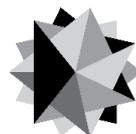


Affin Hwang

Flexible Maturity Income Fund 16

Annual Report
30 November 2020

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



AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad
199701014290 (429786-T)

TRUSTEE
TMF Trustees Malaysia Berhad (610812-W)

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

Annual Report and Audited Financial Statements For The Financial Period From 17 October 2019 (Date of Launch) To 30 November 2020

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FUND INFORMATION

Fund Name	Affin Hwang Flexible Maturity Income Fund 16
Fund Type	Income
Fund Category	Fixed Income (Wholesale)
Investment Objective	The Fund aims to provide income through investments in fixed income instruments
Duration of the Fund	Five (5) years close-ended Fund
Termination Date	7 November 2024
Benchmark	5-years Malayan Banking Berhad fixed deposit rate as at Investment Date
Distribution Policy	Depending on the level of income the Fund generates, the Fund will provide distribution on an annual basis

BREAKDOWN OF UNITHOLDERS BY SIZE AS AT 30 NOVEMBER 2020

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	0	0
5,001 to 10,000	76	738
10,001 to 50,000	135	4,359
50,001 to 500,000	97	16,126
500,001 and above	17	165,626
Total	325	186,849

* Note: Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 30 Nov 2020 (%)
Portfolio composition	
Unquoted fixed income securities – local	9.70
Unquoted fixed income securities – foreign	86.43
Total unquoted fixed income securities	96.13
Cash & cash equivalent	3.87
Total	100.00
Total NAV (RM'million)	196.386
NAV per Unit (RM)	1.0510
Unit in Circulation (million)	186.852
Highest NAV	1.0930
Lowest NAV	0.9403
Return of the Fund (%) ⁱⁱⁱ	9.75
- Capital Growth (%) ⁱ	5.10
- Income Distribution (%) ⁱⁱ	4.42
Gross Distribution per Unit (sen)	4.635
Net Distribution per Unit (sen)	4.635
Management Expense Ratio (%)	0.31
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

MANAGER'S REPORT

Income Distribution / Unit Split

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)
08-Nov-20	09-Nov-20	1.0929	0.04635	1.0475

No unit split were declared for the financial year ended 30 November 2020.

Performance Review

For the period 7 November 2019 to 30 November 2020, the Fund registered a return of 9.75%. The Net Asset Value (NAV) per unit of the Fund as at 30 November 2020 was RM1.0510 while the initial NAV per unit was RM1.0000. The Benchmark for the period registered a return of 3.58%. The Fund outperformed the Benchmark by 6.17%. The fund declared a gross income distribution of RM 0.0464 per unit for the period.

We believe the fund's objective to provide income through investments in fixed income instruments was being met.

Fund Performance

Table 1: Performance of the Fund

	Since Commencement (7/11/19 - 30/11/20)
Fund	9.75%
Benchmark	3.58%
Outperformance	6.17%

Source of Benchmark: Maybank

Table 2: Average Total Return

	Since Commencement (7/11/19 - 30/11/20)
Fund	9.10%
Benchmark	3.35%
Outperformance	5.75%

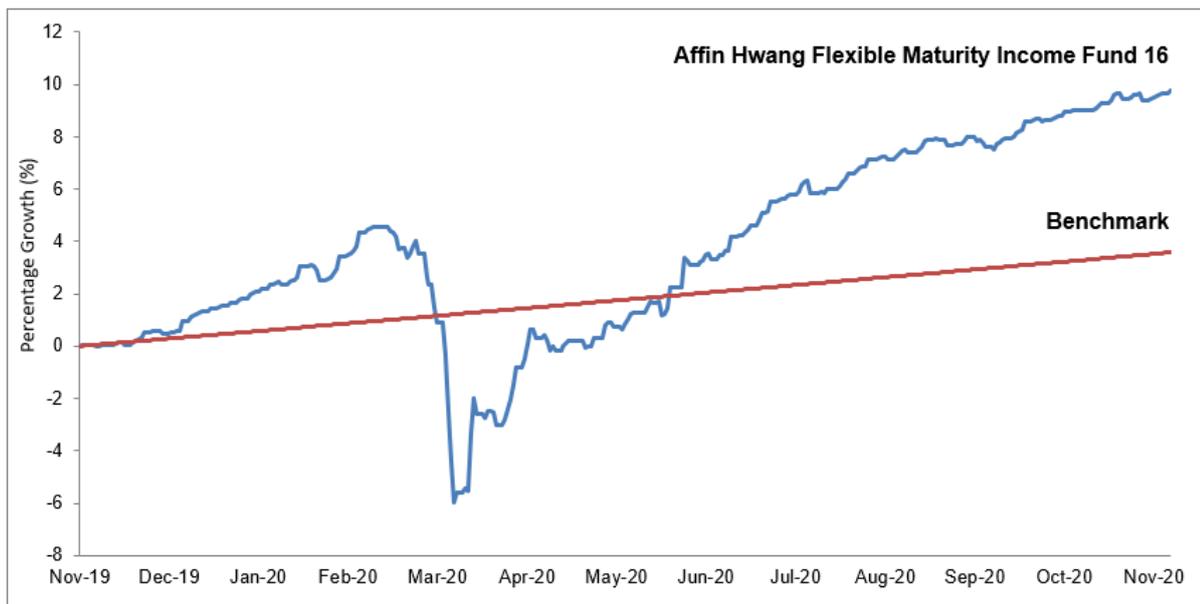
Source of Benchmark: Maybank

Table 3: Annual Total Return

	FYE 2020 (7/11/19 - 30/11/20)
Fund	9.75%
Benchmark	3.58%
Outperformance	6.17%

Source of Benchmark: Maybank

Figure 1: Movement of the Fund versus the Benchmark since commencement.



"This information is prepared by Affin Hwang Asset Management Berhad (AFFINHWANGAM) for information purposes only. Past earnings or the fund's distribution record is not a guarantee or reflection of the fund's future earnings/future distributions. Investors are advised that unit prices, distributions payable and investment returns may go down as well as up. Source of Benchmark is from Maybank." Benchmark: 5-years Malayan Banking Berhad fixed deposit rate as at Investment Date

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

Asset Allocation

As at 30 November 2020, the asset allocation of the Fund stood at 96.13% of the Fund's NAV in fixed income securities while the remaining was held in cash and cash equivalent.

Strategies Employed

Over the period under review, the Manager maintained a focus on high conviction credit names across both domestic and regional space. To date, the Fund's bond holdings have continued to meet their respective financial obligations in respect of their outstanding debt.

Market Review

Global markets got off to a rocky start in 2020 as benchmark gauges reeled from contagion fears as a result of the coronavirus outbreak. The World Health Organization declared a global health emergency as soon as the coronavirus outbreak has claimed the lives of at least 300 people with rates of infection rapidly increasing. The global equities trended lower as risk assets continue to reel from the impact of the Covid-19 outbreak which sent chills to investors. The rapid spread of the infection outside of China with new cases springing in Italy, South Korea and Iran led to a rush towards safe haven assets with US Treasury yields dipping to record lows.

Coming into March, the global markets faced a washout, as few asset classes were spared from the selloff due to the pandemic fears as infection rates continue to escalate rapidly. The MSCI Asia ex-Japan index closed 12.2% lower in the month. In the US, the S&P 500 index closed 12.5% lower that month. In an attempt to stem the fallout from the coronavirus, major economies led by the US has introduced an unprecedented relief package to cushion its economy. The relief package comes as the US also reports the greatest number of Covid-19 cases, making it the country with the largest outbreak in the world surpassing that of Italy and China.

However, global equities staged a rebound in April as markets looked past recent softness in economic data and were instead buoyed by stimulus optimism as well as encouraging developments on the COVID-19 front. The rally was fuelled by a volley of stimulus measures rolled out by major central banks including an expansion package by the US Federal Reserve and the European Union (EU). The S&P 500 index advanced since. By November, the S&P 500 index closed 10.8% higher from the previous month. This positive effect extended to Asia as well, with the Hang Seng Index and broader MSCI Asia ex Japan index rising 9.15% and 8.00% respective in the same period.

The US unveiled its Main Street Lending Program which is designed to provide support and ensure credit flow into SMEs that were in “good financial standing”. Similarly, the EU proposed a European Stability Mechanism (“ESM”) which offers a credit line of up to 240 billion Euros to EU members.

Tensions between the two global powerhouses rose recently after China ordered the US to close its Chengdu-based consulate. The order followed the US closure of the Chinese consulate in Houston. On the other hand, remarks by US President Donald Trump that he will move to ban Chinese-owned video app TikTok in the US also added fuel to this fire.

On commodities, crude oil prices slid by about 40% YTD as at end of October, after oil prices rebounded in June following a move by Organization of the Petroleum Exporting Countries (“OPEC”) and its oil-producing allies to extend the group’s historic production cut.

On the domestic front, the country plunged into political turmoil which ultimately culminated in the appointment of Tan Sri Muhyiddin Yassin as the eighth Prime Minister, from the Perikatan Nasional coalition (UMNO, PAS, Bersatu and a splinter faction of PKR). The appointment was announced by Istana Negara amidst shifting political allegiances and frantic horse-trading across the ruling and opposition coalitions.

Malaysia's economy posted a smaller contraction of 2.7 per cent in the third quarter (3Q) of 2020, surpassing consensus estimate of -4.6 per cent, as well as the Gross Domestic Product (GDP) contraction of 17.1 per cent in 2Q, supported by improvements in all sectors.

Prime Minister Tan Sri Muhyiddin Yassin unveiled a RM250 billion economic stimulus package to soften the economic blow due to the impact of Covid-19 with businesses shuttered due to the movement control order (MCO). Called the Pakej Rangsangan Ekonomi Prihatin Rakyat or Prihatin, the package comprises RM128 billion to protect the welfare of the people, RM100 billion to protect the welfare of small and medium enterprises (“SMEs”) and RM2 billion to strengthen the country’s economy according to The Edge. This was on top of the RM20 billion stimulus that was earlier announced on 27 February.

Whilst RM250 billion seems like a massive amount on the surface, the actual fiscal spending outlay amounts to 10.0% or RM25billion. The rest of the relief package comes in the form of loan guarantees, moratorium in loan repayments, EPF withdrawals, among others. In April, Prime Minister had announced an additional RM10billion package to help SMEs cope during the pandemic.

Malaysia Budget 2021 was announced in November, with an allocated RM 322.5 billion expenditure, with 26.5% of it coming from borrowings and use of government assets. 5.3% of this budget has been devoted to the Covid-19 fund. Targeted measures by this budget include extension of the Principal Hub incentive to Dec 2022, reduction of individual EPF contribution and review of income tax exemption on Green Sustainable and Responsible Investment Sukuk grant.

The Malaysia bond market saw foreign holdings increase by RM 2.7 billion in November making up 13.6% of total bonds outstanding, its highest since January 2020. Though foreign demand seems to be positive, overall yields still grew as selling concentrated on the lower end of the curve, as yields for the 15-year and 20-year MGS edged up 28 bps and 18 bps in the last week of November.

Investment Outlook

Global markets have rallied sharply from their lowest, supported by fiscal and monetary stimulus. The economy is still recovering, albeit at a slow pace, as consumers’ confidence return following the low death rates despite the rise in infections. With most markets recovering the year’s losses by November, coincided with the release of Phase III clinical trial data for the vaccines, there is certainly light at the end of the tunnel for global markets.

Markets will be playing a “recovery theme” from December onwards and into 2021. Current estimates suggest global GDP to fall around 5% at the end of 2020, with an expected rebound of 5.4% in 2021 with the reopening

of economies and growth returns. But as vaccines take time to produce even at current maximum production levels, we should expect this “recovery theme” to be a multi-year theme.

The worldwide Covid-19 death toll has since breached the 1 million mark, with US cases remaining stable at a high rate and Europe battling new waves. The shift in infections to younger age groups and more effective treatments however ensured Europe’s continuous recovery despite the increasing infection rates. It is also more exposed to global trade than US, thus will benefit from the rebound in Chinese demand. Europe’s exposure to financials, cyclical sectors such as energy and industrials, will potentially outperform in the second phase of recovery when economy continues to pick up as yield curve steepens. US dollar should weaken as economy recovers globally given its counter-cyclical behaviour, with more economically sensitive currencies appreciating instead, including euro and British sterling that are undervalued. However, British sterling faces higher volatility due to Brexit negotiations.

US-China trade tensions are likely to remain in the short-term. A Biden presidency could potentially uplift geopolitical risk with a steadier hand at the helm. Consistency in policy implementation is key alongside clarity on the nature of the two countries’ relationship with each other. A Biden win will set the stage for a post-election rally as investors warm to the idea. However, the issue of a divided Congress remains, with markets expecting a Republican-majority in control of the Senate.

In Malaysia, recent alarming increase in Covid-19 cases caused targeted lockdowns across the country, potentially delaying economic recovery although remaining positive on a full rebound by 2021. From a bottom-up perspective, markets are still focused on more export-oriented industries i.e. gloves, electromotive force and technology stocks. Politics pose as minor distraction seeing how the peak of political risk has passed after Sabah election results were released. However, the risk to policy continuity caused by uncertainty of a majority win could lead to potential loss on FDI opportunities to other emerging market countries.

Inflows into global equity funds surge past US\$100 billion in the last 3 weeks of November as investors continue to pile into equities with markets turning risk-on. Buoyed by a “Goldilocks” environment with a favourable US election outcome, low interest rates and positive developments on the vaccine front, we could see additional support for risk assets.

Earnings momentum is expected to continue into 2021 with earnings growth projected to rise by 38.0% in Asia ex-Japan (ex-Financials) according to estimates by some sell-side analysts. Key sectors leading the recovery include the energy, consumer discretionary and industrials. Though, this is tempered by moderately higher valuations which has crept up above historical averages.

State of Affairs of the Fund

There is neither any significant change to the state affairs of the Fund nor any circumstances that materially affect any interests of the unit holders during the period under review.

Soft Commissions received from Brokers

As per the requirements of the Securities Commission’s Guidelines on Unit Trust Funds and Guidelines on Compliance Function for Fund Management Companies, soft commissions received from brokers/dealers may be retained by the management company only if the –

- (i) goods and services provided are of demonstrable benefit to Unit holders of the Fund; and
- (ii) goods and services are in the form of research and advisory services that assists in the decision making process.

During the financial period under review, the management company had received on behalf of the Fund, soft commissions in the form of research materials, data and quotation services, investment-related publications, market data feed and industry benchmarking agencies which are of demonstrable benefit to Unitholders of the Fund.

Cross Trade

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

TRUSTEE'S REPORT TO THE UNITHOLDERS OF AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

We have acted as Trustee of Affin Hwang Flexible Maturity Income Fund 16 for financial period from 17 October 2019 (Date of Launch) to 30 November 2020. To the best of our knowledge, **Affin Hwang Asset Management Berhad**, the Manager, has managed the Fund in accordance with the limitations imposed on the investment powers of the management company and the trustee under the Deed, other provisions of the Deed, the Capital Markets and Services Act 2007, the Securities Commission's Guidelines on Unlisted Capital Market Product under the Lodge and Launch Framework and other applicable laws during the period then ended.

We have also ensured the following:

- (a) the procedures and processes employed by **Affin Hwang Asset Management Berhad** to value and/or price the units of the Fund are adequate and that such valuation/pricing is carried out in accordance with the Deed of the Fund and other regulatory requirements; and
- (b) the creation and cancellation of units have been carried out in accordance with the Deed and relevant regulatory requirements.

During this financial period, a distribution of 4.6350 sen per unit (net) has been distributed to unit holders of the Fund. We are of the view that the distribution is not inconsistent with the objective of the Fund.

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

NORHAYATI BINTI AZIT
DIRECTOR – FUND SERVICES

Kuala Lumpur
15 January 2021

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

FINANCIAL STATEMENTS

**FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019
(DATE OF LAUNCH) TO 30 NOVEMBER 2020**

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

FINANCIAL STATEMENTS

**FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019
(DATE OF LAUNCH) TO 30 NOVEMBER 2020**

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AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020

	<u>Note</u>	Financial period from 17.10.2019 (date of launch) to <u>30.11.2020</u> RM
INVESTMENT INCOME		
Interest income from financial assets at amortised cost		268,254
Interest income from financial assets at fair value through profit or loss		10,443,814
Net loss on foreign currency exchanges		(489,031)
Net gain on forward foreign currency contracts at fair value through profit or loss		5,186,763
Net gain on financial assets at fair value through profit or loss	9	3,590,506
		<hr/> 19,000,306
EXPENSES		
Management fee	4	(429,421)
Trustee fee	5	(85,884)
Fund accounting fee	6	(9,750)
Auditors' remuneration		(8,000)
Tax agent's fee		(3,500)
Other expenses		(49,215)
		<hr/> (585,770)
NET PROFIT BEFORE TAXATION		18,414,536
Taxation	8	-
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<hr/> <hr/> 18,414,536

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

	<u>Note</u>	Financial period from 17.10.2019 (date of launch) to <u>30.11.2020</u> RM
Net profit after taxation is made up of the following:		
Realised amount		13,055,331
Unrealised amount		5,359,205
		<hr/>
		18,414,536
		<hr/> <hr/>

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

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2020

	<u>Note</u>	As at <u>30.11.2020</u> RM
ASSETS		
Cash and cash equivalents	10	3,092,595
Financial assets at fair value through profit or loss	9	188,784,813
Forward foreign currency contracts at fair value through profit or loss	11	4,902,121
Tax recoverable		3,700
TOTAL ASSETS		<u>196,783,229</u>
LIABILITIES		
Amount due to Manager		
- management fee		32,615
- cancellation of units		321,239
Amount due to Trustee		6,523
Auditors' remuneration		8,000
Tax agent's fee		3,500
Other payables and accruals		355
Forward foreign currency contracts at fair value through profit or loss	11	24,813
TOTAL LIABILITIES		<u>397,045</u>
NET ASSET VALUE OF THE FUND		<u>196,386,184</u>
EQUITY		
Unitholders' capital		186,706,027
Retained earnings		9,680,157
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>196,386,184</u>
NUMBER OF UNITS IN CIRCULATION	12	<u>186,852,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.0510</u>

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

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 17 October 2019 (date of launch)	-	-	-
Total comprehensive income for the financial period	-	18,414,536	18,414,536
Distribution (Note 7)	-	(8,734,379)	(8,734,379)
Movement in unitholders' capital:			
Creation of units arising from applications	190,239,000	-	190,239,000
Cancellation of units	(3,532,973)	-	(3,532,973)
Balance as at 30 November 2020	<u>186,706,027</u>	<u>9,680,157</u>	<u>196,386,184</u>

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

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020

	<u>Note</u>	Financial period from 17.10.2019 (date of launch) to <u>30.11.2020</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of investments		70,743,876
Purchase of investments		(253,734,821)
Interest received		8,508,706
Management fee paid		(396,806)
Trustee fee paid		(79,361)
Fund accounting fee paid		(9,750)
Payment for other fees and expenses		(48,860)
Net realised gain on forward foreign currency contract		309,455
Net realised loss on foreign exchange		(680,008)
Tax paid		(3,700)
		<hr/>
Net cash used in operating activities		(175,391,269)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units		190,239,000
Payments for cancellation of units		(3,211,734)
Payment for distribution		(8,734,379)
		<hr/>
Net cash generated from financing activities		178,292,887
NET INCREASE IN CASH AND CASH EQUIVALENTS		
		2,901,618
EFFECTS OF FOREIGN CURRENCY EXCHANGE		
		190,977
CASH AND CASH EQUIVALENTS AT THE DATE OF LAUNCH		
		<hr/> -
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD		
	10	<hr/> <hr/> 3,092,595

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

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020

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, International Financial Reporting Standards (“MFRS”).

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

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

(a) Standards, amendments to published standards and interpretations that are effective

- IC Interpretation 23 ‘Uncertainty over Income Tax Treatments’ (effective 1 January 2019)
- Annual Improvements to MFRSs 2015 – 2017 Cycle (effective 1 January 2019)

The adoption of the above standards, amendments to standards or interpretations did not have a material effect on the financial statements of the Fund.

(b) Standards and amendments that have been issued but not yet effective

- Amendments to MFRS 3 ‘Definition of a Business’ (effective 1 January 2020) revise the definition of a business.
- Amendments to MFRS 101 ‘Classification of liabilities as current or non-current’ (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date.

The adoption of the above standards, amendments to standards or interpretations is not expected to have a material effect on the financial statements of the Fund.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

B INCOME RECOGNITION

Interest income

Interest income from short term deposits with licensed financial institutions and unquoted fixed income securities are recognised based on effective interest rate method on an accrual basis.

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 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.

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.

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.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

E FOREIGN CURRENCY TRANSLATION

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 through profit or loss, and
- those to be measured at amortised cost

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

The contractual cash flows of the Fund's debt securities are solely principal and interest ("SPPI"). However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

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

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

(ii) Recognition and measurement

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

Financial liabilities, within the scope of MFRS 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.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

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 foreign transactions are presented in the statement of comprehensive income within 'net gain on financial assets at fair value through profit and loss' in the period which they arise.

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 Unlisted Capital Market Products under the Lodge and Launch Framework. 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 securities differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- (i) records its basis for using 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.

Unquoted fixed income securities including money market instruments denominated in foreign currencies are revalued at least twice a week by reference to the mid price quoted in Bloomberg using the Composite Bloomberg Bond Trader ("CBBT") which is a weighted average bid and ask of price contributions submitted by Bloomberg Dealers. However, if such quotations are not available, the fair value shall be determined by reference to the bid and offer prices quoted by independent and reputable financial institutions.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

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

The Fund defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

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

Qualitative criteria:

The debtor meets unlikelihood to pay criteria, which indicates the debtor is in significant financial difficulty The Fund considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iv) Impairment (continued)

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 bad debt recoveries. 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 asset value;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

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

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

I 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.

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. 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 profit or loss 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 instruments that have a negative fair value are presented as liabilities as fair value through profit or loss.

The fair value of forward foreign currency contracts is determined using forward exchange rates on 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 financial assets/liabilities at fair value through profit or loss.

J 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.

However, the Manager is of the opinion that there are no accounting policies which require significant judgement to be exercised.

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 SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

K REALISED AND UNREALISED PORTIONS OF PROFIT OR LOSS AFTER TAX

The analysis of realised and unrealised profit or loss after tax as presented on the statement of comprehensive income is prepared in accordance with SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020

1 INFORMATION ON THE FUND

The Wholesale Fund was constituted under the name Affin Hwang Flexible Maturity Income Fund 16 (the "Fund") pursuant to the execution of a Deed dated 4 September 2019. (the "Deed") entered into between Affin Hwang Asset Management Berhad (the "Manager") and TMF Trustees Malaysia Berhad (the "Trustee").

The Fund commenced operations on 7 November 2019 and will continue its operations until terminated by the Trustee as provided under Clause 11.1 of the Deed or on maturity date of the Fund which falls on the fifth anniversary of the investment date or such earlier date in accordance with the provisions of the Deed or subject to the early maturity feature.

The Fund may invest in any of the following investments:

- (a) Debentures;
- (b) Money market instruments;
- (c) Deposits;
- (d) Derivatives;
- (e) Structured products; and
- (f) Any other form of investments 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 Unlisted Capital Market Products under the Lodge and Launch Framework, the Deed and the objective of the Fund.

The main objective of the Fund is to provide income through investments in fixed income instruments.

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 15 January 2021.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	Note	At amortised cost RM	At fair value through profit or loss RM	Total RM
<u>As at 30.11.2020</u>				
<u>Financial assets</u>				
Cash and cash equivalents	10	3,092,595	-	3,092,595
Unquoted fixed income securities	9	-	188,784,813	188,784,813
Forward foreign currency contracts	11	-	4,902,121	4,902,121
Total		<u>3,092,595</u>	<u>193,686,934</u>	<u>196,779,529</u>
<u>Financial liabilities</u>				
Amount due to Manager				
- management fee		32,615	-	32,615
- cancellation of units		321,239	-	321,239
Amount due to Trustee		6,523	-	6,523
Auditors' remuneration		8,000	-	8,000
Tax agent's fee		3,500	-	3,500
Other payables and accruals		355	-	355
Forward foreign currency contracts	11	-	24,813	24,813
Total		<u>372,232</u>	<u>24,813</u>	<u>397,045</u>

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

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated by the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

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.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

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

Market risk (continued)

(a) Price risk (continued)

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

	As at 30.11.2020 RM
Unquoted investments	
Unquoted fixed income securities*	188,784,813

*includes interest receivable of RM2,645,976.

The following table summarises the sensitivity of the Fund's profit after taxation and net asset value to price risk movements. The analysis is based on the assumptions that the market price increased by 5% and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the unquoted securities.

<u>% Change in price</u>	<u>Market value</u> RM	<u>Impact on</u> <u>profit after</u> <u>tax/NAV</u> RM
<u>As at 30.11.2020</u>		
-5%	176,831,895	(9,306,942)
0%	186,138,837	-
+5%	195,445,779	9,306,942

(b) Interest rate risk

In general, when interest rates rise, prices of unquoted fixed income securities 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 until 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.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

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

Market risk (continued)

(b) Interest rate risk (continued)

This risk is crucial in an unquoted fixed income securities fund since unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of unquoted fixed income securities move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted fixed income securities decrease and vice versa. Furthermore, unquoted fixed income securities with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Investors should note that unquoted fixed income securities and money market instruments are subject to interest rate fluctuations. Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The table below summarises the sensitivity of the Fund's profit after taxation and NAV 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 2% (200 basis points) with all other variables held constant.

<u>% Change in interest rate</u>	<u>Impact on profit after tax/NAV</u> <u>As at 30.11.2020</u> RM
+ 2%	(367,132)
- 2%	368,239

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

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

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

(c) Currency risk

Currency risk is associated with investments denominated in foreign currencies. When the foreign currencies fluctuate in an unfavourable movements 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.

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

	Unquoted fixed income <u>securities</u> RM	Forward foreign currency <u>contracts</u> RM	Cash and cash <u>equivalents</u> RM	<u>Total</u> RM
<u>As at 30.11.2020</u>				
<u>Financial assets</u>				
Euro	6,293,497	50,780	82,600	6,426,877
Pound Sterling	1,156,965	-	4,441	1,161,406
Singapore Dollar	16,112,340	293,304	471,872	16,877,516
United States Dollar	146,166,443	4,558,037	1,468,834	152,193,314
	<u>169,729,245</u>	<u>4,902,121</u>	<u>2,027,747</u>	<u>176,659,113</u>
<u>Financial liabilities</u>				
Euro	-	16,101	-	16,101
Pound Sterling	-	7,368	-	7,368
Singapore Dollar	-	1,344	-	1,344
	<u>-</u>	<u>24,813</u>	<u>-</u>	<u>24,813</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

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

Market risk (continued)

(c) Currency risk (continued)

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 based on each currency's respective historical volatility, with all other variables remain 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 each currency's respective historical volatility. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in price %	Impact on profit after tax/NAV RM
<u>As at 30.11.2020</u>		
Euro	+/-9.24	+/-592,326
Pound Sterling	+/-12.40	+/-143,081
Singapore Dollar	+/-5.45	+/-920,024
United States Dollar	+/-7.58	+/-11,541,990

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 on deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

For unquoted fixed income securities, the Manager regularly reviews the rating assigned to the issuer so that necessary steps can be taken if the rating falls below those described in the Deed and SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

The settlement terms of the proceeds from the creation of units' receivable from the Manager are governed by the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (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:

	Unquoted fixed income securities RM	Cash and cash equivalents RM	Forward foreign currency contracts RM	Total RM
<u>As at 30.11.2020</u>				
Basic Materials				
- BBB+	8,424,464	-	-	8,424,464
Consumer Goods				
- BBB-	6,207,142	-	-	6,207,142
- Baa3	7,554,162	-	-	7,554,162
Consumer Services				
- BBB+	1,877,472	-	-	1,877,472
Financial Services				
- AAA	-	3,092,595	2,384,441	5,477,036
- AA2	-	-	122,807	122,807
- AA3	-	-	1,344,439	1,344,439
- A3	7,555,233	-	-	7,555,233
- Baa1	8,150,332	-	-	8,150,332
- Baa2	2,940,885	-	-	2,940,885
- Baa3	19,162,553	-	-	19,162,553
- BBB+	5,563,941	-	-	5,563,941
- BBB	10,775,474	-	-	10,775,474
- BBB-	31,911,101	-	-	31,911,101
- Ba1	2,634,301	-	-	2,634,301
- Ba2	3,164,409	-	-	3,164,409
- Ba3	2,172,385	-	-	2,172,385
- BB-	6,529,032	-	-	6,529,032
- B1	8,272,250	-	-	8,272,250
Property and Real Estate				
- NR	8,536,056	-	1,050,434	9,586,490
Construction and Engineering				
- A	5,131,144	-	-	5,131,144
Industrials				
- BBB	8,547,612	-	-	8,547,612
- Baa1	9,257,738	-	-	9,257,738
- NR	24,417,127	-	-	24,417,127
	<u>188,784,813</u>	<u>3,092,595</u>	<u>4,902,121</u>	<u>196,779,529</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (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.

	<u>Within one month</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>As at 30.11.2020</u>			
Amount due to Manager			
- management fee	32,615	-	32,615
- cancellation of units	321,239	-	321,239
Amount due to Trustee	6,523	-	6,523
Auditors' remuneration	-	8,000	8,000
Tax agent's fee	-	3,500	3,500
Other payables and accruals	-	355	355
Forward foreign currency contracts	7,368	17,445	24,813
	<u>367,745</u>	<u>29,300</u>	<u>397,045</u>

Capital risk

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

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (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 market (such as trading securities) is based on quoted market prices at the close of trading on the year end date.

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

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

(i) Fair value hierarchy

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

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

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

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

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>As at 30.11.2020</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	188,784,813	-	188,784,813
- forward foreign currency contracts	-	4,902,121	-	4,902,121
	<u>-</u>	<u>193,686,934</u>	<u>-</u>	<u>193,686,934</u>
Financial liabilities at fair value through profit or loss:				
- forward foreign currency contracts	-	24,813	-	24,813
	<u>-</u>	<u>24,813</u>	<u>-</u>	<u>24,813</u>

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 and 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 and all current liabilities, except for forward foreign currency contracts are a reasonable approximation of the fair values due to their short term nature.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

4 MANAGEMENT FEE

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

For the financial period from 17 October 2019 (date of launch) to 30 November 2020, the management fee is recognised at a rate of 0.20% per annum on the NAV of the Fund, calculated on a daily basis as stated in the Fund's Information Memorandum.

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 NAV of the Fund, exclusive of foreign custodian fees.

For the financial period from 17 October 2019 (date of launch) to 30 November 2020, the Trustee fee is recognised at a rate of 0.04% per annum on the NAV of the Fund, exclusive of foreign custodian fees and charges, calculated on a daily basis as stated in the Fund's Information Memorandum.

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

6 FUND ACCOUNTING FEE

The fund valuation and accounting fee for the Fund is RM13,000 per annum.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

7 DISTRIBUTION

	Financial period from 17.10.2019 (date of launch) to <u>30.11.2020</u> RM
Distributions to unitholders are from the following sources:	
Interest income	8,083,754
Net realised gain on sale of investment	1,000,000
	<hr/>
Gross realised income	9,083,754
Less: Expenses	(349,375)
	<hr/>
Net distribution amount	<u>8,734,379</u>
	<hr/>
Gross/net distribution per unit (sen)	<u>4.635</u>
	<hr/>
Ex date	<u>9.11.2020</u>

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.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

8 TAXATION

	Financial period from 17.10.2019 (date of launch) to <u>30.11.2020</u> RM
Current taxation	-

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

	Financial period from 17.10.2019 (date of launch) to <u>30.11.2020</u> RM
Net profit before taxation	18,414,536
Tax at Malaysian statutory rate of 24%	4,419,489
Tax effects of:	
Investment income not subject to tax	(4,560,074)
Expenses not deductible for tax purposes	35,124
Restriction on tax deductible expenses for Wholesale Funds	105,461
Tax expense	-

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at <u>30.11.2020</u> RM
Financial assets at fair value through profit or loss:	
- unquoted fixed income securities – local	19,055,568
- unquoted fixed income securities – foreign	169,729,245
	<u>188,784,813</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

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

	Financial period from 17.10.2019 (date of launch) to <u>30.11.2020</u> RM
Net gain on financial assets at fair value through profit or loss:	
- realised gain on sale of investments	2,848,237
- unrealised gain on changes in fair value	742,269
	<u>3,590,506</u>

(a) Unquoted fixed income securities – local

(i) Unquoted fixed income securities – local as at 30 November 2020 are as follows:

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Adjusted cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>Bonds</u>				
6.90% Mah Sing Group Bhd Call: 04.04.2022 (NR)	8,190,000	8,453,340	8,536,056	4.35
5.05% MBSB Bank Bhd Call: 20.12.2024 (A3)	5,000,000	5,392,224	5,388,368	2.74
5.80% WCT Holdings Bhd Call: 27.09.2024 (A)	5,000,000	5,083,978	5,131,144	2.61
Total unquoted fixed income securities – local	<u>18,190,000</u>	<u>18,929,542</u>	<u>19,055,568</u>	<u>9.70</u>
Accumulated unrealised gain on unquoted fixed income securities – local		<u>126,026</u>		
Total unquoted fixed income securities – local		<u>19,055,568</u>		

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

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

(b) Unquoted fixed income securities – foreign

(i) Unquoted fixed income securities – foreign as at 30 November 2020 are as follows:

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Adjusted cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>Bonds</u>				
3.00% AAC Technologies Holdings Inc Call: 27.11.2022 (Baa1)	814,500	826,692	830,246	0.42
4.625% Argentum Netherlands BV Swiss Call: 15.08.2025 (BBB+)	1,629,000	1,860,195	1,877,472	0.96
6.50% Asahi Mutual Life Insurance Call: 05.09.2023 (BBB-)				
6.00% Banco Bilbao Vizcaya Arg SA Call: 29.03.2024 (Ba2)	5,294,250 2,927,340	5,833,579 2,941,346	5,759,762 3,164,409	2.93 1.61
4.37% Banco Santander SA Call: 14.01.2026 (Ba1)	975,780	914,508	962,223	0.49
5.00% Bangkok Bank PCL/Hong Kong Call: 23.09.2025 (Ba1)	1,629,000	1,682,785	1,672,078	0.85
3.75% China Resources Land Ltd Call: 09.12.2024 (Baa2)	2,036,250	2,123,483	2,126,286	1.08
4.10% Chinalco Capital Holdings Ltd Call: 11.09.2024 (BBB+)	8,145,000	8,489,750	8,424,464	4.29
6.45% CIFI Holdings Group Co Ltd Call: 07.11.2022 (BB-)	6,108,750	6,263,216	6,529,032	3.33
4.00% CNP Assurances Call: 18.11.2024 (A3)	1,951,560	2,004,658	2,166,865	1.10
5.125% Country Garden Holdings Co Ltd Call: 17.01.2022 (BBB-)	6,108,750	6,622,386	6,510,562	3.32
8.00% Country Garden Holdings Co Ltd Call: 27.09.2021 (BBB-)	1,221,750	1,351,934	1,336,377	0.68
3.97% CRCC Chengan Ltd Call: 27.06.2024 (Baa1)	8,145,000	8,610,927	8,427,492	4.29
5.00% Dah Sing Bank Ltd Call: 15.01.2024 (Baa1)	7,534,125	8,168,032	8,150,332	4.15
4.30% Dianjian Haiyu Ltd Call: 20.06.2024 (BBB)	8,145,000	8,589,513	8,547,612	4.35
4.875% DNB Bank ASA Call: 12.11.2024 (Baa3)	8,145,000	8,269,515	8,433,112	4.29
4.10% Elect Global Investments Ltd Call: 03.06.2025 (Baa2)	814,500	854,863	814,599	0.42
4.125% Ford Motor Credit Co LLC 20.06.2024 (BBB-)	6,091,200	6,220,265	6,207,142	3.16
4.00% Franshion Brilliant Ltd Call: 03.01.2023 (Baa3)	2,036,250	2,107,825	2,066,884	1.05

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

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

(b) Unquoted fixed income securities – foreign (continued)

(i) Unquoted fixed income securities – foreign as at 30 November 2020 are as follows (continued):

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Adjusted cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>Bonds</u> (continued)				
4.00% Geely Automobile Holdings Ltd Call: 09.12.2024 (Baa3)	7,330,500	7,624,300	7,554,162	3.85
6.375% HSBC Holdings PLC Call: 17.09.2024 (Baa3)	5,701,500	6,168,159	6,161,634	3.14
4.50% NBK Tier 1 Financing 2 Ltd Call: 27.11.2025 (Baa3)	2,443,500	2,557,601	2,500,923	1.27
4.75% Phoenix Group Holdings PLC Call: 04.06.2026 (BBB)	814,500	879,750	870,276	0.44
5.625% Phoenix Group Holdings PLC Call: 29.01.2025 (BBB-)	1,629,000	1,667,698	1,699,190	0.88
5.75% Phoenix Group Holdings PLC Call: 26.04.2028 (BBB-)	1,086,060	1,207,011	1,156,965	0.59
6.75% QBE Insurance Group Ltd Call: 02.12.2024 (BBB-)	2,964,780	3,487,589	3,457,415	1.76
4.75% Scentre Group Trust 2 Call: 24.06.2026 (BBB+)	5,294,250	5,397,778	5,563,941	2.83
5.20% Shimao Group Holdings Ltd Call: 30.01.2022 (BBB-)	4,072,500	4,337,633	4,362,779	2.22
5.60% Shimao Group Holdings Ltd Call: 15.07.2023 (BBB-)	4,887,000	5,269,527	5,435,593	2.77
6.125% Shimao Group Holdings Ltd Call: 21.02.2022 (BBB-)	2,036,250	2,216,564	2,192,458	1.12
7.85% Times China Holdings Ltd Call: 31.12.2020 (B1)	1,629,000	1,719,711	1,713,213	0.87
5.875% UBS Grp Funding Switzerland AG Call: 28.11.2023 (BBB)	9,136,800	9,784,580	9,905,198	5.04
6.80% Yanlord Land HK Co Ltd Call: 27.02.2022 (Ba3)	2,036,250	2,126,524	2,172,385	1.11
7.85% Yinso Juniper Ltd Call: 05.10.2022 (NR)	22,398,750	24,588,287	24,417,127	12.43

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

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

(b) Unquoted fixed income securities – foreign (continued)

(i) Unquoted fixed income securities – foreign as at 30 November 2020 are as follows (continued):

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Adjusted cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>Bonds</u> (continued)				
8.375% Yuzhou Properties Co Ltd Call: 30.10.2022 (B1)	6,108,750	6,344,818	6,559,037	3.34
Total unquoted fixed income securities – foreign	<u>159,322,395</u>	169,113,002	<u>169,729,245</u>	<u>86.43</u>
Accumulated unrealised gain on unquoted fixed income securities – foreign		<u>616,243</u>		
Total unquoted fixed income securities – foreign		<u>169,729,245</u>		

10 CASH AND CASH EQUIVALENTS

	As at <u>30.11.2020</u> RM
Cash and bank balances	2,056,558
Deposit with a licensed financial institution	1,036,037
	<u>3,092,595</u>

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

	As at <u>30.11.2020</u> %
Deposit with a licensed financial institution	<u>1.75</u>

The deposit with a licensed financial institution has an average maturity of 1 day.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

11 FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 29 forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM177,998,192. The forward foreign currency contracts entered into during the financial period were for hedging against the currency exposure arising from the investment in the foreign unquoted fixed income securities denominated in Euro, Pound Sterling, Singapore Dollar and United States Dollar. As the Fund has not adopted hedge accounting during the financial period, the changes in the fair value of the forward foreign currency contracts are recognised immediately in the statement of comprehensive income.

12 NUMBER OF UNITS IN CIRCULATION

	As at <u>30.11.2020</u> No. of units
Balance as at 17 October 2019 (date of launch)	-
Creation of units arising from applications	190,239,000
Cancellation of units	<u>(3,387,000)</u>
Balance as at 30 November 2020	<u><u>186,852,000</u></u>

13 TRANSACTIONS WITH DEALERS

(i) Details of transactions with the top 10 dealers for the financial period from 17 October 2019 (date of launch) to 30 November 2020 are as follows:

<u>Name of dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
MarketAxess Holdings Inc#	76,942,830	23.92
RHB Investment Bank Bhd#	48,086,723	14.95
Nomura Singapore Ltd	31,775,595	9.88
HSBC Banking Corporation Berhad	25,817,201	8.03
Mizuho Securities Asia Ltd	22,323,500	6.94
Standard Chartered Bank Berhad	19,010,294	5.91
Bank of America	17,799,642	5.53
JP Morgan Securities PLC	14,812,086	4.61
Morgan Stanley & Co International PLC	14,743,397	4.58
Barclays Bank PLC	13,792,233	4.29
Others#	36,526,960	11.36
	<u><u>321,630,461</u></u>	<u><u>100.00</u></u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

13 TRANSACTIONS WITH DEALERS (CONTINUED)

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:

	Financial period from 17.10.2019 (date of launch) to <u>30.11.2020</u> RM
<u>Name of dealers</u>	
Affin Hwang Investment Bank Bhd	5,282,500
MarketAxess Holdings Inc	78,823,277
RHB Bank Bhd	3,063,420
RHB Investment Bank Bhd	43,369,223
	<u>130,538,420</u>

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

	Financial period from 17.10.2019 (date of launch) to <u>30.11.2020</u> RM
Affin Hwang Select Bond Fund	75,511,864
Affin Hwang Select Income Fund	45,296,062
Private Mandates	9,730,494
	<u>130,538,420</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

14 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>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 associated companies of ABB as disclosed in its financial statements	Subsidiary and associated companies of the ultimate holding company of the Manager as disclosed in its financial statements

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

	<u>As at 30.11.2020</u>	
	No. of units	RM
<u>The Manager:</u>		
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)	2,155	2,265
	<u>2,155</u>	<u>2,265</u>

15 MANAGEMENT EXPENSE RATIO (“MER”)

	Financial period from 17.10.2019 (date of launch) to <u>30.11.2020</u> %
MER	<u>0.31</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

15 MANAGEMENT EXPENSE RATIO (“MER”) (CONTINUED)

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial period calculated on a daily basis is RM190,720,272.

16 PORTFOLIO TURNOVER RATIO (“PTR”)

	Financial period from 17.10.2019 (date of launch) to <u>30.11.2020</u>
PTR (times)	<u>0.85</u>

PTR is derived from the following calculation:

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

where: total acquisition for the financial period = RM253,734,821
total disposal for the financial period = RM70,743,876

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 17 OCTOBER 2019 (DATE OF LAUNCH) TO 30 NOVEMBER 2020 (CONTINUED)

17 COMPARATIVES

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

18 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The worsening macro-economic outlook as a result of Covid-19, both domestically and globally, may result in the deterioration of the Fund's Net Asset Value/unit in future periods.

The Manager is monitoring the situation closely and will be actively managing the portfolio to achieve the Fund's objective.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

STATEMENT BY THE MANAGER

I, Teng Chee Wai, for and on behalf of the board of directors of the Manager, **Affin Hwang Asset Management Berhad**, do hereby state that in the opinion of the Manager, the financial statements set out on pages 1 to 34 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 30 November 2020 and of its financial performance, changes in equity and cash flows for the financial period from 17 October 2019 (date of launch) to 30 November 2020 in accordance with the Malaysian Financial Reporting Standards, 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
15 January 2021

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Affin Hwang Flexible Maturity Income Fund 16 (“the Fund”) give a true and fair view of the financial position of the Fund as at 30 November 2020, and of its financial performance and its cash flows for the financial period from 17 October 2019 (date of launch) to 30 November 2020 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 November 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial period from 17 October 2019 (date of launch) to 30 November 2020, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 34.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16 (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's report but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or has no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16 (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16 (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the unitholders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
15 January 2021

DIRECTORY OF SALES OFFICE

HEAD OFFICE

Affin Hwang Asset Management Berhad
Ground Floor
Menara Boustead
69, Jalan Raja Chulan
50200 Kuala Lumpur

Tel : 03 – 2116 6000
Fax : 03 – 2116 6100
Toll free no : 1-800-88-7080
Email: customercare@affinhwangam.com

PENANG

Affin Hwang Asset Management Berhad
No. 10-C-24 Precinct 10
Jalan Tanjung Tokong
10470 Penang

Tel : 04 – 899 8022
Fax : 04 – 899 1916

PERAK

Affin Hwang Asset Management Berhad
1, Persiaran Greentown 6
Greentown Business Centre
30450 Ipoh Perak

Tel : 05 – 241 0668
Fax : 05 – 255 9696

MELAKA

Affin Hwang Asset Management Berhad
Ground Floor, No. 584, Jalan Merdeka
Taman Melaka Raya
75000 Melaka

Tel : 06 – 281 2890 / 3269
Fax : 06 – 281 2937

JOHOR

Affin Hwang Asset Management Berhad
Unit 22-05, Level 22
Menara Landmark
No. 12, Jalan Ngee Heng
80000 Johor Bahru
Johor Darul Takzim

Tel : 07 – 227 8999
Fax : 07 – 223 8998

SABAH

Affin Hwang Asset Management Berhad
Lot No. B-2-09, 2nd Floor
Block B, Warisan Square
Jalan Tun Fuad Stephens
88000 Kota Kinabalu
Sabah

Tel : 088 – 252 881
Fax : 088 – 288 803

DIRECTORY OF SALES OFFICE (CONTINUED)

SARAWAK

Affin Hwang Asset Management Berhad
Ground Floor, No. 69
Block 10, Jalan Laksamana Cheng Ho
93200 Kuching
Sarawak

Tel : 082 – 233 320
Fax : 082 – 233 663

Affin Hwang Asset Management Berhad
1st Floor, Lot 1291
Jalan Melayu, MCLD
98000 Miri
Sarawak

Tel : 085 – 418 403
Fax : 085 – 418 372

www.affinhwangam.com

Affin Hwang Asset Management Berhad
199701014290 (429786-T)