

# Affin Hwang Tactical Fund

Interim Report  
31 August 2019

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



**AFFIN HWANG**  
CAPITAL

**MANAGER**  
Affin Hwang Asset Management Berhad (429786-T)

**TRUSTEE**  
AmanahRaya Trustees Berhad (766894-T)

# AFFIN HWANG TACTICAL FUND

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

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## FUND INFORMATION

Fund Name	Affin Hwang Tactical Fund
Fund Type	Capital Growth
Fund Category	Mixed Asset
Investment Objective	To seek a stable return and generate capital growth over medium to long term period in diversified mix of assets
Benchmark	50% FTSE-Bursa Malaysia KLCI (for equities and equity linked instruments) + 50% RAM Quantshop MGS All Index (for fixed income instruments)
Distribution Policy	Distribution (if any) is incidental and will be subject to the availability of income

## 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	62,961	110,283
5,001 to 10,000	4,576	31,442
10,001 to 50,000	1,575	22,472
50,001 to 500,000	2	367
500,001 and above	1	4,136
<b>Total</b>	<b>69,115</b>	<b>168,700</b>

\* Note: Excluding Manager's stock

## FUND PERFORMANCE DATA

Category	As at 31 Aug 2019 (%)	As at 31 Aug 2018 (%)	As at 31 Aug 2017 (%)
Portfolio composition			
<b>Quoted equities – local</b>			
- Energy	8.85	-	-
- Health care	3.41	-	-
- Construction	2.15	-	10.26
- Consumer product & services	6.87	5.10	3.16
- Financial services	9.68	22.83	12.43
- Industrial products & services	13.99	14.53	6.88
- Plantation	1.05	0.90	2.46
- Properties	1.72	3.42	8.96
- REITs	5.46	4.62	3.43
- Technology	11.79	4.85	5.44
- Telecommunication & media	4.49	-	-
- Transportation & logistics	2.10	-	-
- Utilities	6.69	-	-
- Trading and services	-	16.86	13.81
<b>Total quoted equities – local</b>	<b>78.25</b>	<b>73.11</b>	<b>66.83</b>
<b>Unquoted fixed income securities – local</b>	<b>12.28</b>	<b>10.93</b>	<b>27.40</b>
<b>Cash &amp; cash equivalent</b>	<b>9.47</b>	<b>15.96</b>	<b>5.77</b>
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Total NAV (RM'million)	43.827	52.066	59.747
NAV per Unit (RM)	0.2598	0.2773	0.2857
Unit in Circulation (million)	168.702	18.779	209.120
Highest NAV	0.2840	0.2984	0.2874
Lowest NAV	0.2577	0.2735	0.2465
Return of the Fund (%) <sup>iii</sup>	0.02	-3.51	7.85
- Capital Growth (%) <sup>i</sup>	-5.29	-6.92	7.85
- Income Distribution (%) <sup>ii</sup>	5.60	3.66	Nil
Gross Distribution per Unit (sen)	1.50	1.00	Nil
Net Distribution per Unit (sen)	1.50	1.00	Nil
Management Expense Ratio (%) <sup>1</sup>	0.83	0.84	0.86
Portfolio Turnover Ratio (times) <sup>2</sup>	0.56	0.48	0.33

### **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

$$\begin{aligned}
 \text{Capital Return}^i &= (\text{NAV per Unit @ 31/8/19} \div \text{NAV per Unit @ 28/2/19}^* - 1) \times 100 \\
 &= (0.2598 \div 0.2743 - 1) \times 100 \\
 &= \underline{\underline{-5.29\%}}
 \end{aligned}$$

$$\begin{aligned}
 \text{Income Return @ ex-date} &= \{\text{Income distribution per Unit} \div \text{NAV per Unit on ex- date}\} + 1 \\
 &= \{0.0150 \div 0.2677 \text{ @ 17/07/19}\} + 1 = 1.0560
 \end{aligned}$$

$$\text{Total Income Return}^{ii} = \{\text{Income distribution per Unit} \div \text{NAV per Unit on ex-date}\} \times 100$$

<sup>1</sup> The MER of the Fund remained relatively unchanged, albeit marginally lower during the period under review.

<sup>2</sup> The PTR of the Fund was higher than previous year due to the lower average net asset value for the financial period.

$$= \{1.0560\} - 1 \times 100$$

$$= \underline{\underline{5.60\%}}$$

**Return of the Fund<sup>iii</sup>**

$$= \{[(1 + \text{Capital Return}) \times (1 + \text{Income Return})] - 1\} \times 100$$

$$= \{[(1 + (-5.29\%)) \times (1 + 5.60\%)] - 1\} \times 100$$

$$= \underline{\underline{0.02\%}}$$

\* Source – Amanahraya Trustees Berhad

Table 1: Performance of the Fund

	<b>6 Months</b> <b>(1/3/19 -</b> <b>31/8/19)</b>	<b>1 Year</b> <b>(1/9/18 -</b> <b>31/8/19)</b>	<b>3 Years</b> <b>(1/9/16 -</b> <b>31/8/19)</b>	<b>5 Years</b> <b>(1/9/14 -</b> <b>31/8/19)</b>	<b>Since</b> <b>Commencement</b> <b>(10/8/10 - 31/8/19)</b>
<b>Fund</b>	<b>0.02%</b>	<b>(1.06%)</b>	<b>10.71%</b>	<b>7.38%</b>	<b>35.46%</b>
<b>Benchmark</b>	<b>0.43%</b>	<b>(1.24%)</b>	<b>5.88%</b>	<b>20.84%</b>	<b>64.97%</b>
<b>Outperformance /</b> <b>(Underperformance)</b>	<b>(0.41%)</b>	<b>0.18%</b>	<b>4.83%</b>	<b>(13.46%)</b>	<b>(29.51%)</b>

Source of Benchmark: Bursa Malaysia

Table 2: Average Total Return

	<b>1 Year</b> <b>(1/9/18 - 31/8/19)</b>	<b>3 Years</b> <b>(1/9/16 - 31/8/19)</b>	<b>5 Years</b> <b>(1/9/14 - 31/8/19)</b>	<b>Since</b> <b>Commencement</b> <b>(10/8/10 - 31/8/19)</b>
<b>Fund</b>	<b>(1.06%)</b>	<b>3.45%</b>	<b>1.43%</b>	<b>3.40%</b>
<b>Benchmark</b>	<b>(1.24%)</b>	<b>1.92%</b>	<b>3.86%</b>	<b>5.68%</b>
<b>Outperformance /</b> <b>(Underperformance)</b>	<b>0.18%</b>	<b>1.53%</b>	<b>(2.43%)</b>	<b>(2.28%)</b>

Source of Benchmark: Bursa Malaysia

Table 3: Annual Total Return

	<b>FYE 2019</b> <b>(01/3/18 -</b> <b>28/2/19)</b>	<b>FYE 2018</b> <b>(01/3/17 -</b> <b>28/2/18)</b>	<b>FYE 2017</b> <b>(01/3/16 -</b> <b>28/2/17)</b>	<b>FYE 2016</b> <b>(01/1/15 -</b> <b>29/2/16)</b>	<b>FYE 2014</b> <b>(01/1/14 -</b> <b>31/12/14)</b>
<b>Fund</b>	<b>(4.56%)</b>	<b>12.46%</b>	<b>8.22%</b>	<b>(3.42%)</b>	<b>(3.41%)</b>
<b>Benchmark</b>	<b>(1.62%)</b>	<b>6.94%</b>	<b>2.96%</b>	<b>8.19%</b>	<b>8.12%</b>
<b>Outperformance /</b> <b>(Underperformance)</b>	<b>(2.94%)</b>	<b>5.52%</b>	<b>5.26%</b>	<b>(11.61%)</b>	<b>(11.53%)</b>

Source of Benchmark: Bursa Malaysia

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

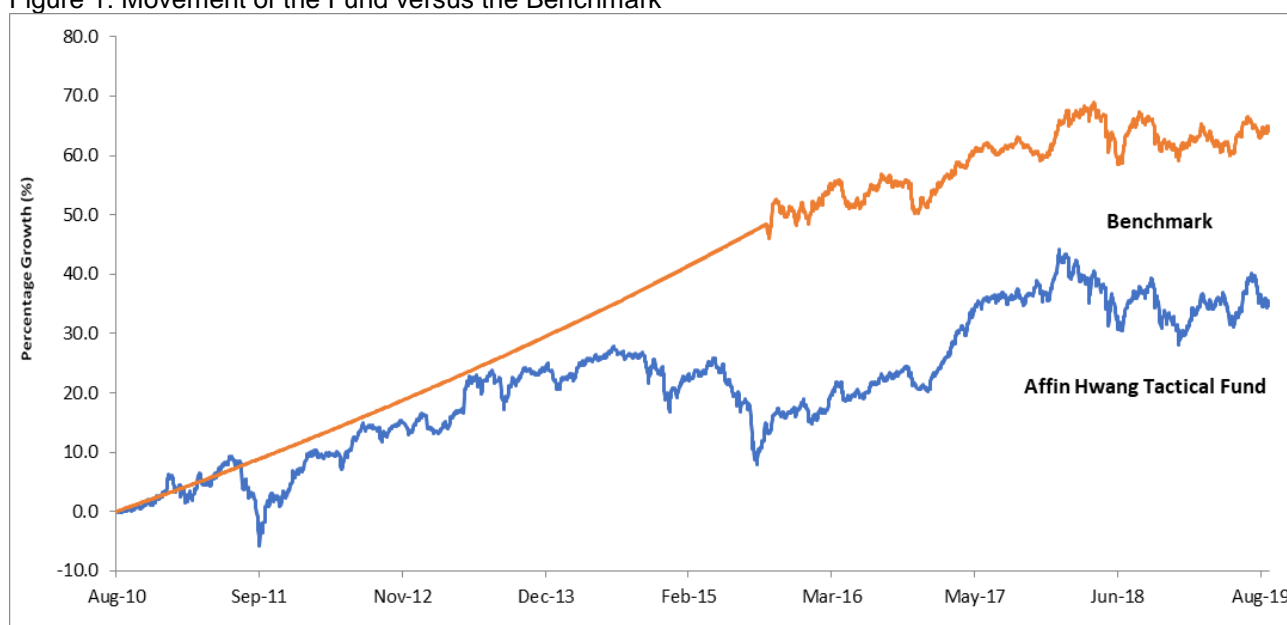
## MANAGER'S REPORT

### Performance Review

For the period 1 March 2019 to 31 August 2019, the Fund registered a return of 0.02%. The Net Asset Value (NAV) per unit of the Fund as at 31 August 2019 was RM0.2598 while the NAV at 28 February 2019 was RM 0.2743. The Benchmark for the period registered a return of 0.43%. The Fund underperformed the Benchmark by 0.41 percentage points. The fund declared a gross income distribution of RM0.015 per unit for the period (See Table 1 for performance of the Fund and Figure 1 for the movement of the Fund versus the Benchmark respectively).

Since its inception to 31 August 2019, the Fund has registered a return of 35.46%. Compared to the benchmark that rose 64.97% for the same period, the Fund underperformed the Benchmark by 29.51 percentage points. The fund has declared a total gross income distribution of RM0.0714 per unit to-date. As such, the Fund will continue to be managed in a manner to fulfill its objective.

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 the Benchmark is from Bloomberg."*

*Benchmark: 50% FTSE-Bursa Malaysia KLCI (for equities and equity linked instruments) + 50% RAM Quantshop MGS*

### Income Distribution / Unit Split

Affin Hwang Asset Management Berhad recently declared a gross distribution of RM0.0150 per Unit for investors of the Affin Hwang Tactical Fund over the period under review.

The Net Asset Value per unit prior and subsequent to the distribution was as follows:-

Cum Date	Ex-Date	Cum-distribution (RM)	Distribution per Unit (RM)	Ex-distribution (RM)
16 Jul 2019	17 Jul 2019	0.2840	0.0150	0.2677

No unit split were declared for the financial year ended 31 August 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

	<b><u>31 Aug 2019</u></b>	<b><u>31 Aug 2018</u></b>	<b><u>31 Aug 2017</u></b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Quoted equities – local	78.25	73.11	66.83
Unquoted fixed income securities – local	12.28	10.93	27.40
Cash & Cash equivalent	9.47	15.96	5.77
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

During the period under review, the Fund's investment level were slightly increased while cash level were reduced to a moderately higher level of 9.47%. The Fund's portfolio remained relatively unchanged except that the Manager had added allocation into the construction and health care sector. As at 31 August 2019, the Fund's asset allocation stood at 78.25% in equities, 12.28% in fixed income instruments while the remaining was held in cash and cash equivalent.

## **Strategies 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 wresting 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**

For the Six Months Financial Period Ended 31 August 2019

### **TO THE UNIT HOLDERS OF AFFIN HWANG TACTICAL FUND**

We, AMANAHRAYA TRUSTEES BERHAD, have acted as Trustee of AFFIN HWANG TACTICAL FUND for the six months financial period ended 31 August 2019. In our opinion, AFFIN HWANG ASSET MANAGEMENT BERHAD, the Manager, has operated and managed AFFIN HWANG TACTICAL FUND in accordance with the limitations imposed on the investment powers of the management company under the Deed, securities laws and the applicable Guidelines on Unit Trust Funds for the six months financial period ended 31 August 2019.

We are of the opinion that:

- (a) Valuation and pricing is carried out in accordance with the Deed and any regulatory requirement; and
- (b) Cancellation of units are carried out in accordance with the Deed and other regulatory requirement.
- (c) The distribution of income made by AFFIN HWANG TACTICAL FUND as declared by the manager is appropriate and reflects the investment investment objective of AFFIN HWANG TACTICAL FUND.

Yours faithfully

**AMANAHRAYA TRUSTEES BERHAD**

**HABSAH BINTI BAKAR**

Chief Executive Officer

Kuala Lumpur, Malaysia  
14 October 2019

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

	Note	6 months financial period ended 31.8.2019 RM	6 months financial period ended 31.8.2018 RM
<b>INVESTMENT INCOME/(LOSS)</b>			
Dividend income		539,217	682,043
Interest income for financial assets at fair value through profit or loss		123,397	146,106
Interest income for financial assets at amortised cost		57,725	88,262
Net (loss) on financial assets at fair value through profit or loss	8	(156,387)	(2,301,421)
		<u>563,952</u>	<u>(1,385,010)</u>
<b>EXPENSES</b>			
Management fee	4	(340,969)	(402,306)
Trustee fee	5	(18,281)	(21,555)
Auditors' remuneration		(4,537)	(4,537)
Tax agent's fee		(3,025)	(3,025)
Transaction cost		(162,267)	(156,993)
Other expenses		(20,706)	(26,593)
		<u>(549,785)</u>	<u>(615,009)</u>
<b>NET PROFIT/(LOSS) BEFORE AXATION</b>		14,167	(2,000,019)
<b>TAXATION</b>	6	-	(3,985)
<b>NET PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD</b>		<u>14,167</u>	<u>(2,004,004)</u>
Net profit/(loss) after taxation is made up of the following:			
Realised amount		577,043	717,408
Unrealised amount		(562,876)	(2,721,412)
		<u>14,167</u>	<u>(2,004,004)</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	<u>2018</u> RM
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	8	39,680,260	43,753,816
Cash and cash equivalents	9	4,533,412	6,454,783
Dividend receivables		10,737	55,206
Amount due from brokers		92,424	2,112,847
<b>TOTAL ASSETS</b>		<u>44,316,833</u>	<u>52,376,652</u>
<b>LIABILITIES</b>			
Amount due to Manager			
- management fee		56,113	66,486
- cancellation of units		20,358	32,074
Amount due to Trustee		2,982	3,535
Amount due to brokers		383,303	184,224
Auditor's remuneration		4,557	4,557
Tax agent's fee		11,881	10,262
Other payable and accruals		10,329	9,896
<b>TOTAL LIABILITIES</b>		<u>489,523</u>	<u>311,034</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>43,827,310</u>	<u>52,065,618</u>
<b>EQUITY</b>			
Unitholders' capital		37,351,508	42,555,508
Retained earnings		6,475,802	9,510,110
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>43,827,310</u>	<u>52,065,618</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	10	<u>168,702,000</u>	<u>187,779,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.2598</u>	<u>0.2773</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 NET ASSET VALUE  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 AUGUST 2019**

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 March 2019	38,199,803	8,899,945	47,099,748
Total comprehensive income for the financial period		14,167	14,167
Distribution (Note 7)		(2,438,310)	(2,438,310)
Movement in unitholders' capital:			
Creation of units arising from applications	84,048		84,048
Creation of units arising from distribution	2,438,310		2,438,310
Cancellation of units	(3,370,653)		(3,370,653)
Balance as at 31 August 2019	<u>37,351,508</u>	<u>6,475,802</u>	<u>43,827,310</u>
Balance as at 1 March 2018	43,982,386	13,355,044	57,337,430
Total comprehensive loss for the financial period	-	(2,004,004)	(2,004,004)
Distribution (Note 7)		(1,840,930)	(1,840,930)
Movement in unitholders' capital:			
Creation of units arising from applications	702,166		702,166
Creation of units arising from distribution	1,840,930		1,840,930
Cancellation of units	(3,969,974)	-	(3,969,974)
Balance as at 31 August 2018	<u>42,555,508</u>	<u>9,510,110</u>	<u>52,065,618</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 6 MONTHS FINANCIAL PERIOD ENDED 31 AUGUST 2019**

	Note	6 months financial period ended 31.8.2019 RM	6 months financial period ended 31.8.2018 RM
<b>CASH FLOW FROM INVESTING AND OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		26,945,168	26,525,548
Purchase of investments		(23,716,617)	(23,342,821)
Interest received		196,874	243,198
Dividend received		534,385	669,456
Management fee paid		(339,232)	(401,735)
Trustee's fee paid		(18,188)	(21,525)
Payment for other fees and expenses		(183,868)	(195,997)
Net cash generated from operating activities		<u>3,418,522</u>	<u>3,476,124</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from creation of units		84,048	702,166
Payments for cancellation of units		(3,366,263)	(3,974,079)
Net cash used in financing activities		<u>(3,282,215)</u>	<u>(3,271,913)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		136,307	204,211
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>		<u>4,397,106</u>	<u>6,250,572</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	9	<u><u>4,533,413</u></u>	<u><u>6,454,783</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 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 L.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 March 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**

#### Dividend Income

Dividend income is recognised on the ex-dividend date, when the right to receive the dividend has been established.

#### Interest Income

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).

#### Realised gains and losses on sale of investments

For quoted equities, 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 a weighted average cost basis.

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 AUGUST 2019 (CONTINUED)**

### **C TRANSACTION COSTS**

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include the bid-ask spread, fees and commissions paid to agents, advisors and brokers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

### **D 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.

### **E 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.

### **F 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.

### **G 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 and derivatives not designated as hedging instruments are measured at fair value through profit or loss.



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

### **G FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

#### **(i) Classification (continued)**

The Fund classifies cash and cash equivalents, dividend receivables, amount due from brokers, amount due from Manager and other receivables 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 brokers, auditors' remuneration, tax agent's fee, fund accounting 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. Transaction costs are expensed in the statement of comprehensive income.

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 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 year which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income when the Fund's right to receive payments is established.

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

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

### G 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 Securities Commission ("SC") as per the SC's Guidelines on Unit Trust Funds. Where such quotations are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income security 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 a 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

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 year.

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

### **H CASH AND CASH EQUIVALENTS**

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

### **I AMOUNT DUE FROM/(TO) BROKERS**

Amounts 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.

### **J 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.

The outstanding units are carried at the redemption amount that is payable at each financial year if the 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.

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

### **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.

### **L CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS 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 judgements 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 AUGUST 2019

### 1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name Affin Tactical Fund (“the Fund”) pursuant to the execution of a Deed dated 8 April 2010, Second Supplemental Deed dated 6 August 2015 and Third Supplemental Deed dated 5 October 2018. The Fund has changed its name from Affin Tactical Fund to Affin Hwang Tactical Fund as amended by the Supplemental Deed (the “Deeds”) dated 22 July 2014 between Affin Hwang Asset Management Berhad (“the Manager”), AmanahRaya Trustees Berhad (“the Trustee”) and the registered unitholders of the Fund.

The Fund commenced operations on 8 April 2010 and will continue its operations until terminated by the Trustee as provided by Clause 12.3 of the Deed.

The Fund may invest in the following assets, subject to the Deed, the Fund’s objective, the Guidelines, the requirements of the SC and any other regulatory body and all relevant laws:

- (i) Listed securities;
- (ii) Unlisted securities including, without limitation, securities that have been approved by relevant authorities for the listing of and quotation for such securities;
- (iii) Fixed deposits with financial institutions;
- (iv) Money market instruments;
- (v) Government bonds, treasury bills and other Government approved or guaranteed bonds;
- (vi) Debentures including private debt securities and bonds;
- (vii) Units/shares in collective investment schemes, both local and foreign which are in line with the objective of the Fund;
- (viii) Equity linked instruments such as warrants and rights; and
- (ix) Any other form of investments as may be permitted by the Securities Commission from time to time that is in line with the Fund’s objectives.

The objective of the Fund is to seek a stable return and generate capital growth over the medium to long term period in diversified mix of assets.

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 14 October 2019.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 AUGUST 2019 (CONTINUED)

### 2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	<u>Note</u>	Financial assets at amortised <u>cost</u> RM	Financial assets at fair value through <u>profit or loss</u> RM	<u>Total</u> RM
<u>2019</u>				
Quoted equities	8		34,297,045	34,297,045
Unquoted fixed income securities	8		5,383,214	5,383,214
Cash and cash equivalent	9	4,533,413		4,533,413
Dividend receivables		10,737		10,737
Amount due from brokers		92,424		92,424
Total		<u>4,636,574</u>	<u>39,680,259</u>	<u>44,316,833</u>

	<u>Note</u>	Loans and <u>receivables</u> RM	Financial assets at fair value through <u>profit or loss</u> RM	<u>Total</u> RM
<u>2018</u>				
Quoted equities	8	-	38,062,559	38,062,559
Unquoted fixed income securities	8	-	5,691,257	5,691,257
Cash and cash equivalent	9	6,454,783	-	6,454,783
Dividend receivables		55,206	-	55,206
Amount due from brokers		2,112,847	-	2,112,847
Total		<u>8,622,836</u>	<u>43,753,816</u>	<u>52,376,652</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 AUGUST 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
<b>Quoted investment</b>		
Quoted equities	34,297,045	38,062,559
	<u>                    </u>	<u>                    </u>
<b>Unquoted investment</b>		
Unquoted fixed income securities	5,383,214	5,691,257
	<u>                    </u>	<u>                    </u>

\* Include interest receivable RM 54,304 (2018:RM66,626)

The following table summarises the sensitivity of the Fund's profit after taxation and net asset value to price risk movement. 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 securities having regard to the historical volatility of the prices.

<u>% Change in price</u>	<u>Market value</u> RM	<u>Impact on profit</u> <u>after taxation/NAV</u> RM
<u>2019</u>		
-5%	37,644,657	(1,981,298)
0%	39,625,955	-
+5%	41,607,253	1,981,298
	<u>                    </u>	<u>                    </u>
<u>2018</u>		
-5%	41,502,831	(2,184,359)
0%	43,687,190	-
+5%	45,871,549	2,184,359
	<u>                    </u>	<u>                    </u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 AUGUST 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 security 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 net asset value and profit after tax 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 profit rate</u>	<u>Impact on profit after tax/ NAV</u>	
	<u>2019</u>	<u>2018</u>
	RM	RM
+1%	(10,055)	(15,777)
- 1%	10,080	15,838

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



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 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 payments and cancellation of units by unitholders. Liquid assets comprise cash, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 days.

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

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

	Within one month RM	Between one month to one year RM	Total RM
<u>2019</u>			
Amount due to Manager			
- management fee	56,113		56,113
- cancellation of units	20,358		20,358
Amount due to Trustee	2,982		2,982
Amount due to brokers	383,303		383,303
Auditor's remuneration		4,557	4,557
Tax agent's fee		11,881	11,881
Other payables and accruals		10,329	10,329
	<u>462,756</u>	<u>26,767</u>	<u>489,523</u>
<u>2018</u>			
Amount due to Manager			
- management fee	66,486	-	66,486
- cancellation of units	32,074	-	32,074
Amount due to Trustee	3,535	-	3,535
Amount due to brokers	184,224	-	184,224
Auditor's remuneration	-	4,557	4,557
Tax agent's fee	-	10,262	10,262
Other payables and accruals	-	9,896	9,896
	<u>286,319</u>	<u>24,715</u>	<u>311,034</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 AUGUST 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 investment. 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.

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

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 SC's Guidelines on Unit Trust Funds.

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

	Unquoted fixed income securities RM	Cash and cash equivalents RM	Other assets* RM	Total RM
<u>2019</u>				
Finance				
- AAA	1,072,068	4,265,763	-	5,337,831
- AA2				
- AA3	-	267,649	-	267,649
- NR	1,062,822	-	-	1,062,822
Industrials products				
- AA-	501,736	-	-	501,736
- AA1	2,746,588	-	-	2,746,588
- NR	-	-	92,424	92,424
REITS				
- NR	-	-	10,737	10,737
	<u>5,383,214</u>	<u>4,533,412</u>	<u>103,161</u>	<u>10,019,787</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 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 of the Fund (continued):

	Unquoted fixed income <u>securities</u> RM	Cash and cash <u>equivalents</u> RM	Other <u>assets*</u> RM	<u>Total</u> RM
<u>2018</u>				
Finance				
- AAA	1,527,058	6,418,503	-	7,945,561
- AA2				
- AA3	-	34,730	-	34,730
- NR	986,188	-	1,541,613	2,527,801
Industrials products				
- AA-	497,721	-	-	497,721
- AA1	2,680,263	-	-	2,680,263
- NR	-	-	42,616	42,616
REITS				
- NR	-	-	6,125	6,125
Properties				
- NR	-	-	209,830	209,830
Technology				
- NR	-	-	6,465	6,465
Trading/ Services				
- NR	-	-	361,404	361,404
	<u>5,691,230</u>	<u>6,453,233</u>	<u>2,168,053</u>	<u>14,312,516</u>

\* Other asset consist of dividend receivable and amount due from brokers.

#### Capital risk

The capital of the Fund is represented by equity consisting of unitholders' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders.

The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 AUGUST 2019 (CONTINUED)

#### 3 FAIR VALUE ESTIMATION

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

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

An active market is a market in which transactions for the asset or liability 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.

#### 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 AUGUST 2019 (CONTINUED)**

## **3 FAIR VALUE ESTIMATION (CONTINUED)**

### 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 at inception				
- quoted equities	34,297,045	-	-	34,297,045
- unquoted fixed income securities	-	5,383,214	-	5,383,214
	<u>34,297,045</u>	<u>5,383,214</u>	<u>-</u>	<u>39,680,259</u>
<u>2018</u>				
Financial assets at fair value through profit or loss at inception				
- quoted equities	38,062,559	-	-	38,062,559
- unquoted fixed income securities	-	5,691,257	-	5,691,257
	<u>38,062,559</u>	<u>5,691,257</u>	<u>-</u>	<u>43,753,816</u>

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

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted fixed income securities. 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.

The carrying values of cash and cash equivalents, dividend receivables, 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 AUGUST 2019 (CONTINUED)**

**4 MANAGEMENT FEE AND MANAGEMENT FEE REBATE**

	<u>2019</u> RM	<u>2018</u> RM
Gross management fee	342,775	404,157
Management fee rebate		
- Interest income earned on collection accounts	(1,806)	(1,851)
Net management fee	<u>340,969</u>	<u>402,306</u>

In accordance with the Deed, the Manager is entitled to a management fee at a rate of up to 3.00% per annum on the NAV of the Fund, calculated on a daily basis.

For the 6 months financial period ended 31 August 2019, the management fees provided in the financial statements was 1.5% (2018: 1.5%) per annum on the NAV of the Fund calculated on a daily basis as stated in 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 amounts recognised above.

**5 TRUSTEE'S FEE**

In accordance with the Deed, the Trustee is entitled to a fee of up to 0.08% per annum of the NAV of the Fund, calculated on a daily basis.

For the 6 months financial period ended 31 August 2019, the Trustee's fee was recognised at a rate of 0.08% (2018: 0.08%) per annum on the NAV of the Fund calculated on a daily basis as stated in Fund's Prospectus.

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

**6 TAXATION**

	6 months financial period ended <u>31.8.2019</u>  RM	6 months financial period ended <u>31.8.2018</u>  RM
Current taxation	<u>-</u>	<u>3,985</u>

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

**6 TAXATION (CONTINUED)**

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

	6 months financial period ended <u>31.8.2019</u> RM	6 months financial period ended <u>31.8.2018</u> RM
Net (loss)/profit before taxation	<u>19,616</u>	<u>(2,000,019)</u>
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	4,708	(480,005)
Tax effect of:		
Investment loss not deductible for tax purpose / (investment income not subject to tax)	(135,348)	332,402
Expenses not deductible for tax purposes	47,239	49,480
Restriction on tax deductible expenses for Unit Trust Funds	83,401	98,123
Income subject to different tax rate	-	3,985
Tax expense	<u>-</u>	<u>3,985</u>

**7 DISTRIBUTION**

	6 months financial period ended <u>31.8.2019</u> RM	6 months financial period ended <u>31.8.2018</u> RM
Distribution to members are from the following sources:		
Previous year's realised income	<u>2,438,310</u>	<u>1,840,930</u>
Gross/Net distribution per unit (sen)	<u>1.50</u>	<u>1.00</u>
Ex-date	<u>17.07.2019</u>	<u>24.07.2018</u>

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

**7 DISTRIBUTION (CONTINUED)**

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 year is an amount of RM2,438,310 (2018:RM1,840,930) made from previous year's realised income.

**8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>2019</u> RM	<u>2018</u> RM
Designated at fair value through loss or profit at inception		
- quoted equities – local	34,297,045	38,062,559
- unquoted fixed income securities – local	5,383,214	5,691,257
	<u>39,680,259</u>	<u>43,753,816</u>
Net gain on financial assets at fair value through loss or profit		
- realised (loss)/gain on sale of investments	406,489	415,103
- unrealised gain/(loss) on changes in fair value	(562,876)	(2,716,524)
	<u>(156,387)</u>	<u>(2,301,421)</u>

(a) Quoted equities

(i) Quoted equities - local as at 31 August 2019 are as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Construction</u>				
IJM Corporation Bhd	217,900	401,688	496,812	1.13
WCT Holdings Bhd	459,200	517,360	447,720	1.02
	<u>677,100</u>	<u>919,048</u>	<u>944,532</u>	<u>2.15</u>
<u>Consumer Product &amp; Services</u>				
Hong Leong Industries Bhd	182,200	1,527,738	1,931,320	4.41
Guan Chong Bhd	274,200	980,634	1,080,348	2.46
	<u>456,400</u>	<u>2,508,372</u>	<u>3,011,668</u>	<u>6.87</u>



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

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

(a) Quoted equities (continued)

(i) Quoted equities as at 31 August 2019 are as follows (continued):

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Energy</u>				
Hibiscus Petroleum Bhd	333,700	351,550	301,999	0.69
Veleso Energy Bhd	2,300,500	690,150	701,652	1.60
KNM Group Bhd	2,266,200	685,821	861,156	1.96
Dialog Group Bhd	439,200	1,329,220	1,528,416	3.49
Yinson Holdings Bhd	71,800	382,045	486,804	1.11
	<u>5,411,400</u>	<u>3,438,786</u>	<u>3,880,027</u>	<u>8.85</u>
<u>Financial Services</u>				
CIMB Group Holdings Bhd	177,528	1,017,041	894,741	2.04
RHB Bank Malaysia Bhd	121,000	650,316	686,070	1.57
Malayan Banking Bhd	153,734	1,465,150	1,334,411	3.04
Allianz Malaysia Bhd	34,000	487,594	499,800	1.14
Aeon Credit Service (M)	55,501	535,562	829,185	1.89
	<u>541,763</u>	<u>4,155,663</u>	<u>4,244,207</u>	<u>9.68</u>
<u>Health Care</u>				
Top Glove Corporation Bhd	192,700	968,855	911,471	2.08
CCM Duopharma Biotech Bhd	417,766	568,193	584,872	1.33
	<u>610,466</u>	<u>1,537,048</u>	<u>1,496,343</u>	<u>3.41</u>
<u>Industrial Products &amp; Services</u>				
Kelington Group Bhd	696,700	959,586	870,875	1.99
Scientex Bhd	158,900	923,301	1,325,226	3.02
Sunway Bhd	859,442	1,363,813	1,409,485	3.22
V.S. Industry Bhd	710,700	913,688	888,375	2.03
SKP Resources Bhd	357,400	464,620	389,566	0.89
SLP Resources Bhd	396,400	477,432	515,320	1.18
ATA IMS Bhd	530,700	902,751	727,059	1.66
	<u>3,710,242</u>	<u>6,005,191</u>	<u>6,125,906</u>	<u>13.99</u>
<u>Plantations</u>				
Sime Darby Plantations Bhd	93,700	442,067	461,942	1.05

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

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

(a) Quoted equities (continued)

(i) Quoted equities as at 31 August 2019 are as follows (continued):

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Properties</u>				
Paramount Corporation Bhd	567,140	917,013	754,296	1.72
<u>REITs</u>				
Sunway Real Estate Investment Trust	489,400	844,002	949,436	2.17
IGB Rea I Estate Investment Trust	701,200	1,147,678	1,444,472	3.29
	1,190,600	1,991,680	2,393,908	5.46
<u>Technology</u>				
GHL Systems Bhd	659,300	933,551	857,090	1.96
MY E.G. Services Bhd	1,205,200	1,876,612	1,699,332	3.88
Inari Amertron Bhd	401,300	760,503	650,106	1.48
Revenue Group Bhd	642,000	846,411	975,840	2.23
Malaysia Pacific Industries Bhd	111,700	1,111,500	984,077	2.24
	3,019,500	5,528,577	5,166,445	11.79
<u>Telecommunication &amp; Media</u>				
Astro Malaysia Holdings Bhd	629,000	925,606	823,990	1.88
Axiata Group Bhd	227,600	1,046,877	1,142,552	2.61
	856,600	1,972,483	1,966,542	4.49
<u>Transportation &amp; Logistics</u>				
Malaysia Airport Holdings Bhd	112,200	921,329	921,162	2.10
<u>Utilities</u>				
Tenaga Nasional Bhd	211,100	2,614,525	2,930,068	6.69
Total quoted equities	17,458,211	32,951,782	34,297,046	78.25
Accumulated unrealised gain on quoted equities		1,345,264		
Total quoted equities		34,297,046		

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

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

(a) Quoted equities (continued)

(ii) Quoted equities - local as at 31 August 2018 are as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Consumer</u>				
Fraser & Neave Holdings Bhd	26,200	709,985	982,500	1.89
Hong Leong Industries Bhd	147,600	1,184,230	1,670,832	3.21
	<u>173,800</u>	<u>1,894,215</u>	<u>2,653,332</u>	<u>5.10</u>
<u>Finance</u>				
Aeon Credit Service (M)	147,101	1,419,464	2,221,225	4.27
Allianz Malaysia Bhd	58,200	834,646	756,600	1.45
CIMB Group Holdings Bhd	345,134	2,074,275	2,101,866	4.04
Malayan Banking Bhd	233,369	2,237,638	2,324,355	4.47
Public Bank Bhd	84,200	1,962,508	2,115,104	4.06
RHB Bank Bhd	309,100	1,632,262	1,662,958	3.19
Alliance Bank Malaysia Bhd	170,400	729,839	703,752	1.35
	<u>1,347,504</u>	<u>10,890,632</u>	<u>11,885,860</u>	<u>22.83</u>
<u>Industrial Products</u>				
Petronas Chemicals Group	304,400	2,524,441	2,876,580	5.52
Scientex Bhd	210,700	1,099,294	1,748,810	3.36
V.S. Industry Bhd	466,000	1,001,126	731,620	1.40
Chemical Company of Malaysia Bhd	657,400	1,305,649	1,117,580	2.15
Hibiscus Petroleum Bhd	1,144,100	1,065,627	1,092,616	2.10
	<u>2,782,600</u>	<u>6,996,137</u>	<u>7,567,206</u>	<u>14.53</u>
<u>Plantations</u>				
Genting Plantations Bhd	49,500	514,455	466,785	0.90
<u>Properties</u>				
Matrix Concepts Holdings Bhd	761,500	1,496,492	1,583,920	3.04
S P Setia Bhd	73,900	229,422	194,357	0.38
	<u>835,400</u>	<u>1,725,914</u>	<u>1,778,277</u>	<u>3.42</u>

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

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

(a) Quoted equities (continued)

(ii) Quoted equities - local as at 31 August 2018 are as follows (continued):

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>REITs</u>				
IGB Real Estate Investment Trust	1,095,300	1,792,714	1,883,916	3.62
Sunway Real Estate Investment Trust	303,800	519,088	519,498	1.00
	<u>1,399,100</u>	<u>2,311,802</u>	<u>2,403,414</u>	<u>4.62</u>
<u>Technology</u>				
Inari Amertron Bhd	442,300	1,001,565	990,752	1.90
Malaysian Pacific Industries Bhd	65,200	640,185	791,528	1.52
Unisem (M) Bhd	258,600	563,749	744,768	1.43
	<u>766,100</u>	<u>2,205,499</u>	<u>2,527,048</u>	<u>4.85</u>
<u>Trading and Services</u>				
OCK Group Bhd	1,810,000	1,334,186	1,095,050	2.10
Dialog Group Bhd	167,424	283,010	580,961	1.12
Petronas Dagangan Bhd	61,800	1,557,834	1,678,488	3.22
Sunway Bhd	672,733	1,069,235	1,042,736	2.00
Tenaga Nasional Bhd	204,900	3,060,015	3,212,832	6.17
Astro Malaysia Holdings Bhd	333,000	571,723	579,420	1.11
Dayang Enterprise Holdings Bhd	788,200	597,807	591,150	1.14
	<u>4,038,057</u>	<u>8,473,810</u>	<u>8,780,637</u>	<u>16.86</u>
Total quoted equities	<u>11,392,061</u>	<u>35,012,464</u>	<u>38,062,559</u>	<u>73.11</u>
Accumulated unrealised gain on quoted equities		<u>3,050,095</u>		
Total quoted equities		<u>38,062,559</u>		

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

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

(b) Unquoted fixed income securities

(i) Unquoted fixed income securities as at 31 August 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>
<b><u>BONDS</u></b>				
4.50% Bank Pembangunan Malaysia Bhd 4.11.2026 (AAA)	1,000,000	1,014,588	1,072,068	2.45
3.90% MGS 30.11.2026 (SOV)	500,000	522,799	540,455	1.19
4.232% MGS 30.6.2031 (SOV)	500,000	494,892	522,367	1.23
5.59% UniTapah Sdn Bhd 12.12.2024 (AA2)	2,500,000	2,633,990	2,746,588	6.27
4.60% WCT Holdings Bhd 28.8.2020 (AA-)	500,000	492,090	501,736	1.14
Total unquoted fixed income securities	<u>5,000,000</u>	<u>5,158,359</u>	<u>5,383,214</u>	<u>12.28</u>
Accumulated unrealised gain on unquoted fixed income securities		<u>224,855</u>		
Total unquoted fixed income securities		<u>5,383,214</u>		

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

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

(b) Unquoted fixed income securities (continued)

(ii) Unquoted fixed income securities as at 31 August 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>
4.50% Bank Pembangunan Malaysia Bhd 4.11.2026 (AAA)	500,000	512,315	518,550	1.00
4.98% Bank Pembangunan Malaysia Bhd 2.3.2032 (AAA)	1,000,000	1,014,595	1,008,535	1.94
3.90% MGS 30.11.2026 (SOV)	500,000	495,215	495,855	0.95
4.232% MGS 30.6.2031 (SOV)	500,000	522,639	490,333	5.15
5.59% UniTapah Sdn Bhd 12.12.2024 (AA2)	2,500,000	2,650,813	2,680,263	0.94
4.6% WCT Holdings Bhd 28.8.2020 (AA-)	500,000	484,494	497,721	0.95
 Total unquoted fixed income securities	 5,500,000	 5,680,071	 5,691,257	 10.93
Accumulated unrealised gain on unquoted fixed income securities		11,186		
Total unquoted fixed income securities		5,691,257		

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

**9 CASH AND CASH EQUIVALENTS**

	<u>2019</u> RM	<u>2018</u> RM
Cash and bank balances	267,649	34,730
Deposits with licensed financial institutions	4,265,764	6,420,053
	<u>4,533,413</u>	<u>6,454,783</u>

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

	<u>2019</u> %	<u>2018</u> %
Deposit with a licensed financial institution	<u>3.00</u>	<u>3.34</u>

Deposit with a licensed financial institution has an average maturity of 3 days (2018: 4 days).

**10 NUMBER OF UNITS IN CIRCULATION**

	<u>2019</u> RM	<u>2018</u> RM
At the beginning of the financial period	171,693,000	192,477,000
Creation of units from applications during the financial period	309,000	2,546,000
Creation of units from distribution during the financial period	9,128,828	6,713,822
Cancellation of units during the financial period	(12,428,828)	(13,957,822)
At the end of the financial period	<u>168,702,000</u>	<u>187,779,000</u>

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

**11 TRANSACTIONS WITH BROKERS AND DEALERS**

- (a) Details of transactions with the top 10 brokers and dealers for the 6 months financial period ended 31 August 2019 are as follows:

<u>Name of brokers/dealers</u>	<u>Value of trade</u> RM	<u>Percentage</u> <u>of total</u> <u>trade</u> %	<u>Brokerage</u> <u>fees</u> RM	<u>Percentage</u> <u>of total</u> <u>brokerage</u> %
Affin Hwang Investment Bank Bhd #	18,702,226	36.57	60,454	37.26
CLSA Securities Malaysia Sdn. Bhd	4,731,128	9.25	13,894	8.56
Kenanga Investment Bank Bhd	4,315,839	8.44	13,733	8.46
UOB Kay Hian Securities (M) Sdn Bhd	3,983,126	7.79	12,551	7.73
RHB Investment Bank Bhd	3,317,087	6.49	10,767	6.64
Hong Leong Investment Bank Bhd	3,218,299	6.29	10,563	6.51
Macquarie Capital Securities (Malaysia) Sdn. Bhd.	3,132,113	6.12	10,251	6.32
CIMB Investment Bank Bhd	1,382,069	2.70	4,741	2.92
Public Investment Bank Bhd	989,585	1.94	3,254	2.01
Kaf Seagroatt & Campbell Securities Sdn Bhd	979,607	1.92	3,440	2.12
Others	6,386,433	12.49	18,619	11.47
	<u>51,137,512</u>	<u>100.00</u>	<u>162,267</u>	<u>100.00</u>



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

**11 TRANSACTIONS WITH BROKERS AND DEALERS (CONTINUED)**

- (b) Details of transactions with the top 10 brokers and dealers for the 6 months financial period ended 31 August 2018 are as follows:

<u>Name of brokers/dealers</u>	<u>Value of trade</u> RM	<u>Percentage</u> <u>of total</u> <u>trade</u> %	<u>Brokerage</u> <u>fees</u> RM	<u>Percentage</u> <u>of total</u> <u>brokerage</u> %
Affin Hwang Investment Bank Bhd #	14,764,018	26.52	42,300	26.94
Malayan Banking Bhd	6,929,940	12.45	21,800	13.89
CIMB Investment Bank	5,000,212	8.98	15,013	9.56
Kenanga Investment Bank Bhd	4,548,340	8.17	15,316	9.76
Public Bank Bhd	4,000,000	7.19	-	-
Hong Leong Investment Bank	3,939,978	7.08	11,843	7.54
RHB Investment Bank	2,674,314	4.80	8,793	5.60
Kaf Seagroatt & Campbell Securities Sdn Bhd	2,021,497	3.63	6,368	4.06
Macquarie Capital Securities (Malaysia) Sdn. Bhd.	1,937,511	3.48	6,341	4.04
Credit Suisse Securities (Malaysia) Sdn. Bhd.	1,589,244	2.85	5,245	3.34
Others	8,263,852	14.85	23,975	15.27
	<u>55,668,906</u>	<u>100.00</u>	<u>156,993</u>	<u>100.00</u>

Included in transaction with brokers and dealers are trades in the stockbroking industry with Affin Hwang Investment Bank Berhad, a company related to the Manager amounting to RM18,702,226 (2018: RM 14,764,018).

The Manager is of the opinion that all transactions with the related companies have been entered into in the normal course of business at agreed terms between the related parties.

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

<u>Name of brokers/dealers</u>	<u>2019</u> RM	<u>2018</u> RM
Affin Hwang Investment Bank Bhd	<u>-</u>	<u>477,000</u>

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

	<u>2019</u> RM	<u>2018</u> RM
Affin Hwang Select Income Fund	<u>-</u>	<u>477,000</u>

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

**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	Holding 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 the Manager as at the end of the financial period are as follows:

	<u>2019</u>		<u>2018</u>	
	No. of units	RM	No. of units	RM
<u>The Manager:</u>				
Affin Hwang Asset Management Berhad (The units are held legally for booking purpose)	<u>2,026</u>	<u>526</u>	<u>2,751</u>	<u>763</u>

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

**13 MANAGEMENT EXPENSE RATIO (“MER”)**

	6 months financial period ended <u>31.8.2019</u> %	6 months financial period ended <u>31.8.2018</u> %
MER	<u>0.83</u>	<u>0.84</u>

MER is derived from the following calculation:

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

A	=	Management fee, excluding management fee rebate
B	=	Trustee fees
C	=	Auditors' remuneration
D	=	Tax agent's fee
E	=	Other expenses, excluding sales and service tax on transaction costs and withholding tax
F	=	Average NAV of the Fund calculated on a daily basis

The average net asset value of the Fund for the financial period calculated on daily basis was RM45,326,932. (2018: RM53,443,525).

**14 PORTFOLIO TURNOVER RATIO (“PTR”)**

	6 months financial period ended <u>31.8.2019</u>	6 months financial period ended <u>31.8.2018</u>
PTR (times)	<u>0.56</u>	<u>0.48</u>

PTR is derived from the following calculation:

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

where: total acquisition for the financial period = RM24,099,920 (2018:RM22,988,172)  
total disposal for the financial period = RM26,631,103 (2018: RM28,223,292)

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 AUGUST 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 considers the business as two sub-portfolios, which are managed by separate specialist teams at the Investment Manager. These sub-portfolios consist of an equity portfolio, which focuses on equity securities; the second sub-portfolio consisting of debt and cash instruments.

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

## **AFFIN HWANG TACTICAL 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 44 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 August 2019 and of its financial performance, 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

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