

Affin Hwang

Smart Invest Portfolio - Growth

Interim Report
31 August 2019

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



AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad (429786-T)

TRUSTEE
TMF Trustees Malaysia Berhad (610812-W)

AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

Interim Report and Unaudited Financial Statements For The Financial Period From 17 May 2019 (Date of Launch) To 31 August 2019

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FUND INFORMATION

Fund Name	Affin Hwang Smart Invest Portfolio - Growth
Fund Type	Income & Growth
Fund Category	Mixed assets (Fund-of-Funds)
Investment Objective	The Fund aims to provide investors with regular income and capital growth over medium to long-term period through a portfolio of collective investment schemes
Benchmark	Absolute return of 8% per annum
Distribution Policy	Subject to the availability of income, the Fund will distribute income on an annual basis, after the end of its first financial year

BREAKDOWN OF UNITHOLDERS BY SIZE AS AT 31 AUGUST 2019

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	364	572
5,001 to 10,000	76	646
10,001 to 50,000	182	4,210
50,001 to 500,000	117	18,753
500,001 and above	10	14,195
Total	749	38,376

* Note: Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 31 August 2019 (%)
Portfolio composition	
Collective investment scheme – local	47.91
Collective investment scheme – foreign	49.97
Total unquoted fixed income securities	97.88
Cash & cash equivalent	2.12
Total	100.00
Total NAV (RM'million)	19.415
NAV per Unit (RM)	0.5038
Unit in Circulation (million)	38.538
Highest NAV	0.5163
Lowest NAV	0.4970
Return of the Fund (%) ⁱⁱⁱ	0.76
- Capital Growth (%) ⁱ	0.76
- Income Distribution (%) ⁱⁱ	Nil
Gross Distribution per Unit (sen)	Nil
Net Distribution per Unit (sen)	Nil
Management Expense Ratio (%)	0.57
Portfolio Turnover Ratio (times)	0.85

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

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

An illustration of the above would be as follow:-

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

$$\begin{aligned}
 \text{Capital Return}^i &= (\text{NAV per Unit @ 31/08/19} \div \text{NAV per Unit @ 06/06/19}^* - 1) \times 100 \\
 &= (0.5038 \div 0.5000 - 1) \times 100 \\
 &= \underline{\underline{0.76\%}}
 \end{aligned}$$

$$\text{Total Income Return}^{ii} = \underline{\underline{\text{Nil}}}$$

$$\begin{aligned}
 \text{Return of the Fund}^{iii} &= [(1 + \text{Capital Return}) \times (1 + \text{Income Return})] - 1 \times 100 \\
 &= [(1 + 0.76\%) \times (1 + 0.00\%)] - 1 \times 100 \\
 &= \underline{\underline{0.76\%}}
 \end{aligned}$$

* Source – CIMB Commerce Trustee Bhd

Table 1: Performance of the Fund

	Since Commencement (7/6/19 - 31/8/19)
Fund	0.76%
Benchmark	1.83%
Outperformance / (Underperformance)	(1.07%)

Source of Benchmark: Maybank

Table 2: Average Total Return

	Since Commencement (7/6/19 - 31/8/19)
Fund	3.27%
Benchmark	8.00%
Outperformance / (Underperformance)	(4.73%)

Source of Benchmark: Maybank

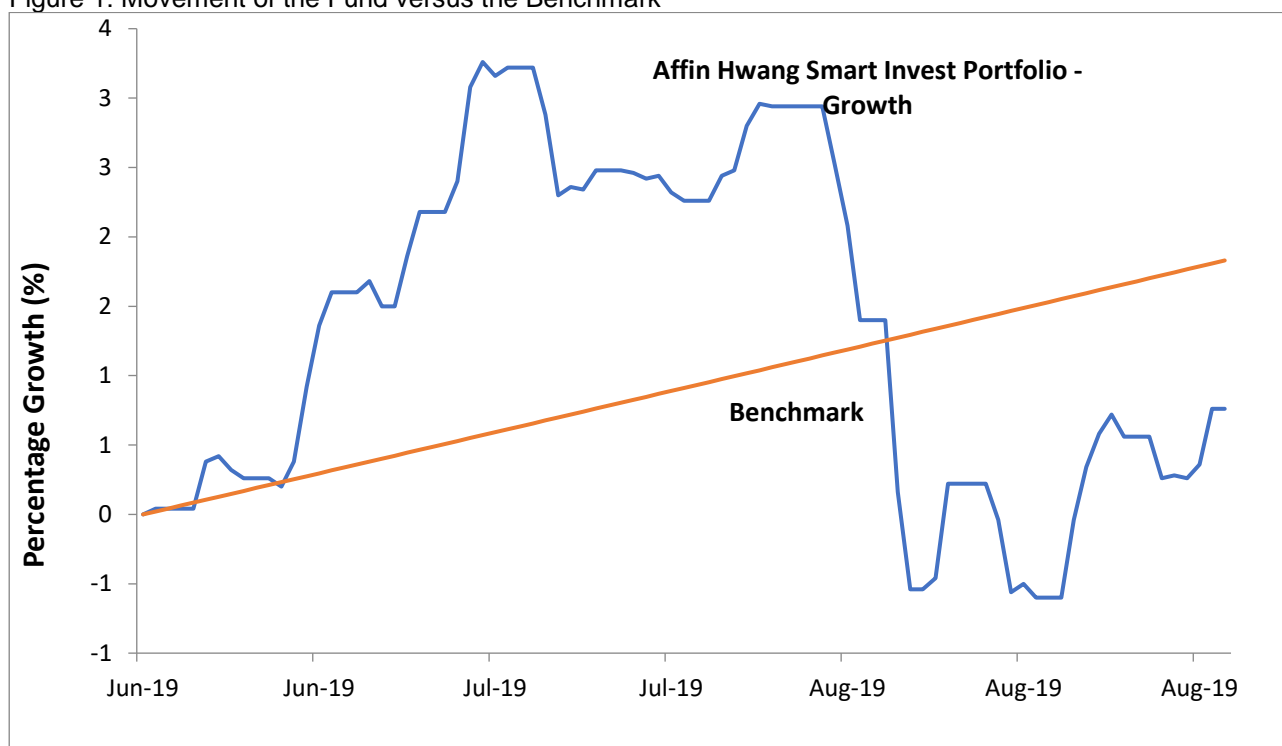
Past performance is not necessarily indicative of future performance and that Unit prices and investment returns may go down, as well as up.

MANAGER'S REPORT

Performance Review

For the period 7 June 2019 – 31 August 2019, the Fund registered a return of 0.76%. The Benchmark for the period registered a return of 1.83%. The Fund thus underperformed the Benchmark by 1.07 percentage points. The Net Asset Value (NAV) per unit of the Fund as at 31 August 2019 was RM 0.5038 while the NAV 6 June 2019 was RM 0.5000. (See Table 1 for performance of the Fund and Figure 1 for the movement of the Fund versus the Benchmark respectively).

Figure 1: Movement of the Fund versus the Benchmark



Asset Allocation

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

Figure 2: Asset allocation of the Fund

	<u>31 Aug 2019</u>
	(%)
Collective investment scheme - local	47.91
Collective investment scheme - foreign	49.97
Cash and Cash Equivalent	2.12
Total	<u>100.00</u>

During the period under review, the Fund's total exposure into collective investment scheme stood at 97.88% while the remaining was held in cash and cash equivalent.

Strategy Employed

Over the period under review, the Manager continued to focus on domestic-driven sectors that are less directly impacted from trade tariffs. As the sell-down accelerated, we took a view that the correction was overdone and a recession was not imminent, where we then deployed into the market with a focus on quality. To date, the Fund's bond holdings have continued to meet their respective financial obligations in respect of their outstanding debt.

Market Review

Emerging markets (EMs) saw a "tantrum-like" sell-off in 2018 where investors' appetite for risk-assets tapered off significantly on the back of fractious developments within Turkey and Argentina that have sent both their currencies into free fall.

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

On the local front, the 14th General Election (GE14) concluded with jaw-dropping results that stunned political pundits and pollsters. In a watershed election, the opposition won GE14 by wrestling traditionally held strongholds from the incumbent by taking over states such as Johor, Kedah, and Melaka. Tun Dr. Mahathir aged 93 returns to parliament with a second stint as Prime Minister pledging institutional and fiscal reforms for the country.

Coming into 2019, after a yearlong bitter trade conflict, we've since seen the two economic powerhouses change their political rhetoric to one of compromise and cooperation after extending the initial 1 March deadline. Some of the headwinds pressuring emerging markets (EMs) before are now receding with the US Federal Reserve turning more dovish and the US dollar strength starting to top-out. A gradual step-up in stimulus measures from China would also be supportive of markets and help drive growth.

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

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

Asian markets retreated in August as trade tensions flared up again after a surprise tariff announcement from US President Donald Trump. The Hong Kong Hang Seng index fell 7.4%, whilst the broader MSCI Asia ex-Japan index closed 4.6% lower as the prolonged trade row takes another turn for the worse.

Trump tweeted in August that it would hike tariffs on \$250 billion worth of Chinese goods to 30% from 25%. Tariffs on another \$300 billion in Chinese products will also go up to 15% from 10%. The levies on the \$250 billion worth of goods are scheduled to kick in October 1, while the duties on the \$300 billion are set to go into effect in two stages on September 1 and December 15.

Meanwhile, Hong Kong continues to be plagued by protests which are starting to hurt businesses and dent economic growth. The unrest in Hong Kong started since early June when protesters took to the streets to oppose an extradition bill proposal. The demonstrations have shifted into a movement calling for more autonomy, full democracy and the ousting of Hong Kong's embattled leader Carrie Lam.

Within the domestic fixed income, the market sold-off on the back of news that index provider FTSE Russell may drop Malaysian bonds from its global index which triggered outflows. FTSE Russell said it would review Malaysia's market accessibility level in its World Government Bond Index (WGBI) due to concerns about market liquidity.

Malaysia could potentially face total outflows of US\$ 7-8 billion dollar in the event of an exclusion from the WGBI with Malaysia making up 40bps of the index. Passive outflows which is the more susceptible component could see outflows totalling US\$2-3 billion. However, ample domestic liquidity would be able to shore up the bond market and absorb any shocks due to foreign selling. A final review by the index provider is due on September 19.

On a side note, BNM cut the Overnight Policy Rate by 25 bps to 3.00% on 7 May – likely a pre-emptive measure against a weakening external environment as well as slowing domestic growth. The announcement was largely priced in by investors, which saw the MGS market rallied strongly in the few weeks prior to the announcement, though the buying subsequently eased up amid the addition of risks on the global trade front.

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.

Despite Trump's mercurial and volatile nature, it is apparent that China President Xi Jinping is emerging as the dark horse in this protracted US-China trade war. It will be important to gauge the response from Beijing where President Xi has warned of a 'long march' and that it will be prepared to dig in to stave off a potential slowdown. The stakes are higher for Trump who faces a presidential re-election bid in 2020 if the tariffs begins to bite and his popularity wanes.

On monetary policy, the Fed is expected to make a 25bps at its September policy meeting where the central bank will also release its dot plot projection then. Recall at its July 30-31 FOMC meeting, the Fed made a 25bps rate cut, which was the first interest rate reduction since the 2008-GFC.

Fed funds futures are also partially pricing-in another rate cut before the year ends, though this may be slightly ahead of the curve due to underlying strength of the US economy and inflation still benign. Another factor at play is the Fed also wanting to assert its independence and not seen to be influenced by political pressure especially from Trump. Similarly, there may be room for Bank Negara Malaysia ("BNM") to cut rates if macro conditions deteriorate and if the protracted trade war becoming a drag on global growth. The trade impasse which has stretched into a yearlong skirmish between US and China shows no signs of abating yet with negotiations ongoing which could lead to more choppy market conditions.

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. 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.

TRUSTEE'S REPORT TO THE UNITHOLDERS OF AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

We have acted as Trustee of Affin Hwang Smart Invest Portfolio - Growth ("the Fund") for the financial period from 17 May 2019 (date of launch) to 31 August 2019. To the best of our knowledge, **Affin Hwang Asset Management Berhad**, the Manager, has operated and managed the Fund in accordance with the following:-

- (a) limitations imposed on the investment powers of the Management Company and the Trustee under the Deeds, other provisions of the Deeds, the Capital Markets and Services Act 2007, the Securities Commission's Guidelines on Unlisted Capital Market Product under the Lodge Framework and other applicable laws during the financial period then ended;
- (b) valuation/pricing is carried out in accordance with the Deeds and any regulatory requirements; and
- (c) creation and cancellation of units have been carried out in accordance with the Deeds and any regulatory requirements.

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

NORHAYATI AZIT
DIRECTOR – FUND SERVICES

Kuala Lumpur
14th October 2019

**INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31
AUGUST 2019**

	<u>Note</u>	Financial period from 17.5.2019 (date of launch) to <u>31.8.2019</u> RM
INVESTMENT LOSS		
Dividend income		39,247
Interest income from financial assets at amortised cost		5,381
Net loss on foreign currency exchange		(3,277)
Net loss on forward foreign currency contract at fair value through profit or loss		(44,898)
Net loss on financial assets at fair value through profit or loss	7	(10,120)
		<u>(13,667)</u>
EXPENSES		
Management fee	4	(30,387)
Trustee fee	5	(1,957)
Other expenses		(2,444)
		<u>(34,788)</u>
NET LOSS BEFORE TAXATION		(48,455)
TAXATION	6	-
NET LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD		<u><u>(48,455)</u></u>
Net loss after taxation is made up of the following:		
Realised amount		11,428
Unrealised amount		(59,883)
		<u><u>(48,455)</u></u>

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

**INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2019**

	<u>Note</u>	<u>2019</u> RM
ASSETS		
Cash and cash equivalents	8	346,480
Dividend receivable		6,024
Amount due from Manager - creation of units		119,404
Financial assets at fair value through profit or loss	7	19,001,926
TOTAL ASSETS		<u>19,473,834</u>
LIABILITIES		
Forward foreign currency contracts at fair value through profit or loss	9	44,898
Amount due to Manager - management fee		13,517
Amount due to Trustee		900
TOTAL LIABILITIES		<u>59,315</u>
NET ASSET VALUE OF THE FUND		<u><u>19,414,519</u></u>
EQUITY		
Unitholders' capital		19,462,974
Accumulated losses		(48,455)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u><u>19,414,519</u></u>
NUMBER OF UNITS IN CIRCULATION	10	<u><u>38,538,000</u></u>
NET ASSET VALUE PER UNIT (RM)		<u><u>0.5038</u></u>

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

**INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31
AUGUST 2019**

	Unitholders' <u>capital</u> RM	Accumulated <u>losses</u> RM	<u>Total</u> RM
Balance as at 17 May 2019 (date of launch)	-	-	-
Total comprehensive loss for the financial period	-	(48,455)	(48,455)
Movement in unitholders' capital:			
Creation of units arising from applications	19,462,974	-	19,462,974
Balance as at 31 August 2019	<u>19,462,974</u>	<u>(48,455)</u>	<u>19,414,519</u>

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

**INTERIM STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31
AUGUST 2019**

Financial
period from
17.5.2019
(date of
launch) to
31.8.2019
RM

CASH FLOWS FROM OPERATING ACTIVITIES

Purchase of investments	(19,012,046)
Dividends received	33,223
Interest received	5,381
Management fee paid	(16,870)
Trustee fee paid	(1,057)
Net gain on foreign currency exchange	1,588
Payment for other fees and expenses	(2,444)
	<hr/>
Net cash used in operating activities	(18,992,225)
	<hr/>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from creation of units	19,343,570
	<hr/>
Net cash generated from financing activities	19,343,570
	<hr/>

NET INCREASE IN CASH AND CASH EQUIVALENTS 351,345

EFFECTS OF FOREIGN CURRENCY EXCHANGE (4,865)

**CASH AND CASH EQUIVALENTS AT THE
DATE OF LAUNCH** -

**CASH AND CASH EQUIVALENTS AT THE
END OF THE FINANCIAL PERIOD** 346,480

8

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31 AUGUST 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 M.

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

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

B INCOME RECOGNITION

Interest income

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

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

Realised gains and losses on sale of investments

For collective investment schemes ("CIS"), realised gains and losses on sale of investments are accounted for as the difference between the net disposal proceeds and the carrying amount of the investments, determined on a weighted average cost basis.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31
AUGUST 2019 (CONTINUED)**

C TAXATION

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

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

D FUNCTIONAL AND PRESENTATION CURRENCY

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

E FOREIGN CURRENCY TRANSLATIONS

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

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

The Fund classifies its financial assets in the following measurement categories:

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

The Fund classifies its investments based on both the Fund’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31
AUGUST 2019 (CONTINUED)**

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(i) Classification (continued)

The Fund classifies cash and cash equivalents, dividend receivable and amount due from Manager 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 and amount due to Trustee as financial liabilities measured at amortised cost.

(ii) Recognition and measurement

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

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

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

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

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

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.

Investment in collective investment schemes are valued at the last published NAV per unit at the date of the statement of financial position.

Derivative investments consist of forward foreign currency contracts. Financial derivative positions will be “marked to market” at the close of each valuation day. Foreign exchange gains and losses on the derivative financial instrument are recognised in the statement of comprehensive income when settled or at the date of the statement of financial position at which time they are included in the measurement of the derivative financial instrument. Derivative investments that have a negative fair value are presented as liabilities at fair value through profit or loss.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31 AUGUST 2019 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Write-off

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

G CASH AND CASH EQUIVALENTS

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

H UNITHOLDERS' CAPITAL

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

- the units entitle the holder to a proportionate share of the Fund's net 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31 AUGUST 2019 (CONTINUED)

H UNITHOLDERS' CAPITAL (CONTINUED)

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

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

I AMOUNT DUE FROM/(TO) BROKERS

Amount due from and to brokers 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 brokers 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.

K SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic asset allocation committee of the Manager that makes strategic decisions.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31 AUGUST 2019 (CONTINUED)

L DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

M 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 Fund.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31 AUGUST 2019

1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name Affin Hwang Smart Invest Portfolio - Growth (the "Fund") pursuant to the execution of a Deed dated 15 January 2019 entered in between Affin Hwang Asset Management Berhad (the "Manager") and TMF Trustees Malaysia Berhad (the "Trustee").

The Fund commenced operations on 7 June 2019 and will continue its operations until terminated by the Trustee as provided under Clause 12.1 of the Deed.

The Fund may invest any of in 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) Unit/ shares in collective investment schemes;
- (b) Money market instruments;
- (c) Fixed deposits;
- (d) Derivatives; and
- (e) Any other form of investments as may be permitted by the SC from time to time which is in line with the objective of the Fund.

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

The main objective of the Fund is to achieve capital appreciation over a medium to long term period.

The Manager is a company incorporated in Malaysia. The principal activities of the Manager are establishment and management of unit trust funds, exchange traded 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 14 October 2019.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31
AUGUST 2019 (CONTINUED)**

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	<u>Note</u>	Financial assets at amortised cost RM	Financial assets/ (liabilities) at fair value through profit or loss RM	<u>Total</u> RM
<u>2019</u>				
Collective investment schemes	7	-	19,001,926	19,001,926
Dividend receivable		6,024	-	6,024
Cash and cash equivalents	8	346,480	-	346,480
Amount due from Manager - creation of units		119,404	-	119,404
Forward foreign currency contracts	9	-	(44,898)	(44,898)
Total		471,908	18,957,028	19,428,936

All current liabilities, except forward foreign currency contracts are financial liabilities which are carried at amortised cost.

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

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

Market risk

(a) Price risk

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

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

	<u>2019</u> RM
Collective investment schemes	19,001,926

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31
AUGUST 2019 (CONTINUED)**

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

Market risk (continued)

(a) Price risk (continued)

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 quoted and unquoted securities, having regard to the historical volatility of the prices.

<u>% change in price</u>	<u>Market value</u> RM	Impact on profit after <u>tax/NAV</u> RM
<u>2019</u>		
-5%	18,051,830	(950,096)
0%	19,001,926	-
+5%	19,952,022	950,096
	<hr/>	<hr/>

(b) Interest rate risk

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

The Fund's exposure to the interest rate risk is mainly confined to short term placement with a financial institution. The Manager overcomes this exposure by way of maintaining deposits on short term basis.

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

(c) Currency risk

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31
AUGUST 2019 (CONTINUED)**

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

Market risk (continued)

(c) Currency risk (continued)

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

	Collective investment scheme RM	Forward foreign currency contracts RM	Cash and cash equivalents RM	Dividend receivable RM	Total RM
<u>2019</u>					
United States Dollar	<u>9,701,114</u>	<u>(44,898)</u>	<u>6,159</u>	<u>6,024</u>	<u>9,668,399</u>

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

	Change in rate %	Impact on profit after tax/ NAV RM
<u>2019</u>		
United States Dollar	+/- 5	<u>+/- 483,420</u>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31
AUGUST 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 payment and cancellations of unit by unitholders, liquid assets comprise cash, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 days.

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

The amounts in the table below are the contractual undiscounted cash flows.

	<u>Within one month</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>2019</u>			
Amount due to Manager			
- management fee	13,517	-	13,517
Amount due to Trustee	900	-	900
Forward foreign currency contracts at fair value through profit or loss	15,574	29,324	44,898
	<u>29,991</u>	<u>29,324</u>	<u>59,315</u>

Credit risk

Credit risk refers to the ability of an issuer or counterparty to make timely payments of interests, principals and proceeds from realisation of investments. The Manager manages 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31
AUGUST 2019 (CONTINUED)**

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

Credit risk (continued)

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

	Cash and cash <u>equivalents</u> RM	Other <u>assets*</u> RM	<u>Total</u> RM
<u>2019</u>			
Financials			
- AAA	346,480	-	346,480
Others			
- NR	-	125,428	125,428
	<u>346,480</u>	<u>125,428</u>	<u>471,908</u>

* Other assets consist of dividend receivable and amount due from Manager.

Capital risk

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

3 FAIR VALUE ESTIMATION

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31
AUGUST 2019 (CONTINUED)**

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy

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

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

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

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

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

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>2019</u>				
Financial assets at fair value through profit or loss				
- collective investment schemes	19,001,926	-	-	19,001,926
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial liabilities at fair value through profit or loss				
- forward foreign currency contracts	-	(44,898)	-	(44,898)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include collective investment scheme. The Fund does not adjust the quoted prices for these instruments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31
AUGUST 2019 (CONTINUED)**

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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 includes forward foreign currency contracts. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

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

4 MANAGEMENT FEE AND MANAGEMENT FEE REBATE

	Financial period from 17.5.2019 (date of launch) to <u>31.8.2019</u> RM
Gross management fee	58,722
Management fee rebate	
- management fee rebate on collective investment schemes	(27,265)
- interest income earned on collection accounts	(1,070)
Net management fee	<u>30,387</u>

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 5.00% per annum on the net asset value ("NAV") of the Fund calculated on a daily basis.

For the financial period from 17 May 2019 (date of launch) to 31 August 2019, the management fee is recognised at a rate of 1.80% per annum on the NAV of the Fund, calculated on a daily basis as stated in the Prospectus.

As this Fund invests in units of the Affin Hwang Select Asia (ex Japan) Opportunity Fund – MYR Class, Affin Hwang Select Asia (ex Japan) Quantum Fund - MYR Class, Affin Hwang Select Bond Fund – MYR Class, Affin Hwang Select Opportunity Fund, Global Sicav II Global Smaller Companies Fund, Nikko AM Shenton Global Oppo USD, PIMCO GIS Income Fund Institutional USD and and UBS (Lux) Investment SICAV - China A Opportunity (USD), any management fee charged to collective investment schemes are fully refunded to this Fund in the form of management fee rebate.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31
AUGUST 2019 (CONTINUED)**

5 MANAGEMENT FEE AND MANAGEMENT FEE REBATE (CONTINUED)

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 0.10% per annum on the net asset value ("NAV") of the Fund, excluding of foreign custodian fees and charges.

For the financial period from 17 May 2019 (date of launch) to 31 August 2019, the Trustee's fee is recognised at a rate of 0.06% per annum on the NAV of the Fund, calculated on a daily basis as stated in the Prospectus.

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

6 TAXATION

	Financial period from 17.5.2019 (date of launch) to <u>31.8.2019</u> RM
Current taxation	-
The numerical reconciliation between net loss before taxation multiplied by the Malaysian statutory tax rate and tax expense of the Fund is as follows:	
	Financial period from 17.5.2019 (date of launch) to <u>31.8.2019</u> RM
Net loss before taxation	(48,455)
Tax at Malaysian statutory rate of 24%	(11,629)
Tax effects of:	
Investment income not subject to tax	3,280
Expenses not deductible for tax purposes	1,056
Restriction on tax deduction expenses for Unit Trust Funds	7,293
Tax expense	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31
AUGUST 2019 (CONTINUED)

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Financial period from 17.5.2019 (date of launch) to <u>31.8.2019</u> RM
Financial assets at fair value through profit or loss:	
- collective investment schemes – local	9,300,812
- collective investment schemes -foreign	9,701,114
	<u>19,001,926</u>
Net loss on assets at fair value through profit or loss:	
- unrealised loss on changes in fair value	<u>(10,120)</u>

(a) Collective investment schemes - local

(i) Collective investment schemes - local as at 31 August 2019 are as follows:

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
Affin Hwang Select Asia (ex Japan) Opportunity Fund – MYR Class	3,947,330	2,768,000	2,739,052	14.11
Affin Hwang Select Asia (ex Japan) Quantum Fund - MYR Class	1,445,181	1,932,000	1,910,964	9.84
Affin Hwang Select Bond Fund - MYR Class	2,855,568	1,937,631	1,974,625	10.17
Affin Hwang Select Opportunity Fund	2,859,463	2,788,728	2,676,171	13.79
Total collective investment scheme - local	<u>11,107,542</u>	<u>9,426,359</u>	<u>9,300,812</u>	<u>47.91</u>
Accumulated unrealised loss on collective investment schemes - local		<u>(125,547)</u>		
Total collective investment schemes - local		<u>9,300,812</u>		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31
AUGUST 2019 (CONTINUED)

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

(b) Collective investment schemes - foreign

(i) Collective investment schemes - foreign as at 31 August 2019 are as follows:

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
Global Sicav II Global Smaller Companies Fund	44,390	1,897,031	1,901,108	9.79
Nikko AM Shenton Global Oppo USD	919,585	3,892,730	3,924,857	20.22
PIMCO GIS Income Fund Institutional USD	38,965	1,901,551	1,905,551	9.82
UBS (Lux) Investment SICAV - China A Opportunity (USD)	1,690	1,894,375	1,969,598	10.14
Total collective investment scheme - foreign	<u>1,004,630</u>	<u>9,585,687</u>	<u>9,701,114</u>	<u>49.97</u>
Accumulated unrealised gain on collective investment scheme - foreign		<u>115,427</u>		
Total collective investment scheme - foreign		<u><u>9,701,114</u></u>		

8 CASH AND CASH EQUIVALENTS

	<u>2019</u> RM
Cash and bank balances	46,381
Deposit with a licensed financial institution	300,099
	<u><u>346,480</u></u>

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

	<u>2019</u> %
Deposit with a licensed financial institution	<u><u>3.00</u></u>

Deposit with a licensed financial institution of the Fund has an average maturity of 3 days.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31
AUGUST 2019 (CONTINUED)**

9 FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 13 forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM3,847,503. The forward currency contracts entered into currency exposure arising from the investment in the collective investment schemes denominated in United States Dollar, As the fund has not adopted hedge accounting during the financial period, the change in the fair value of the forward foreign currency contract is recognised immediately in the statement of comprehensive income.

10 NUMBER OF UNITS IN CIRCULATION

	<u>2019</u>
	No. of units
At the date of launch	-
Creation of units arising from applications during the financial period	<u>38,538,000</u>
At the end of the financial period	<u><u>38,538,000</u></u>

11 TRANSACTIONS WITH BROKERS

- (i) Details of transaction with the brokers for the financial period from 17 May 2019 (date of launch) to 31 August 2019 are as follows:

<u>Name of brokers</u>	<u>Value of trade</u> RM	Percentage of total <u>trade</u> %
Affin Hwang Asset Management Bhd	9,400,000	49.51
Nikko Asset Management Asia Ltd	3,892,730	20.50
Global Investors Series plc	1,901,551	10.02
Standard Life Investments	1,897,031	9.99
UBS Asset Management (Singapore) Ltd	1,894,375	9.98
	<u><u>18,985,687</u></u>	<u><u>100.00</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31
AUGUST 2019 (CONTINUED)**

12 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

The related parties of and their relationships with the Fund are as follows:

<u>Related parties</u>	<u>Relationships</u>
Affin Hwang Asset Management Berhad	The Manager
Affin Hwang Investment Bank Berhad	Holding company of the Manager
Affin Bank Berhad ("ABB")	Ultimate holding company of the Manager

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

	<u>2019</u>
	No. of units RM
<u>The Manager:</u>	
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)	161,814 81,522

13 MANAGEMENT EXPENSE RATIO ("MER")

	Financial period from 17.5.2019 (date of launch) to <u>31.8.2019</u> %
MER	0.57

MER is derived from the following calculation:

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

A	=	Management fee, excluding management fee rebates
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 RM11,128,008.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 17 MAY 2019 (DATE OF LAUNCH) TO 31
AUGUST 2019 (CONTINUED)**

14 PORTFOLIO TURNOVER RATIO (“PTR”)

	Financial period from 17.5.2019 (date of launch) to 31.8.2019
PTR (times)	0.85

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 = RM19,012,046
total disposal for the financial period = RM nil

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 segments derive their income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of interest and gains on the appreciation in the value of investments in and is derived from collective investment schemes in the Ireland, Luxembourg, Malaysia and Singapore.

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.

16 COMPARATIVES

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

AFFIN HWANG SMART INVEST PORTFOLIO - GROWTH

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 33 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 August 2019 and of its financial performance for the financial period from 17 May 2019 (date of launch) to 31 August 2019, changes in equity and cash flows for the financial period ended 31 August 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

14 October 2019

DIRECTORY OF SALES OFFICE

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