

Affin Hwang

Flexible Maturity Income Fund 15

Annual Report
30 November 2021

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 15

Annual Report and Audited Financial Statements For Financial Year Ended 30 November 2021

Contents	Page
FUND INFORMATION	III
FUND PERFORMANCE DATA.....	IV
MANAGER'S REPORT	V
TRUSTEE'S REPORT	IX
FINANCIAL STATEMENTS	
DIRECTORY OF SALES OFFICE	

FUND INFORMATION

Fund Name	Affin Hwang Flexible Maturity Income Fund 15
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	23 April 2025
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 2021

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	35	114
5,001 to 10,000	45	408
10,001 to 50,000	88	2,693
50,001 to 500,000	72	12,512
500,001 and above	16	78,655
Total	256	94,382

* Note: Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 30 Nov 2021 (%)	As at 30 Nov 2020 (%)
Portfolio composition		
Unquoted fixed income securities – local	-	-
Unquoted fixed income securities – foreign	95.14	91.83
Total unquoted fixed income securities	95.14	91.83
Cash & cash equivalent	4.86	8.17
Total	100.00	100.00
Total NAV (RM'million)	98.494	105.941
NAV per Unit (RM)	1.0435	1.0770
Unit in Circulation (million)	94.385	98.368
Highest NAV	1.0990	1.0770
Lowest NAV	1.0045	1.0000
Return of the Fund (%) ⁱⁱⁱ	0.72	7.70
- Capital Growth (%) ⁱ	-3.12	7.70
- Income Distribution (%) ⁱⁱ	3.96	Nil
Gross Distribution per Unit (sen)	4.12	Nil
Net Distribution per Unit (sen)	4.12	Nil
Management Expense Ratio (%) ¹	0.28	0.20
Portfolio Turnover Ratio (times) ²	0.15	0.61

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

¹The higher MER was due to higher expenses incurred by the Fund during the financial year.

² The Fund's PTR was lower than previous year due to lesser trading activities during the financial year.

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)
22-Apr-21	23-Apr-21	1.0821	0.0412	1.0410

No unit split were declared for the financial year ended 30 November 2021.

Performance Review

For the period 1 December 2020 to 30 November 2021, the Fund registered a 0.72% return compared to the benchmark return of 2.35%. The Fund thus underperformed the Benchmark by 1.63%. The Net Asset Value per unit ("NAV") of the Fund as at 30 November 2021 was RM1.0435 while the NAV as at 30 November 2020 was RM1.0770. During the period under review, the Fund has declared a gross income distribution of RM0.0412 per unit.

Since commencement, the Fund has registered a return of 8.48% compared to the benchmark return of 3.81%, outperforming by 4.67%. The Fund has met its investment objective.

Fund Performance

Table 1: Performance of the Fund

	1 Year (1/12/20 - 30/11/21)	Since Commencement (23/4/20 - 30/11/21)
Fund	0.72%	8.48%
Benchmark	2.35%	3.81%
Outperformance	(1.63%)	4.67%

Source of Benchmark: Maybank

Table 2: Average Total Return

	1 Year (1/12/20 - 30/11/21)	Since Commencement (23/4/20 - 30/11/21)
Fund	0.72%	5.19%
Benchmark	2.35%	2.35%
Outperformance	(1.63%)	2.84%

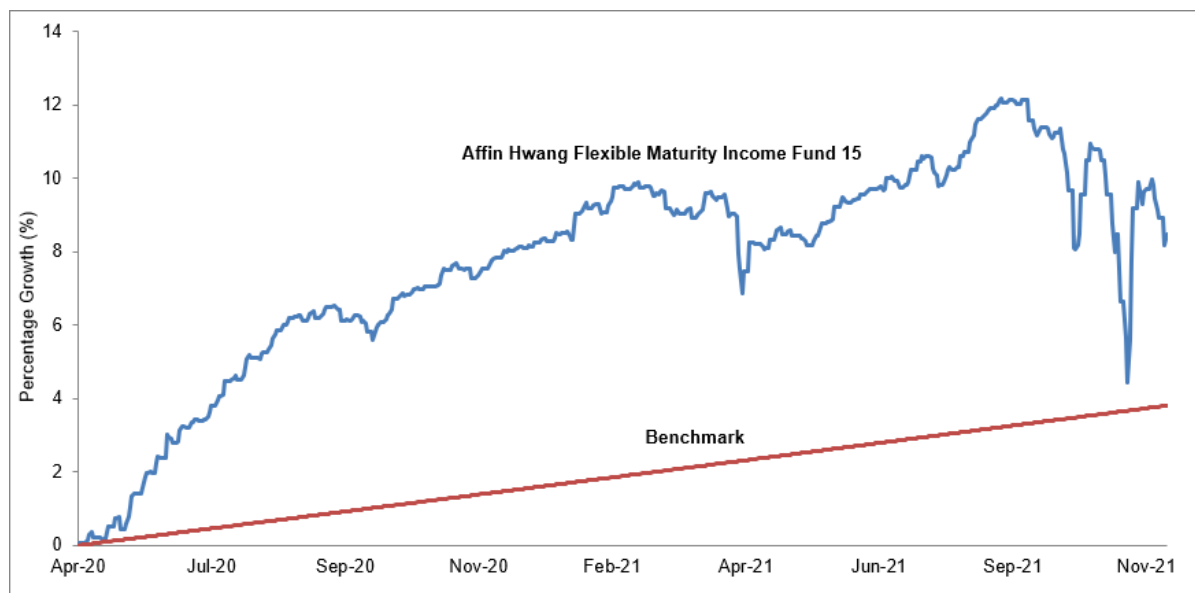
Source of Benchmark: Maybank

Table 3: Annual Total Return

	FYE 2021 (1/12/20 - 30/11/21)	FYE 2020 (23/4/20 - 30/11/20)
Fund	0.72%	7.70%
Benchmark	2.35%	1.42%
Outperformance	(1.63%)	6.28%

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 2021, the asset allocation of the Fund stood at 95.14% 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 equities started 2021 on a strong note buoyed by policy easing and optimism surrounding global vaccination rollouts. However, the global recovery grew at an uneven pace as developed markets posted stronger gains compared to emerging markets.

Developed markets have managed to administer the vaccine at a quicker pace which led to a corresponding increase in mobility. The S&P 500 index pierced new highs in the year underpinned by a strong earnings rebound as businesses clambered to meet renewed demand.

However, the rally was tested by surging bond yields in the 1Q'2021 as well as the spectre of inflation that would spook investors for the rest of the year. Inflation vaulted strongly from a low-base effect as supply chain disruptions associated with the pandemic led to a sharp increase in input prices.

Markets were soothed initially by dovish comments from the US Federal Reserve which pledged to keep monetary policy accommodative. Fed Chair Jerome Powell held the view that inflation was transitional and that supply-demand imbalances would begin to ease which would cool down inflation.

However with inflation proving stickier than expected, the Fed relented towards the end of year and pivoted towards a hawkish stance. At its policy meeting, the Fed signaled that it would start accelerating its tapering of bond purchases that would pave the way for 3 rate hikes in 2022.

Meanwhile in Asia, the broader MSCI Asia ex-Japan index ended the year down as the region reeled from the Delta variant that led to fresh lockdowns being imposed and a surge in hospitalization rates.

The region was also pulled down by weaker performance in China as authorities cast a wide regulatory dragnet which impacted a range of sectors including technology, education and e-commerce. This was part of a wider 'common prosperity' drive by Beijing to narrow the income gap and increase the political legitimacy of the Communist Party which celebrated its 100th anniversary in 2021.

On the domestic front, the local market mirrored regional losses with the benchmark KLCI closing lower in the year. A litany of concerns sent the stock market on a volatile path with fresh lockdowns, political instability as well as new taxes proposed under Budget 2022.

Political risks abated slightly with the appointment of Datuk Seri Ismail Sabri Yaakob as the 9th Prime Minister after securing the majority support of 114 MPs. The appointment provided some clarity by resolving the political impasse following the resignation of Tan Sri Muhyiddin Yassin who faced a turbulent tenure due to the mishandling of the pandemic as well as a rare royal rebuke.

Markets were also jolted when the government announced a one-off prosperity tax (Cukai Makmur) during the tabling of Budget 2022 for companies that earned super profits. This quelled the initial optimism from economic reopening as earnings forecasts are pared down.

However, the government made U-turns on other tax measures proposed under Budget 2022 including reinstating the exemption of all types of foreign incomes for individuals from tax as well as stamp duty cap. Markets were concerned that these initial measures would dampen sentiment and reduce market vibrancy as well as velocity of trading. However, the local market could now see support on the back of easing policy headwinds as investors also price-in better growth prospects.

Looking ahead, we are maintaining a cautious stance on the back of headwinds arising from persistent inflation and higher interest rates which could pressure risk assets. Potential inflection points for the market to turnaround include declining inflation that could herald a shift in the US Federal Reserve's tightening bias. Any additional stimulus measures from China would also be supportive of risk-assets.

Investment Outlook

2022 is set to be a year of transition for markets as investors contend with normalization of growth rates and monetary policy tightening. We expect to see a lot of crosswinds and periods of transition especially with regards to policy.

While we don't expect a rout for markets like during early-2020 at the height of the pandemic or 2008-GFC, some form of correction is anticipated. In fact, Asian stock markets have already started to consolidate.

Our base-case is that Inflationary pressures should recede on the back of easing supply bottlenecks and lower commodity prices. Port congestions are starting to ease and commodity prices have rolled over. Input prices will come down if this trend continues, though there will be some lag effect.

While a total lockdown caused by the Omicron variant is not a base-case for now, there will probably be need to make adjustments as we go along. However, developments of new medical treatments such as oral pills can help in the fight against COVID. This would lay the planks for a more sustainable reopening of the economy once we have a complete medical arsenal that is effective against all known variants. There could also be room for the Fed to adjust policy should Omicron turn out to be more destructive than what the market anticipates.

After a wide regulatory dragnet was casted in 2021 by the Chinese government specifically on targeted sectors including education, technology, and e-commerce, recent policy signals by Beijing suggested that the worst of tightening cycle is over. We see the focus of policymakers shifting from that of regulatory tightening to now supporting growth as its economy wanes.

Back home, we believe that it will be a stock picker's market for local investors as Bursa languishes behind other regional peers. With foreign shareholding at an all-time low, much of the exuberance have faded

especially on the back of a strong US dollar environment which makes emerging markets like Malaysia unattractive. Though, we view that domestic market will not be susceptible to sudden foreign outflows and that the direction of the market will be influenced more by local players that have grown massively in size and are looking for opportunities to deploy.

In terms of sector opportunities, we see banks as positive, benefit from a rising interest rate cycle as well as improvement in asset quality. Valuations of the sector is also attractive with banking stocks trading at a discount to its book value. Though seeing a lot of pressure now due to ESG headwinds especially pertaining to the welfare of foreign workers, technology and exporters are another key segment that could see potential upside underpinned by strong earnings visibility driven by secular growth trends such as 5G, electric vehicles (EV) and solar energy.

Against a volatile backdrop, we are cautiously positioned for 2022. On inflection points, we see retreating inflation and a less hawkish Fed policy as potential turnarounds for the market to improve. Asian markets could also see stronger support on the back of policy easing by China.

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 15

We have acted as Trustee of Affin Hwang Flexible Maturity Income Fund 15 ("the Fund") for financial year ended 30 November 2021. 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 Unit Trust Funds 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 year, a distribution of 4.12 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
14 January 2022

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021

CONTENTS	PAGE (S)
STATEMENT OF COMPREHENSIVE INCOME	1 - 2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF CHANGES IN EQUITY	4
STATEMENT OF CASH FLOWS	5
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	6 - 12
NOTES TO THE FINANCIAL STATEMENTS	13 - 40
STATEMENT BY THE MANAGER	41
INDEPENDENT AUDITORS' REPORT	42 – 45

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021

	<u>Note</u>	Financial year ended 30.11.2021 RM	Financial period from 19.3.2020 (date of launch) to 30.11.2020 RM
INVESTMENT INCOME			
Interest income from financial assets at amortised cost		16,828	180,628
Interest income from financial assets at fair value through profit or loss		4,668,915	2,713,398
Net gain/(loss) on foreign currency exchange		317,998	(254,246)
Net (loss)/gain on forward foreign currency contracts at fair value through profit or loss		(1,866,131)	5,520,355
Net loss on financial assets at fair value through profit or loss	8	(2,026,997)	(338,580)
		<u>1,110,613</u>	<u>7,821,555</u>
EXPENSES			
Management fee	4	(205,972)	(135,665)
Trustee fee	5	(41,194)	(27,133)
Auditors' remuneration		(8,000)	(8,000)
Tax agent's fee		(3,500)	(3,500)
Other expenses		(31,124)	(17,687)
		<u>(289,790)</u>	<u>(191,985)</u>
NET PROFIT BEFORE TAXATION		820,823	7,629,570
Taxation	7	-	-
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD		<u>820,823</u>	<u>7,629,570</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

	<u>Note</u>	Financial year ended 30.11.2021 RM	Financial period from 19.3.2020 (date of launch) to 30.11.2020 RM
Net profit after taxation is made up of the following:			
Realised amount		5,053,014	2,684,550
Unrealised amount		(4,232,191)	4,945,020
		<u>820,823</u>	<u>7,629,570</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 15

STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2021

	<u>Note</u>	<u>2021</u> RM	<u>2020</u> RM
ASSETS			
Cash and cash equivalents		1,347,543	3,143,626
Financial assets at fair value through profit or loss	8	93,721,116	97,286,767
Forward foreign currency contracts at fair value through profit or loss	9	3,425,550	5,631,878
Tax recoverable		38,588	27,750
TOTAL ASSETS		<u>98,532,797</u>	<u>106,090,021</u>
LIABILITIES			
Forward foreign currency contracts at fair value through profit or loss	9	5,744	111,523
Amount due to Manager - management fee		16,189	17,329
Amount due to Trustee		3,238	3,466
Auditors' remuneration		8,000	8,000
Tax agent's fee		3,500	3,500
Other payables and accruals		2,177	5,357
TOTAL LIABILITIES		<u>38,848</u>	<u>149,175</u>
NET ASSET VALUE OF THE FUND		<u>98,493,949</u>	<u>105,940,846</u>
EQUITY			
Unitholders' capital		94,022,199	98,311,276
Retained earnings		4,471,750	7,629,570
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>98,493,949</u>	<u>105,940,846</u>
NUMBER OF UNITS IN CIRCULATION	10	<u>94,385,000</u>	<u>98,368,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.0435</u>	<u>1.0770</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 15

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 December 2020	98,311,276	7,629,570	105,940,846
Total comprehensive income for the financial year	-	820,823	820,823
Distributions (Note 6)	-	(3,978,643)	(3,978,643)
Movement in unitholders' capital:			
Cancellation of units	(4,289,077)	-	(4,289,077)
Balance as at 30 November 2021	<u>94,022,199</u>	<u>4,471,750</u>	<u>98,493,949</u>
Balance as at 19 March 2020 (date of launch)	-	-	-
Total comprehensive income for the financial period	-	7,629,570	7,629,570
Movement in unitholders' capital:			
Creation of units arising from applications	99,679,000	-	99,679,000
Cancellation of units	(1,367,724)	-	(1,367,724)
Balance as at 30 November 2020	<u>98,311,276</u>	<u>7,629,570</u>	<u>105,940,846</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 15

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021

	Financial year ended 30.11.2021 RM	Financial period from 19.3.2020 (date of launch) to 30.11.2020 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of investments	16,697,833	11,194,781
Purchase of investments	(14,955,410)	(107,559,799)
Interest received	4,481,974	1,633,697
Management fee paid	(207,112)	(118,336)
Trustee fee paid	(41,422)	(23,667)
Tax paid	(10,838)	(27,750)
Payment for other fees and expenses	(45,804)	(12,330)
Realised gain on forward foreign currency contracts	234,418	-
Net realised gain on foreign exchange	14,933	168,443
Net cash flows generated from/(used in) operating activities	6,168,572	(94,744,961)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	-	99,679,000
Payments for cancellation of units	(4,289,077)	(1,367,724)
Payment for distribution	(3,978,643)	-
Net cash flows (used in)/generated from financing activities	(8,267,720)	98,311,276
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,099,148)	3,566,315
EFFECTS OF FOREIGN CURRENCY EXCHANGE	303,065	(422,689)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR/ DATE OF LAUNCH	3,143,626	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR/PERIOD	1,347,543	3,143,626

Cash and cash equivalents as at 30 November 2021 and 30 November 2020 comprise of bank balances.

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 15

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021

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 year/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 K.

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

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'

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 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework.
- Annual Improvements to MFRSs 2018 – 2020 Cycle (effective for annual periods beginning on or after 1 January 2022).
- Amendments to MFRS 137 'onerous contracts—cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts.
- 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 15

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

B INCOME RECOGNITION

Interest income

Interest income from short-term deposits with licensed financial institution 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 year/period.

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

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 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 15

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

F 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.

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

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

- those to be measured 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 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 ("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 and derivatives not designated as hedging instruments 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 that represent SPPI.

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 15

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

G 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/(loss) 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 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 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.

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

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment

The Fund's financial assets measured at amortised cost are subject to expected credit losses. 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.

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 year/period.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (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 changes in value.

I 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 year/period if a unitholder exercises the right to put the unit back to the Fund.

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

J 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 at the date of the statement of financial position, with the resulting value discounted back to present value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as financial assets/liabilities at fair value through profit or loss.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

K CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information contents on the estimates, certain key variables that are anticipated to have material impacts to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgments are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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 Unit Trust Funds.

L 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 Unit Trust Funds.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021

1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name Affin Hwang Flexible Maturity Income Fund 15 (the "Fund") pursuant to the execution of a Deed dated 23 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 19 March 2020 and will continue its operations until terminated by the Trustee as provided under Clause 12.3 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 Unit Trust Funds, 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 14 January 2022.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (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>2021</u>				
<u>Financial assets</u>				
Cash and cash equivalents		1,347,543	-	1,347,543
Unquoted fixed income securities	8	-	93,721,116	93,721,116
Forward foreign currency contracts	9	-	3,425,550	3,425,550
Total		<u>1,347,543</u>	<u>97,146,666</u>	<u>98,494,209</u>
<u>Financial liabilities</u>				
Forward foreign currency contracts	9	-	5,744	5,744
Amount due to Manager				
- management fee		16,189	-	16,189
Amount due to Trustee		3,238	-	3,238
Auditors' remuneration		8,000	-	8,000
Tax agent's fee		3,500	-	3,500
Other payables and accruals		2,177	-	2,177
Total		<u>33,104</u>	<u>5,744</u>	<u>38,848</u>
<u>2020</u>				
<u>Financial assets</u>				
Cash and cash equivalents		3,143,626	-	3,143,626
Unquoted fixed income securities	8	-	97,286,767	97,286,767
Forward foreign currency contracts	9	-	5,631,878	5,631,878
Total		<u>3,143,626</u>	<u>102,918,645</u>	<u>106,062,271</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

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

Financial instruments are as follows: (continued)

	Note	At amortised cost RM	At fair value through profit or loss RM	Total RM
<u>2020 (continued)</u>				
<u>Financial liabilities</u>				
Forward foreign currency contracts	9	-	111,523	111,523
Amount due to Manager				
- management fee		17,329	-	17,329
Amount due to Trustee		3,466	-	3,466
Auditors' remuneration		8,000	-	8,000
Tax agent's fee		3,500	-	3,500
Other payables and accruals		5,357	-	5,357
Total		37,652	111,523	149,175

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 Unit Trust Funds.

Market risk

(a) Price risk

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

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

	As at 30.11.2021 RM	As at 30.11.2020 RM
Unquoted investments		
Unquoted fixed income securities*	93,721,116	97,286,767

* includes interest receivable of RM1,187,436 (2020: RM1,141,108).

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

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

Market risk (continued)

(a) Price risk (continued)

The following table summarises the sensitivity of the Fund's profit after taxation and net asset value ("NAV") 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>2021</u>		
-5%	87,906,996	(4,626,684)
0%	92,533,680	-
+5%	97,160,364	4,626,684
<u>2020</u>		
-5%	91,338,376	(4,807,283)
0%	96,145,659	-
+5%	100,952,942	4,807,283

(b) Interest rate risk

In general, when interest rates rise, prices of 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 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 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (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) (2020: 2%) with all other variables held constant.

<u>% Change in interest rate</u>	<u>Impact on profit after tax/NAV</u>	
	<u>2021</u>	<u>2020</u>
	RM	RM
+ 2%	(168,867)	(166,296)
- 2%	184,012	166,723

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (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 movement against Ringgit Malaysia, the investments will face currency losses in addition to the capital gain/(loss). The Manager will evaluate the likely directions of the foreign currency versus Ringgit Malaysia based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels and technical chart considerations.

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>2021</u>				
<u>Financial assets</u>				
Singapore Dollar	12,899,904	154,459	327,920	13,382,283
United States Dollar	80,821,212	3,271,091	1,011,513	85,103,816
	<u>93,721,116</u>	<u>3,425,550</u>	<u>1,339,433</u>	<u>98,486,099</u>
<u>Financial liabilities</u>				
United States Dollar	-	5,744	-	5,744

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

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

(c) Currency risk (continued)

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

	Unquoted fixed income securities RM	Forward foreign currency contracts RM	Cash and cash equivalents RM	Total RM
<u>2020</u>				
<u>Financial assets</u>				
Euro	5,788,071	-	70,889	5,858,960
Singapore Dollar	8,026,674	32,335	65,341	8,124,350
United States Dollar	83,472,022	5,599,543	3,006,502	92,078,067
	<u>97,286,767</u>	<u>5,631,878</u>	<u>3,142,732</u>	<u>106,061,377</u>
<u>Financial liabilities</u>				
Euro	-	96,740	-	96,740
Singapore Dollar	-	14,783	-	14,783
	<u>-</u>	<u>111,523</u>	<u>-</u>	<u>111,523</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (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 taxation and NAV 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>2021</u>		
Singapore Dollar	+/- 2.77%	+/- 370,689
United States Dollar	+/- 3.24%	+/- 2,757,178
<u>2020</u>		
Euro	+/- 7.55%	+/- 434,926
Singapore Dollar	+/- 4.74%	+/- 384,193
United States Dollar	+/- 6.52%	+/- 6,005,253

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 cash and bank balances is managed by ensuring that they are held by parties with credit rating of AA or higher.

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 Unit Trust Funds.

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

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (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	Forward foreign currency contracts RM	Cash and cash equivalents RM	Total RM
<u>2021</u>				
Basic Materials				
- Baa2	5,786,804	-	-	5,786,804
- Baa3	2,146,261	-	-	2,146,261
- BBB+	3,489,794	-	-	3,489,794
Consumer Discretionary				
- BB	4,002,285	-	-	4,002,285
Financial Services				
- AA1	-	507,601	-	507,601
- AA2	-	512,640	-	512,640
- AA3	-	999,108	-	999,108
- AAA	-	1,228,985	1,347,543	2,576,528
- Baa1	4,190,766	-	-	4,190,766
- Baa2	3,458,359	-	-	3,458,359
- Baa3	8,819,075	-	-	8,819,075
- Ba2	1,625,834	-	-	1,625,834
- BBB+	3,603,658	-	-	3,603,658
- BBB	7,229,840	-	-	7,229,840
- BBB-	9,345,058	-	-	9,345,058
- NR	-	177,216	-	177,216
Industrials				
- Baa1	6,730,388	-	-	6,730,388
- Baa2	7,755,291	-	-	7,755,291
- NR	1,834,055	-	-	1,834,055
Real Estate				
- BBB-	5,352,099	-	-	5,352,099
- BB	3,441,068	-	-	3,441,068
- BB-	3,281,648	-	-	3,281,648
- B+	1,680,112	-	-	1,680,112
- B1	3,485,149	-	-	3,485,149
- B2	2,187,388	-	-	2,187,388
Technology				
- Baa2	4,276,184	-	-	4,276,184
	<u>93,721,116</u>	<u>3,425,550</u>	<u>1,347,543</u>	<u>98,494,209</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (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 securities RM	Forward foreign currency contracts RM	Cash and cash equivalents RM	Total RM
<u>2020</u>				
Basic Materials				
- BBB+	3,369,786	-	-	3,369,786
- Baa2	5,515,105	-	-	5,515,105
- Baa3	2,023,871	-	-	2,023,871
Consumer Discretionary				
- Baa2	2,623,662	-	-	2,623,662
- BBB-	2,327,678	-	-	2,327,678
Financial Services				
- AAA	-	2,622,778	3,143,626	5,766,404
- AA2	-	753,102	-	753,102
- AA3	-	856,353	-	856,353
- A2	4,371,387	-	-	4,371,387
- Baa1	8,751,423	-	-	8,751,423
- Baa2	2,150,840	-	-	2,150,840
- Baa3	7,620,684	-	-	7,620,684
- Ba2	4,779,234	-	-	4,779,234
- B1	5,640,587	-	-	5,640,587
- B2	1,679,446	-	-	1,679,446
- BBB	3,346,576	-	-	3,346,576
- BBB-	18,343,885	-	-	18,343,885
- BB-	5,679,422	-	-	5,679,422
- NR	-	1,399,645	-	1,399,645
Industrials				
- Baa1	8,249,678	-	-	8,249,678
- Baa2	7,327,076	-	-	7,327,076
Technology				
- A3	3,486,427	-	-	3,486,427
	<u>97,286,767</u>	<u>5,631,878</u>	<u>3,143,626</u>	<u>106,062,271</u>

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 and other instruments, which are capable of being converted into cash within 7 days.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

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

Liquidity risk (continued)

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

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

	Within <u>one month</u> RM	Between <u>one month</u> <u>to one year</u> RM	<u>Total</u> RM
<u>2021</u>			
Forward foreign currency contracts at fair value through profit or loss		5,744	5,744
Amount due to Manager			
- management fee	16,189	-	16,189
Amount due to Trustee	3,238	-	3,238
Auditors' remuneration	-	8,000	8,000
Tax agent's fee	-	3,500	3,500
Other payables and accruals	-	2,177	2,177
	<u>19,427</u>	<u>19,421</u>	<u>38,848</u>
<u>2020</u>			
Forward foreign currency contracts at fair value through profit or loss	15,542	95,981	111,523
Amount due to Manager			
- management fee	17,329	-	17,329
Amount due to Trustee	3,466	-	3,466
Auditors' remuneration	-	8,000	8,000
Tax agent's fee	-	3,500	3,500
Other payables and accruals	-	5,357	5,357
	<u>36,337</u>	<u>112,838</u>	<u>149,175</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 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

3 FAIR VALUE ESTIMATION

Financial instruments comprise financial assets and financial liabilities. Fair value is defined as 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 financial period end date. The Fund utilises the current bid price for financial assets which falls within the bid-ask spread.

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 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (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>2021</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	93,721,116	-	93,721,116
- forward foreign currency contracts	-	3,425,550	-	3,425,550
	<u>-</u>	<u>97,146,666</u>	<u>-</u>	<u>97,146,666</u>
Financial liabilities at fair value through profit or loss:				
- forward foreign currency contracts	-	5,744	-	5,744
	<u>-</u>	<u>5,744</u>	<u>-</u>	<u>5,744</u>
<u>2020</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	97,286,767	-	97,286,767
- forward foreign currency contracts	-	5,631,878	-	5,631,878
	<u>-</u>	<u>102,918,645</u>	<u>-</u>	<u>102,918,645</u>
Financial liabilities at fair value through profit or loss:				
- forward foreign currency contracts	-	111,523	-	111,523
	<u>-</u>	<u>111,523</u>	<u>-</u>	<u>111,523</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

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 year ended 30 November 2021, the management fee is recognised at a rate of 0.20% (2020: 0.20%) per annum on the NAV of the Fund, calculated on a daily basis as stated in the Fund's Prospectus.

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 and charges.

For the financial year ended 30 November 2021, the Trustee fee is recognised at a rate of 0.04% (2020: 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 Prospectus.

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

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

6 DISTRIBUTION

	Financial year ended 30.11.2021 RM	Financial period from 19.3.2020 (date of launch) to 30.11.2020 RM
Distributions to unitholders are from the following sources:		
Interest income	563,073	-
Net realised gain	752,434	-
Previous year's realised income	2,684,550	-
Gross realised income	4,000,057	-
Less: Expenses	(21,414)	-
Net distribution amount	3,978,643	-
Gross/net distribution per unit (sen)	4.12	-
Ex-date	23.4.2021	-

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 RM2,684,550 (2020: RMNil) made from previous financial year's realised income.

The Fund has incurred unrealised loss of RM4,232,191 for the financial year ended 30 November 2021.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

7 TAXATION

	Financial year ended 30.11.2021 RM	Financial period from 19.3.2020 (date of launch) to 30.11.2020 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 year ended 30.11.2021 RM	Financial period from 19.3.2020 (date of launch) to 30.11.2020 RM
Net profit before taxation	820,823	7,629,570
Tax at Malaysian statutory rate of 24% (2020: 24%)	196,998	1,831,097
Tax effects of:		
Investment income not subject to tax	(266,547)	(1,877,174)
Expenses not deductible for tax purposes	17,836	11,357
Restriction on tax deductible expenses for Unit Trust Funds	51,713	34,720
Tax expense	-	-

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2021</u> RM	<u>2020</u> RM
Financial assets at fair value through profit or loss:		
- unquoted fixed income securities – foreign	93,721,116	97,286,767
	Financial year ended <u>31.11.2021</u> RM	Financial period from 19.3.2020 (date of launch) to <u>30.11.2020</u> RM
Net loss on financial assets at fair value through profit or loss:		
- realised gain/(loss) on sale of investments	558,319	(65,009)
- unrealised loss on changes in fair value	(2,585,316)	(273,571)
	(2,026,997)	(338,580)

(a) Unquoted fixed income securities – foreign

(i) Unquoted fixed income securities – foreign as at 30 November 2021 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 (Baa2)	4,202,500	4,207,776	4,276,184	4.34
6.50% Asahi Mutual Life Insurance Co Call: 05.09.2023 (BBB-)	4,202,500	4,597,255	4,539,237	4.61
3.425% CCCI Treasury Ltd Call: 21.11.2024 (Baa2)	4,202,500	4,365,482	4,315,185	4.38
4.10% Chinalco Capital Holdings Ltd Call: 11.09.2024 (BBB+)	3,362,000	3,471,859	3,489,794	3.54
6.45% CIFI Holdings Group Co Ltd Call: 07.11.2022 (BB-)	3,362,000	3,450,167	3,281,649	3.33
3.35% CNAC HK Finbridge Co Ltd Call: 22.09.2023 (Baa3)	2,101,250	2,025,014	2,146,261	2.18
3.375% CNAC HK Finbridge Co Ltd 19.06.2024 (Baa2)	4,202,500	4,418,584	4,437,787	4.51
8.00% Country Garden Holdings Co Ltd Call: 24.12.2021 (BBB-)	3,782,250	4,110,750	3,826,586	3.89

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

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

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

(i) Unquoted fixed income securities – foreign as at 30 November 2021 are as follows:
(continued)

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Bonds</u> (continued)				
5.625% Credit Suisse Group AG Call: 06.06.2024 (Ba2)	1,538,550	1,575,134	1,625,834	1.65
3.30% DBS Group Holdings Ltd Call: 27.02.2025 (Baa1)	2,521,500	2,513,070	2,590,883	2.63
4.125% Ford Motor Credit Co LLC 20.06.2024 (BB)	3,846,375	3,626,141	4,002,285	4.06
6.25% HSBC Holdings PLC Call: 23.03.2023 (Baa3)	4,202,500	4,327,540	4,387,013	4.45
5.50% Huarong Finance II Co Ltd 16.01.2025 (Baa3)	4,202,500	4,642,036	4,432,062	4.50
2.25% Huaxin Cement Intl. Finance Co 19.11.2025 (Baa1)	3,362,000	3,286,498	3,289,885	3.34
4.75% Indonesia Asahan Aluminium Tbk Call: 15.04.2025 (Baa2)	1,260,750	1,293,181	1,349,017	1.37
7.40% KWG Group Holdings Ltd Call: 05.03.2022 (B+)	2,101,250	2,167,228	1,680,112	1.71
3.15% Mapletree Industrial Trust Call: 11.05.2026 (BBB-)	1,538,550	1,542,906	1,525,513	1.55
3.25% MCC Holding Hong Kong Corp Ltd Call: 12.03.2023 (Baa2)	3,362,000	3,443,423	3,440,106	3.49
3.80% Nanyang Commercial Bank Ltd Call: 20.11.2024 (Baa2)	3,362,000	3,376,033	3,458,359	3.51
4.15% National Australia Bank Ltd Call: 19.05.2023 (Baa1)	1,538,550	1,560,751	1,599,883	1.62
4.75% Phoenix Group Holdings PLC Call: 04.06.2026 (BBB+)	3,362,000	3,545,321	3,603,658	3.66
5.625% Phoenix Group Holdings PLC Call: 29.01.2025 (BBB)	2,941,750	2,914,566	3,083,451	3.13
4.90% Powerlong Real Estate Call: 13.05.2024 (B2)	840,500	820,432	701,103	0.71
5.95% Powerlong Real Estate Call: 30.04.2023 (B2)	840,500	830,166	705,451	0.72
6.95% Powerlong Real Estate Call: 29.12.2021 (B2)	840,500	868,344	780,834	0.79
6.75% QBE Insurance Group Ltd Call: 02.12.2024 (BBB-)	4,202,500	4,813,925	4,805,821	4.88
3.55% Sepco Virgin Ltd Call: 25.10.2024 (Baa1)	3,362,000	3,438,152	3,440,503	3.49

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

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

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

(i) Unquoted fixed income securities – foreign as at 30 November 2021 are as follows:
(continued)

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Bonds</u> (continued)				
3.975% Shimao Group Holdings Ltd 16.09.2023 (BB)	840,500	836,760	646,496	0.66
5.20% Shimao Group Holdings Ltd Call: 16.09.2024 (BB)	840,500	837,094	602,330	0.61
5.20% Shimao Group Holdings Ltd Call: 30.01.2022 (BB)	2,101,250	2,198,948	1,557,400	1.58
6.125% Shimao Group Holdings Ltd Call: 21.02.2022 (BB)	840,500	883,792	634,841	0.64
6.75% Times China Holdings Ltd Call: 16.07.2022 (B1)	4,622,750	4,861,619	3,485,149	3.54
5.875% UBS Grp Funding Switzerland AG Call: 28.11.2023 (BBB)	3,846,375	3,973,025	4,146,389	4.21
8.10% Yinso Juniper Ltd Call: 29.03.2024 (NR)	1,681,000	1,757,031	1,834,055	1.86
Total unquoted fixed income securities – foreign	<u>93,416,650</u>	<u>96,580,003</u>	<u>93,721,116</u>	<u>95.14</u>
Accumulated unrealised loss on unquoted fixed income securities – foreign		<u>(2,858,887)</u>		
Total unquoted fixed income securities – foreign		<u>93,721,116</u>		

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

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

(a) Unquoted fixed income securities – foreign

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

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Bonds</u>				
3.00% AAC Technologies Holdings Inc Call: 27.11.2022 (Baa1)	4,072,500	4,166,646	4,151,236	3.92
6.50% Asahi Mutual Life Insurance Co Call: 05.09.2023 (BBB-)	4,072,500	4,597,813	4,430,586	4.18
3.075% Baidu Inc Call: 07.03.2025 (A3)	3,258,000	3,527,203	3,486,427	3.29
6.00% Banco Bilbao Vizcaya Arg SA Call: 29.03.2024 (Ba2)	2,927,340	2,700,535	3,164,409	2.99
3.425% CCCI Treasury Ltd Call: 21.11.2024 (Baa2)	4,072,500	4,364,245	4,041,605	3.81
4.10% Chinalco Capital Holdings Ltd Call: 11.09.2024 (BBB+)	3,258,000	3,470,384	3,369,786	3.18
6.45% CIFI Holdings Group Co Ltd Call: 07.11.2022 (BB-)	3,258,000	3,436,384	3,482,150	3.29
3.35% CNAC HK Finbridge Co Ltd Call: 22.09.2023 (Baa3)	2,036,250	2,023,778	2,023,871	1.91
3.375% CNAC HK Finbridge Co Ltd 19.06.2024 (Baa2)	4,072,500	4,424,836	4,162,859	3.93
8.00% Country Garden Holdings Co Ltd Call: 27.09.2021 (BBB-)	3,665,250	4,166,881	4,009,132	3.78
5.625% Credit Suisse Group AG Call: 06.06.2024 (Ba2)	1,522,800	1,575,296	1,614,825	1.52
3.30% DBS Group Holdings Ltd Call: 27.02.2025 (Baa1)	2,443,500	2,479,001	2,490,212	2.35
4.125% Ford Motor Credit Co LLC 20.06.2024 (BBB-)	2,284,200	1,938,387	2,327,678	2.20
6.25% HSBC Holdings PLC Call: 23.03.2023 (Baa3)	4,072,500	4,297,023	4,300,583	4.06
5.50% Huarong Finance II Co Ltd 16.01.2025 (Baa1)	4,072,500	4,700,558	4,653,340	4.39
2.25% HX Cement Inter Fin 19.11.2025 (Baa1)	814,500	823,196	808,025	0.76

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

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

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

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

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Bonds</u> (continued)				
4.75% Indonesia Asahan Aluminium Tbk Call: 15.04.2025 (Baa2)	1,221,750	1,290,738	1,352,246	1.28
7.40% KWG Group Holding Ltd Call: 05.03.2022 (BB-)	2,036,250	2,149,460	2,197,272	2.07
3.90% Longfor Group Holdings Ltd 16.04.2023 (Baa2)	2,036,250	2,224,727	2,150,840	2.03
3.25% MCC Holding Hong Kong Corp Ltd Call: 12.03.2023 (Baa2)	3,258,000	3,419,021	3,285,471	3.10
3.80% Nanyang Commercial Bank Ltd Call: 20.11.2024 (Baa3)	3,258,000	3,365,093	3,320,101	3.13
4.15% National Australia Bank Ltd Call: 19.05.2023 (Baa1)	1,522,800	1,563,293	1,607,871	1.52
4.75% Phoenix Group Holdings PLC Call: 04.06.2026 (BBB)	814,500	879,750	870,276	0.82
5.625% Phoenix Group Holdings PLC Call: 29.01.2025 (BBB-)	2,850,750	2,877,623	2,973,581	2.81
5.95% Powerlong Real Estate Call: 30.04.2023 (B2)	814,500	828,124	816,230	0.77
6.95% Powerlong Real Estate Call: 23.07.2021 (B2)	814,500	877,950	863,216	0.81
6.75% QBE Insurance Group Ltd Call: 02.12.2024 (BBB-)	4,072,500	4,816,365	4,749,197	4.48
3.55% Sepco Virgin Ltd Call: 25.10.2024 (Baa1)	3,258,000	3,419,776	3,290,417	3.11
5.20% Shimao Group Holdings Ltd Call: 30.01.2022 (BBB-)	2,036,250	2,193,581	2,181,389	2.06
6.75% Times China Holdings Ltd Call: 16.07.2022 (B1)	4,479,750	4,834,395	4,783,981	4.52
7.85% Times China Holdings Ltd Call: 02.12.2020 (B1)	814,500	889,525	856,606	0.81

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

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

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

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

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Bonds</u> (continued)				
5.875% UBS Grp Funding Switzerland AG Call: 28.11.2023 (BBB)	2,284,200	2,299,028	2,476,300	2.34
3.75% United Overseas Bank Ltd Call: 15.04.2024 (A2)	4,072,500	4,484,958	4,371,387	4.13
3.50% Volkswagen Intl Fin NV Call: 17.06.2025 (Baa2)	2,439,450	2,454,765	2,623,662	2.48
Total unquoted fixed income securities – foreign	91,987,290	97,560,338	97,286,767	91.83
Accumulated unrealised loss on unquoted fixed income securities – foreign		(273,571)		
Total unquoted fixed income securities – foreign		97,286,767		

9 FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 17 (2020: 21) forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM96,830,078 (2020: RM104,775,738). The forward foreign currency contracts entered into during the financial year/period were for hedging against the currency exposure arising from the investment in the foreign unquoted fixed income securities denominated in Singapore Dollar and United States Dollar. As the Fund has not adopted hedge accounting during the financial year/period, the changes in the fair value of the forward foreign currency contracts are recognised immediately in the statement of comprehensive income.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

10 NUMBER OF UNITS IN CIRCULATION

	<u>2021</u> No. of units	<u>2020</u> No. of units
At the beginning of the financial year/ date of launch	98,368,000	-
Creation of units arising from applications	-	99,679,000
Cancellation of units	(3,983,000)	(1,311,000)
At the end of the financial year/period	<u>94,385,000</u>	<u>98,368,000</u>

11 TRANSACTIONS WITH DEALERS

- (i) Details of transactions with the top 10 dealers for the financial year ended 30 November 2021 are as follows:

<u>Name of dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
BNP Paribas Securities	5,764,356	18.22
Nomura Singapore Ltd	4,630,890	14.63
Deutsche Bank AG London	4,435,289	14.01
Australia & New Zealand Banking Group Ltd	3,499,343	11.06
Standard Chartered Bank	3,185,547	10.07
Citigroup Global Markets	2,644,620	8.36
MarketAxess Holdings INC #	2,596,013	8.20
Morgan Stanley Asia Ltd	1,657,750	5.24
OCBC Singapore Ltd	1,540,250	4.87
Mizuho Securities Asia Ltd	872,616	2.76
Others	817,005	2.58
	<u>31,643,679</u>	<u>100.00</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

11 TRANSACTIONS WITH DEALERS (CONTINUED)

- (ii) Details of transactions with the top 10 dealers for the financial period from 19 March 2020 (date of launch) to 30 November 2020 are as follows:

<u>Name of dealers</u>	<u>Value of trade RM</u>	<u>Percentage of total trade %</u>
Nomura Singapore Ltd #	23,935,534	20.15
Barclays Bank PLC	14,506,382	12.21
BNP Paribas Securities	11,245,221	9.46
Mizuho Securities Asia Ltd	10,188,463	8.58
Australia & New Zealand Banking Group Ltd	9,969,080	8.39
Citigroup Global Markets	8,048,184	6.77
Bank of America	7,512,884	6.32
Haitong International Securities Company Ltd	4,733,545	3.98
BOCI Securities Ltd	4,666,255	3.93
Wells Fargo Securities	3,539,650	2.98
Others #	20,474,391	17.23
	<u>118,819,589</u>	<u>100.00</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

11 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:

<u>Name of dealers</u>	Financial year ended 30.11.2021 RM	Financial period from 19.3.2020 (date of launch) to 30.11.2020 RM
MarketAxess Holdings INC	2,596,013	-
Nomura Singapore Ltd	-	862,459
RHB Investment Bank Bhd	-	1,533,674
	<u>2,596,013</u>	<u>2,396,133</u>

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

	Financial year ended 30.11.2021 RM	Financial period from 19.3.2020 (date of launch) to 30.11.2020 RM
Affin Hwang Flexible Maturity Income Fund 8	816,443	-
Affin Hwang Flexible Maturity Income Fund 9	-	862,459
Affin Hwang Flexible Maturity Income Fund 11	1,779,570	-
Private Mandates	-	1,533,674
	<u>2,596,013</u>	<u>2,396,133</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

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

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

<u>Related parties</u>	<u>Relationship</u>
Lembaga Tabung Angkatan Tentera ("LTAT")	Ultimate holding corporate body of the Manager
Affin Bank Berhad ("ABB")	Penultimate holding company of the Manager
Affin Hwang Investment Bank Berhad	Holding company of the Manager
Affin Hwang Asset Management Berhad	The Manager
Subsidiaries and associated companies of ABB as disclosed in its financial statements	Subsidiary and associated companies of the penultimate holding company of the Manager as disclosed in its financial statements
Director of Affin Hwang Asset Management Berhad	Directors of the Manager

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

	<u>2021</u>		<u>2020</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 purposes)	<u>2,873</u>	<u>2,998</u>	<u>2,864</u>	<u>3,085</u>
<u>Subsidiary and associated companies of the penultimate holding company of the Manager:</u>				
ABB Nominee (Tempatan) Sdn Bhd (The units are held legally for booking purposes)	<u>2,289,320</u>	<u>2,388,905</u>	<u>-</u>	<u>-</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

13 MANAGEMENT EXPENSE RATIO ("MER")

	Financial year ended 30.11.2021 %	Financial period from 19.3.2020 (date of launch) to 30.11.2020 %
MER	0.28	0.20

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial year/period calculated on a daily basis is RM102,984,685 (2020: RM96,582,012).

14 PORTFOLIO TURNOVER RATIO ("PTR")

	Financial year ended 30.11.2021	Financial period from 19.3.2020 (date of launch) to 30.11.2020
PTR (times)	0.15	0.61

PTR is derived from the following calculation:

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

where: total acquisition for the financial year/period = RM14,955,410 (2020: RM107,559,799)
total disposal for the financial year/period = RM16,139,514 (2020: RM11,194,781)

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2021 (CONTINUED)

15 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The worsening macro-economic outlook as a result of Covid-19, both domestically and globally, has resulted in the deterioration of the Fund's Net Asset Value/unit as of the date of this report. This is mainly due to the decrease in the fair value of the Fund's investments at fair value through profit or loss.

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 15

STATEMENT BY THE MANAGER

I, Dato' 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 40 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 2021 and of its financial performance, changes in equity and cash flows for the financial year ended 30 November 2021 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

DATO' TENG CHEE WAI
EXECUTIVE DIRECTOR/MANAGING DIRECTOR

Kuala Lumpur
14 January 2022

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 15

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Affin Hwang Flexible Maturity Income Fund 15 (“the Fund”) give a true and fair view of the financial position of the Fund as at 30 November 2021, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and 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 2021, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 40.

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 15 (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 and 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 15 (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 15 (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
14 January 2022

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