

Affin Hwang

Income Focus Fund 4

Annual Report
31 July 2019

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



AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad (429786-T)

TRUSTEE
CIMB Commerce Trustee Berhad (313031-A)

AFFIN HWANG INCOME FOCUS FUND 4

Annual Report and Audited Financial Statements For The Financial Period From 4 October 2018 (Date of Launch) To 31 July 2019

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FUND INFORMATION

Fund Name	Affin Hwang Income Focus Fund 4
Fund Type	Income
Fund Category	Fixed Income (close-ended)
Investment Objective	The Fund aims to provide income return whilst maintaining capital preservation
Duration of the Fund	Three (3) years close-ended Fund
Termination Date	22 November 2021
Benchmark	12-Month Malayan Banking Berhad fixed deposit rate
Distribution Policy	Subject to the availability of income, the Fund will distribute income on an annual basis

BREAKDOWN OF UNITHOLDERS BY SIZE AS AT 31 JULY 2019

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	3	3
5,001 to 10,000	5	43
10,001 to 50,000	8	334
50,001 to 500,000	2	194
500,001 and above	1	52,768
Total	19	53,342

* Note: Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 31 July 2019 (%)
Portfolio composition	
Deposits with licensed financial institutions	99.61
Unquoted derivatives - option	0.39
Total	100.00
Total NAV (RM'million)	50.625
NAV per Unit (RM)	0.9486
Unit in Circulation (million)	53.367
Highest NAV	1.0045
Lowest NAV	0.9428
Return of the Fund (%) ⁱⁱⁱ	-5.14
- Capital Growth (%) ⁱ	-5.14
- Income Distribution (%) ⁱⁱ	Nil
Gross Distribution per Unit (sen)	Nil
Net Distribution per Unit (sen)	Nil
Management Expense Ratio (%)	0.05
Portfolio Turnover Ratio (times)	0.05

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

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

An illustration of the above would be as follow:-

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

Capital Returnⁱ = (NAV per Unit @ 31/07/19 ÷ NAV per Unit @ 20/11/18* - 1) x 100
= (0.9486 ÷ 1.0000 - 1) x 100
= **-5.14%**

Total Income Returnⁱⁱ = **Nil**

Return of the Fundⁱⁱⁱ = [(1 + Capital Return) x (1 + Income Return)] – 1 x 100
= [(1 + (-5.14%)) x (1 + 0.00%)] – 1 x 100
= **-5.14%**

* Source – CIMB Commerce Trustee Bhd

Table 1: Performance of the Fund

	Since Commencement (21/11/18 - 31/7/19)
Fund	(5.14%)
Benchmark	2.26%
Outperformance / (Underperformance)	(7.40%)

Source of Benchmark: Maybank

Table 2: Average Total Return

	Since Commencement (21/11/18 - 31/7/19)
Fund	(7.33%)
Benchmark	3.28%
Outperformance / (Underperformance)	(10.61%)

Source of Benchmark: Maybank

Table 3: Annual Total Return

	FYE 2019 (21/11/18 - 31/7/19)
Fund	(5.14%)
Benchmark	2.26%
Outperformance / (Underperformance)	(7.40%)

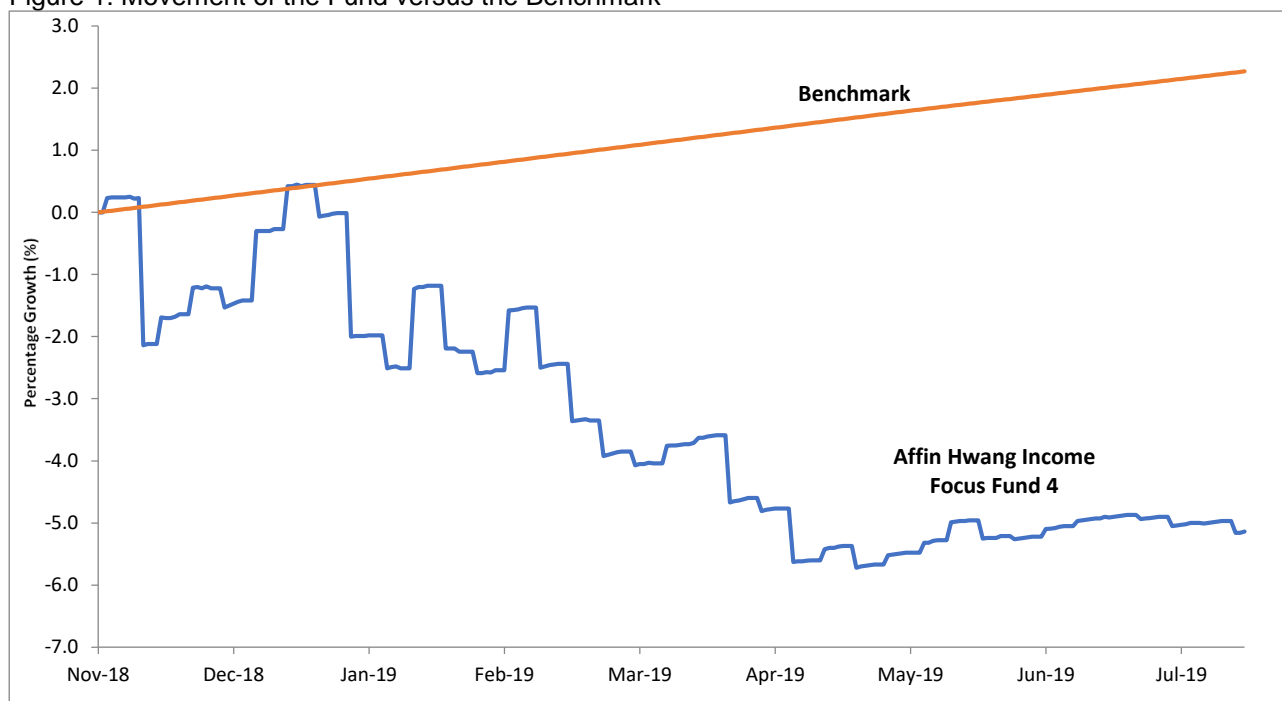
Past performance is not necessarily indicative of future performance and that Unit prices and investment returns may go down, as well as up.

MANAGER'S REPORT

Performance Review

For the period 21 November 2018 to 31 July 2019, the Fund has registered a -5.14% return as compared to the benchmark return of 2.26%. The Fund underperformed the benchmark by 7.40 percentage points. The Net Asset Value (NAV) per unit as at 31 July 2019 was RM0.9486 while the NAV per unit 20 November 2018 was RM1.0000. (See Table 1 for performance of the Fund and Figure 1 for the movement of the Fund versus the Benchmark respectively).

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: 12-month Malayan Banking Berhad fixed deposit rate as at Investment Date

Income Distribution / Unit Split

No income distribution or unit split were declared for the financial year ended 31 July 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 Jul 2019</u>
	(%)
Deposits with licensed financial institutions	99.61
Unquoted derivatives - option	0.39
Total	<u>100.00</u>

During the period under review, the Fund's exposure into deposits with licensed financial institutions stood at 99.61% while the remaining was held in unquoted derivatives - option.

Strategy Employed

Throughout the period under review, the Manager maintained a high level in cash and cash equivalent while the remaining at derivatives - i.e. warrants.

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.

Trade remained a key overhang of markets following tit-for-tat tariffs. 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 its value 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, 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.

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

For the first time in more than a decade, the US Federal Reserve ("Fed") reduced interest rates by 25bps in July; effectively lowering the benchmark rate to a new range of 2.00-2.25%. Fed Chair Jerome Powell struck a neutral tone; explaining that the rate cut was a mid-cycle adjustment to better sustain the US' current economic expansion. While it was also highlighted that the Fed would do whatever it takes to support the economy, Powell's statement stopped short of committing to a series of near-term interest rate cuts.

Meanwhile, Hong Kong continues to be plagued by protests which are starting to hurt businesses and dent economic growth. The unrest in Hong Kong started since early June when protesters took to the streets to oppose an extradition bill proposal that has since been suspended, but not fully withdrawn. The demonstrations have shifted into a movement now calling for more autonomy, full democracy and the ousting of Hong Kong's embattled leader Carrie Lam.

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.

Given the re-escalation of trade tension and Trump pressured on the Fed to cut rate, markets will look ahead to the upcoming US Federal Reserve policy meeting on the 17-18 September. Although Jerome Powell mentioned that the rate cut in July was a mid-cycle adjustment, market still expecting a 25-50 bps rate cut in September. Nonetheless, negative news flow on trade may lead to volatility in the near term as investors price in the effects of protectionist measures.

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 INCOME FOCUS FUND 4

We, **CIMB Commerce Trustee Berhad** being the trustee of **Affin Hwang Income Focus Fund 4 ("the Fund")**, are of the opinion that **Affin Hwang Asset Management Berhad ("the Manager")**, acting in the capacity as Manager of the Fund, has fulfilled its duties in the following manner for the financial period from 4 October 2018 (date of launch) to 31 July 2019.

In our opinion:

- a) The Fund has been managed in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Deeds, the Securities Commission Malaysia's Guidelines on Unlisted Capital Market Product under the Lodge and Launch Framework, the Capital Markets and Services Act, 2007 (as amended from time to time) and other applicable laws;
- b) Valuation and pricing of units of the Fund has been carried out in accordance with the Deed and relevant regulatory requirements;
- c) The creation and cancellation of units have been carried out in accordance with the Deed and the relevant regulatory requirements.

For and on behalf of
CIMB Commerce Trustee Berhad

Lee Kooi Yoke
Chief Executive Officer

Kuala Lumpur, Malaysia
11 September 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 4 OCTOBER 2018
(DATE OF LAUNCH) TO 31 JULY 2019**

	<u>Note</u>	Financial period from 4.10.2018 (date of launch) to <u>31.7.2019</u> RM
INVESTMENT LOSS		
Interest income from financial assets at amortised cost		1,576,199
Net gain on foreign currency exchange		7,039
Net loss on financial asset at fair value through profit or loss	7	(4,306,264)
Exit fee income		4,348
		<u>(2,718,678)</u>
EXPENSES		
Trustee fee	4	(11,960)
Auditors' remuneration		(8,000)
Tax agent's fee		(3,500)
Other expenses		(2,843)
		<u>(26,303)</u>
NET LOSS BEFORE TAXATION		(2,744,981)
TAXATION	5	<u>(829)</u>
NET LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD		<u><u>(2,745,810)</u></u>
Net loss after taxation is made up of the following:		
Realised amount		1,560,454
Unrealised amount		(4,306,264)
		<u><u>(2,745,810)</u></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 JULY 2019**

	<u>Note</u>	<u>2019</u> RM
ASSETS		
Cash and cash equivalents		17,774
Deposits with licensed financial institutions	6	50,424,406
Financial asset at fair value through profit or loss	7	195,467
Tax recoverable		1,021
TOTAL ASSETS		<u>50,638,668</u>
LIABILITIES		
Amount due to Trustee		1,292
Auditors' remuneration		8,000
Tax agent's fee		3,500
Other payables and accruals		1,000
TOTAL LIABILITIES		<u>13,792</u>
NET ASSET VALUE OF THE FUND		<u>50,624,876</u>
EQUITY		
Unitholders' capital		53,370,686
Accumulated losses		(2,745,810)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>50,624,876</u>
NUMBER OF UNITS IN CIRCULATION	8	<u>53,367,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.9486</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 PERIOD FROM 4 OCTOBER 2018
(DATE OF LAUNCH) TO 31 JULY 2019**

	Unitholders' <u>capital</u> RM	Accumulated <u>losses</u> RM	<u>Total</u> RM
Balance as at 4 October 2018 (date of launch)	-	-	-
Total comprehensive loss for the financial period	-	(2,745,810)	(2,745,810)
Movement in unitholders' capital:			
Creation of units arising from applications	53,534,000	-	53,534,000
Cancellation of units	(163,314)	-	(163,314)
Balance as at 31 July 2019	<u>53,370,686</u>	<u>(2,745,810)</u>	<u>50,624,876</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 PERIOD FROM 4 OCTOBER 2018
(DATE OF LAUNCH) TO 31 JULY 2019**

Financial
period from
4.10.2018
(date of
launch) to
31.7.2019
RM

CASH FLOWS FROM OPERATING ACTIVITIES

Proceeds from maturity of deposits with licensed financial institutions	136,557,648
Placements of deposits with licensed financial institutions	(185,527,724)
Purchase of investment	(4,501,731)
Interest received	121,869
Exit fee income received	4,348
Trustee fee paid	(10,668)
Net realised foreign exchange gain	7,039
Payment for other fees and expenses	(1,843)
Tax paid	(1,850)
	<hr/>
Net cash used in operating activities	(53,352,912)
	<hr/>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from creation of units	53,534,000
Payments for cancellation of units	(163,314)
	<hr/>
Net cash generated from financing activities	53,370,686
	<hr/>

NET INCREASE IN CASH AND CASH EQUIVALENTS 17,774

CASH AND CASH EQUIVALENTS AT THE DATE OF LAUNCH -

CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD 17,774

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 PERIOD FROM 4 OCTOBER 2018 (DATE OF LAUNCH) TO 31 JULY 2019

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

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

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

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

B INCOME RECOGNITION

Interest income

Interest income from deposits with licensed financial institutions is recognised based on effective interest rate method on an accrual basis.

When a loan and receivable is impaired, the Fund reduces 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.

Exit fee income

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 FINANCIAL PERIOD FROM 4 OCTOBER 2018 (DATE OF LAUNCH) TO 31 JULY 2019 (CONTINUED)

C TAXATION

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

Tax on investment income from foreign investments is based on the tax regime of the respective countries that the Fund invests in.

D 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.

E FOREIGN CURRENCY TRANSLATIONS

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 re-measured. 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.

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

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 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL PERIOD FROM 4 OCTOBER 2018
(DATE OF LAUNCH) TO 31 JULY 2019 (CONTINUED)**

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(i) Classification (continued)

The Fund classifies cash and cash equivalents and deposits with licensed financial institutions 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 Trustee, auditors' remuneration, tax agent's fee and other payables and accruals as financial liabilities measured at amortised cost.

(ii) Recognition and measurement

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

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

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

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

When the Fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When options are closed, the difference between the premium and the amount paid, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognised as a gain or loss and is presented in the statement of comprehensive income within 'net gain/(loss) on financial asset at fair value through profit and loss' in the financial period which they arise.

Gains or losses arising from changes in the fair value of the 'financial asset 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/(loss) on financial asset at fair value through profit and loss' in the period which they arise.

The Fund's investment in unquoted derivative – option is valued on a weekly basis using valuation techniques by BNP Paribas Issuance B.V. (the "Option Seller"). Refer to Note 3 for further explanation.

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 FINANCIAL PERIOD FROM 4 OCTOBER 2018 (DATE OF LAUNCH) TO 31 JULY 2019 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

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.

G 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 unquoted derivative – option. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 4 OCTOBER 2018 (DATE OF LAUNCH) TO 31 JULY 2019 (CONTINUED)

G DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of unquoted derivative – option is determined in accordance with the accounting policy set out in Note F.

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 F.

H CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprises bank balance that is readily convertible to known amount of cash and which is subjected to an insignificant risk of change in value.

I UNITHOLDERS' CAPITAL

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

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

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

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

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 PERIOD FROM 4 OCTOBER 2018 (DATE OF LAUNCH) TO 31 JULY 2019 (CONTINUED)

K CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information 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 Securities Commission's ("SC") Guidelines on Unit Trust Funds.

(i) Fair value of unquoted derivative – option

The Fund invests in unquoted derivative – option that is not quoted in active markets. Fair value of such instruments are determined by using valuation techniques set out in Note 3 of the financial statements.

Models use observable data, to the extent practicable. However, unobservable inputs such as implied volatility and net cost of borrowing are based on assumptions that require management to make estimates. Changes in assumptions about this factor could affect the reported fair value of the unquoted derivative – option. The sensitivity to unobservable inputs is based on management's expectation of reasonable possible shift in these inputs, taking into consideration historical data and estimations of future market movements.

For the unquoted derivative – option, an increase in the implied volatility and the net cost of borrowing would lead to an increase in estimated value. The Manager is of the opinion that it is reasonably possible, based on existing knowledge, that there could be substantial shift in the unobservable inputs in Note 3 to the financial statements within the next financial period that could result in material changes to the fair value of the unquoted derivative – option.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 4 OCTOBER 2018
(DATE OF LAUNCH) TO 31 JULY 2019**

1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name Affin Hwang Income Focus Fund 4 (the “Fund”) pursuant to the execution of a Deed dated 22 March 2018 entered into between Affin Hwang Asset Management Berhad (the “Manager”) and CIMB Commerce Trustee Berhad (the “Trustee”).

The Fund commenced operations on 4 October 2018 and will continue its operations until its termination on the third anniversary of the Fund.

The Fund may invest in any of the following investments:

- (i) Money market instruments
- (ii) Deposits
- (iii) Options
- (iv) Structured warrants
- (v) Any other form of investments as may be permitted by the SC from time to time which are in line with the objective of the Fund.

All investments will be subjected to the SC’s Guidelines on Unit Trust Funds and the Deed and the objective of the Fund.

The objective of the Fund is to provide income return whilst maintaining capital preservation.

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 11 September 2019.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 4 OCTOBER 2018
(DATE OF LAUNCH) TO 31 JULY 2019 (CONTINUED)**

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	<u>Note</u>	Financial assets amortised cost RM	Financial asset at fair value through profit or loss RM	<u>Total</u> RM
<u>2019</u>				
Cash and cash equivalents		17,774	-	17,774
Deposits with licensed financial institutions	6	50,424,406	-	50,424,406
Unquoted derivative – option	7	-	195,467	195,467
Total		<u>50,442,180</u>	<u>195,467</u>	<u>50,637,647</u>

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

The Fund is exposed to a variety of risks which include market risk (including price risk, 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 Funds.

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.

(b) Interest rate risk

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

The Fund's exposure to the interest rate risk is mainly confined to deposits with licensed financial institutions. The Manager overcomes this exposure by placing deposits with licensed financial institutions with fixed rates of interest and maturity.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 4 OCTOBER 2018
(DATE OF LAUNCH) TO 31 JULY 2019 (CONTINUED)**

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

Market risk (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 derivative – option RM	Total RM
<u>2019</u>		
Euro	195,467	195,467

The table below summarises the sensitivity of the Fund's profit after tax and net asset value ("NAV") 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 constant. 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 increase/(decrease) 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 rate %	Impact on loss after tax/NAV RM
<u>2019</u>		
Euro	+/- 5	+/- 9,773

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 4 OCTOBER 2018
(DATE OF LAUNCH) TO 31 JULY 2019 (CONTINUED)**

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

Credit risk

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

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

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

	Cash and cash equivalents RM	Deposits with licensed financial institutions RM	Unquoted derivative – option RM	Total RM
<u>2019</u>				
Financials				
- AAA	17,774	18,781,315	-	18,799,089
- AA2	-	9,541,783	-	9,541,783
- AA3	-	22,101,308	195,467	22,296,775
	<u>17,774</u>	<u>50,424,406</u>	<u>195,467</u>	<u>50,637,647</u>

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 cancellation of units by unitholders. Liquid assets comprise cash, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 days.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 4 OCTOBER 2018
(DATE OF LAUNCH) TO 31 JULY 2019 (CONTINUED)**

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

Liquidity risk (continued)

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 <u>one month</u> RM	Between one month to <u>one year</u> RM	<u>Total</u> RM
<u>2019</u>			
Amount due to Trustee	1,292	-	1,292
Auditor's remuneration	-	8,000	8,000
Tax agent's fee	-	3,500	3,500
Other payables and accruals	-	1,000	1,000
	<u>1,292</u>	<u>12,500</u>	<u>13,792</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 financial period end date.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 4 OCTOBER 2018
(DATE OF LAUNCH) TO 31 JULY 2019 (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 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 asset at fair value through profit or loss				
- unquoted derivative				
– option	-	-	195,467	195,467
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Level 3 instrument

The Fund invests in an option issued by the Option Seller and is valued on a weekly basis. These investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, the Fund has used valuation techniques to derive the fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 4 OCTOBER 2018
(DATE OF LAUNCH) TO 31 JULY 2019 (CONTINUED)**

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

Level 3 instrument (continued)

In determining the valuation, the Option Seller utilises risk management models based on probability testing. The model utilises market observable input factors such as interest rate levels and remaining time to maturity; and combine them with the Option Seller's own unobservable inputs such as Implied Volatility and Net Cost of Borrowing. These market observable quantitative inputs and in-house assumptions are then typically put through a random process and simulated multiple times to create a sufficiently large sample size whereby the Option Seller is able to arrive at a meaningful average level which is used as the mark to market valuation for the option.

The descriptions of unobservable inputs in the option valuation are:

- **Implied Volatility:** this is derived by the Option Seller from a number of parameters including but not limited to the Option Seller's assumptions, using proxies from correlated assets and derivation from observable inputs like realised volatility of the Merian Global Equity Absolute Return Fund ("the underlying fund") and volatility quotes in the broker market.
- **Net Cost of Borrowing:** the net cost of borrowing for the Option Seller is expressed as a spread over Euribor rates. The valuation of the option is impacted by the cost of borrowing associated with the option seller having to buy units of the underlying Merian Global Equity Absolute Return Fund net of rebates given by the mutual fund manager.

The sensitivity of fair value valuations for fund linked option to unobservable inputs are not static and can vary substantially depending on the Option Seller's assumptions.

The following table presents the movements in Level 3 instruments for the financial period ended 31 July 2019:

	<u>RM</u>
Opening balance	-
Purchase	4,501,731
Net change in fair value on financial asset at fair value through profit or loss	(4,306,264)
	<u>195,467</u>

In the specific case of the Fund's investment, the fair value of the investment will rise respectively when:

- Implied volatility increases;
- Net cost of borrowing increases;

and vice versa, the fair value of the investment will fall if each of the above factors move in the opposite direction.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 4 OCTOBER 2018
(DATE OF LAUNCH) TO 31 JULY 2019 (CONTINUED)**

3 FAIR VALUE ESTIMATION (CONTINUED)

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

4 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 excluding of foreign custodian fees.

For the financial period from 4 October 2018 (date of launch) to 31 July 2019, the Trustee fee is recognised at a rate of 0.03% per annum on the NAV of the Fund calculated on a daily basis 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.

5 TAXATION

	Financial period from 4.10.2018 (date of launch) to 31.7.2019 RM
Current taxation - local	829

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

Net loss before taxation	(2,744,981)
Tax at Malaysian statutory rate of 24%	(658,795)
Tax effects of:	
Investment loss disallowed from tax	653,526
Expenses not deductible for tax purposes	4,153
Restriction on tax deductible expense for Unit Trust Funds	1,945
Tax expense	829

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 4 OCTOBER 2018
(DATE OF LAUNCH) TO 31 JULY 2019 (CONTINUED)**

6 DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

The weighted average interest rate for deposits with licensed financial institutions that was effective as at balance sheet date was as follows:

	<u>2019</u>
	%
Deposits with licensed financial institutions	<u>4.30</u>

Deposits with licensed financial institutions have an average maturity of 843 days. The amount includes interest receivable of RM1,454,330.

7 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Fund invests in unquoted derivative – option. An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price. The notional amount of the Fund's exposure to the unquoted derivative – option as at 31 July 2019 is RM52,764,775. The Fund's investment in unquoted derivative – option is set out below:

	<u>2019</u> RM
Financial asset at fair value through profit or loss:	
- unquoted derivative – option	195,467
	<u> </u>
Net loss on financial asset at fair value through profit or loss:	
- unrealised loss on changes in fair value	(4,306,264)
	<u> </u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 4 OCTOBER 2018
(DATE OF LAUNCH) TO 31 JULY 2019 (CONTINUED)**

7 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(a) Unquoted derivative – option

(i) Unquoted derivative – option as at 31 July 2019 are as follows:

<u>Name of issuer</u>	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Option</u>				
18M European Option on Merian Global Equity Absolute Return Fund	1,000	4,501,731	195,467	0.39
Total unquoted derivative – option	1,000	4,501,731	195,467	0.39
Accumulated unrealised loss on unquoted derivative – option		(4,306,264)		
Total unquoted derivative – option		195,467		

The unquoted derivative – option expires on 12 November 2021.

8 NUMBER OF UNITS IN CIRCULATION

	<u>2019 No. of units</u>
At the date of launch	-
Creation of units arising from applications	53,534,000
Cancellation of units	(167,000)
At the end of the financial period	<u>53,367,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 4 OCTOBER 2018
(DATE OF LAUNCH) TO 31 JULY 2019 (CONTINUED)**

9 TRANSACTION WITH DEALER

- (i) Details of transaction with dealer for the financial period from 4 October 2018 (date of launch) to 31 July 2019 are as follows:

<u>Name of dealer</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
BNP Paribas Securities Singapore Pte Ltd	4,501,731	100.00

10 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>Relationships</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>No. of units</u>	<u>2019</u> RM
<u>The Manager:</u>		
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)	25,117	23,826

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 4 OCTOBER 2018
(DATE OF LAUNCH) TO 31 JULY 2019 (CONTINUED)**

11 MANAGEMENT EXPENSE RATIO (“MER”)

Financial
period from
4.10.2018
(date of
launch) to
31.7.2019
%

MER 0.05

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial period from 4 October 2018 (date of launch) to 31 July 2019 calculated on a daily basis was RM48,271,232.

12 PORTFOLIO TURNOVER RATIO (“PTR”)

Financial
period from
4.10.2018
(date of
launch) to
31.7.2019

PTR (times) 0.05

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 = RM4,501,731
total disposal for the financial period = RM Nil

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 4 OCTOBER 2018
(DATE OF LAUNCH) TO 31 JULY 2019 (CONTINUED)**

13 SEGMENT INFORMATION

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

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

The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These returns consist of interest income derived from deposits with licensed financial institutions in Malaysia and gains on the appreciation in the value of investment derived from unquoted derivative in Netherlands.

The fund has a diversified unitholder population. However, as at 31 July 2019, there was 1 unitholder who held more than 10% of the Fund's NAV. The unitholder's holdings was 98.90%.

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.

14 COMPARATIVES

There are no comparative figures as this is the first set of financial statements prepared since the launch of the Fund.

AFFIN HWANG INCOME FOCUS FUND 4

STATEMENT BY THE MANAGER

I, Teng Chee Wai, as the Director of **Affin Hwang Asset Management Berhad**, hereby state that in my opinion as the Manager, the financial statements set out on pages 1 to 23 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 July 2019 and of its financial performance, changes in equity and cash flows for the financial period from 4 October 2018 (date of launch) to 31 July 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
11 September 2019

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG INCOME FOCUS FUND 4

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Affin Hwang Income Focus Fund 4 ("the Fund") give a true and fair view of the financial position of the Fund as at 31 July 2019, and of its financial performance and its cash flows for the financial period from 4 October 2018 (date of launch) to 31 July 2019 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 31 July 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial period from 4 October 2018 (date of launch) to 31 July 2019, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 23.

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 INCOME FOCUS FUND 4 (CONTINUED)

REPORT ON 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG INCOME FOCUS FUND 4 (CONTINUED)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG INCOME FOCUS FUND 4 (CONTINUED)

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
11 September 2019

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