

Affin Hwang

Flexible Maturity Income Fund 6

Interim Report
31 March 2019

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

Interim Report and Unaudited Financial Statements For The Financial Period Ended 31 March 2019

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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 31 MARCH 2019

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	114,971
Total	222	129,745

* Note: Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 31 Mar 2019 (%)	As at 31 Mar 2018 (%)
Portfolio composition		
Unquoted fixed income securities – local	31.64	20.58
Unquoted fixed income securities – foreign	58.79	66.98
Total unquoted fixed income securities	90.43	87.56
Cash & cash equivalent	9.57	12.44
Total	100.00	100.00
Total NAV (RM'million)	134.828	134.504
NAV per Unit (RM)	1.0392	1.0297
Unit in Circulation (million)	129.748	130.625
Highest NAV	1.0563	1.0707
Lowest NAV	1.0101	1.0235
Return of the Fund (%) ⁱⁱⁱ	3.63	1.21
- Capital Growth (%) ⁱ	-0.92	-3.18
- Income Distribution (%) ⁱⁱ	4.59	4.53
Gross Distribution per Unit (sen)	4.64	4.64
Net Distribution per Unit (sen)	4.64	4.64
Management Expense Ratio (%) ¹	0.04	0.04
Portfolio Turnover Ratio (times) ²	0.62	0.20

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

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

An illustration of the above would be as follow:-

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

$$\begin{aligned}
 \text{Capital Return}^i &= (\text{NAV per Unit @ 31/03/19} \div \text{NAV per Unit @ 30/9/18}^* - 1) \times 100 \\
 &= (1.0392 \div 1.0489 - 1) \times 100 \\
 &= \underline{\underline{-0.92\%}}
 \end{aligned}$$

$$\begin{aligned}
 \text{Income Return @ ex-date} &= \{\text{Income distribution per Unit} \div \text{NAV per Unit on ex- date}\} + 1 \\
 &= \{0.0464 \div 1.0101 \text{ @ 27/12/18}\} + 1 = 1.0459
 \end{aligned}$$

$$\begin{aligned}
 \text{Total Income Return}^ii &= \{\text{Income distribution per Unit} \div \text{NAV per Unit on ex-date}\} \times 100 \\
 &= \{1.0459\} - 1 \times 100 \\
 &= \underline{\underline{4.59\%}}
 \end{aligned}$$

$$\begin{aligned}
 \text{Return of the Fund}^iii &= \{[(1 + \text{Capital Return}) \times (1 + \text{Income Return})] - 1\} \times 100 \\
 &= \{[(1 + (-0.92\%)) \times (1 + 4.59\%)] - 1\} \times 100 \\
 &= \underline{\underline{3.63\%}}
 \end{aligned}$$

* Source – TMF Trustees Malaysia Bhd

¹The MER of the Fund remained the same as last year during the period under review.

²The Fund recorded a higher PTR as the Manager had increased its trading activities during the period under review.

Table 1: Performance of the Fund

	6 Months (1/10/18 - 31/3/19)	1 Year (1/4/18 - 31/3/19)	Since Commencement (27/12/16 - 31/3/19)
Fund	3.63%	5.56%	13.62%
Benchmark	1.63%	3.30%	7.61%
Outperformance / (Underperformance)	2.00%	2.26%	6.01%

Source of Benchmark: Maybank

Table 2: Average Total Return

	1 Year (1/4/18 - 31/3/19)	Since Commencement (27/12/16 - 31/3/19)
Fund	5.56%	5.81%
Benchmark	3.30%	3.30%
Outperformance / (Underperformance)	2.26%	2.51%

Source of Benchmark: Maybank

Table 3: Annual Total Return

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

Source of Benchmark: Maybank

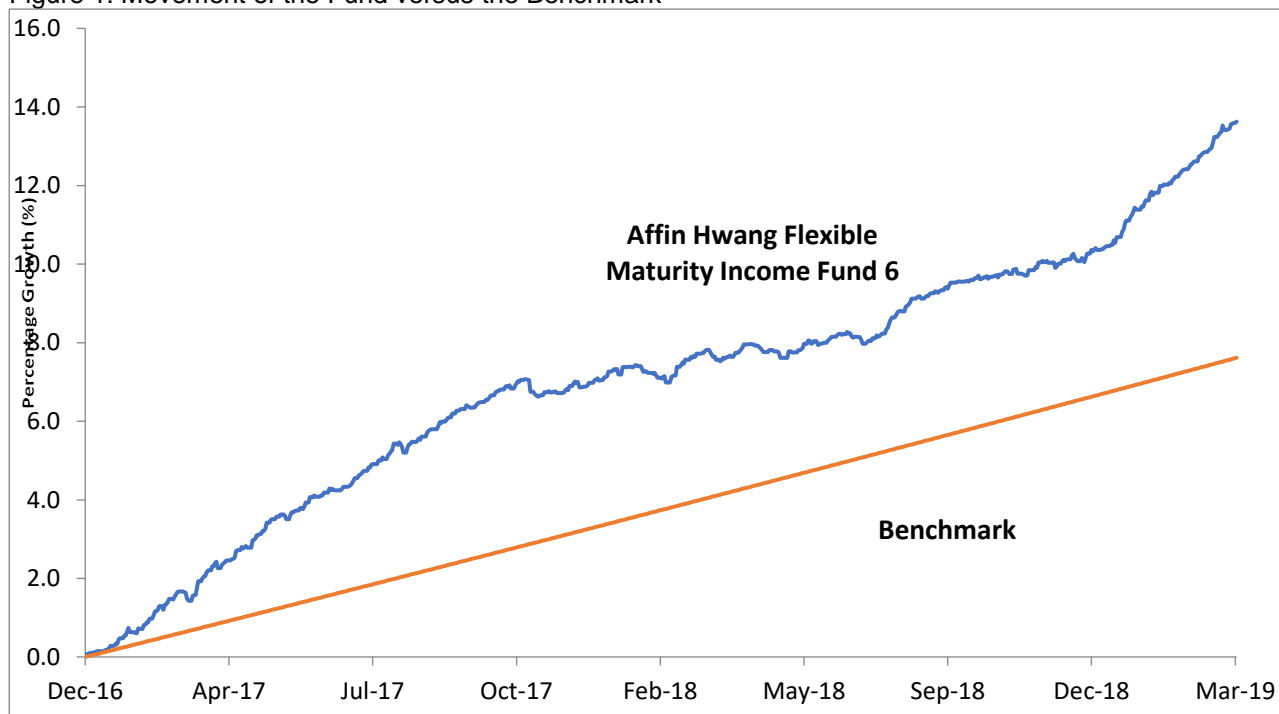
Past performance is not necessarily indicative of future performance and that Unit prices and investment returns may go down, as well as up.

MANAGER'S REPORT

Performance Review

For the period 1 October 2018 to 31 March 2019, the Fund registered a return of 3.63%. The Fund outperformed the Benchmark by 2.00 percentage points compared to the Benchmark return of 1.63% for the same period. (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively). The Net Asset Value (NAV) per unit of the Fund as at 31 March 2019 was RM1.0392 while the NAV per unit as at 30 September 2018 was RM1.0489.

Figure 1: Movement of the Fund versus the Benchmark



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

Cum Date	Ex-Date	Cum-distribution (RM)	Distribution per Unit (RM)	Ex-distribution (RM)
26 Dec 2018	27 Dec 2018	1.0563	0.0464	1.0101

No unit split were declared for the financial period ended 31 March 2019.

Asset Allocation

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

Figure 2: Asset allocation of the Fund

	<u>31 Mar 2019</u>	<u>31 Mar 2018</u>
	(%)	(%)
Unquoted fixed income securities – local	31.64	20.58
Unquoted fixed income securities – foreign	58.79	66.98
Cash & cash equivalent	9.57	12.44
Total	100.00	100.00

As at 31 March 2019, the Fund's asset allocation into fixed income instruments stood at 90.43% while the remaining was held in cash and cash equivalent.

Strategies Employed

With the return of volatility in markets, we raised our cash holdings and went into a defensive stance in our allocation. As the sell-down accelerated, we took a view that the correction was overdone and a recession was not imminent, where we then deployed back into the market with a focus on quality.

Market Review

Emerging markets (EMs) saw a “tantrum-like” sell-off in 2018 where investors' appetite for risk-assets tapered off significantly on the back of fractious developments within Turkey and Argentina that have sent both their currencies into free fall. Investors ploughed back money into the US on signs of quicker growth, rising interest rates and a stronger greenback that has undermined the attraction of riskier EM assets.

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

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

Coming into 2019, markets staged a fast and furious early-year rally that fuelled gains in Asian equity benchmark gauges. Coming from a deeply oversold position, markets were buoyed by increased trade optimism as both US and China come around the negotiation table to iron out a framework for a trade deal. After a yearlong bitter trade conflict, we've since seen the two economic powerhouses change their political rhetoric to one of compromise and cooperation after extending the initial 1 March deadline. Some of the headwinds pressuring emerging markets (EMs) before are now receding with the US Federal Reserve turning more dovish and the US dollar strength starting to top-out. A gradual step-up in stimulus measures from China would also be supportive of markets and help drive growth.

China's credit impulse is also picking up with signs of stabilisation and green shoots. Optimistically, if China's stimulus takes form and if there's a resolution to the trade dispute, global trade could then eventually pick up and lead to improved growth.

Closure to the Brexit drama is seemingly far from sight still as UK lawmakers failed to agree on a unanimous approach following numerous voting sessions in March. As things stand, UK lawmakers will have to decide on a way forward by, where another round of indicative voting – on alternative Brexit options – is expected to take place. Considering the tight timeline, we could also potentially see an appeal by the UK Parliament to further extend the current deadline.

Investment Outlook

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

Easing measures announced by China has propped up the market, though closer monitoring would be needed to see if such stimulus has started to trickle-down to growth and GDP possibly sometime into the 2Q'19 due to lag effects. This could bolster fund flows back into EMs as positioning has been light with global funds underweight EMs and lots of cash on the side-lines.

Post sell-off, we do see valuations coming down to more attractive levels. With the exception of the 2008-GFC and Asian Financial Crisis, valuations today in Asia ex-Japan are at levels which correspond to positive market performance going forward. Though, we are mindful still of weaker earnings growth and further cuts to forward earnings estimates that could put a drag to market performance. We need to see earnings stabilise to anchor valuations forward.

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 for financial period ended 31 March 2019. To the best of our knowledge, **Affin Hwang Asset Management Berhad**, the Manager, has managed the Fund in accordance with the limitations imposed on the investment powers of the management company and the trustee under the Deed, other provisions of the Deed, the Capital Markets and Services Act 2007, the Securities Commission's Guidelines on Unit Trust Funds and other applicable laws during the period then ended.

We have also ensured the following:

- (a) the procedures and processes employed by **Affin Hwang Asset Management Berhad** to value and/or price the units of the Fund are adequate and that such valuation/pricing is carried out in accordance with the Deed of the Fund and other regulatory requirements; and
- (b) the creation and cancellation of units have been carried out in accordance with the Deed and relevant regulatory requirements.

During this financial period, a distribution of 4.6431 sen per unit (net) has been distributed to unit holders of the Fund. We are of the view that the distribution is not inconsistent with the objective of the Fund.

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

NORHAYATI BINTI AZIT
DIRECTOR – FUND SERVICES

Kuala Lumpur
15 May 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019**

	<u>Note</u>	6 months financial period ended 31.3.2019 RM	6 months financial period ended 31.3.2018 RM
INVESTMENT INCOME			
Interest income from financial assets at fair value through profit or loss		3,268,510	3,242,115
Interest income from financial assets at amortised cost		90,613	48,676
Exit fee income		6,321	9,933
Other income		-	75
Net gain/(loss) on foreign currency exchanges		2,499,782	(88,771)
Net (loss)/gain on forward foreign currency contracts at fair value through profit or loss		(961,879)	8,694,796
Net loss on financial assets at fair value through profit or loss	8	(82,019)	(10,200,012)
		<u>4,821,328</u>	<u>1,706,812</u>
EXPENSES			
Trustee fee	5	(26,945)	(27,302)
Auditors' remuneration		(3,214)	(3,989)
Tax agent's fee		(1,407)	(1,846)
Other expenses		(21,248)	(24,167)
		<u>(52,814)</u>	<u>(57,304)</u>
NET PROFIT BEFORE TAXATION		4,768,514	1,649,508
TAXATION	6	<u>(1,417)</u>	<u>(2,272)</u>
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u>4,767,097</u>	<u>1,647,236</u>
Net profit after taxation is made up of the following:			
Realised amount		338,549	4,176,570
Unrealised amount		4,428,548	(2,529,334)
		<u>4,767,097</u>	<u>1,647,236</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 31 MARCH 2019**

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
ASSETS			
Financial assets at fair value through profit or loss	8	121,909,899	117,779,063
Cash and cash equivalents	9	9,863,671	4,342,428
Forward foreign currency contracts at fair value through profit or loss	10	4,007,717	12,413,056
Tax recoverable		21,444	12,413,056
TOTAL ASSETS		<u>135,802,731</u>	<u>134,552,865</u>
LIABILITIES			
Forward foreign currency contracts at fair value through profit or loss	10	34,845	23,028
Amount due to Trustee		4,565	4,571
Amount due to brokers		916,800	-
Auditors' remuneration		3,214	3,989
Tax agent's fee		9,707	9,946
Other payables and accruals		5,306	7,770
TOTAL LIABILITIES		<u>974,437</u>	<u>49,304</u>
NET ASSET VALUE OF THE FUND		<u>134,828,294</u>	<u>134,503,561</u>
EQUITY			
Unitholders' capital		129,679,429	130,589,807
Retained earnings		5,148,865	3,913,754
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>134,828,294</u>	<u>134,503,561</u>
NUMBER OF UNITS IN CIRCULATION	11	<u>129,748,000</u>	<u>130,625,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.0392</u>	<u>1.0297</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 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019**

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 October 2018	130,230,095	6,427,223	136,657,318
Total comprehensive income for the financial period	-	4,767,097	4,767,097
Distribution (note 8)	-	(6,045,455)	(6,045,455)
Movement in unitholders' capital:			
Cancellation of units	(550,666)	-	(550,666)
Balance as at 31 March 2019	<u>129,679,429</u>	<u>5,148,865</u>	<u>134,828,294</u>
Balance as at 1 October 2017	130,968,356	8,338,114	139,306,470
Total comprehensive income for the financial period	-	1,647,236	1,647,236
Distribution (note 8)	-	(6,071,596)	(6,071,596)
Movement in unitholders' capital:			
Cancellation of units	(378,549)	-	(378,549)
Balance as at 31 March 2018	<u>130,589,807</u>	<u>3,913,754</u>	<u>134,503,561</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 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019**

	6 months financial period ended <u>Note</u> <u>31.3.2019</u> RM	6 months financial period ended 31.3.2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of investments	81,667,027	28,929,404
Purchase of investments	(84,922,742)	(27,074,253)
Interest received	3,136,791	3,483,484
Exit fee income received	6,321	9,933
Other Income	-	75
Trustee fee paid	(26,875)	(27,304)
Payment for other fees and expenses	(22,583)	(30,671)
Net realised gain on forward foreign currency contracts	1,345,535	1,598,763
Net realised loss on foreign currency exchange	(4,377,650)	(787,167)
	<hr/>	<hr/>
Net cash (used in)/ generated from operating activities	(3,194,176)	6,102,264
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for cancellation of units	(550,666)	(378,549)
Payments for distribution	(6,045,455)	(6,071,596)
	<hr/>	<hr/>
Net cash used in financing activities	(6,596,121)	(6,450,145)
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,790,297)	(347,881)
EFFECTS OF FOREIGN CURRENCY EXCHANGE	2,637,550	(26,536)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<hr/> 17,016,418	<hr/> 4,716,845
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	9 <hr/> 9,863,671	<hr/> 4,342,428

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 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019

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

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 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 2018:

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

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

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

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

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

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

B INCOME RECOGNITION

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

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

From 1 October 2018, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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

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.

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.

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

C DISTRIBUTION

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

D TAXATION

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

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

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

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

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.

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

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(i) Classification (continued)

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

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

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

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments and derivatives not designated as hedging instruments are measured at fair value through profit or loss.

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

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

(ii) Recognition and measurement

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

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

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

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

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

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

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

If a valuation based on the market price does not represent the fair value of the securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the securities are valued as determined in good faith by the Manager, based on the methods or basis approved by the Trustee after appropriate technical consultation.

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 quotation are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- (i) records its basis for using non-BPA price;
- (ii) obtains necessary internal approvals to use the non-BPA price; and
- (iii) keeps an audit trail of all decisions and basis for adopting the market yield.

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

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.

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

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

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

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment

Up to 30 September 2018, for assets carried at amortised cost, the Fund assesses at the end of the reporting year 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' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

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

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

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

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (continued)

Write-off

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

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

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 period 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 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019 (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 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 date of statement of financial position, with the resulting value discounted back to present value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as 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 content of the estimates, certain key variables that are anticipated to have material impact 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's Guidelines on Unit Trust Funds.

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

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 adjective of the Fund.

All investments will be subjected to the SC's 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 15 May 2019.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	<u>Note</u>	Financial assets at amortised <u>costs</u> RM	Financial assets at fair value through <u>profit or loss</u> RM	<u>Total</u> RM
<u>2019</u>				
Unquoted fixed income securities	9	-	121,909,899	121,909,899
Cash and cash equivalents	10	9,863,671	-	9,863,671
Forward foreign currency contracts	11	-	3,972,872	3,972,872
Total		<u>9,863,671</u>	<u>125,882,771</u>	<u>135,746,442</u>

	<u>Note</u>	Loans and <u>receivables</u> RM	Financial assets at fair value through <u>profit or loss</u> RM	<u>Total</u> RM
<u>2018</u>				
Unquoted fixed income securities	9	-	117,779,063	117,779,063
Cash and cash equivalents	10	4,342,428	-	4,342,428
Forward foreign currency contracts	11	-	12,390,028	12,390,028
Total		<u>4,342,428</u>	<u>130,169,091</u>	<u>134,511,519</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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

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

Market risk

(a) Price risk

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

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

	<u>2019</u> RM	<u>2018</u> RM
Unquoted investments*		
Unquoted fixed income securities	121,909,899	117,779,063

* Include interest receivable of RM1,751,036 (2018: RM1,316,907).

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>2019</u>		
-5%	114,150,920	(6,007,943)
0%	120,158,863	-
+5%	126,166,806	6,007,943
<u>2018</u>		
-5%	110,639,048	(5,823,108)
0%	116,462,156	-
+5%	122,285,264	5,823,108

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

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

Market risk (continued)

(b) Interest rate risk

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

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

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

The table below summarises the sensitivity of the Fund's profit after taxation and 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>2019</u> RM	<u>2018</u> RM
+ 1%	(117,495)	(175,094)
- 1%	117,963	175,544
	<u> </u>	<u> </u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

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

(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.

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

	Unquoted fixed income securities RM	Forward foreign currency contracts RM	Cash and cash equivalents RM	Total RM
<u>2019</u>				
Australian Dollar	7,024,052	(22,099)	10,136	7,012,089
Euro	8,945,577	451,271	87,113	9,483,961
Pound Sterling	1,341,497	28,963	23,786	1,394,246
Singapore Dollar	5,465,958	43,087	23,801	5,532,846
United States Dollar	56,478,168	3,471,650	8,108,449	68,058,267
	<u>79,255,252</u>	<u>3,972,872</u>	<u>8,253,285</u>	<u>91,481,409</u>
<u>2018</u>				
Australian Dollar	-	-	2,808	2,808
Euro	1,008,936	20,585	16,658	1,046,179
Singapore Dollar	9,070,067	198,256	57,059	9,325,382
United States Dollar	80,009,639	12,171,187	2,944,813	95,125,639
	<u>90,088,642</u>	<u>12,390,028</u>	<u>3,021,338</u>	<u>105,500,008</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(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.

	Change in price %	Impact on profit after tax/NAV RM
<u>2019</u>		
Australian Dollar	+/-5	+/- 350,604
Euro	+/-5	+/- 474,198
Pound Sterling	+/-5	+/- 69,712
Singapore Dollar	+/-5	+/- 276,642
United States Dollar	+/-5	+/- 3,402,913
<u>2018</u>		
Australian Dollar	+/-5	+/- 140
Euro	+/-5	+/- 52,309
Singapore Dollar	+/-5	+/- 466,269
United States Dollar	+/-5	+/- 4,756,282

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 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

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

Credit risk (continued)

	Unquoted fixed income securities RM	Forward foreign currency contracts RM	Cash and cash equivalents RM	Total RM
<u>2019</u>				
Basic Materials				
- Baa3	4,347,149	-	-	4,347,149
Consumer Goods				
- A1	10,096,142	-	-	10,096,142
- Baa3	11,170,184	-	-	11,170,184
Financials				
- A1	23,995,990	-	-	23,995,990
- A2	919,459	-	-	919,459
- A3	6,121,976	-	-	6,121,976
- AA2	-	186,075	-	186,075
- AA3	-	867,936	-	867,936
- AAA	-	2,953,706	9,863,671	12,817,377
- B3	1,719,262	-	-	1,719,262
- Ba1	904,787	-	-	904,787
- Ba2	5,076,384	-	-	5,076,384
- Baa1	6,093,095	-	-	6,093,095
- Baa3	7,774,658	-	-	7,774,658
- BBB	1,416,528	-	-	1,416,528
- BBB-	13,273,476	-	-	13,273,476
- BBB+	1,018,857	-	-	1,018,857
- NR	24,897,534	-	-	24,897,534
- BBB-	838,732	-	-	838,732
- B+	1,341,497	-	-	1,341,497
- Ba2	904,189	-	-	904,189
	<u>121,909,899</u>	<u>4,007,717</u>	<u>9,863,671</u>	<u>135,781,287</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

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

Credit risk (continued)

	Unquoted fixed income securities RM	Forward foreign currency contracts RM	Cash and cash equivalents RM	Total RM
<u>2018</u>				
Basic Materials				
- Ba3	1,961,187	-	-	1,961,187
Consumer Goods				
- Baa2	1,993,610	-	-	1,993,610
- BBB-	4,592,902	-	-	4,592,902
Consumer Services				
- AA-	2,541,003	-	-	2,541,003
Financials				
- A1	5,197,565	-	-	5,197,565
- A2	774,612	-	-	774,612
- A3	3,854,190	-	-	3,854,190
- AA-	2,030,974	-	-	2,030,974
- AA1	2,006,398	-	-	2,006,398
- AA2	5,167,065	925,514	-	6,092,579
- AA3	3,089,964	3,391,140	-	6,481,104
- AAA	-	8,096,402	4,342,428	12,438,830
- B1	1,537,692	-	-	1,537,692
- B2	3,468,684	-	-	3,468,684
- Ba1	1,219,912	-	-	1,219,912
- Ba2	7,495,499	-	-	7,495,499
- Ba3	3,114,308	-	-	3,114,308
- Baa1	6,299,525	-	-	6,299,525
- Baa2	5,446,493	-	-	5,446,493
- Baa3	9,655,591	-	-	9,655,591
- BB	2,591,216	-	-	2,591,216
- BB-	2,822,935	-	-	2,822,935
- BBB-	3,232,389	-	-	3,232,389
- BBB+	986,302	-	-	986,302
- NR	8,607,830	-	-	8,607,830
Industrials				
- A1	2,506,036	-	-	2,506,036
- Ba3	937,017	-	-	937,017
- Baa1	1,515,253	-	-	1,515,253
- BBB	4,133,539	-	-	4,133,539
- NR	16,239,324	-	-	16,239,324
Utilities				
- Baa2	2,022,020	-	-	2,022,020
- NR	738,028	-	-	738,028
	<u>117,779,063</u>	<u>12,413,056</u>	<u>4,342,428</u>	<u>134,534,547</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

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

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations. The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated 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.

	Within one month RM	Between one month to one year RM	Total RM
<u>2019</u>			
Amount due to Trustee	4,565	-	4,565
Amount due to Broker	-	916,800	916,800
Auditors' remuneration	-	3,214	3,214
Tax agent's fee	-	9,707	9,707
Other payables and accruals	-	5,306	5,306
Forward foreign currency contracts	34,845	-	34,845
	<u>39,410</u>	<u>935,027</u>	<u>974,437</u>
<u>2018</u>			
Amount due to Trustee	4,571	-	4,571
Auditors' remuneration	-	3,989	3,989
Tax agent's fee	-	9,946	9,946
Other payables and accruals	274	7,496	7,770
Forward foreign currency contracts	23,028	-	23,028
	<u>27,873</u>	<u>21,431</u>	<u>49,304</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.

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

3 FAIR VALUE ESTIMATION

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

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

(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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>2019</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	121,909,899	-	121,909,899
- forward foreign currency Contracts	-	3,972,872	-	3,972,872
	<u>-</u>	<u>125,882,771</u>	<u>-</u>	<u>125,882,771</u>
	<u><u>-</u></u>	<u><u>125,882,771</u></u>	<u><u>-</u></u>	<u><u>125,882,771</u></u>
<u>2018</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	117,779,063	-	117,779,063
- forward foreign currency Contracts	-	12,390,028	-	12,390,028
	<u>-</u>	<u>12,390,028</u>	<u>-</u>	<u>130,169,091</u>
	<u><u>-</u></u>	<u><u>12,390,028</u></u>	<u><u>-</u></u>	<u><u>130,169,091</u></u>

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include 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 and all current liabilities, except for forward foreign currency contracts are a reasonable approximation of the fair values due to their short term nature.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

4 MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 3.00% (2018: 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.

5 TRUSTEE FEE

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

For the 6 months financial period ended 31 March 2019, the Trustee fee is recognised at a rate of 0.04% (2018: 0.04%) per annum on the NAV of the Fund calculated on a daily basis, exclusive of foreign custodian fees.

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

6 TAXATION

	6 months financial period ended <u>31.3.2019</u> RM	6 months financial period ended <u>31.3.2018</u> RM
Current taxation – local	1,422	2,272
Overprovision in previous year	(5)	-
	<u>1,417</u>	<u>2,272</u>
Net profit before taxation	<u>4,768,514</u>	<u>1,649,508</u>
Tax at Malaysian statutory rate of 24%	1,144,443	395,882
Tax effects of:		
Investment income not subject to tax	(1,155,601)	(407,232)
Expenses not deductible for tax purposes	11,712	12,437
Restriction on tax deductible expenses for Unit Trust Funds	868	1,185
Overprovision in previous year	(5)	-
Tax expense	<u>1,417</u>	<u>2,272</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

7 DISTRIBUTION

	6 months financial period ended <u>31.3.2019</u> RM	6 months financial period ended <u>31.3.2018</u> RM
Distribution to unitholders is from the following sources:		
Net realised gain on sale of investment	-	758,968
Previous year's realised income	6,045,455	5,312,628
Net distribution amount	<u>6,045,455</u>	<u>6,071,596</u>
Gross/net distribution per unit (sen)	<u>4.6431</u>	<u>4.6431</u>
Ex-date	<u>27.12.2018</u>	<u>27.12.2017</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 distributions for the financial period is an amount of RM6,045,455 (2018: RM5,312,628) made from previous year's realised income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2019</u> RM	<u>2018</u> RM
Designated at fair value through profit or loss at inception:		
- unquoted fixed income securities – local	42,654,647	27,690,421
- unquoted fixed income securities – foreign	79,255,252	90,088,642
	<u>121,909,899</u>	<u>117,779,063</u>
Net loss on financial assets at fair value through profit or loss:		
- realised loss on sale of investments	(4,343,318)	(679,030)
- unrealised gain/(loss) on changes on fair value	4,261,299	(9,520,982)
	<u>(82,019)</u>	<u>(10,200,012)</u>

(a) Unquoted fixed income securities – local

(i) Unquoted fixed income securities – local as at 31 March 2019 are as follows:

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Adjusted cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>Bonds</u>				
6.65% Aeon Credit Service Malaysia Bhd Call: 08.12.2023 (NR)	3,000,000	3,100,391	3,114,556	2.31
5.80% CIMB Group Holdings Bhd Call: 25.05.2021 (A1)	5,000,000	5,201,953	5,216,660	3.87
6.5% Eco World Capital Assets Bhd 12.08.2022 (NR)	2,000,000	2,016,384	2,041,384	1.51
6.80% Mah Sing Group Bhd Call: 31.03.2020 (NR)	250,000	250,258	251,063	0.19
6.9% Mah Sing Group Bhd Call: 04.04.2022 (NR)	3,000,000	3,102,082	3,155,512	2.34
4.50% Tan Chong Motor Holdings Bhd 22.11.2019 (A1)	10,000,000	10,066,811	10,096,142	7.49
6.00% TF Varlik Kiralama AS 28.06.2019 (A1)	18,500,000	18,774,351	18,779,330	13.93
	<u>41,750,000</u>	<u>42,512,230</u>	<u>42,654,647</u>	<u>31.64</u>
Total unquoted fixed income securities – local				
		<u>142,417</u>		
Total unquoted fixed income securities – local		<u>42,654,647</u>		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

(ii) Unquoted fixed income securities – local as at 31 March 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>				
4.6% UEM Sunrise Bhd 13.12.2019 (AA-)	2,000,000	2,027,562	2030974	1.51
4.8% Lafarge Cement Sdn Bhd 13.01.2020 (A1)	2,500,000	2,524,967	2506036	1.86
4.8% Public Bank Bhd Call:25.09.2019 (AA1)	2,000,000	2,009,372	2006398	1.49
4.82% Sports Toto Malaysia Sdn Bhd 28.06.2019 (AA-)	2,500,000	2,539,172	2541003	1.89
5.8% CIMB Group Holdings Bhd Call:25.05.2021 (A1)	5,000,000	5,201,393	5197565	3.86
6.3% Malayan Banking Bhd Call:25.09.2019 (AA2)	3,000,000	3,052,312	3032447	2.25
6.5% Eco World Capital Assets Bhd 12.08.2022 (NR)	2,000,000	2,016,384	2035984	1.51
6.9% Mah Sing Group Bhd Call:04.04.2022 (NR)	3,000,000	3,102,082	3115432	2.32
7.2% PBFIN Bhd Call:13.11.2019 (AA2)	2,000,000	2,160,440	2134618	1.59
4.95% RHB Investment Bank Bhd Call:16.04.2020 (AA3)	3,000,000	3,080,932	3089964	2.30
Total unquoted fixed income securities – local	27,000,000	27,714,616	27,690,421	20.58
Accumulated unrealised loss on unquoted fixed income securities – local		(24,195)		
Total unquoted fixed income securities – local		27,690,421		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(b) Unquoted fixed income securities – foreign

(i) Unquoted fixed income securities – foreign as at 31 March 2019 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>
Bonds				
6% Banco Bilbao Vizcaya Arg SA Call: 29.03.2024 (Ba2)	916,800	922,385	904,189	0.67
6.75% Banco Bilbao Vizcaya Arg SA Call: 18.02.2020 (Ba2)	916,800	1,003,741	947,296	0.70
6.25% Banco Santander SA Call: 12.06.2019 (Ba1)	916,800	943,426	904,787	0.67
7% Barclays PLC Call: 15.09.2019 (B+)	1,328,925	1,354,692	1,341,497	0.99
4% China Life Insurance Co. Ltd Call: 03.07.2020 (A3)	6,121,500	6,483,965	6,121,976	4.54
3.876% Chong Hing Bank Ltd Call: 26.07.2022 (BBB-)	1,224,300	1,199,891	1,212,790	0.90
6.50% Chong Hing Bank Ltd Call: 25.09.2019 (Ba2)	4,081,000	4,619,501	4,129,088	3.06
4% CK Hutchison Capital Sec17 Ltd Call: 12.05.2022 (Baa1)	2,856,700	2,860,266	2,844,543	2.11
1.75% CNAC HK Finbridge Co Ltd 14.06.2022 (BBB)	1,375,200	1,445,684	1,416,528	1.05
5.5% Cooperatieve Rabobank UA Call: 29.06.2020 (Baa3)	3,667,200	4,012,303	3,853,318	2.86
4.625% Demeter Investments BV Call: 15.8.2022 (BBB+)	1,020,250	1,103,623	1,018,857	0.76
4.25% Far East Horizon Ltd 08.10.2019 (BBB-)	1,505,950	1,546,001	1,544,618	1.15
6.125% Far East Horizon Ltd 19.08.2019 (BBB-)	6,712,224	7,019,020	7,024,052	5.21
4.7% HSBC Holdings PLC Call: 08.06.2022 (Baa3)	2,258,400	2,383,442	2,330,939	1.73
6.875% HSBC Holdings PLC Call: 01.06.2021 (Baa3)	4,081,000	4,609,106	4,347,149	3.22
4.5% Huarong Finance 2017 Co Call: 24.01.2022 (Baa1)	2,040,500	2,220,947	2,050,651	1.52
5.75% Julius Baer Group Ltd Call: 20.04.2022 (Baa3)	1,505,950	1,669,002	1,590,401	1.18
4.875% PTTEP Treasury Center Co Ltd Call: 18.06.2019 (Baa3)	11,018,700	11,154,110	11,170,184	8.29
6.125% Shimao Property Holdings Ltd Call: 21.02.2022 (BBB-)	816,200	818,755	838,732	0.62
6.375% Shimao Property Holdings Ltd Call: 15.10.2020 (BBB-)	3,264,800	3,396,939	3,492,016	2.59
1.75% Total SA Call: 04.04.2024 (A2)	916,800	918,920	919,459	0.68
3.875% United Overseas Bank Ltd Call: 19.10.2023 (Baa1)	1,224,300	1,287,349	1,197,901	0.89

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

8 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 31 March 2019 are as follows: (continued)

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Bonds (continued)</u>				
8.5% Virgin Australia Holdings Ltd 15.11.2019 (B3)	1,632,400	1,714,367	1,719,262	1.28
8.1% Yinson Juniper Ltd Call: 29.03.2024 (NR)	16,324,000	16,265,019	16,335,019	12.12
Total unquoted fixed income securities – foreign	<u>77,726,699</u>	<u>80,952,454</u>	<u>79,255,252</u>	<u>58.79</u>
Accumulated unrealised loss on unquoted fixed income securities – foreign		<u>(1,697,202)</u>		
Total unquoted fixed income securities – foreign		<u>79,255,252</u>		

(ii) Unquoted fixed income securities – foreign as at 31 March 2018 are as follows:

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Bonds</u>				
5.75% AusNet Services Hldgs Pty Ltd Call:17.09.2021 (Baa2)	1,949,000	2,407,809	2,022,020	1.50
7.125% UBS AG Call:19.02.2020 (BB)	779,600	932,342	811,494	0.60
4% China Life Insurance Co. Ltd Call:03.07.2020 (A3)	3,898,000	4,451,019	3,854,190	2.87
4.5% Postal Savings Bk China Co Ltd Call:27.09.2022 (Ba3)	723,150	1,071,206	937,017	0.70
6.463% AXA SA Call:14.12.2019 (Baa1)	974,500	1,125,851	981,826	0.73
8.25% Societe Generale SA Call:29.11.2019 (Ba2)	1,949,000	2,370,781	2,046,780	1.52
6.5% Standard Chartered PLC Call:02.04.2020 (Ba1)	1,169,400	1,327,260	1,219,912	0.91

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

8 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 31 March 2018 are as follows: (continued)

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Bonds (continued)</u>				
6.875% HSBC Holdings PLC Call:01.06.2021 (Baa3)	1,949,000	2,416,797	2,084,740	1.55
5.5% Allianz SE Call:26.09.2019 (A2)	779,600	912,014	774,612	0.58
3.876% Chong Hing Bank Ltd Call:26.07.2022 (BBB-)	1,754,100	1,848,229	1,704,703	1.27
4.25% Dah Sing Bank Ltd Call:30.11.2021 (Baa2)	1,364,300	1,596,701	1,373,712	1.02
5.25% Dah Sing Bank Ltd Call:29.01.2019 (Baa2)	974,500	1,153,262	985,044	0.73
5.875% Yanlord Land HK Co Ltd Call:23.1.2020 (Ba3)	3,118,400	3,606,286	3,114,308	2.32
6.5% Chong Hing Bank Ltd Call:25.09.2019 (Ba2)	3,898,000	4,621,310	3,955,782	2.94
7.75% Bukit Makmur Mandiri Utama Call:13.02.2020 (Ba3)	779,600	880,138	817,611	0.61
7.25% Asahi Mutual Life Insurance Co Call:24.01.2022 (BB-)	1,949,000	2,248,055	2,078,515	1.55
4.475% Heungkuk Life Insurance Co Ltd Call:09.11.2022 (Baa3)	974,500	1,074,417	930,695	0.69
3.625% Geely Automobile Holdings Ltd 25.01.2023 (BBB-)	4,677,600	4,757,308	4,592,902	3.42
4% CK Hutchison Capital Sec17 Ltd Call:12.05.2022 (Baa1)	779,600	881,029	769,962	0.57
4.75% Shimao Property Holdings Ltd Call:03.07.2020 (BB)	779,600	866,268	770,786	0.57
5.375% CIFI Holdings Group Co Ltd Call:24.08.2022 (B1)	779,600	863,367	711,863	0.53
5.7% Shui On Development Hldgs Ltd 06.02.2021 (NR)	974,500	1,112,253	973,329	0.72
7.75% CIFI Holdings Group Co Ltd Call:05.06.2019 (B1)	779,600	891,594	825,829	0.61
8.975% KWG Property Holding Ltd Call:02.05.2019 (B2)	2,923,500	3,445,921	3,027,702	2.25
9% Moon Wise Global Ltd Call:28.01.2019 (NR)	974,500	1,223,650	1,012,858	0.75
4.8% Press Metal Labuan Ltd Call:30.10.2020 (Ba3)	1,169,400	1,294,126	1,143,576	0.85
7% Yinson TMC Sdn Bhd Call:25.09.2020 (NR)	16,371,600	18,786,417	16,239,324	12.07

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

8 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 31 March 2018 are as follows: (continued)

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Bonds (continued)</u>				
4.375% IOI Investment Bhd 27.06.2022 (Baa2)	1,949,000	2,283,727	1,993,610	1.48
4.4% ABN AMRO Bank NV Call:27.03.2023 (Baa2)	2,338,800	2,666,828	2,333,163	1.73
4.625% Demeter Invnt BV for Swiss Re Call:15.08.2022 (BBB+)	974,500	1,106,871	986,302	0.73
3.6% DBS Group Holdings Ltd Call:07.09.2021 (Baa1)	779,600	875,639	747,761	0.56
3.875% United Overseas Bank Ltd Call:19.10.2023 (Baa1)	1,169,400	1,286,203	1,129,678	0.84
5% Pakuwon Prima Pte Ltd Call:14.02.2021 (Ba2)	1,559,200	1,785,484	1,492,937	1.11
9.75% Marquee Land Ptd Ltd Call:02.05.2019 (B2)	420,984	508,383	440,982	0.33
3.5% Dianjian Haiyu Ltd Call:14.06.2022 (Baa1)	779,600	862,763	745,291	0.55
3.6% Franshion Brilliant Ltd 03.03.2022 (Baa3)	974,500	1,100,740	947,445	0.70
4% Franshion Brilliant Ltd Call:03.01.2023 (Baa3)	1,949,000	2,037,635	1,857,579	1.38
4.5% Huarong Finance 2017 Co Call:24.01.2022 (Baa1)	3,508,200	3,995,399	3,440,260	2.56
4.5% Tewoo Group Finance No 2 Ltd 16.12.2019 (BBB)	3,118,400	3,427,168	3,141,891	2.34
4.625% Tewoo Group Finance No 3 Ltd 06.04.2020 (BBB)	974,500	1,120,893	991,648	0.74
7% Banco Bilbao Vizcaya Arg SA Call:19.02.2019 (BB)	779,600	983,215	1,008,936	0.75
5.75% Julius Baer Group Ltd Call:20.04.2022 (Baa3)	1,949,000	1,669,037	1,567,845	1.17
4.7% HSBC Holdings PLC Call:08.06.2022 (Baa3)	2,923,500	2,383,002	2,267,287	1.69
3.75% Landesbank Baden Wuerttemberg Call:18.05.2022 (Baa2)	974,500	782,274	754,574	0.56
4.875% Commerzbank AG Call:01.03.2022 (BBB-)	1,949,000	1,575,005	1,527,686	1.14
4.85% Ciputra Development Tbk PT 20.09.2021 (BB-)	974,500	779,700	744,420	0.55
3.9% CITIC Envirotech Ltd Call:19.10.2020 (NR)	974,500	793,023	738,028	0.55

**NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)**

8 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 31 March 2018 are as follows: (continued)

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Bonds (continued)</u>				
4.6% GLL IHT Pte Ltd Call:23.01.2023 (NR)	1,949,000	1,503,618	1,470,227	1.09
Total unquoted fixed income securities – foreign	<u>92,162,434</u>	<u>101,692,017</u>	<u>90,088,642</u>	<u>66.98</u>
Accumulated unrealised loss on unquoted fixed income securities – foreign		<u>(11,603,375)</u>		
Total unquoted fixed income securities – foreign		<u>90,088,642</u>		

9 CASH AND CASH EQUIVALENTS

	<u>2019 RM</u>	<u>2018 RM</u>
Cash and bank balances	8,282,786	3,043,334
Deposit with a licensed financial institution	<u>1,580,885</u>	<u>1,299,094</u>
	<u>9,863,671</u>	<u>4,342,428</u>

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

	<u>2019 %</u>	<u>2018 %</u>
Deposit with a licensed financial institution	<u>3.25</u>	<u>3.25</u>

The deposit with a licensed financial institution has an average maturity of 1 day (2018: 1 day).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

10 FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 21 (2018: 23) forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward currency contracts amounted to RM89,630,995 (2018: RM106,006,037). The forward foreign currency contracts entered into during the financial 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 currency contract is recognised immediately in the statement of comprehensive income.

11 NUMBER OF UNITS IN CIRCULATION

	<u>2019</u> No of units	<u>2018</u> No. of units
At the beginning of the financial period	130,281,000	130,985,000
Cancellation of units during the financial period	(533,000)	(360,000)
As at the end of the financial period	<u>129,748,000</u>	<u>130,625,000</u>

12 TRANSACTIONS WITH DEALERS

- (i) Details of transactions with the top 10 dealers for the 6 months financial period ended 31 March 2019 are as follows:

<u>Name of dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
Standard Chartered Bank Malaysia Bhd	54,351,395	35.61
Citigroup Global Markets	25,226,308	16.52
Nomura Singapore Ltd#	14,007,451	9.18
HSBC Banking Corporation Ltd	12,023,218	7.88
Bank of America Merrill Lynch	9,901,026	6.48
Morgan Stanley And Co International Plc	8,909,802	5.84
RHB Investment Bank Bhd#	8,070,375	5.29
Affin Hwang Investment Bank Bhd#	5,124,807	3.36
BNP Paribas London Branch	3,721,385	2.44
JP Morgan Securities Plc	3,617,971	2.37
Others	7,684,993	5.03
	<u>152,638,731</u>	<u>100.00</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

12 TRANSACTIONS WITH DEALERS (CONTINUED)

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

<u>Name of dealers</u>	<u>Value of trade RM</u>	<u>Percentage of total trade %</u>
Barclays Bank PLC	5,571,313	13.00
Standard Chartered Bank Malaysia Bhd	5,058,716	11.81
CIMB Bank Bhd	3,660,636	8.54
Citigroup Global Markets	2,776,094	6.48
Australia & New Zealand Banking Group Ltd	2,688,947	6.28
HSBC Banking Corporation Limited	2,121,453	4.95
JP Morgan Securities Plc	2,114,750	4.94
ING BANK NV	2,007,878	4.69
MUFG Securities EMEA Plc	1,955,390	4.56
Guotai Junan Securities (Hong Kong) Ltd	1,748,468	4.08
Others#	13,141,023	30.67
	<u>42,844,668</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 RM5,124,807 (2018: RMNil). The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

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

<u>Name of dealers</u>	<u>2019 RM</u>	<u>2018 RM</u>
Affin Hwang Investment Bank Bhd	5,069,340	-
Nomura Singapore Ltd	4,472,826	-
RHB Investment Bank Bhd	7,927,368	2,217,465
	<u>17,469,534</u>	<u>2,217,465</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

12 TRANSACTIONS WITH DEALERS (CONTINUED)

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

	<u>2019</u> RM	<u>2018</u> RM
Affin Hwang Fixed Maturity Income Fund IV	2,924,179	-
Affin Hwang Fixed Maturity Income Fund 5	2,368,591	-
Affin Hwang Fixed Maturity Income Fund 7	1,218,609	-
Affin Hwang Fixed Maturity Income Fund 11	2,849,545	-
Affin Hwang Fixed Maturity Income Fund 13	-	426,522
Affin Hwang Fixed Maturity Income Fund 14	-	350,566
Affin Hwang Select Bond Fund	-	1,440,377
Affin Hwang Select Income Fund	8,108,610	-
	<u>17,469,534</u>	<u>2,217,465</u>

13 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

The units held by the Manager as at the end of the financial period are as follows:

	<u>2019</u> No. of units	<u>2019</u> RM	<u>2018</u> No. of units	<u>2018</u> RM
<u>The Manager:</u>				
Affin Hwang Asset Management Bhd (The unit are held legally for booking purposes)	3,014	3,132	2,906	2,992
	<u>3,014</u>	<u>3,132</u>	<u>2,906</u>	<u>2,992</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

14 MANAGEMENT EXPENSE RATIO (“MER”)

	6 months financial period ended <u>31.3.2019</u> %	6 months financial period ended <u>31.3.2018</u> %
MER	<u>0.04</u>	<u>0.04</u>

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 period calculated on a daily basis is RM135,095,543 (2018: RM136,882,872).

15 PORTFOLIO TURNOVER RATIO (“PTR”)

	6 months financial period ended <u>31.3.2019</u>	6 months financial period ended <u>31.3.2018</u>
PTR (times)	<u>0.62</u>	<u>0.20</u>

PTR is derived from the following calculation:

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

where: total acquisition for the financial period = RM85,831,542 (2018: RM27,074,253).
total disposal for the financial period = RM81,770,463 (2018: RM28,883,502).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

16 SEGMENT INFORMATION

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

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

The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of interest and gains on the appreciation in the value of investments, and is derived from unquoted fixed income securities in Malaysia, Singapore, Australia, China, France, Thailand, Cayman Islands, Spain, Hong Kong, Netherlands, Switzerland, United Kingdom and Virgin Islands.

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

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

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

17 MFRS 9 FINANCIAL INSTRUMENTS

As disclosed in Note A, the Fund has adopted MFRS 9, which resulted in the following changes in accounting policies and adjustments to the financial position:

(a) Classification and measurement of financial assets

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

From 1 October 2018, the Fund applies the following MFRS 9's classification approach to all types of financial assets:

- Investments in equity instruments: These instruments are always measured at fair value with changes in fair value presented in profit or loss unless the Fund has made an irrevocable choice to present changes in fair value in other comprehensive income ("OCI") for investments that are not held for trading.

(b) Impairment

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2019
(CONTINUED)**

17 MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Impairment (continued)

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

	Measurement category		Carrying amount			
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM	Reclassifi- cations RM	Remeasu- rements RM	New (MFRS 9) RM
Assets						
Cash and cash equivalents	Loans and receivables	Amortised cost	17,016,418			17,016,418
Investment in debt securities	FVTPL	FVTPL	113,365,189			113,365,189
Tax recoverable	Loans and receivables	Amortised cost	22,861			22,861
Forward foreign currency contracts	Loans and receivables	Amortised cost	6,659,523			6,659,523
Liabilities						
Forward foreign currency contracts	Loans and receivables	Amortised cost	379,237			379,237
Amount due to trustee	Amortised cost	Amortised cost	4,495			4,495
Auditors' remuneration	Amortised cost	Amortised cost	8,000			8,000
Tax agent fee	Amortised cost	Amortised cost	8,300			8,300
Other payables and accruals	Amortised cost	Amortised cost	6,641			6,641

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 9 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 31 March 2019 and of its financial performance, changes in equity and cash flows for the financial period ended 31 March 2019 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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

TENG CHEE WAI
EXECUTIVE DIRECTOR/ MANAGING DIRECTOR

Kuala Lumpur
15 May 2019

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