

Affin Hwang

Select Cash Fund

Interim Report
31 May 2019

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



AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad (429786-T)

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

AFFIN HWANG SELECT CASH FUND

Interim Report and Unaudited Financial Statements For the 6 Months Financial Period Ended 31 May 2019

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FUND INFORMATION

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

BREAKDOWN OF UNITHOLDERS BY SIZE RM CLASS AS AT 31 MAY 2019

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	32	45
5,001 to 10,000	8	64
10,001 to 50,000	23	632
50,001 to 500,000	59	12,709
500,001 and above	156	1,826,903
Total	278	1,840,353

* Note: Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 31 May 2019 (%)	As at 31 May 2018 (%)	As at 31 May 2017 (%)
Portfolio Composition			
Unquoted fixed income securities – local			
- Bonds	21.26	29.67	35.85
- Commercial papers	4.58	4.06	4.22
Total unquoted fixed income securities – local	25.84	33.73	40.07
Cash & cash equivalent	74.16	66.27	59.93
Total	100.00	100.00	100.00
Total NAV (RM'million)	1,936.711	1,408.270	1,532.729
NAV per Unit (RM)	1.0524	1.0449	1.0449
Unit in Circulation (million)	1,840.356	1,347.748	1,466.923
Highest NAV	1.0527	1.0452	1.0489
Lowest NAV	1.0485	1.0430	1.0441
Return of the fund ⁱⁱⁱ (%)	1.85	1.73	1.79
- Capital Return ⁱ (%)	0.37	0.15	-0.26
- Income Return ⁱⁱ (%)	1.48	1.57	2.06
Gross Distribution per Unit (sen)	1.54	1.63	2.13
Net Distribution per Unit (sen)	1.54	1.63	2.13
Management Expense Ratio (%) ¹	0.26	0.28	0.28
Portfolio Turnover Ratio (times) ²	0.28	0.33	0.29

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 @ 31/05/19 ÷ NAV per Unit @ 30/11/18* - 1} x 100
= {1.0524 ÷ 1.0485 - 1} x 100
= **0.37%**

Income Return @ ex-date = {Income distribution per Unit ÷ NAV per Unit on ex- date} + 1
= {0.0013 ÷ 1.0485 @ 12/12/18} +1 = 1.0012
= {0.0013 ÷ 1.0487 @ 26/12/18} +1 = 1.0012
= {0.0013 ÷ 1.0488 @ 09/01/19} +1 = 1.0012
= {0.0013 ÷ 1.0490 @ 23/01/19} +1 = 1.0012
= {0.0013 ÷ 1.0499 @ 13/02/19} +1 = 1.0012
= {0.0013 ÷ 1.0501 @ 27/02/19} +1 = 1.0012
= {0.0012 ÷ 1.0503 @ 13/03/19} +1 = 1.0011
= {0.0012 ÷ 1.0506 @ 27/03/19} +1 = 1.0011
= {0.0013 ÷ 1.0508 @ 10/04/19} +1 = 1.0012
= {0.0013 ÷ 1.0510 @ 24/04/19} +1 = 1.0012
= {0.0013 ÷ 1.0512 @ 08/05/19} +1 = 1.0012
= {0.0013 ÷ 1.0515 @ 23/05/19} +1 = 1.0012

¹ The Fund's MER was slightly lower than previous year due to higher average NAV of the Fund during the financial period.

² The Fund's PTR was slightly lower than previous year due to higher average NAV of the Fund during the financial period.

Income Returnⁱⁱ = {Income Return @ ex-date x Income Return @ ex-date} - 1 x 100
= {1.0012 x 1.0012 x 1.0012 x 1.0012 x 1.0012 x 1.0012 x 1.0011 x 1.0011 x 1.0012
x 1.0012 x 1.0012 x 1.0012} - 1 x 100
= **1.48 %**

Return of the Fundⁱⁱⁱ = [(1+Capital Return) x (1+Income return)] - 1 x 100
= [(1+ 0.37 %) x (1+ 1.48%)] - 1 x 100
= **1.85%**

* Source – HSBC (Malaysia) Trustee Berhad

Table 1: Performance of the Fund

	6 Months (1/12/18 - 31/5/19)	1 Year (1/6/18 - 31/5/19)	3 Years (1/6/16 - 31/5/19)	5 Years (1/6/14 - 31/5/19)	Since Commencement (6/4/05 - 31/5/19)
Fund	1.85%	3.74%	11.13%	19.11%	56.86%
Benchmark	0.92%	1.88%	5.56%	9.81%	29.64%
Outperformance / (Underperformance)	0.93%	1.86%	5.57%	9.30%	27.22%

Source of Benchmark: Maybank

Table 2: Average Total Return

	1 Year (1/6/18 - 31/5/19)	3 Years (1/6/16 - 31/5/19)	5 Years (1/6/14 - 31/5/19)	Since Commencement (6/4/05 - 31/5/19)
Fund	3.74%	3.58%	3.56%	3.23%
Benchmark	1.88%	1.82%	1.89%	1.85%
Outperformance / (Underperformance)	1.86%	1.76%	1.67%	1.38%

Source of Benchmark: Maybank

Table 3: Annual Total Return

	FYE 2018 (01/12/17 - 30/11/18)	FYE 2017 (01/12/16 - 30/11/17)	FYE 2016 (01/12/15 - 30/11/16)	FYE 2015 (01/12/14 - 30/11/15)	FYE 2014 (01/12/13 - 30/11/14)
Fund	3.61%	3.53%	3.59%	3.54%	3.12%
Benchmark	1.87%	1.75%	1.91%	2.00%	1.88%
Outperformance	1.74%	1.78%	1.68%	1.54%	1.24%

Source of Benchmark: Maybank

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

MANAGER'S REPORT

Performance Review

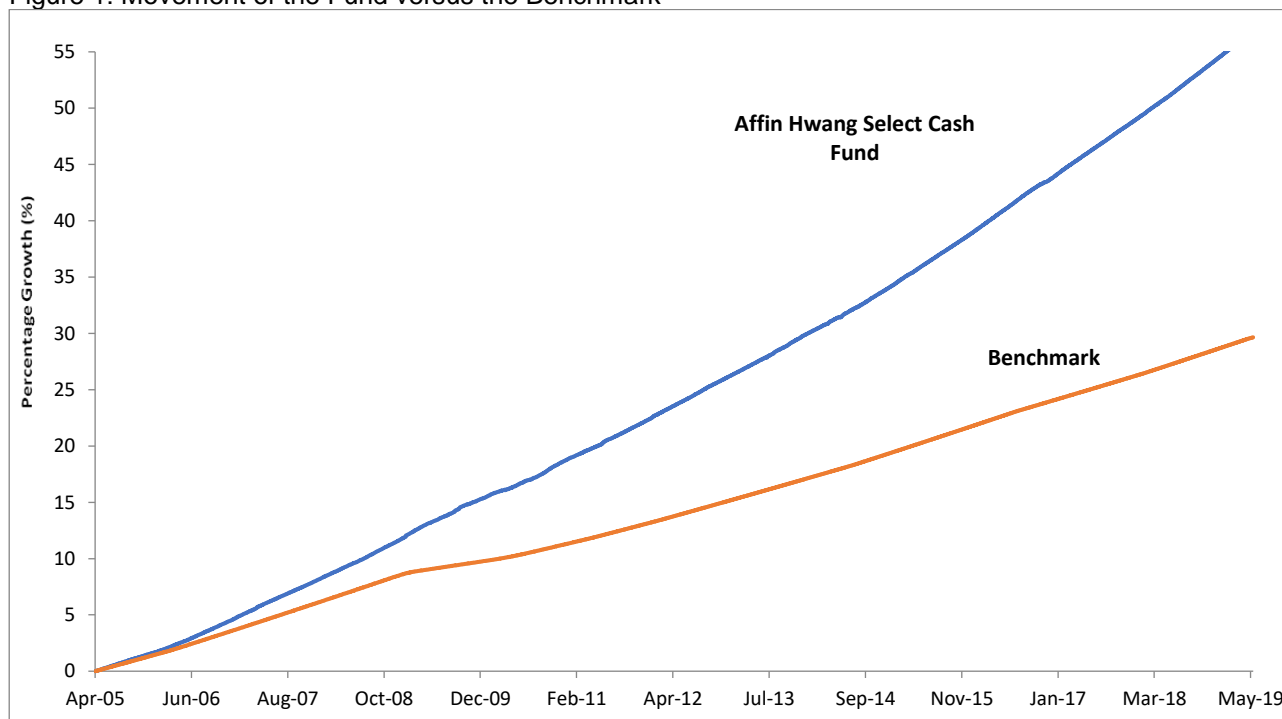
For the period under review from 1 December 2018 – 31 May 2019, the Fund registered a 1.85% return compared to the benchmark Maybank Overnight Repo Rate which yielded a return of 0.92%. The Fund thus outperformed the Benchmark by 0.93%. The Net Asset Value ("NAV") per unit of the Fund as at 31 May 2019 was RM1.0524 while the NAV per unit as at 30 November 2018 was RM1.0485. During the period under review, the Fund has declared a total income distribution of RM0.0154 per unit by way of reinvestment in the form of additional units.

Since commencement, the Fund has registered a return of 56.86% compared to the benchmark return of 29.64%, outperforming by 27.2%. The Fund has also declared a total income distribution of RM0.4126 per unit by way of reinvestment in the form of additional units. (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

The benchmark is calculated based on Repo Rate Return before tax. If comparing the Fund's performance against the after tax (tax rate of 25%) Benchmark's return of 0.69%, 1.41%, 4.17%, 7.35% and 22.23% for 6 months, 1 Year, 3 year, 5 years and since commencement respectively, the Fund would have outperformed the Benchmark by 1.16%, 2.33%, 6.96%, 11.76% and 34.63% respectively.

Given the performance during the period under review, we believe the Fund's objective is being met to provide investors with a regular income stream and high level of liquidity to meet cash flow requirement while maintaining capital preservation.

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: Maybank"
Benchmark: Maybank Overnight Repo Rate

Income Distribution / Unit Split

Affin Hwang Asset Management Berhad declared a gross distribution of RM0.0154 per Unit for investors of the Affin Hwang Select Cash Fund over the period under review.

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

Cum-Date	Ex-Date	Cum-distribution (RM)	Distribution per Unit (RM)	Ex-distribution (RM)
11 Dec 2018	12 Dec 2018	1.0497	0.0013	1.0485
24 Dec 2018	26 Dec 2018	1.0499	0.0013	1.0487
08 Jan 2019	09 Jan 2019	1.0500	0.0013	1.0488
22 Jan 2019	23 Jan 2019	1.0502	0.0013	1.0490
12 Feb 2019	13 Feb 2019	1.0511	0.0013	1.0499
26 Feb 2019	27 Feb 2019	1.0513	0.0013	1.0501
12 Mar 2019	13 Mar 2019	1.0514	0.0012	1.0503
26 Mar 2019	27 Mar 2019	1.0517	0.0012	1.0506
09 Apr 2019	10 Apr 2019	1.0520	0.0013	1.0508
23 Apr 2019	24 Apr 2019	1.0522	0.0013	1.0510
07 May 2019	08 May 2019	1.0524	0.0013	1.0512
21 May 2019	23 May 2019	1.0527	0.0013	1.0515

No unit split was declared for the financial period ended 31 May 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

	31 May 2019	31 May 2018	31 May 2017
	(%)	(%)	(%)
Unquoted fixed income securities – local	25.84	33.73	40.07
Cash & cash equivalent	74.16	66.27	59.93
Total	100.00	100.00	100.00

As at 31 May 2019, the asset allocation of the Fund stood at 25.84% of the Fund's NAV in fixed income instruments while the balance was held in cash and cash equivalent. During the period under review, the manager had decreased the Fund's exposure in fixed income securities by 7.89 percentage points from 33.73% a year ago. Allocation to commercial papers was slightly increased while allocation to bonds was reduced to 21.26% over the same period. Overall, cash level of the Fund increased to 74.16%.

Strategies Employed

Over the period under review, the Fund has generally maintained a higher exposure into money market placements in order to maintain high liquidity to meet investors' cash flow requirements. Additionally, the Manager also held on some exposure into short-term commercial papers to enhance portfolio yield.

Market Review

On the local front, extensive kitchen-sinking and cost-cutting exercises embarked by the new government led to a fierce sell-off at the initial stage of the power transition. Construction stocks and politically-linked counters bore the brunt of the sell-off, as major infrastructure projects were reviewed and big-ticket items such as the Kuala Lumpur-Singapore High-Speed Rail (HSR) and the Mass Rapid Transit Line 3 (MRT3) project were

scrapped. A massive clean-up that has swept across various institutions in the country post GE-14 saw numerous GLC & GLIC heads fall into the fray.

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.

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.

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. In terms of interest rate cycle, we have likely entered the tail-end of rate hike cycle globally, including in the US after 9 consecutive rate hikes given slower growth and benign inflation outlook.

Among the G3, while the European Central Bank (ECB) and Bank of Japan (BOJ) are likely to remain accommodative, the US Federal Reserve (Fed) could potentially deliver 1 rate cut in July depending on market condition. Outside G3, we believe the pressures for central banks to hike rates have subsided especially for Emerging Markets (EM) given low inflation and our expectation of limited upside for US Dollar (USD) as Fed turns dovish.

As opposed to 2018 where we saw significant growth divergence between US and the Rest of World (RoW), we are transitioning towards synchronized deceleration globally, as the US "catches up" to RoW on a downward trajectory. With that, we expect slow down ahead in the US as a result of tighter fiscal and monetary policy as well as impact from the ongoing trade tension.

In a typical late cycle environment, inflation tends to rise as the economy overheats and that forces central banks to hike rates. The good news today is that inflation has not and does not seem to be rising significantly. Weakening global demand and other underlying structural issues such as aging demographic, elevated debts and technology are the reasons why inflationary pressures have been benign. This allows global central banks to be patient in raising rates even though economic growth has picked up. Therefore, we believe future rate hikes, if any are limited and interest rates will stay lower for longer.

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.

Cross Trade

Cross trade transactions have been carried out during the reported period and the Investment Committee of the Fund has reviewed that such transaction are in the best interest of the Fund, transacted in the normal course of business at agreed terms and on a fair value basis.

TRUSTEE'S REPORT TO THE UNITHOLDERS OF AFFIN HWANG SELECT CASH FUND

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

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

During this financial period, a total distribution of 1.54 sen per unit (gross) has been distributed to the unitholders of the Fund. We are of the view that the distribution is not inconsistent with the objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie

Manager, Investment Compliance Monitoring

Kuala Lumpur
16 July 2019

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

	<u>Note</u>	6 months financial period ended <u>31.5.2019</u> RM	6 months financial period ended <u>31.5.2018</u> RM
INVESTMENT INCOME			
Interest income from financial assets at fair value through profit or loss		10,595,549	10,645,108
Interest income from financial assets at amortised cost		25,917,997	18,268,082
Net gain/(loss) on financial assets at fair value through profit or loss	9	684,295	(506,211)
		<u>37,197,841</u>	<u>28,406,979</u>
EXPENSES			
Management fee	4	(4,347,078)	(3,461,902)
Trustee fee	5	(310,271)	(249,077)
Auditors' remuneration		(3,491)	(3,491)
Tax agent's fee		(1,894)	(1,846)
Other expenses		(1,701)	(224,630)
		<u>(4,664,435)</u>	<u>(3,940,946)</u>
NET PROFIT BEFORE TAXATION		32,533,406	24,466,033
TAXATION	6	-	-
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u>32,533,406</u>	<u>24,466,033</u>
Net profit after taxation is made up of the following:			
Realised amount		31,215,407	24,155,024
Unrealised amount		1,317,999	311,009
		<u>32,533,406</u>	<u>24,466,033</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 MAY 2019**

	Note	<u>2019</u> RM	<u>2018</u> RM
ASSETS			
Financial assets at fair value through profit or loss	9	500,448,932	474,941,487
Deposits with licensed financial institutions	9	1,436,817,917	942,739,959
Cash and cash equivalents		346,357	15,436
Amount due from dealer		-	299,931
TOTAL ASSETS		<u>1,937,613,206</u>	<u>1,417,996,813</u>
LIABILITIES			
Amount due to Manager - management fee		819,186	599,123
Amount due to Trustee		57,343	41,939
Amount due to dealer		-	9,021,678
Auditors' remuneration		3,491	3,491
Tax agent's fee		6,194	6,146
Other payables and accruals		15,775	54,099
TOTAL LIABILITIES		<u>901,989</u>	<u>9,726,476</u>
NET ASSET VALUE OF THE FUND		<u>1,936,711,217</u>	<u>1,408,270,337</u>
EQUITY			
Unitholders' capital		1,861,150,104	1,344,518,423
Retained earnings		75,561,113	63,751,914
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>1,936,711,217</u>	<u>1,408,270,337</u>
NUMBER OF UNITS IN CIRCULATION	10	<u>1,840,356,000</u>	<u>1,347,748,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.0524</u>	<u>1.0449</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 MAY 2019**

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 December 2018	1,355,758,725	68,907,433	1,424,666,158
Total comprehensive income for the financial period	-	32,533,406	32,533,406
Distribution (Note 8)	-	(25,879,726)	(25,879,726)
Movement in unitholders' capital:			
Creation of units arising from applications	1,095,030,467	-	1,095,030,467
Creation of units arising from distributions	25,879,726	-	25,879,726
Cancellation of units	(615,518,814)	-	(615,518,814)
Balance as at 31 May 2019	1,861,150,104	75,561,113	1,936,711,217
Balance as at 1 December 2017	1,499,345,929	61,386,233	1,560,732,162
Total comprehensive income for the financial period	-	24,466,033	24,466,033
Distribution (Note 8)	-	(22,100,352)	(22,100,352)
Movement in unitholders' capital:			
Creation of units arising from applications	506,247,738	-	506,247,738
Creation of units arising from distributions	22,100,352	-	22,100,352
Cancellation of units	(683,175,596)	-	(683,175,596)
Balance as at 31 May 2018	1,344,518,423	63,751,914	1,408,270,337

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 MAY 2019**

	6 months financial period ended <u>31.5.2019</u> RM	6 months financial period ended <u>31.5.2018</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of investments	509,210,832	504,810,926
Purchase of investments	(469,799,875)	(416,432,273)
Placement of deposits with licensed financial institutions	(17,838,669,126)	(17,041,847,868)
Proceeds from maturity of deposits with licensed financial institutions	17,294,799,482	17,107,861,386
Interest received	29,565,201	26,254,621
Management fee paid	(4,082,752)	(3,522,072)
Trustee fee paid	(291,768)	(253,288)
Payment for other fees and expenses	(8,657)	(235,099)
Net cash (used in)/generated from operating activities	<u>(479,276,663)</u>	<u>176,636,333</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	1,095,030,467	506,247,738
Payments for cancellation of units	(615,518,814)	(683,175,596)
Net cash generated from/(used in) financing activities	<u>479,511,653</u>	<u>(176,927,858)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	234,990	(291,525)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>111,367</u>	<u>306,961</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u><u>346,357</u></u>	<u><u>15,436</u></u>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MAY 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 J.

(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 December 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 which resulted in the changes as outlined in Note F.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MAY 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 December 2018 (continued):

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.

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 December 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 January 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

Interest income from short term deposits with licensed financial institutions is recognised on an effective interest method on an accruals basis.

From 1 December 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).

Up till 30 November 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.

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

Realised gains and losses on sales of investments

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MAY 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 profits earned during the financial period.

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 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

Up to 30 November 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.

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 and amount due from dealer.

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

From 1 December 2018, the Fund classify its financial assets in the following measurement categories:

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

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

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(i) Classification (continued)

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

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

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

(ii) Recognition and measurement

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

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

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

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

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category 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.

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

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

Unquoted fixed income securities including money market instruments denominated in Ringgit Malaysia are revalued on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with the SC as per the SC Guidelines on Unit Trust Funds. Where such quotation are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

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

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

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

(iii) Impairment

Up to 30 November 2018, for assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or 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.

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

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (continued)

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 December 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.

Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial year.

G CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances 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.

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

H AMOUNT DUE FROM/(TO) DEALERS

Amounts due from and to dealers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The due from dealers balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

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

I UNIT HOLDERS' CAPITAL

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

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

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

Units are created and cancelled at the unitholder's option 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.

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

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.

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.

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

1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name HwangDBS Select Cash Fund (the “Fund”) pursuant to the execution of a Deed dated 21 March 2005 as amended by First Supplemental Deed dated 29 December 2005, Second Supplemental Deed dated 18 June 2007, Third Supplemental Deed dated 15 October 2008, Fourth Supplemental Deed dated 19 March 2010 and Seventh Supplemental Deed dated 19 December 2016. The Fund has changed its name from HwangDBS Select Cash Fund to Hwang Select Cash Fund as amended by Fifth Supplemental Deed dated 18 January 2012 and from Hwang Select Cash Fund to Affin Hwang Select Cash Fund as amended by Sixth Supplemental Deed dated 27 June 2014 (the “Deeds”) entered into between Affin Hwang Asset Management Berhad (the “Manager”), HSBC (Malaysia) Trustees Berhad (the “Trustee”) and the registered unitholders of the Fund.

The Fund commenced operations on 31 March 2005 and will continue its operations until terminated by the Trustee as provided under Clause 3.1 of the Deed.

The Fund may invest in any of the following assets, subject to the Deed, the Fund’s objective, the Guidelines, the requirements of the Securities Commission (“SC”) and all relevant laws:

- (a) Debentures
- (b) Unlisted securities, including without limitation, securities that have been approved by the relevant regulatory authorities for the listing of and quotation of such securities
- (c) Money market instruments
- (d) Deposits
- (e) Derivatives
- (f) Units or shares in collective investment schemes
- (g) 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, the Deeds and the objective of the Fund.

The main objective of the Fund is to provide investors with a regular income stream and high level of liquidity to meet cash flow requirement while 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 16 July 2019.

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

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the fund are as follows:

	<u>Note</u>	Financial assets at amortised cost RM	Financial assets at fair value through profit or loss RM	<u>Total</u> RM
<u>2019</u>				
Unquoted fixed income securities	9	-	500,448,932	500,448,932
Deposits with licensed financial institutions	8	-	1,436,817,917	1,436,817,917
Cash and cash equivalents		346,357	-	346,357
Total		346,357	1,937,266,849	1,937,613,206

	<u>Note</u>	Loan and receivables RM	Financial assets at fair value through profit or loss RM	<u>Total</u> RM
<u>2018</u>				
Unquoted fixed income securities	9	-	474,941,487	474,941,487
Deposits with licensed financial institutions	8	-	942,739,959	942,739,959
Cash and cash equivalents		15,436	-	15,436
Amount due from dealer		299,931	-	299,931
Total		315,367	1,417,681,446	1,417,996,813

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

The Fund is exposed to a variety of risks which include market risk, (including price risk and interest rate risk), 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MAY 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	500,448,932	474,941,487

* Include interest receivable RM6,183,830 (2018: RM5,659,106)

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 investments, 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%	469,551,847	(24,713,255)
0%	494,265,102	-
+5%	518,978,357	24,713,255
	<u> </u>	<u> </u>
<u>2018</u>		
-5%	445,818,262	(23,464,119)
0%	469,282,381	-
+5%	492,746,500	23,464,119
	<u> </u>	<u> </u>

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

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

Market risk (continued)

(b) Interest rate risk

In general, when interest rates rise, unquoted fixed income securities prices 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 securities till 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 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>	<u>2018</u>
	RM	RM
+1%	(120,848)	(121,592)
- 1%	118,153	118,243

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

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

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

Credit risk

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

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

For unquoted fixed income securities, the Manager regularly reviews the rating assigned to the issuer so that necessary steps can be taken if the rating falls below those described by the Deeds and Securities Commission'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 Securities Commission's Guideline on Unit Trust Funds.

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

	Unquoted fixed income securities RM	Deposits with licensed financial institutions RM	Cash and cash equivalents RM	Total RM
<u>2019</u>				
Consumer goods				
A1	5,008,782	-	-	5,008,782
AA2	5,122,323	-	-	5,122,323
AA3	35,507,212	-	-	35,507,212
Consumer services				
AA-	78,154,629	-	-	78,154,629
AAA	114,359,135	-	-	114,359,135
NR	14,962,500	-	-	14,962,500
Financials				
A1	10,253,063	122,183,446	-	132,436,509
AA-	61,335,329	-	-	61,335,329
AA1	-	30,015,206	-	30,015,206
AA2	-	321,985,192	-	321,985,192
AA3	25,399,571	131,802,784	-	157,202,355
AAA	20,609,260	830,831,289	346,357	851,786,906
NR	24,153,080	-	-	24,153,080
P1	49,545,650	-	-	49,545,650
Industrials				
AA-	20,208,611	-	-	20,208,611
Oil & Gas				
AA-	5,052,469	-	-	5,052,469

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

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

Credit risk (continued)

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

	Unquoted fixed income <u>securities</u> RM	Deposits with licensed financial <u>institutions</u> RM	Cash and cash <u>equivalents</u> RM	<u>Total</u> RM
<u>2019</u> (continued)				
Utilities				
AA	25,706,860	-	-	25,706,860
AA2	5,070,458	-	-	5,070,458
	500,448,932	1,436,817,917	346,357	1,937,613,206
<u>2018</u>				
Consumer goods				
AA2	8,113,668	-	-	8,113,668
AA3	44,696,036	-	-	44,696,036
Consumer services				
AAA	40,778,899	-	15,436	40,794,335
AA-	66,052,188	-	-	66,052,188
Financials				
AAA	-	602,072,582	-	602,072,582
AA1	9,085,004	20,146,203	-	29,231,207
AA2	-	40,042,411	-	40,042,411
AA3	100,850,637	141,632,202	-	242,482,839
AA	15,223,466	-	-	15,223,466
AA-	69,259,933	-	-	69,259,933
A1	-	118,844,616	-	118,844,616
P1	54,233,973	-	-	54,233,973
NR	-	20,001,945	-	20,001,945
Health Care				
MARC-1	2,883,228	-	-	2,883,228
Industrials				
AA3	29,134,788	-	-	29,134,788
AA-	28,610,178	-	-	28,610,178
Oil & Gas				
AA-	3,015,725	-	-	3,015,725
Telecommunications				
AA+	3,003,764	-	-	3,003,764
	474,941,487	942,739,959	15,436	1,417,696,882

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MAY 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 <u>one month</u> RM	Between one month <u>to one year</u> RM	<u>Total</u> RM
<u>2019</u>			
Amount due to Manager			
- management fee	819,186	-	819,186
Amount due to Trustee	57,343	-	57,343
Auditors' remuneration	-	3,491	3,491
Tax agent's fee	-	6,194	6,194
Other payables and accruals	-	15,775	15,775
	<u>876,529</u>	<u>25,460</u>	<u>901,989</u>
<u>2018</u>			
Amount due to Manager			
- management fee	599,123	-	599,123
Amount due to Trustee	41,939	-	41,939
Amount due to brokers	9,021,678	-	9,021,678
Auditors' remuneration	-	3,491	3,491
Tax agent's fee	-	6,146	6,146
Other payables and accruals	38,464	15,635	54,099
	<u>9,701,204</u>	<u>25,272</u>	<u>9,726,476</u>

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

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

Capital risk

The capital of the Fund is represented by equity consisting of unitholders' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

3 FAIR VALUE ESTIMATION

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

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

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

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

(i) Fair value hierarchy

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS **FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 MAY 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	-	500,448,932	-	500,448,932
<u>2018</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	474,941,487	-	474,941,487

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 income securities and deposits in licensed financial institutions. 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 equivalent, amount due from dealer and all current liabilities 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 MAY 2019 (CONTINUED)

4 MANAGEMENT FEE AND MANAGEMENT FEE REBATE

	<u>2019</u> RM	<u>2018</u> RM
Gross management fee	4,432,443	3,558,246
Management fee rebate		
- interest income earned on collection accounts	(85,365)	(96,344)
Net management fee	<u>4,347,078</u>	<u>3,461,902</u>

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

For the financial period ended 31 May 2019, the management fee is recognised at a rate of 0.50% (2018: 0.50%) per annum of the NAV of the Fund calculated on a daily basis as stated in the fund's Prospectus.

The interest income earned by the Manager from the Fund's trust collection account maintained by the Manager is netted off against the gross management fee charged by the Manager.

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

5 TRUSTEE FEE

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

For the financial period ended 31 May 2019, the Trustee fee is recognised at a rate of 0.035% (2018: 0.035%) per annum on the NAV of the Fund, inclusive of local custodian fee but exclusive of foreign sub-custodian fee, 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.

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

6 TAXATION

	6 months financial period ended 31.5.2019 RM	6 months financial period ended 31.5.2018 RM
Current taxation	-	-

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

	6 months financial period ended 31.5.2019 RM	6 months financial period ended 31.5.2018 RM
Net profit before taxation	32,533,406	24,466,033
Tax at Malaysian statutory rate of 24% (2018: 24%)	7,808,017	5,871,848
Tax effects of:		
Investment income exempt from tax	(8,927,481)	(6,817,675)
Expenses not deductible for tax purposes	74,849	90,532
Restriction on tax deductible expenses for Unit Trust Funds	1,044,615	855,295
Tax expense	-	-

7 DISTRIBUTIONS

	6 months financial period ended 31.5.2019 RM	6 months financial period ended 31.5.2018 RM
Distribution to unitholders is from the following sources:		
Previous year's realised income	25,879,726	22,100,352
Gross realised income	25,879,726	22,100,352
Less: expenses	-	-
Net distribution amount	25,879,726	22,100,352

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

7 DISTRIBUTIONS (CONTINUED)

During the financial period ended 31 May 2019, distributions (sen) were made as follows:

<u>2019</u>	Gross/Net distribution per unit (sen)
12.12.2018	0.13
26.12.2018	0.13
09.01.2019	0.13
23.01.2019	0.13
13.02.2019	0.13
27.02.2019	0.13
13.03.2019	0.12
27.03.2019	0.12
10.04.2019	0.13
24.04.2019	0.13
08.05.2019	0.13
23.05.2019	0.13
	<hr/>
	1.54
	<hr/>

During the financial period ended 31 May 2018, distributions (sen) were made as follows:

<u>2018</u>	Gross/Net distribution per unit (sen)
13.12.2018	0.14
27.12.2018	0.15
10.01.2019	0.14
24.01.2019	0.14
14.02.2019	0.14
28.02.2019	0.14
14.03.2019	0.13
28.03.2019	0.13
11.04.2019	0.13
25.04.2019	0.13
07.05.2019	0.13
23.05.2019	0.13
	<hr/>
	1.63
	<hr/>

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

Included in distribution for the financial period is an amount of RM25,879,726 (2018: RM22,100,352) made from previous year's realised income.

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

8 DEPOSITS WITH A LICENSED FINANCIAL INSTITUTION

	<u>2019</u> RM	<u>2018</u> RM
Designated at fair value through profit or loss at inception		
- Deposits with licensed financial institutions	<u>1,436,817,917</u>	<u>942,739,959</u>

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

	<u>2019</u> %	<u>2018</u> %
Deposits with licensed financial institutions	<u>4.01</u>	<u>4.00</u>

The deposits have an average remaining maturity of 145 days (2018: 113 days).

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2019</u> RM	<u>2018</u> RM
Designated at fair value through profit or loss at inception		
- unquoted fixed income securities - local	500,448,932	474,941,487
- deposits with licensed financial institutions	<u>1,436,817,917</u>	<u>942,739,959</u>
	<u>1,937,266,849</u>	<u>1,417,681,446</u>
Net gain/(loss) on assets at fair value through profit or loss		
- realised gain/(loss) on sale of investments	191,418	(31,899)
- unrealised gain/(loss) on change in fair value	<u>492,877</u>	<u>(474,312)</u>
	<u>684,295</u>	<u>(506,211)</u>

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

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

(a) Unquoted fixed income securities – local

(i) Unquoted fixed income securities - local as at 31 May 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>
<u>Bonds</u>				
4.85% Berjaya Land Bhd 16.12.2019 (AAA)	5,000,000	5,119,995	5,136,138	0.27
4.55% Berjaya Land Bhd 18.12.2019 (AAA)	35,000,000	35,733,211	35,796,010	1.85
5.1% BEWG M Sdn Bhd 17.07.2020 (AA)	25,000,000	25,625,061	25,706,860	1.33
5% Bumitama Agri Ltd 02.09.2019 (AA3)	35,000,000	35,469,299	35,507,212	1.83
4.35% First Resources Ltd 05.06.2020 (AA2)	5,000,000	5,109,797	5,122,323	0.26
5.3% GB Services Bhd 08.11.2019 (AAA)	27,400,000	27,622,140	27,663,580	1.43
5.3% GB Services Bhd 08.11.2019 (AAA)	10,000,000	10,076,893	10,096,197	0.52
4.5% GENM Capital Bhd 24.08.2020 (AAA)	30,000,000	30,415,294	30,548,268	1.58
4.8% Mydin Mohamed Holdings Bhd 07.05.2020 (AAA)	5,000,000	5,112,279	5,118,942	0.26
4.9% National Bank of Abu Dhabi 28.12.2020 (AAA)	15,000,000	15,554,727	15,553,923	0.80
4.4% Pac Lease Bhd 13.05.2020 (AA3)	15,000,000	15,036,886	15,093,006	0.78
4.85% Perbadanan Kemajuan N Selangor 31.05.2020 (AA3)	10,000,000	10,271,072	10,306,565	0.53
4.9% Segi Astana Sdn Bhd 08.01.2020 (AA-)	25,000,000	25,504,549	25,503,788	1.32
5% Segi Astana Sdn Bhd 08.01.2021 (AA-)	15,000,000	15,285,567	15,305,490	0.79
4.75% Sports Toto Malaysia Sdn Bhd 01.07.2019 (AA-)	5,000,000	5,098,966	5,100,904	0.26
4.75% Sports Toto Malaysia Sdn Bhd 03.07.2019 (AA-)	25,000,000	25,488,209	25,498,764	1.32
4.53% Sports Toto Malaysia Sdn Bhd 28.06.2019 (AA-)	35,000,000	35,556,015	35,564,411	1.84
4.82% Sports Toto Malaysia Sdn Bhd 28.06.2019 (AA-)	11,750,000	11,988,312	11,990,550	0.62
4.5% Tan Chong Motor Holdings Bhd 22.11.2019 (A1)	5,000,000	4,981,356	5,008,782	0.26
4.54% Tanjung Bin Power Sdn Bhd 16.08.2019 (AA2)	5,000,000	5,068,626	5,070,458	0.26
6% TF Varlik Kiralama AS 28.06.2019 (A1)	10,000,000	10,249,863	10,253,063	0.53

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

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

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

(i) Unquoted fixed income securities - local as at 31 May 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>				
4.8% UEM Sunrise Bhd 11.12.2020 (AA-)	10,000,000	10,274,973	10,323,692	0.53
4.72% UEM Sunrise Bhd 28.06.2019 (AA-)	10,000,000	10,200,118	10,202,359	0.53
5.07% UiTM Solar Power Sdn Bhd 27.04.2020 (AA-)	5,000,000	5,029,915	5,052,469	0.26
4.6% WCT Holdings Bhd 28.08.2020 (AA-)	20,000,000	20,219,386	20,208,611	1.04
4.55% Zamarad Assets Bhd 2019-1 27.03.2020 (AAA)	5,000,000	5,041,137	5,055,337	0.26
	<u>404,150,000</u>	<u>411,133,646</u>	<u>411,787,702</u>	<u>21.26</u>
<u>Commercial papers</u>				
0% Aeon Company (M) Bhd 28.06.2019 (NR)	15,000,000	14,959,496	14,962,500	0.77
0% Aeon Credit Service M Bhd 18.10.2019 (NR)	24,500,000	24,124,234	24,153,080	1.25
0% Pac Lease Bhd 10.06.2019 (P1)	25,000,000	24,975,145	24,982,500	1.29
0% Perbadanan Kemajuan N Selangor 22.11.2019 (P1)	20,000,000	19,576,837	19,610,200	1.01
0% Sabah Credit Corp 27.08.2019 (P1)	5,000,000	4,949,753	4,952,950	0.26
	<u>89,500,000</u>	<u>88,585,465</u>	<u>88,661,230</u>	<u>4.58</u>
Total unquoted fixed income securities - local	493,650,000	<u>499,719,111</u>	500,448,932	<u>25.84</u>
Accumulated unrealised gain on unquoted fixed income securities- local		<u>729,821</u>		
Total unquoted fixed income securities - local		<u>500,448,932</u>		

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

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

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

(ii) Unquoted fixed income securities - local as at 31 May 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>				
4.47% Sports Toto Malaysia Sdn Bhd 29.06.2019 (AA-)	5,000,000	5,072,826	5,073,267	0.36
4.215% Gamuda Bhd 26.10.2019 (AA3)	25,000,000	25,093,136	25,085,884	1.78
5.25% Bumitama Agri Ltd 18.03.2019 (AA3)	35,000,000	35,586,096	35,549,284	2.52
4.47% UEM Sunrise Bhd 09.08.2019 (AA-)	20,000,000	20,277,601	20,279,973	1.44
4.5% Perbadanan Kemajuan Negeri Selangor 03.12.2019 (AA3)	15,000,000	15,167,125	15,004,299	1.07
4.55% Berjaya Land Bhd 17.12.2019 (AAA)	40,000,000	40,847,859	40,778,899	2.90
5% Bumitama Agri Ltd 02.09.2019 (AA3)	9,000,000	9,156,437	9,146,752	0.65
5.07% UiTM Solar Power Sdn Bhd 27.04.2020 (AA-)	3,000,000	3,019,880	3,015,725	0.21
4.6% Asian Finance Bank Bhd 29.05.2019 (AA1)	5,000,000	5,009,666	5,004,010	0.36
3.75% Celcom Transmission Malaysia 29.08.2019 (AA+)	3,000,000	3,002,475	3,003,764	0.21
4.5% Hong Leong Financial Group Bhd 30.11.2019 (AA)	5,000,000	5,116,812	5,117,092	0.36
4.5% UMW Holdings Bhd 15.02.2019 (AA2)	8,000,000	8,111,514	8,113,668	0.58
4.9% Segi Astana Sdn Bhd 08.01.2020 (AA-)	20,000,000	20,447,560	20,358,230	1.45
4.35% Asian Finance Bank Bhd 10.12.2019 (AA1)	4,000,000	4,079,953	4,080,994	0.29
4.65% Hong Leong Financial Group Bhd 14.09.2019 (AA)	10,000,000	10,098,854	10,106,374	0.72
4.6% Perbadanan Kemajuan Negeri Selangor 10.08.2019 (AA3)	5,000,000	5,069,758	5,070,385	0.36
4.53% Sports Toto Malaysia Sdn Bhd 28.06.2019 (AA-)	35,000,000	35,565,548	35,515,061	2.52
4.8% WCT Holdings Bhd 28.12.2019 (AA-)	28,000,000	28,610,125	28,610,178	2.03
4.6% UEM Sunrise Bhd 13.12.2019 (AA-)	28,000,000	28,616,643	28,621,730	2.03

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

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

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

(ii) Unquoted fixed income securities - local as at 31 May 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</u> (continued)				
4.5% AMMB Holdings Bhd 08.08.2019 (AA3)	28,000,000	28,372,799	28,376,912	2.02
4.6% Perbadanan Kemajuan Negeri Selangor 31.05.2019 (AA3)	13,000,000	13,014,211	12,999,558	0.92
4.45% Perbadanan Kemajuan Negeri Selangor 31.10.2019 (AA3)	10,000,000	10,042,409	10,038,407	0.71
4.45% Perbadanan Kemajuan Negeri Selangor 26.10.2019 (AA3)	10,000,000	10,043,637	10,037,914	0.71
4.62% Gamuda Bhd 13.03.2019 (AA3)	4,000,000	4,050,893	4,048,904	0.29
4.9% BGSM Management Sdn Bhd 27.12.2019 (AA3)	5,000,000	5,126,466	5,120,791	0.36
4.4% Sports Toto Malaysia Sdn Bhd 02.07.2019 (AA-)	25,000,000	25,464,937	25,463,860	1.81
4.6% Perbadanan Kemajuan Negeri Selangor 10.08.2019 (AA3)	14,000,000	14,198,668	14,202,371	1.01
	<u>412,000,000</u>	<u>418,263,888</u>	<u>417,824,286</u>	<u>29.67</u>

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

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

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

(ii) Unquoted fixed income securities - local as at 31 May 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>Commercial papers</u>				
0% Pac Lease Bhd 04.07.2019 (P1)	6,000,000	5,980,272	5,980,272	0.42
0% UEM Edgenta Bhd 26.04.2019 (MARC-1)	3,000,000	2,871,000	2,883,228	0.20
0% Pac Lease Bhd 11.06.2019 (P1)	20,000,000	19,925,480	19,978,025	1.42
0% Pac Lease Bhd 04.06.2019 (P1)	6,000,000	5,979,618	5,998,021	0.43
0% Perbadanan Kemajuan Negeri Selangor 01.04.2019 (P1)	15,000,000	14,349,012	14,446,565	1.03
0% Perbadanan Kemajuan Negeri Selangor 23.11.2019 (P1)	8,000,000	7,824,482	7,831,090	0.56
	<u>58,000,000</u>	<u>56,929,864</u>	<u>57,117,201</u>	<u>4.06</u>
Total unquoted fixed income securities - local	<u>470,000,000</u>	<u>475,193,752</u>	<u>474,941,487</u>	<u>33.73</u>
Accumulated unrealised loss on unquoted fixed income securities- local		<u>(252,265)</u>		
Total unquoted fixed income securities - local		<u>474,941,487</u>		

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

10 NUMBER OF UNITS IN CIRCULATION

	<u>2019</u> No. of units	<u>2018</u> No. of units
At the beginning of the financial period	1,358,710,000	1,495,990,000
Creation of units arising from applications during the financial period	1,042,864,034	476,391,521
Creation of units arising from distributions during the financial period	24,644,910	29,680,790
Cancellation of units during the financial period	(585,862,944)	(654,314,311)
At the end of the financial period	<u>1,840,356,000</u>	<u>1,347,748,000</u>

11 TRANSACTIONS WITH DEALERS

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

<u>Name of dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
HSBC (M) Bhd	135,000,000	20.61
OCBC Bank (M) Bhd	134,533,518	20.54
CIMB Bank Bhd	85,363,500	13.03
Affin Hwang Investment Bank Bhd#	65,600,560	10.02
Hong Leong Bank Bhd	65,339,750	9.98
Ambank (M) Bhd	63,933,897	9.76
Alliance Bank (M) Bhd	25,115,000	3.84
RHB Investment Bank Bhd	25,043,400	3.82
Standard Chartered Bank (M) Bhd	20,051,000	3.06
Maybank Investment Bank Bhd	14,958,000	2.28
Others	20,019,000	3.06
	<u>654,957,625</u>	<u>100.00</u>

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

11 TRANSACTIONS WITH DEALERS AND FINANCIAL INSTITUTIONS (CONTINUED)

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

<u>Name of dealers</u>	<u>Value of trade RM</u>	<u>Percentage of total trade %</u>
OCBC Bank (M) Bhd	143,020,807	31.54
RHB Investment Bank Bhd#	73,806,829	16.28
CIMB Bank Bhd	62,004,155	13.67
Ambank Bhd	57,101,200	12.59
Hong Leong Bank Bhd	54,099,600	11.93
Affin Hwang Investment Bank Bhd#	25,944,682	5.72
Standard Chartered Bank Malaysia Bhd	15,056,500	3.32
Malayan Banking Bhd	12,876,000	2.84
AmIslamic Bank (M) Bhd	9,566,027	2.11
	<u>453,475,800</u>	<u>100.00</u>

There is no brokerage fee paid to the dealer.

Included in the transactions with dealers and financial institutions are trades with Affin Hwang Investment Bank, a company related to the Manager amounting to RM65,600,560 (2018: RM25,944,682). The Manager is of the opinion that all transactions with the related company have been entered into at agreed terms between the related parties.

Included in the transactions with brokers and 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>
RHB Investment Bank Bhd	-	26,104,510
Affin Hwang Investment Bank Bhd	25,490,560	15,114,500
	<u>25,490,560</u>	<u>41,219,010</u>

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

11 TRANSACTIONS WITH DEALERS AND FINANCIAL INSTITUTIONS (CONTINUED)

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

	<u>2019</u> RM	<u>2018</u> RM
Affin Hwang Aiiman Income Plus Fund	-	5,041,500
Affin Hwang Enhanced Deposit Fund	-	11,015,010
Affin Hwang Enhanced Income Fund	-	10,044,750
Affin Hwang Income Fund I	8,008,800	10,079,750
Affin Hwang Select Bond Fund	10,452,360	-
Affin Hwang Select Income Fund	7,029,400	-
Affin Hwang Wholesale Corporate Bond Fund	-	5,038,000
	<u>25,490,560</u>	<u>41,219,010</u>

12 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	Holdings company of the Manager
Affin Bank Berhad ("ABB")	Ultimate holding company of the Manager
Subsidiaries and associates of ABB as disclosed in its financial statements	Subsidiary and associated companies of the ultimate holding company of the Manager

The units held by Manager at the end of the financial period is as below.

	<u>2019</u>	<u>2018</u>
	No. of Units	No. of Units
	RM	RM
<u>The Manager:</u>		
Affin Hwang Asset Management Berhad (the units are held legally for booking purposes)	2,737	2,867
	<u>2,880</u>	<u>2,996</u>
<u>Party related to the Manager:</u>		
Bintang Capital Partners Berhad (The units are held beneficially)	9,691,307	-
	<u>10,199,131</u>	<u>-</u>

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

13 MANAGEMENT EXPENSE RATIO (“MER”)

	<u>2019</u> %	<u>2018</u> %
MER	<u>0.26</u>	<u>0.28</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 RM1,777,821,943 (2018: RM1,427,186,490).

14 PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>2019</u>	<u>2018</u>
PTR (times)	<u>0.28</u>	<u>0.33</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 = RM469,799,875 (2018: RM425,453,951)

total disposal for the financial period = RM509,019,414 (2018: RM505,142,756)

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

15 SEGMENT INFORMATION

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

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

The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within portfolio. These returns consist of interest and gains on the appreciation in the value of investments, and is derived from unquoted fixed income securities in Malaysia.

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

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

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

16 MFRS 9 FINANCIAL INSTRUMENTS

As disclosed in Note A, the Fund have adopted MFRS 9, which resulted in changes in accounting policies and adjustments to the financial position. The main changes are as follows.

(a) Classification and measurement of financial assets

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

From 1 May 2018, the Fund apply the following MFRS 9's classification approach to all types of financial assets, including those that contain embedded derivative features:

- Investments in debt instruments: There are 3 subsequent measurement categories: amortised cost, fair value with changes either recognised through other comprehensive income ('FVOCI') or through profit or loss ('FVTPL').

(b) Impairment

From 1 December 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 MAY 2019 (CONTINUED)

16 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 December 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	111,367	-	-	111,367
Financial assets at fair value through profit or loss	FVTPL	FVTPL	1,425,175,522	-	-	1,425,175,522
Liabilities						
Amount due to Manager	Amortised cost	Amortised cost	554,860	-	-	554,860
Amount due to Trustee	Amortised cost	Amortised cost	38,840	-	-	38,840
Auditors' remuneration	Amortised cost	Amortised cost	7,000	-	-	7,000
Tax agent fee	Amortised cost	Amortised cost	4,300	-	-	4,300
Other payables and accruals	Amortised cost	Amortised cost	15,731	-	-	15,731

AFFIN HWANG SELECT CASH FUND

STATEMENT BY THE MANAGER

I, Teng Chee Wai, as the Director of **Affin Hwang Asset Management Berhad**, do hereby state that in my opinion as the Manager, the financial statements set out on pages 10 to 46 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 May 2019 and of its financial performance, changes in equity and cash flows for the financial period ended 31 May 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
16 July 2019

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