Euro	+/-5	+/- 149,448
Singapore Dollar	+/-5	+/- 348,658
United States Dollar	+/-5	<u>+/- 4,434,979</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)

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

Market risk (continued)

(c) Currency risk (continued)

The table below summarises the sensitivity of the Fund's profit after tax and net asset value to changes in foreign exchange movements. The analysis is based on the assumption that the foreign exchange rate changes by 5%, with all other variables held constants. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Any increase/ (decrease) in foreign exchange rate will result in a corresponding (decrease)/ increase in the net assets attributable to unitholders by approximately 5%. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative. (continued)

	<u>Change in price</u> %	Impact on profit after <u>tax/NAV</u> RM
<u>2017</u>		
Australian Dollar	+/-5	+/- 156
Euro	+/-5	+/- 131,053
Singapore Dollar	+/-5	+/- 489,808
United States Dollar	+/-5	<u>+/- 4,595,709</u>

Credit risk

Credit risk refers to the ability of an issuer or counterparty to make timely payments of interest, principals and proceeds from realisation of investment. The Manager manages the credit risk by undertaking credit evaluation to minimise such risk.

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

For unquoted fixed income securities, the Manager regularly reviews the rating assigned to the issuer so that necessary steps can be taken if the rating falls below those described in the Deed and SC's Guidelines on Unit Trust Funds.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

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

Credit risk (continued)

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

	<u>Unquoted fixed income securities</u> RM	<u>Forward foreign currency contracts</u> RM	<u>Cash and cash equivalents</u> RM	<u>Total</u> RM
<u>2018</u>				
Financial Services				
- AAA	-	4,166,598	17,016,418	21,183,016
- AA2	-	463,680	-	463,680
- AA3	-	2,029,245	-	2,029,245
Consumer Goods				
- A1	9,991,774	-	-	9,991,774
- Baa2	2,085,097	-	-	2,085,097
Financial Services				
- AA2	2,114,153	-	-	2,114,153
- AA3	3,085,541	-	-	3,085,541
- AA-	2,029,606	-	-	2,029,606
- A1	7,739,198	-	-	7,739,198
- A3	6,148,271	-	-	6,148,271
- B2	3,656,080	-	-	3,656,080
- BBB+	994,441	-	-	994,441
- Baa1	6,656,873	-	-	6,656,873
- Baa2	3,206,976	-	-	3,206,976
- Baa3	10,241,881	-	-	10,241,881
- BBB-	1,786,436	-	-	1,786,436
- Ba1	2,251,541	-	-	2,251,541
- BB	4,044,561	-	-	4,044,561
- Ba2	8,940,501	-	-	8,940,501
- BB-	741,429	-	-	741,429
- Ba3	3,330,772	-	-	3,330,772
- NR	7,751,916	-	-	7,751,916
Utilities				
- Baa2	2,153,590	-	-	2,153,590
Basic Materials				
- BBB+	1,038,232	-	-	1,038,232
- Ba3	2,061,825	-	-	2,061,825
Industrials				
- Baa1	812,213	-	-	812,213
- NR	20,502,282	-	-	20,502,282
	<u>113,365,189</u>	<u>6,659,523</u>	<u>17,016,418</u>	<u>137,041,130</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

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

Credit risk (continued)

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

	<u>Unquoted fixed income securities</u> RM	<u>Forward foreign currency contracts</u> RM	<u>Cash and cash equivalents</u> RM	<u>Total</u> RM
<u>2017</u>				
Basic Materials				
- Ba3	909,391	-	-	909,391
Consumer Goods				
- Baa2	2,230,424	-	-	2,230,424
Consumer Services				
- AA-	2,549,253	-	-	2,549,253
- AAA	5,074,773	-	-	5,074,773
Finance				
- A-	2,504,061	-	-	2,504,061
- A1	1,570,663	-	-	1,570,663
- A2	865,877	-	-	865,877
- A3	4,363,196	-	-	4,363,196
- AA-	2,034,586	-	-	2,034,586
- AA2	4,192,629	654,920	-	4,847,549
- AA3	6,634,574	1,370,063	-	8,004,637
- AAA	2,042,376	3,274,988	4,716,845	10,034,209
- B1	846,183	-	-	846,183
- B2	3,834,250	-	-	3,834,250
- Ba1	1,331,921	-	-	1,331,921
- Ba2	11,984,708	-	-	11,984,708
- Baa1	6,937,710	-	-	6,937,710
- Baa2	6,053,224	-	-	6,053,224
- Baa3	11,726,049	-	-	11,726,049
- BB	1,923,256	-	-	1,923,256
- BB-	3,114,907	-	-	3,114,907
- BB+	935,046	-	-	935,046
- BBB-	3,974,146	-	-	3,974,146
- BBB+	1,087,574	-	-	1,087,574
- NR	7,407,035	-	-	7,407,035
Government				
- Baa3	2,187,528	-	-	2,187,528
Health Care				
- NR	864,942	-	-	864,942
Industrials				
- AA2	2,544,402	-	-	2,544,402
- Ba3	2,104,437	-	-	2,104,437
- Baa1	853,506	-	-	853,506
- Baa2	873,624	-	-	873,624
- BBB-	3,699,729	-	-	3,699,729
- NR	16,895,689	-	-	16,895,689

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES 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	Forward foreign currency <u>contracts</u> RM	Cash and cash <u>equivalents</u> RM	<u>Total</u> RM
<u>2017 (continued)</u>				
Utilities - Baa2	3,150,318	-	-	3,150,318
	<u>129,301,987</u>	<u>5,299,971</u>	<u>4,716,845</u>	<u>139,318,803</u>

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

Liquidity risk

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

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

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>2018</u>			
Amount due to Trustee	4,495	-	4,495
Auditors' remuneration	-	8,000	8,000
Tax agent's fee	-	8,300	8,300
Other payables and accruals	-	6,641	6,641
Forward foreign currency contracts at fair value through profit or loss	65,021	314,216	379,237
	<u>69,516</u>	<u>337,157</u>	<u>406,673</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

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

Liquidity risk (continued)

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

	<u>Within one month</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>2017</u>			
Amount due to Trustee	4,573	-	4,573
Auditors' remuneration	-	8,000	8,000
Tax agent's fee	-	8,100	8,100
Other payables and accruals	274	6,000	6,274
Forward foreign currency contracts at fair value through profit or loss	-	5,976	5,976
	<u>4,847</u>	<u>28,076</u>	<u>32,923</u>

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 period end date. The Fund utilises the current bid prices 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

3 FAIR VALUE ESTIMATION (CONTINUED)

(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.

The following table analyses within the fair value hierarchy of 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>2018</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	113,365,189	-	113,365,189
- forward foreign currency contracts	-	6,280,286	-	6,280,286
	<u>-</u>	<u>119,645,475</u>	<u>-</u>	<u>119,645,475</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>2017</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	129,301,987	-	129,301,987
- forward foreign currency contracts	-	5,293,995	-	5,293,995
	<u>-</u>	<u>134,595,982</u>	<u>-</u>	<u>134,595,982</u>
	<u>-</u>	<u>134,595,982</u>	<u>-</u>	<u>134,595,982</u>

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

- (ii) The carrying values of cash and cash equivalents, amount due from dealer, exit fee receivable and all current liabilities, except for forward foreign currency contracts are a reasonable approximation of the fair values due to their short term nature.

4 INTEREST INCOME

	<u>2018</u> RM	Financial period from 28.11.2016 (date of launch) to <u>30.9.2017</u> RM
Interest income from:		
- short-term deposits with licensed financial institutions	106,686	577,859
- unquoted fixed income securities	6,587,752	4,318,981
	<u>6,694,438</u>	<u>4,896,840</u>
	<u>6,694,438</u>	<u>4,896,840</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

5 MANAGEMENT FEE

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

The Manager does not intend to impose any management fee in respect of this Fund.

6 TRUSTEE FEE

In accordance with the Prospectus, the Trustee is entitled to an annual fee at a rate not exceeding 0.10% per annum on the NAV of the Fund, exclusive of foreign custodian fees.

For the financial year ended 30 September 2018, the Trustee fee is recognised at a rate of 0.04% (2017: 0.04%) per annum on the NAV of the Fund calculated on a daily basis, exclusive of foreign custodian fees, as stated in the Fund's Prospectus.

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

7 TAXATION

	<u>2018</u> RM	Financial period from 28.11.2016 (date of launch) to <u>30.9.2017</u> RM
Current taxation - local	<u>3,867</u>	<u>10,860</u>

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>2018</u> RM	Financial period from 28.11.2016 (date of launch) to <u>30.9.2017</u> RM
Net profit before taxation	<u>4,164,572</u>	<u>8,348,974</u>
Tax at Malaysian statutory rate of 24% (2017: 24%)	999,497	2,003,754
Tax effects of:		
Investment income not subject to tax	(1,020,352)	(2,014,986)
Expenses not deductible for tax purposes	22,346	19,068
Restriction on tax deductible expenses for unit trust funds	<u>2,376</u>	<u>3,024</u>
Tax expense	<u>3,867</u>	<u>10,860</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

8 DISTRIBUTION

	<u>2018</u> RM	Financial period from 28.11.2016 (date of launch) to <u>30.9.2017</u> RM
Distribution to unitholders is from the following sources:		
Realised gain on sale of investment	758,969	-
Previous year's realised income	5,312,627	-
Gross realised income	6,071,596	-
Less: expenses	-	-
Net distribution amount	<u>6,071,596</u>	<u>-</u>
Gross/net distribution per unit (sen)	<u>4.6431</u>	<u>-</u>
Ex-date	<u>27.12.2017</u>	<u>-</u>

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 RM5,312,627 (2017: RM Nil) made from previous year's realised income.

The Fund has incurred an unrealised loss of RM2,186,856 (2017: RM Nil) for the financial year ended 30 September 2018.

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2018</u> RM	<u>2017</u> RM
Designated at fair value through profit or loss at inception:		
- unquoted fixed income securities – local	30,372,559	31,806,461
- unquoted fixed income securities – foreign	82,992,630	97,495,526
	<u>113,365,189</u>	<u>129,301,987</u>
Net loss on financial assets at fair value through profit or loss:		
- realised (loss)/gain on sale of investments	(2,195,775)	118,616
- unrealised loss on changes in fair value	(3,709,496)	(2,106,588)
	<u>(5,905,271)</u>	<u>(1,987,972)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

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

(a) Unquoted fixed income securities – local

(i) Unquoted fixed income securities – local as at 30 September 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>				
4.50% Tan Chong Motor Holdings Bhd 22.11.2019 (A1)	10,000,000	9,985,679	9,991,774	7.31
4.60% UEM Sunrise Bhd 13.12.2018 (AA-)	2,000,000	2,027,662	2,029,606	1.49
5.80% CIMB Capital Sec Call: 25.5.2021 (A1)	5,000,000	5,204,537	5,205,493	3.81
6.00% TF Varlik Kiralama AS 28.06.2019 (A1)	2,500,000	2,531,476	2,533,705	1.85
6.50% Eco World Capital Assets Bhd 12.08.2022 (NR)	2,000,000	2,017,096	2,025,636	1.48
6.80% Mah Sing Group Bhd Call: 31.03.2020 (NR)	250,000	250,267	250,972	0.18
6.90% Mah Sing Group Bhd Call: 4.4.2022 (NR)	3,000,000	3,102,649	3,135,679	2.30
7.20% Public Finance Bhd Call: 13.11.2019 (AA2)	2,000,000	2,160,585	2,114,153	1.55
4.95% RHB Investment Bank Bhd Call: 16.4.2020 (AA3)	3,000,000	3,080,551	3,085,541	2.26
Total unquoted fixed income securities – local	<u>29,750,000</u>	<u>30,360,502</u>	<u>30,372,559</u>	<u>22.23</u>
Accumulated unrealised gain on unquoted fixed income securities – local		<u>12,057</u>		
Total unquoted fixed income securities – local		<u>30,372,559</u>		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

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

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

(ii) Unquoted fixed income securities – local as at 30 September 2017 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>				
5.35% ADCB Finance Cayman Ltd 22.11.2017 (AAA)	2,000,000	2,041,882	2,042,376	1.46
4.45% Ambank (M) Bhd Call: 16.10.2017 (AA3)	5,000,000	5,110,972	5,103,051	3.66
4.75% Berjaya Land Berhad 15.12.2017 (AAA)	5,000,000	5,070,908	5,074,773	3.64
5.80% CIMB Group Holdings Bhd (Call: 25.05.2021) (A1)	1,500,000	1,565,850	1,570,663	1.13
6.5% Eco World Capital Assets Bhd 12.08.2022 (NR)	2,000,000	2,017,096	2,018,376	1.45
4.8% Lafarge Cement Sdn Bhd 13.01.2020 (AA2)	2,500,000	2,526,324	2,544,402	1.83
6.9% Mah Sing Group Bhd Call: 04.04.2022 (NR)	3,000,000	3,102,649	3,144,829	2.26
6.3% Malayan Banking Bhd Call: 25.09.2018 (AA2)	2,000,000	2,040,435	2,036,091	1.46
7.2% PBFIN Bhd Call: 13.11.2019 (AA2)	2,000,000	2,160,672	2,156,538	1.55
5.5% RHB Bank Bhd Call: 30.11.2017 (AA3)	1,500,000	1,538,398	1,531,523	1.10
4.82% Sports Toto Malaysia Sdn Bhd 28.06.2019 (AA-)	2,500,000	2,542,509	2,549,253	1.83
4.60% UEM Sunrise Bhd 13.12.2018 (AA-)	2,000,000	2,027,960	2,034,586	1.46
Total unquoted fixed income securities – local	<u>31,000,000</u>	<u>31,745,655</u>	<u>31,806,461</u>	<u>22.83</u>
Accumulated unrealised gain on unquoted fixed income securities – local		<u>60,806</u>		
Total unquoted fixed income securities – local		<u>31,806,461</u>		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

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

(b) Unquoted fixed income securities – foreign

(i) Unquoted fixed income securities – foreign as at 30 September 2018 are as follows:

<u>Name of issuer</u>	Percentage <u>value</u> RM	Nominal <u>cost</u> RM	Adjusted <u>value</u> RM	Fair <u>of NAV</u> %
<u>Bonds</u>				
5.750% Ausnet Services Holdings Call: 17.9.2021 (Baa2)	2,068,500	2,408,002	2,153,590	1.58
7.125% UBS Group AG Call: 19.02.2020 (BB)	827,400	961,875	885,763	0.65
4.000% China Life Insurance Co Call: 3.7.2020 (A3)	6,205,500	6,484,610	6,148,271	4.50
6.463% Axa SA (Call: 14.12.2018) (Baa1)	1,034,250	1,127,195	1,042,430	0.76
8.250% Societe Generale Call: 29.11.2018 (Ba2)	2,068,500	2,374,357	2,142,673	1.57
6.500% Standard Chartered Plc Call: 2.4.2020 (Ba1)	1,241,100	1,330,210	1,279,723	0.94
6.875% HSBC Holdings Plc Call: 1.6.2021 (Baa3)	4,137,000	4,612,172	4,391,080	3.21
3.876% Chong Hing Bank Ltd Call: 26.07.2022 (BBB-)	1,861,650	1,849,967	1,786,436	1.31
5.875% Yanlord Land HK Co Ltd Call: 23.01.2020 (Ba3)	3,309,600	3,608,727	3,330,772	2.44
6.500% Chong Hing Bank Ltd Call: 25.9.2019 (Ba2)	4,137,000	4,620,884	4,214,707	3.08
7.750% Bukit Makmur Mandiri Utama Call: 13.02.2020 (Ba3)	827,400	878,941	857,545	0.63
7.250% Asahi Mutual Life Insurance Co Call: 24.1.2022 (BB)	2,068,500	2,249,910	2,170,669	1.59
4.475% Heungkuk Life Insurance Call: 9.11.2022 (Baa3)	1,034,250	1,075,631	946,289	0.69
4.000% CK Hutchison Capital Sec17 Ltd Call: 12.5.2022 (Baa1)	827,400	881,879	812,213	0.59
8.975% KWG Property Holding Ltd Call: 4.10.2018 (B2)	3,102,750	3,402,986	3,192,098	2.34
9.000% Moon Wise Global Ltd Call: 29.01.2019 (NR)	2,275,350	2,434,003	2,339,629	1.71
4.800% Press Metal Labuan Ltd Call: 30.10.2020 (Ba3)	1,241,100	1,295,787	1,204,280	0.88
7.000% Yinson TMC Sdn Bhd Call: 25.9.2020 (NR)	20,685,000	22,083,178	20,502,282	15.00
4.375% IOI Investment Bhd 27.6.2022 (Baa2)	2,068,500	2,281,383	2,085,097	1.52
4.400% ABN Amro Bank NV Call: 27.03.2023 (Baa2)	2,482,200	2,666,650	2,442,706	1.79
4.625% Demeter Investments B.V. Call: 15.8.2022 (BBB+)	1,034,250	1,080,112	994,441	0.73

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

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

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

(i) Unquoted fixed income securities – foreign as at 30 September 2018 are as follows:
(continued)

<u>Name of issuer</u>	Percentage <u>value</u> RM	Nominal <u>cost</u> RM	Adjusted <u>value</u> RM	Fair <u>of NAV</u> %
<u>Bonds (continued)</u>				
3.600% DBS Group Holdings Ltd Call: 7.9.2021 (Baa1)	827,400	875,919	804,978	0.59
3.875% United Overseas Bank Ltd Call: 19.10.2023 (Baa1)	1,241,100	1,287,642	1,188,648	0.87
5.000% Pakuwon Prima Pte Ltd Call: 14.02.2021 (Ba2)	1,654,800	1,786,202	1,573,099	1.15
9.750% Marquee Land Pte Ltd Call: 1.10.2018 (B2)	446,796	489,447	463,982	0.34
3.600% Franshion Brilliant Ltd 03.03.2022 (Baa3)	1,034,250	1,102,804	996,190	0.73
4.500% Huarong Finance Call: 24.1.2022 (Baa1)	3,723,300	3,997,850	3,620,817	2.65
4.875% Chalco HK Investment Co Ltd 07.09.2021 (BBB+)	1,034,250	1,024,905	1,038,232	0.76
6.250% Banco Santander SA Call: 12.3.2019 (Ba1)	960,580	943,687	971,818	0.71
6.750% Banco Bilbao Vizcaya Arg SA Call: 18.2.2020 (Ba2)	960,580	1,004,332	1,010,022	0.74
7.000% Banco Bilbao Vizcaya Arg SA Call: 19.2.2019 (BB)	960,580	983,307	988,129	0.72
5.750% Julius Baer Group Ltd Call: 20.4.2022 (Baa3)	1,512,100	1,669,894	1,598,646	1.17
4.700% HSBC Holdings Call: 8.6.2022 (Baa3)	2,268,150	2,384,004	2,309,676	1.69
3.750% Landesbank Baden -Wuerttemberg Call: 18.5.2022 (Baa2)	756,050	782,689	764,270	0.56
4.850% PT Ciputra Development Tbk 20.09.2021 (BB-)	756,050	779,630	741,429	0.54
Total unquoted fixed income securities – foreign	<u>82,673,186</u>	<u>88,820,771</u>	<u>82,992,630</u>	<u>60.73</u>
Accumulated unrealised loss on unquoted fixed income securities – foreign		<u>(5,828,141)</u>		
Total unquoted fixed income securities – foreign		<u>82,992,630</u>		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

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

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

(ii) Unquoted fixed income securities – foreign as at 30 September 2017 are as follows:

<u>Name of issuer</u>	Percentage <u>value</u> RM	Nominal <u>cost</u> RM	Adjusted <u>value</u> RM	Fair <u>of NAV</u> %
<u>Bonds</u>				
4.40% ABN AMRO Bank NV Call: 27.03.2023 (Baa2)	2,531,400	2,667,396	2,618,452	1.88
5.50% Allianz SE Call: 26.09.2018 (A2)	843,800	912,258	865,877	0.62
7.25% Asahi Mutual Life Insurance Co Call: 24.01.2022 (BB-)	2,109,500	2,250,464	2,324,233	1.67
5.75% AusNet Services Hldgs Pty Ltd Call: 17.09.2021 (Baa2)	2,109,500	2,408,536	2,297,954	1.65
6.463% AXA SA Call: 14.12.2018 Baa1)	1,054,750	1,127,711	1,104,755	0.79
7% Banco Bilbao Vizcaya Arg SA Call: 19.02.2019 (BB)	995,980	983,731	1,047,551	0.75
7.75% Bukit Makmur Mandiri Utama Call: 13.02.2020 (Ba3)	843,800	882,398	909,391	0.65
2.75% China Great Wall Int Hldg III 31.08.2020 (Baa1)	1,054,750	1,070,183	1,053,767	0.76
4.00% China Life Insurance Co. Ltd 03.07.2075 (A3)	4,219,000	4,454,677	4,363,196	3.13
3.876% Chong Hing Bank Ltd Call: 26.07.2022 (BBB-)	1,054,750	1,079,256	1,063,819	0.76
6.50% Chong Hing Bank Ltd Call: 25.09.2019 (Ba2)	4,219,000	4,622,803	4,398,238	3.16
5.375% CIFI Holdings Group Co Ltd Call: 24.08.2022 (B1)	843,800	863,761	846,183	0.61
4.85% Ciputra Development Tbk PT 20.09.2021 (BB-)	776,875	779,661	790,674	0.57
4% CK Hutchison Capital Sec17 Ltd Call: 12.05.2022 (Baa2)	843,800	882,132	873,624	0.63
4.875% Commerzbank AG Call: 01.03.2022 (BBB-)	1,553,750	1,575,126	1,659,261	1.19
4.25% Dah Sing Bank Ltd Call: 30.11.2021 (Baa2)	1,476,650	1,599,465	1,537,317	1.10
5.25% Dah Sing Bank Ltd Call: 29.01.2019 (Baa2)	1,054,750	1,156,016	1,095,191	0.79
3.60% DBS Group Holdings Ltd Call: 07.09.2021 (Baa1)	843,800	875,776	848,525	0.61
4.625% Demeter Invt BV for Swiss Re Call: 15.08.2022 (BBB+)	1,054,750	1,085,518	1,087,574	0.78

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

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

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

(ii) Unquoted fixed income securities – foreign as at 30 September 2017 are as follows (continued):

<u>Name of issuer</u>	Percentage <u>value</u> RM	Nominal <u>cost</u> RM	Adjusted <u>value</u> RM	Fair <u>of NAV</u> %
<u>Bonds (continued)</u>				
3.5% Dianjian Haiyu Ltd Call: 14.06.2022 (Baa1)	843,800	863,559	853,506	0.61
3.25% Enn Energy Holdings Ltd 24.07.2022 (Baa2)	843,800	861,553	852,364	0.61
3.6% Franshion Brilliant Ltd 03.03.2022 (Baa3)	1,054,750	1,099,739	1,063,293	0.76
4% Franshion Brilliant Ltd Call: 03.01.2023 (Baa3)	1,054,750	1,081,938	1,065,907	0.76
3.375% HK Red Star Macalline Uni Home 21.09.2022 (BBB-)	1,265,700	1,254,995	1,251,066	0.90
4.7% HSBC Holdings PLC Call: 08.06.2022 (Baa3)	2,330,625	2,385,153	2,458,129	1.76
6% HSBC Holdings PLC Call: 29.09.2023 (Baa3)	1,244,975	1,292,982	1,443,339	1.04
6.875% HSBC Holdings PLC Call: 01.06.2021 (Baa3)	2,109,500	2,421,735	2,348,542	1.68
4.5% Huarong Finance 2017 Co Call: 24.01.2022 (Baa1)	3,797,100	3,998,123	3,930,663	2.82
4.375% IOI Investment Bhd 27.06.2022 (Baa2)	2,109,500	2,288,826	2,230,424	1.60
5.75% Julius Baer Group Ltd Call: 20.04.2022 (Baa3)	1,553,750	1,671,642	1,694,264	1.22
8.975% KWG Property Holding Ltd Call: 10.11.2017 (B2)	3,164,250	3,485,441	3,347,766	2.40
3.75% Landesbank Baden -Wuerttemberg Call: 18.05.2022 (Baa2)	776,875	783,219	802,264	0.58
9.75% Marquee Land Ptd Ltd Call: 10.11.2017 (B2)	455,652	514,306	486,484	0.35
9.00% Moon Wise Global Ltd Call: 28.01.2019 (NR)	1,054,750	1,225,431	1,137,600	0.82
5% Pakuwon Prima Pte Ltd Call: 14.02.2021 (Ba2)	1,687,600	1,786,416	1,722,580	1.24
4.25% Parkway Pantai Ltd Call: 27.07.2022 (NR)	843,800	864,475	864,942	0.62
3.4% Perusahaan Penerbit SBSN 29.03.2022 (Baa3)	2,109,500	2,249,260	2,187,528	1.57
4.5% Postal Savings Bk China Co Ltd Call: 27.09.2022 (Ba3)	2,109,500	2,099,055	2,104,437	1.51

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

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

(b) Unquoted fixed income securities – foreign

(ii) Unquoted fixed income securities – foreign as at 30 September 2017 are as follows (continued):

<u>Name of issuer</u>	Percentage <u>value</u> RM	Nominal <u>cost</u> RM	Adjusted <u>value</u> RM	Fair <u>of NAV</u> %
<u>Bonds (continued)</u>				
3% QBE Insurance Group Ltd 25.05.2023 (A-)	2,531,400	2,496,884	2,504,061	1.80
4.75% Shimao Property Holdings Ltd Call: 03.07.2020 (BB)	843,800	867,097	875,705	0.63
5.7% Shui On Development Hldgs Ltd 06.02.2021 (NR)	1,054,750	1,112,477	1,106,230	0.79
4.30% Societe Generale SA Call: 19.05.2021 (Baa3)	1,553,750	1,627,094	1,652,575	1.19
8.25% Societe Generale SA Call: 29.11.2018 (Ba2)	2,109,500	2,376,278	2,292,938	1.65
6.50% Standard Chartered PLC Call: 02.04.2020 (Ba1)	1,265,700	1,330,710	1,331,921	0.96
4.5% Tewoo Group Finance No 2 Ltd 16.12.2019 (BBB-)	2,531,400	2,641,211	2,601,330	1.87
4.625% Tewoo Group Finance No 3 Ltd 06.04.2020 (BBB-)	1,054,750	1,122,018	1,098,399	0.79
7.125% UBS AG Call: 19.02.2020 (BB+)	843,800	962,969	935,046	0.67
5.875% Yanlord Land HK Co Ltd Call: 23.1.2020 (Ba2)	3,375,200	3,609,455	3,570,952	2.56
7.00% Yinson TMC Sdn Bhd Call: 25.09.2020 (NR)	16,876,000	18,012,011	16,895,689	12.13
Total unquoted fixed income securities – foreign	<u>93,934,632</u>	<u>99,662,920</u>	<u>97,495,526</u>	<u>69.99</u>
Accumulated unrealised loss on unquoted fixed income securities – foreign		<u>(2,167,394)</u>		
Total unquoted fixed income securities – foreign		<u>97,495,526</u>		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

10 CASH AND CASH EQUIVALENTS

	<u>2018</u> RM	<u>2017</u> RM
Cash and bank balances	9,460,055	1,563,462
Deposit with a licensed financial institution	7,556,363	3,153,383
	<u>17,016,418</u>	<u>4,716,845</u>

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

	<u>2018</u> %	<u>2017</u> %
Deposit with a licensed financial institution	<u>3.25</u>	<u>3.05</u>

The deposit with a licensed financial institution has an average maturity of 1 day (2017: 2 days).

11 FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 20 (2017: 23) forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward currency contracts amounted to RM 95,981,235 (2017: RM100,479,360). The forward currency contracts entered into during the financial year/period were for hedging against the currency exposure arising from the investment in the foreign unquoted fixed income securities denominated in Euro, Singapore Dollar and United States Dollar. As the Fund has not adopted hedge accounting during the financial period, the change in the fair value of the forward foreign currency contract is recognised immediately in the statement of comprehensive income.

12 NUMBER OF UNITS IN CIRCULATION

	<u>2018</u> No. of units	<u>2017</u> No. of units
At the beginning of the financial year/date of launch	130,985,000	-
Creation of units during the financial year/period	-	131,361,000
Cancellation of units during the financial year/period	(704,000)	(376,000)
As at the end of the financial year/period	<u>130,281,000</u>	<u>130,985,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

13 TRANSACTIONS WITH DEALERS

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

<u>Name of dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
Public Bank Bhd	40,690,000	27.08
RHB Investment Bank Bhd#	23,011,420	15.32
Standard Chartered Bank Malaysia Bhd	22,697,426	15.11
Barclays Bank PLC	8,832,351	5.88
ING Bank	6,763,121	4.50
Citigroup Global Markets	5,314,979	3.54
JP Morgan Securities Plc	5,279,153	3.51
Nomura Singapore Ltd#	4,918,584	3.27
Bank of America Merrill Lynch	4,869,547	3.24
HSBC Banking Corporation Ltd	4,186,473	2.79
Others#	23,668,749	15.76
	<u>150,231,803</u>	<u>100.00</u>

- (ii) Details of transactions with the top 10 dealers for the financial period from 28 November 2016 (date of launch) to 30 September 2017 are as follows:

<u>Name of dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
RHB Investment Bank Bhd#	43,407,395	15.82
HSBC Banking Corporation Ltd	42,520,721	15.49
Citigroup Global Markets	31,977,034	11.65
DBS Bank Ltd	19,115,953	6.96
Standard Chartered Bank	15,919,904	5.80
Nomura Singapore Ltd#	14,210,677	5.18
Standard Chartered Bank Malaysia Bhd	13,874,159	5.05
JP Morgan Securities Plc	13,293,793	4.84
OCBC Singapore Ltd	9,593,487	3.50
Barclays Bank Plc	9,132,059	3.33
Others#	61,411,680	22.38
	<u>274,456,862</u>	<u>100.00</u>

Included in transaction with dealers are trades with Affin Hwang Investment Bank Bhd a company related to the Manager amounting to RMNil (2017: RM4,501,236). The Manager is of the opinion that all transactions with the related company have been entered into at agreed terms between the related parties.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

13 TRANSACTIONS WITH DEALERS (CONTINUED)

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

	<u>2018</u> RM	<u>2017</u> RM
<u>Name of dealers</u>		
RHB Investment Bank Bhd	22,742,898	25,329,026
Affin Hwang Investment Bank	-	2,500,250
Nomura Singapore Limited	2,010,357	1,075,162
RHB Bank Bhd	250,125	-
	<u>25,003,380</u>	<u>28,904,438</u>

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

	<u>2018</u> RM	<u>2017</u> RM
Affin Hwang Fixed Maturity Income Fund XI	-	21,398,253
Affin Hwang Select Income Fund	9,806,000	1,111,913
Affin Hwang Flexible Maturity Income Fund V	4,316,299	-
Affin Hwang Flexible Maturity Income Fund IV	-	3,894,022
Affin Hwang Select Bond Fund	3,450,735	2,500,250
Affin Hwang Select Cash Fund	2,506,375	-
Affin Hwang Flexible Maturity Income Fund 7	2,483,450	-
Affin Hwang Flexible Maturity Income Fund 13	777,088	-
Private mandates managed by the Manager	1,663,433	-
	<u>25,003,380</u>	<u>28,904,438</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

14 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 disclosed in its financial statements	Subsidiary and associated companies of the ultimate holding company of the Manager

The units held by Manager as at the end of the financial year/period are as follows.

	<u>2018</u>		<u>2017</u>	
<u>The Manager:</u>	No of units	RM	No. of units	RM
Affin Hwang Asset Management Berhad (The units are held legally for booking purpose)	2,965	3,110	2,264	2,408

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

15 MANAGEMENT EXPENSE RATIO (“MER”)

	<u>2018</u> RM	Financial period from 28.11.2016 (date of launch) to <u>30.9.2017</u> RM
MER	0.08	0.07

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial year/period calculated on a daily basis is RM136,162,564 (2017: RM125,575,158).

16 PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>2018</u> RM	Financial period from 28.11.2016 (date of launch) to <u>30.9.2017</u> RM
PTR (times)	0.46	1.18

PTR is derived from the following calculation:

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

where: total acquisition for the financial year/period = RM57,097,960 (2017: RM213,279,856)
total disposal for the financial year/period = RM69,123,972 (2017: RM83,204,343)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)

17 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 commensurate 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 Australia, British Virgin Island, Cayman Islands, China, France, Germany, Hong Kong, Indonesia, Japan, Korea, Malaysia, Netherlands, Singapore, Spain, Switzerland and United Kingdom.

The Fund has diversified unitholder population. However, as at 30 September 2018, there was 1 unitholder (2017: 1 unitholder) who held more than 10% of the Fund's NAV. The unitholder's holding was 65.80% (2017: 66.00%).

There were no changes in the reportable segments during the financial year/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 FLEXIBLE MATURITY INCOME FUND 6

STATEMENT BY THE MANAGER

I, Teng Chee Wai, as the Directors of **Affin Hwang Asset Management Berhad**, do hereby state that in our opinion as the Manager, the financial statements set out on pages 10 to 47 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 September 2018 and of its financial performance, changes in equity and cash flows for the financial year ended 30 September 2018 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
13 November 2018

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 6

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Affin Hwang Flexible Maturity Income Fund 6 ("the Fund") give a true and fair view of the financial position of the Fund as at 30 September 2018, 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 September 2018, 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 47.

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 FLEXIBLE MATURITY INCOME FUND 6 (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises 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 FLEXIBLE MATURITY INCOME FUND 6 (CONTINUED)

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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 6 (CONTINUED)**

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
13 November 2018

DIRECTORY OF SALES OFFICE

HEAD OFFICE

Affin Hwang Asset Management Berhad
Ground Floor
Menara Boustead
69, Jalan Raja Chulan
50200 Kuala Lumpur.

Tel : 03 – 2116 6000
Fax : 03 – 2116 6100
Toll free no : 1-800-88-7080
Email: customercare@affinhwangam.com

SELANGOR

Affin Hwang Asset Management Berhad
A-7-G Jaya One
No. 72A, Jalan Universiti
46200 Petaling Jaya
Selangor

Tel: 03-7620 1290
Fax: 03-7620 1298

PENANG

Affin Hwang Asset Management Berhad
No. 10-C-24 Precinct 10
Jalan Tanjung Tokong
10470 Penang

Tel : 04 – 899 8022
Fax : 04 – 899 1916

PERAK

Affin Hwang Asset Management Berhad
13A Persiaran Greentown 7
Greentown Business Centre
30450 Ipoh Perak

Tel : 05 – 241 0668
Fax : 05 – 255 9696

MELAKA

Affin Hwang Asset Management Berhad
Ground Floor, No. 584, Jalan Merdeka
Taman Melaka Raya
75000 Melaka

Tel : 06 – 281 2890 / 3269
Fax : 06 – 281 2937

JOHOR

Affin Hwang Asset Management Berhad
1st Floor, Lot 93
Jalan Molek 1/29, Taman Molek
81100 Johor Bahru
Johor.

Tel : 07 – 351 5977
Fax : 07 – 351 5377

SABAH

Affin Hwang Asset Management Berhad
Lot No. B-2-09, 2nd Floor
Block B, Warisan Square
Jalan Tun Fuad Stephens
88000 Kota Kinabalu
Sabah.

Tel : 088 – 252 881
Fax : 088 – 288 803

DIRECTORY OF SALES OFFICE (CONTINUED)

SARAWAK

Affin Hwang Asset Management Berhad
Ground Floor, No. 69
Block 10, Jalan Laksamana Cheng Ho
93200 Kuching
Sarawak.

Tel : 082 – 233 320
Fax : 082 – 233 663

Affin Hwang Asset Management Berhad
1st Floor, Lot 1291
Jalan Melayu, MCLD
98000 Miri
Sarawak

Tel : 085 – 418 403
Fax : 085 – 418 372

www.affinhwangam.com

Affin Hwang Asset Management Berhad (429786-T)