AFFIN HWANG CAPITAL

Out think. Out perform.

Asset Management

# PRODUCT HIGHLIGHTS SHEET

# for

# Affin Hwang Single Bond Series 2

**Date of issuance: 3 October 2019**

## RESPONSIBILITY STATEMENT

This Product Highlights Sheet has been reviewed and approved by the directors and/or authorized committee and/or persons approved by the Board of Affin Hwang Asset Management Berhad (429786-T) and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable inquiries, they confirm to the best of their knowledge and belief, that there are no false or misleading statements or omissions of other facts which would make any statement in the Product Highlights Sheet false or misleading.

## STATEMENT OF DISCLAIMER

The relevant information and document in relation to the Affin Hwang Single Bond Series 2 ("the Fund"), including a copy of this Product Highlights Sheet has been lodged with the Securities Commission Malaysia under the Lodge and Launch Framework.

The lodgement of the relevant information and document in relation to the Fund, including this Product Highlights Sheet, should not be taken to indicate that the Securities Commission Malaysia recommends the Fund or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Product Highlights Sheet.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of the Affin Hwang Asset Management Berhad responsible for the Fund and takes no responsibility for the contents of this Product Highlights Sheet. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this Product Highlights Sheet, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

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**This Product Highlights Sheet only highlights the key features and risks of this Fund. Investors are advised to request, read and understand the Information Memorandum of the Fund before deciding to invest.**

# PRODUCT HIGHLIGHTS SHEET

# AFFIN HWANG SINGLE BOND SERIES 2

## BRIEF INFORMATION ON THE PRODUCT

### 1. What is this product about?

The Fund is an open-ended wholesale bond fund which aims to provide regular income over the medium to long term period.

## PRODUCT SUITABILITY

### 2. Who is this product suitable for?

The Fund is designed for Sophisticated Investors who seek regular income distribution, have a medium to long term investment horizon and have a low to medium risk tolerance.

## KEY PRODUCT FEATURES

### 3. What am I investing in?

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|---|---|
| Class | MYR |
| Launch Date | 3 October 2019 |
| Initial Offer Price | MYR 1.00 |
| Initial Offer Period | The initial offer period will be for a period of not more than 21 calendar days from the Commencement Date of the Fund. The initial offer period may be shortened if we determine that it is in your best interest. |
| Tenure | This Fund is an open-ended fund where it does not have a fixed maturity date and may only be terminated in accordance with the terms of the Information Memorandum and the provisions of the Deed.<br>However, the Fund has an Early Termination features which triggers when the Fund holds 100% in money market instruments, deposits and cash. If the feature is triggered, we will return the investment proceeds to you. We have the option to exercise the right to trigger an Early Termination without requiring a Unit Holders' meeting. In the event of an Early Termination, the Fund will be terminated on the Early Termination Date, which will fall on the on the 10th Business Day immediately following the date of the issuance of the Communiqué to you. |
| Base Currency | MYR |
| Benchmark | 12-month Malayan Banking Berhad Fixed Deposit Rate.<br>*The risk profile of the Fund is different from the risk profile of the benchmark.* |
| Investment Strategy | The Fund will be investing at least 60% of the Fund's NAV in a single bond. Up to 40% of the Fund's NAV will be kept in liquid assets such as money market instruments, deposits and cash.<br>We will combine a top-down and bottom-up investment approach to identify investment opportunities. Macroeconomic trends and market analysis are the important considerations in deriving the top-down perspective on interest rate outlook, fixed income markets and currency movements. For its bottom-up approach, we would conduct analysis on the issuers to assess its ability to service its debt obligations.<br>The fundamental investment process will be driven by two main factors:<br>1. Credit quality of the bond<br>2. Yield of the bond |

| | |
|---|---|
| | The Manager will aim to strike an overall balance between these two factors to deliver the best risk-adjusted return to Unit Holders.<br>The Fund's investment in the bond would consist of a corporate bond (including hybrid securities such as AT1 CoCo bonds). The Fund may invest in a foreign bond where the regulatory authority is an ordinary or associate member of the IOSCO. The selection of the bond will not be constrained by credit ratings of the issuance. However, the selection will depend largely on its quality, where the issuer displays strong ability to meet its financial obligations, healthy cash-flow, the collateral type, value, claims, priority as well as offer highest safety for timely payment of interest and principal.<br>The Fund may employ derivatives, such as foreign exchange forward contracts, cross currency swaps or interest rate swaps primarily for hedging purposes. |
| Asset Allocation | • A minimum of 60% of the Fund's NAV to be invested in bond; and<br>• A maximum of 40% of the Fund's NAV to be invested in money market instruments, deposits and cash. |
| Distribution Policy | Subject to the availability of income, the Fund will provide distribution on an annual basis. |
| Minimum Initial Investment* | MYR 10,000 |
| Minimum Additional Investment* | MYR 1,000 |
| Minimum Repurchase Amount | 10,000 Units |
| Minimum Units Held* | 10,000 Units |
| | If the balance of your investment (i.e. total number of Units) is less than the minimum holding of Units, you will be required to make an additional investment in order to meet the required minimum balance of investment. Otherwise, we may withdraw all your holding of Units in the Fund and pay the proceeds to you. |

*Note: Please refer to the Fund's Information Memorandum for further details of the Fund.*

## 4. Who am I investing with?

Relevant parties' information:

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|---|---|
| The Manager | Affin Hwang Asset Management Berhad |
| Manager's Delegate<br>(Fund Accounting and Valuation Agent) | CIMB Commerce Trustee Berhad |
| The Trustee | CIMB Commerce Trustee Berhad |
| The Trustee's Delegate(Local & Foreign Custodian) | CIMB Commerce Trustee Berhad |

## 5. What are the possible outcomes of my investment?

This Fund is a wholesale bond fund that invests primarily in a single bond. The performance of the Fund would be dependent on the bond that the Fund invests in. The Fund's performance is reliant on the Manager's expertise in managing the Fund to meet its objective.

Unlike fixed deposits which generally provide a guarantee on capital invested and carry specific rate of return, the Fund's investment into the bond does not provide a guarantee on capital contributed nor does it guarantee a fixed rate of return.

* Subject to change at our discretion.

The Fund endeavours to distribute income, if any, on an annual basis. However, the amount of income available for distribution may fluctuate from year to year.

## KEY RISKS

### 6. What are the key risks associated with this product?

**General risks of the fund**

- **Affected by variable factors and not guaranteed –** The performance of a unit trust fund is affected by many variable factors and is not guaranteed. These include overall economic and financial market conditions such as interest rate fluctuation and stability of local currency. While a track record may provide some insight on future performance, it is by no means guaranteed. The prices of Units may go down as well as up. Likewise, distribution may vary from year to year depending on the performance of the unit trust fund.
- **Fund management risk** – This risk refers to the day-to-day management of the Fund by us which will impact the performance of the Fund. For example, investment decisions undertaken by us as a result of an incorrect view of the market or any non-compliance with internal policies, investment mandate, the Deed, relevant law or guidelines due to factors such as human error, fraud, dishonesty or weaknesses in operational process and systems, may adversely affect the performance of the Fund.
- **Operational risk** - Operational risk is the risk of loss due to the breakdown, deficiencies or weaknesses in the operational support functions resulting in the operations or internal control processes producing an insufficient degree of customer quality or internal control by the Manager. Operational risk is typically associated with human error, system failure, fraud and inadequate or defective procedures and controls.
- **Counterparty risk** - The Fund will be exposed to the credit risk of the parties with which it transacts and may also bear the risk of settlement default. Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. This would include the counterparties to any derivatives, repurchase/reverse repurchase agreement or securities lending agreement that it enters into. Trading in derivatives which have not been collaterised gives rise to direct counterparty exposure.

**Specific risks**

- **Interest rate risk** – This risk refers to the impact of interest rate changes on the valuation of bonds or money market instruments (hereinafter referred as “investment”). When interest rates rise, the investment prices generally decline and this may lower the market value of the investment. The reverse may apply when interest rates fall.
- **Credit and default risk** – Credit risk relates to the creditworthiness of the issuers of the debentures and money markets instruments (hereinafter referred as “investment”) and their expected ability to make timely payment of interest and/or principal. Any adverse situations faced by the issuer may impact the value as well as liquidity of the investment. In the case of rated investments, this may lead to a credit downgrade. Default risk relates to the risk of an issuer of the investment either defaulting on payments or failing to make payments in a timely manner which will in turn adversely affect the value of the investment. This could adversely affect the value of the Fund.
- **Reinvestment risk** – Reinvestment risk refers to the risk that any distributions or proceeds will be unable to be reinvested at a rate comparable to the current investment’s rate of return. It is the likelihood that cash flows from the investment will earn less in a new security.
- **Concentration risk** – This Fund invests in a single bond. Any adverse effect on the bond will inevitably affect the Fund as well. The performance of the Fund is also dependent on the performance of the bond. This risk may be mitigated as we are allowed to take temporary defensive positions in response to adverse market conditions.
- **Liquidity risk** – Liquidity risk refers to two scenarios. The first is where an investment cannot be sold due to unavailability of a buyer for that investment. The second scenario exists where the investment, by its nature, is thinly traded. This will have the effect of causing the investment to be sold below its fair value which would adversely affect the NAV of the Fund. Upon such event and in the best interest of the Unit Holders, the Trustee may suspend the repurchase of Units requests.
- **Country risk -** Investments of the Fund in any countries may be affected by changes in the economic and political climate, restriction on currency repatriation or other developments in the law or regulations of the countries in which the Fund invests. For example, the deteriorating economic condition of such countries may adversely affect the value of the investments undertaken by the Fund in those affected countries. This in turn may cause the NAV of the Fund or prices of Units to fall.
- **Currency risk** - As the investments of the Fund may be denominated in currencies other than the Base Currency, any fluctuation in the exchange rate between the Base Currency and the currencies in which the investments are

denominated may have an impact on the value of these investments. You should be aware that if the currencies in which the investments are denominated depreciate against the Base Currency, this will have an adverse effect on the NAV of the Fund in the Base Currency and vice versa. You should note that any gain or loss arising from the fluctuation in the exchange rate may further increase or decrease the returns of the investment.

- **Political risk** – Political instability in the country which the Fund is invested may lead to a situation in which the Fund does not receive part or all of the monies owed to it in spite of the solvency of the issuer of the respective security or other assets. Currency or transfer restrictions or other legal changes, for example, may be significant in this regard.
- **Regulatory risk** – The investments of the Fund would be exposed to changes in the laws and regulations in the countries that the Fund is invested in. These regulatory changes pose a risk to the Fund as it may materially impact the investments of the Fund.

*Note: Please refer to "Understanding the Risks of the Fund" in Information Memorandum for further details on each risk.*

**It is important to note that events affecting the investments cannot always be foreseen. Therefore, it is not possible to protect investments against all risks.**

**You are recommended to read the whole Information Memorandum to assess the risks associated with the Fund. If necessary, you should consult your professional adviser(s) for a better understanding of the risks.**

## FEES & CHARGES

### 7. What are the fees and charges involved?

There are fees and charges involved and you are advised to consider them before contributing to the Fund.

**What will I be charged by the Manager?**

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| Sales charge | Up to 2.00% of the initial offer price during the initial offer period, thereafter, on the NAV per Unit. |
| Repurchase charge | Nil. |
| Switching fee | Nil. |
| Transfer fee | Nil. |

**What are the key ongoing fees charged to the Fund?**

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|---|---|
| Management fee | Up to 0.50% per annum of the NAV of the Fund |
| Trustee fee | Up to 0.04% per annum of the NAV of the Fund |

*Note: Please refer to the Information Memorandum for further explanation and illustration of the Fund's fees, charges and expenses.*

**ALL FEES AND CHARGES PAYABLE BY YOU ARE SUBJECT TO ALL APPLICABLE TAXES AND / OR DUTIES AS MAY BE IMPOSED BY THE GOVERNMENT AND / OR THE RELEVANT AUTHORITIES FROM TIME TO TIME.**

**! YOU SHOULD NOT MAKE PAYMENT IN CASH TO A UNIT TRUST CONSULTANT OR ISSUE A CHEQUE IN THE NAME OF A UNIT TRUST CONSULTANT.**

## VALUATIONS AND EXITING FROM INVESTMENT

### 8. How often are valuations available?

The Fund will be valued on every Business Day and you may obtain the NAV and NAV per Unit of the Fund from our customer service via our toll free number 1-800-88-7080 or email to *customercare@affinhwangam.com*.

## 9. How can I exit from this investment and what are the risks and costs involved?

You may request to redeem your investments in the Fund at any point in time by completing the repurchase application form and returning it to us on any Business Day between 8.45 a.m. and 3.30 p.m. Payments will be made to you within 10 days from the day the repurchase request is received by us and provided that all documentations are completed and verifiable.

## CONTACT INFORMATION

## 10. Who should I contact for further information or to lodge a complaint?

1. For internal dispute resolution, you may contact our customer service personnel:
   (a) via phone to : 03 – 2116 6000
   (b) via fax to : 03 – 2116 6100
   (c) via toll free no. : 1-800-88-7080
   (d) via email to : customercare@affinhwangam.com
   (e) via letter : Affin Hwang Asset Management Berhad
   Ground Floor, Menara Boustead
   69, Jalan Raja Chulan
   50200 Kuala Lumpur

   Complaints should be made in writing with the following information:
   (a) particulars of the complainant which include name, correspondence address, contact number, e-mail address (if any) and other relevant information;
   (b) circumstances of the non-compliance or improper conduct;
   (c) parties alleged to be involved in the improper conduct; and
   (d) other supporting documentary evidence (if any).

2. If you are dissatisfied with the outcome of the internal dispute resolution process, please refer your dispute to the Securities Industries Dispute Resolution Centre (SIDREC):
   (a) via phone to : 03-2282 2280
   (b) via fax to : 03-2282-3855
   (c) via email to : info@sidrec.com.my
   (d) via letter to : Securities Industry Dispute Resolution Center (SIDREC)
   Unit A-9-1 Level 9, Tower A, Menara UOA Bangsar, No. 5, Jalan Bangsar Utama 1
   59000 Kuala Lumpur

3. You can also direct your complaint to the SC even if you have initiated a dispute resolution process with SIDREC. To make a complaint, please contact the SC's Investor Affairs & Complaints Department:
   (a) via phone to the Aduan Hotline at : 03 – 6204 8999
   (b) via fax to : 03 – 6204 8991
   (c) via e-mail to : aduan@seccom.com.my
   (d) via online complaint form available at www.sc.com.my
   (e) via letter to : Investor Affairs & Complaints Department
   Securities Commission Malaysia, No 3 Persiaran Bukit Kiara, Bukit Kiara, 50490 Kuala Lumpur

4. Federal of Investment Managers Malaysia (FIMM)'s Complaints Bureau:
   (a) via phone to : 03 – 20923800
   (b) via fax to : 03 – 20932700
   (c) via e-mail to : complaints@fimm.com.my
   (d) via online complaint form available at : www.fimm.com.my
   (e) via letter to : Legal, Secretarial & Regulatory Affairs
   Federal of Investment Managers Malaysia
   19-06-1, 6th Floor Wisma Tune, No. 19, Lorong Dungun
   Damansara Heights,50490 Kuala Lumpur

## APPENDIX : GLOSSARY

| | |
|---|---|
| **Act** | Means the Capital Markets and Services Act 2007 as may be amended from time to time. |
| **AT1 Coco Bond** | Means Additional Tier 1 (AT1) Contingent Convertible (CoCo) bonds (AT1 CoCo Bond). |
| **Base Currency** | Means the currency in which the Fund is denominated i.e. MYR. |
| **Bursa Malaysia** | Means the stock exchange managed and operated by Bursa Malaysia Securities Berhad and includes any changes to the name or the operator of the Malaysian stock exchange. |
| **Business Day** | Means a day on which Bursa Malaysia is open for trading. |
| **Call Date** | Means the date on which the bond can be redeemed by the issuer prior to maturity, either in full or in part. There can be more than one call date for the bond and the issuer can choose to exercise the call on any of the specified call dates. If the bond is called, it will be redeemed at the call price which is specified during the issuance. |
| **Commencement Date** | Means the date on which sale of Units of the Fund is first made. The Commencement Date is also the date of constitution of the Fund. |
| **Communiqué** | Refers to the notice issued by the Manager to the Unit Holders. |
| **Deed** | Refers to the deed dated 24th September 2019 entered into between the Manager and the Trustee and includes any subsequent amendments and variations to the deed. |
| **Early Termination** | Means an event where the Fund is unwounded on or before its perpetual maturity. |
| **Early Termination Date** | Means if the Manager has decided to trigger an Early Termination, the Fund will be terminated on the tenth (10th) Business Day immediately following the date the Manager has issued the Communiqué to the Unit Holders. |
| **Fund** | Means Affin Hwang Single Bond Series 2. |
| **Guidelines** | Refers to *Guidelines on Unlisted Capital Market Products Under The Lodge And Launch Framework* issued by the SC and as amended or modified from time to time. |
| **Information Memorandum** | Means the offer document in respect of this Fund as may be, replaced or amended from time to time. |
| **IOSCO** | Means International Organisation of Securities Commission. |
| **long term** | Means a period of five (5) years and above. |
| **Manager or AHAM** | Refers to Affin Hwang Asset Management Berhad. |
| **medium term** | Means a period of between three (3) to five (5) years. |
| **MYR** | Means the Malaysian Ringgit, the lawful currency of Malaysia. |
| **NAV** | Means the value of all the assets of the Fund less the value of all the liabilities of the Fund at a valuation point. |
| **NAV per Unit** | Means the NAV of the Fund at a particular valuation point divided by the number of Unit in Circulation at the same valuation point. |
| **Sophisticated Investor** | Refers to –<br>(1) an individual whose total net personal assets, or total net joint assets with his or her spouse, exceed RM3 million or its equivalent in foreign currencies, excluding the value of the individual's primary residence.<br>(2) an individual who has a gross annual income exceeding RM300,000 or its equivalent in foreign currencies per annum in the preceding 12 months.<br>(3) an individual who, jointly with his or her spouse, has a gross annual income exceeding RM400,000 or its equivalent in foreign currencies per annum in the preceding 12 months;<br>(4) a corporation with total net assets exceeding RM10 million or its equivalent in foreign currencies based on the last audited accounts.<br>(5) a partnership with total net assets exceeding RM10 million or its equivalent in foreign currencies.<br>(6) a unit trust scheme or prescribed investment scheme.<br>(7) a private retirement scheme as defined in the Act.<br>(8) a closed-end fund approved by SC.<br>(9) a company that is registered as a trust company under the Trust Companies Act 1949 which has assets under management exceeding RM10 million or its equivalent in foreign currencies.<br>(10) a corporation that is a public company under the Companies Act 2016 which is approved by the SC to be a trustee under the Act and has assets under management exceeding RM10 million or its equivalent in foreign currencies. |

| | |
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| | (11) a statutory body established by an Act of Parliament or an enactment of any State.<br>(12) a pension fund approved by the Director General of Inland Revenue under section 150 of the Income Tax Act 1967 [Act 53].<br>(13) Central Bank of Malaysia established under the Central Bank of Malaysia Act 2009.<br>(14) a holder of a capital markets services licence or an executive director or a chief executive officer of a holder of a Capital Markets Services Licence.<br>(15) a licensed bank as defined in the Financial Services Act 2013.<br>(16) a licensed Islamic bank as defined in the Islamic Financial Services Act 2013.<br>(17) a licensed insurer as defined in the Financial Services Act 2013.<br>(18) a licensed takaful operator as defined in the Islamic Financial Services Act 2013.<br>(19) a Labuan bank or an insurance licensee as defined in the Labuan Financial Services and Securities Act 2010 [Act 704].<br>(20) a takaful licensee as defined in the Labuan Islamic Financial Services and Securities Act 2010 [Act 705].<br>(21) such other investor(s) as may be permitted by the Securities Commission Malaysia from time to time and/or under the relevant guidelines for wholesale funds. |
| **Trustee** | Refers to CIMB Commerce Trustee Berhad. |
| **Unit or Units** | Means an undivided share in the beneficial interest and/or right in the Fund and a measurement of the interest and/or right of a Unit Holder in the Fund and means a Unit of the Fund. |
| **Unit(s) in Circulation** | Means Units created and fully paid and which has not been cancelled.<br>*It is also the total number of Units issued at a particular valuation point.* |
| **Unit Holder, you** | Means the person for the time being who, in full compliance to the relevant laws is a Sophisticated Investor pursuant to the Guidelines including a jointholder. |

*Reference to first person pronouns such as "we", "us" or "our" in this Information Memorandum means the Manager/AHAM.*