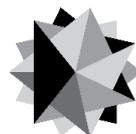


# Affin Hwang

## Flexible Maturity Income Fund 20

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 20

## Annual Report and Audited Financial Statements For The Financial Period From 28 October 2020 (Date of Launch) To 30 November 2021

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<b>Contents</b>	<b>Page</b>
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 20
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	26 November 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	0	0
5,001 to 10,000	40	388
10,001 to 50,000	63	1,869
50,001 to 500,000	54	10,560
500,001 and above	8	59,294
<b>Total</b>	<b>165</b>	<b>72,111</b>

\* Note: Excluding Manager's stock

## FUND PERFORMANCE DATA

Category	As at 30 Nov 2021 (%)
Portfolio composition	
Unquoted fixed income securities – local	0.76
Unquoted fixed income securities – foreign	98.00
<b>Total unquoted fixed income securities</b>	<b>98.76</b>
<b>Cash &amp; cash equivalent</b>	<b>1.24</b>
<b>Total</b>	<b>100.00</b>
Total NAV (RM'million)	67.365
NAV per Unit (RM)	0.9341
Unit in Circulation (million)	72.116
Highest NAV	1.0414
Lowest NAV	0.9227
Return of the Fund (%) <sup>iii</sup>	-3.73
- Capital Growth (%) <sup>i</sup>	-6.59
- Income Distribution (%) <sup>ii</sup>	3.06
Gross Distribution per Unit (sen)	2.884
Net Distribution per Unit (sen)	2.884
Management Expense Ratio (%)	0.36
Portfolio Turnover Ratio (times)	0.68

**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)
25-Nov-21	26-Nov-21	0.9756	0.02884	0.9421

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

### Performance Review

For the period 26 November 2020 to 30 November 2021, the Fund registered a -3.73% return compared to the benchmark return of 2.13%. The Fund thus underperformed the Benchmark by 5.86%. The Net Asset Value per unit ("NAV") of the Fund as at 30 November 2021 was RM0.9341 while the initial NAV was RM1.0000. During the period under review, the Fund has declared a gross income distribution of RM0.02884 per unit. The Fund has met its investment objective.

### Fund Performance

Table 1: Performance of the Fund

	Since Commencement (26/11/20 - 30/11/21)
<b>Fund</b>	<b>(3.73%)</b>
<b>Benchmark</b>	<b>2.13%</b>
<b>Outperformance</b>	<b>(5.86%)</b>

Source of Benchmark: Maybank

Table 2: Average Total Return

	Since Commencement (26/11/20 - 30/11/21)
<b>Fund</b>	<b>(3.68%)</b>
<b>Benchmark</b>	<b>2.10%</b>
<b>Outperformance</b>	<b>(5.78%)</b>

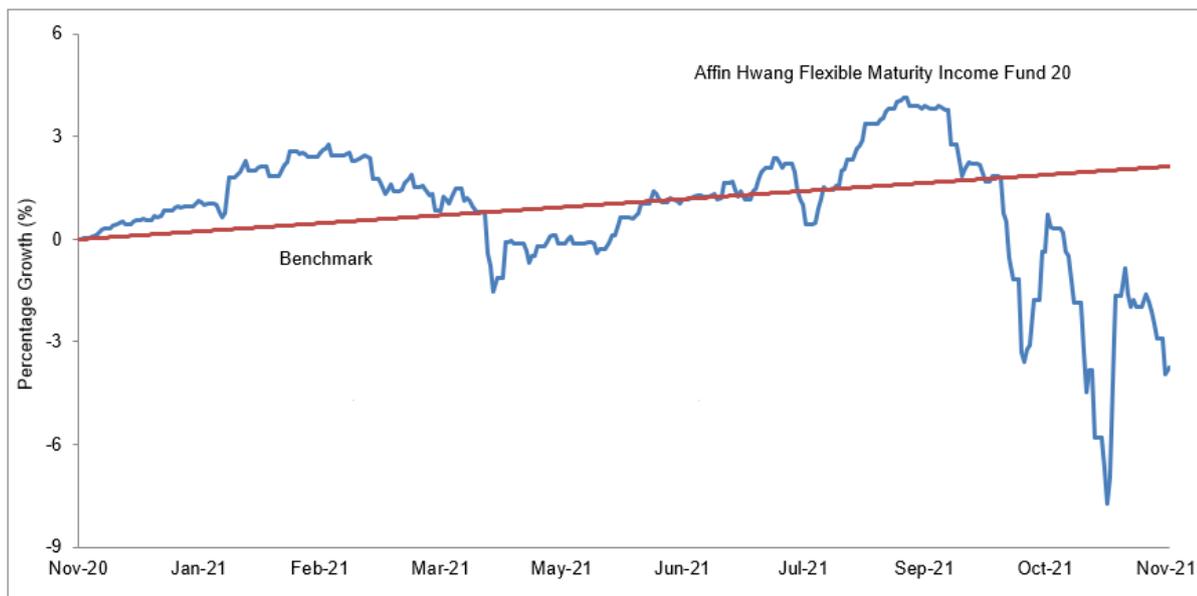
Source of Benchmark: Maybank

Table 3: Annual Total Return

	FYE 2021 (26/11/20 - 30/11/21)
<b>Fund</b>	<b>(3.73%)</b>
<b>Benchmark</b>	<b>2.13%</b>
<b>Outperformance</b>	<b>(5.86%)</b>

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 98.76% 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 100<sup>th</sup> 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 20**

We have acted as Trustee of Affin Hwang Flexible Maturity Income Fund 20 ("the Fund") for financial period from 28 October 2020 (Date of Launch) to 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 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 2.8840 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 20**

**FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020  
(DATE OF LAUNCH) TO 30 NOVEMBER 2021**

# **AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20**

## **FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020  
(DATE OF LAUNCH) TO 30 NOVEMBER 2021**

<b>CONTENTS</b>	<b>PAGE (S)</b>
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 - 34
STATEMENT BY THE MANAGER	35
INDEPENDENT AUDITORS' REPORT	36 - 39

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

### STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021

	<u>Note</u>	Financial period from 28.10.2020 (date of launch) to <u>30.11.2021</u> RM
<b>INVESTMENT LOSS</b>		
Interest income from financial assets at amortised cost		65,641
Interest income from financial assets at fair value through profit or loss		3,160,362
Net loss on foreign currency exchange		(116,062)
Net loss on forward foreign currency contracts at fair value through profit or loss		(1,047,630)
Net loss on financial assets at fair value through profit or loss	9	(4,505,229)
		<u>(2,442,918)</u>
<b>EXPENSES</b>		
Management fee	4	(148,981)
Trustee fee	5	(30,390)
Fund accounting fee	6	(11,917)
Auditors' remuneration		(8,000)
Tax agent's fee		(3,500)
Other expenses		(21,780)
		<u>(224,568)</u>
<b>NET LOSS BEFORE TAXATION</b>		(2,667,486)
Taxation	7	-
<b>NET LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD</b>		<u><u>(2,667,486)</u></u>

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

### STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (CONTINUED)

	<u>Note</u>	Financial period from 28.10.2020 (date of launch) to <u>30.11.2021</u> RM
Net loss after taxation is made up of the following:		
Realised amount		3,429,864
Unrealised amount		<u>(6,097,350)</u>
		<u><u>(2,667,486)</u></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 20

### STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2021

	<u>Note</u>	As at <u>30.11.2021</u> RM
<b>ASSETS</b>		
Cash and cash equivalents	10	1,909,548
Financial assets at fair value through profit or loss	9	66,529,185
Forward foreign currency contracts at fair value through profit or loss	11	73,630
<b>TOTAL ASSETS</b>		<u>68,512,363</u>
<b>LIABILITIES</b>		
Forward foreign currency contracts at fair value through profit or loss	11	1,121,260
Amount due to Manager - management fee		11,405
Amount due to Trustee		2,281
Auditors' remuneration		8,000
Tax agent's fee		3,500
Other payables and accruals		819
<b>TOTAL LIABILITIES</b>		<u>1,147,265</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>67,365,098</u>
<b>EQUITY</b>		
Unitholders' capital		72,112,410
Accumulated losses		(4,747,312)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>67,365,098</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	12	<u>72,116,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.9341</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 20

### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021

	Unitholders' <u>capital</u> RM	Accumulated <u>losses</u> RM	<u>Total</u> RM
Balance as at 28 October 2020 (date of launch)	-	-	-
Total comprehensive loss for the financial period	-	(2,667,486)	(2,667,486)
Distribution (Note 8)	-	(2,079,826)	(2,079,826)
Movement in unitholders' capital:			
Creation of units arising from applications	72,417,000	-	72,417,000
Cancellation of units	(304,590)	-	(304,590)
Balance as at 30 November 2021	<u>72,112,410</u>	<u>(4,747,312)</u>	<u>67,365,098</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 20

### STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021

	<u>Note</u>	Financial period from 28.10.2020 (date of launch) to <u>30.11.2021</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from sale of investments		12,350,855
Purchase of investments		(82,677,056)
Interest received		2,517,790
Management fee paid		(137,576)
Trustee fee paid		(28,109)
Fund accounting fee paid		(11,917)
Payment for other fees and expenses		(20,961)
Net realised loss on foreign currency exchange		(22,242)
		<hr/>
Net cash flows used in operating activities		(68,029,216)
		<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from creation of units		72,417,000
Payments for cancellation of units		(304,590)
Payment for distribution		(2,079,826)
		<hr/>
Net cash flows generated from financing activities		70,032,584
		<hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		2,003,368
<b>EFFECTS OF FOREIGN CURRENCY EXCHANGE</b>		(93,820)
<b>CASH AND CASH EQUIVALENTS AT THE DATE OF LAUNCH</b>		-
		<hr/>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	10	1,909,548
		<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 20**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 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 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 20**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (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.

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 20**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 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 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 Fund has not taken the option to irrevocably designate any equities 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.

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (CONTINUED)

#### G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement

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

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

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

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

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category including the effects of 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 instrument 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 quotation are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

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

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 20

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 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 unlikeliness 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 period.

## **AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 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 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 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.

## **AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 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 judgment 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.

#### **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 Unlisted Capital Market Products under the Lodge and Launch Framework.

## **AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021**

#### **1 INFORMATION ON THE FUND**

The Wholesale Fund was constituted under the name Affin Hwang Flexible Maturity Income Fund 20 (the "Fund") pursuant to the execution of a Deed dated 14 October 2020 (the "Deed") entered into between Affin Hwang Asset Management Berhad (the "Manager") and TMF Trustees Malaysia Berhad (the "Trustee").

The Fund commenced operations on 28 October 2020 and will continue its operations until terminated by the Trustee as provided under Clause 11.3 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 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 14 January 2022.

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (CONTINUED)

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

Financial instruments are as follows:

	<u>Note</u>	At amortised <u>cost</u> RM	At fair value through <u>profit or loss</u> RM	<u>Total</u> RM
<u>As at 30.11.2021</u>				
<u>Financial assets</u>				
Cash and cash equivalents	10	1,909,548	-	1,909,548
Unquoted fixed income securities	9	-	66,529,185	66,529,185
Forward foreign currency contracts	11	-	73,630	73,630
Total		<u>1,909,548</u>	<u>66,602,815</u>	<u>68,512,363</u>
<u>Financial liabilities</u>				
Forward foreign currency contracts	11	-	1,121,260	1,121,260
Amount due to Manager				
- management fee		11,405	-	11,405
- cancellation of units			-	
Amount due to Trustee		2,281	-	2,281
Auditors' remuneration		8,000	-	8,000
Tax agent's fee		3,500	-	3,500
Other payables and accruals		819	-	819
Total		<u>26,005</u>	<u>1,121,260</u>	<u>1,147,265</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 20

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (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 <u>30.11.2021</u> RM
<b>Unquoted investments</b>	
Unquoted fixed income securities*	<u>66,529,185</u>

\*includes interest receivable of RM929,026.

The following table summarises the sensitivity of the Fund's loss 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	Impact on profit after tax/NAV RM
<u>As at 30.11.2021</u>		
-5%	62,320,151	(3,280,008)
0%	65,600,159	-
+5%	<u>68,880,167</u>	<u>3,280,008</u>

##### (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 20

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 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 loss 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 loss after tax/NAV</u>
	As at
	<u>30.11.2021</u>
	RM
+ 2%	(205,995)
- 2%	<u>219,926</u>

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

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 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 securities RM	Forward foreign currency contracts RM	Cash and cash equivalents RM	Total RM
<u>As at 30.11.2021</u>				
<u>Financial assets</u>				
Euro	1,032,576	54,266	24,470	1,111,312
Singapore Dollar	4,802,620	19,364	139,411	4,961,395
United States Dollar	60,182,485		15,066	60,197,551
	<u>66,017,681</u>	<u>73,630</u>	<u>178,947</u>	<u>66,270,258</u>
			Forward foreign currency contracts RM	Total RM
<u>Financial liabilities</u>				
Singapore Dollar			2,260	2,260
United States Dollar			1,119,000	1,119,000
			<u>1,121,260</u>	<u>1,121,260</u>

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 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 loss 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.

	<u>Change in price</u> %	<u>Impact on loss after tax/NAV</u> RM
<u>As at 30.11.2021</u>		
Euro	+/-4.58	+/- 50,898
Singapore Dollar	+/-2.88	+/- 142,823
United States Dollar	+/-3.47	<u>+/- 2,050,026</u>

##### 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.

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 20

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 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 <u>securities</u> RM	Cash and cash <u>equivalents</u> RM	Forward foreign currency <u>contracts</u> RM	<u>Total</u> RM
<u>As at 30.11.2021</u>				
Basic Materials				
- A	2,775,736	-	-	2,775,736
- Baa3	3,468,236	-	-	3,468,236
- BBB+	3,489,794	-	-	3,489,794
Consumer Discretionary				
- BBB-	3,397,808	-	-	3,397,808
- Baa3	1,321,280	-	-	1,321,280
Financial Services				
- AAA	-	1,909,548	-	1,909,548
- AA2	-	-	12,382	12,382
- Baa1	796,094	-	-	796,094
- Baa2	2,593,769	-	-	2,593,769
- Baa3	1,738,088	-	-	1,738,088
- BBB	3,523,943	-	-	3,523,943
- BB-	2,308,184	-	-	2,308,184
- Ba1	5,442,518	-	-	5,442,518
- Ba2	4,039,864	-	-	4,039,864
- NR	-	-	61,248	61,248
Industrials				
- A	511,504	-	-	511,504
- Baa1	3,536,766	-	-	3,536,766
- Baa2	4,315,185	-	-	4,315,185
- Baa3	3,528,344	-	-	3,528,344
- NR	917,028	-	-	917,028
Real Estate				
- Baa1	3,552,425	-	-	3,552,425
- BBB-	3,207,290	-	-	3,207,290
- BB	1,281,338	-	-	1,281,338
- BB-	2,603,015	-	-	2,603,015
- B1	2,420,493	-	-	2,420,493
- B2	3,873,460	-	-	3,873,460
- B3	1,887,023	-	-	1,887,023
	<u>66,529,185</u>	<u>1,909,548</u>	<u>73,630</u>	<u>68,512,363</u>

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (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 30.11.2021</u>			
Forward foreign currency contracts at fair value through profit or loss	122,386	998,874	1,121,260
Amount due to Manager			
- management fee	11,405	-	11,405
Amount due to Trustee	2,281	-	2,281
Auditors' remuneration	-	8,000	8,000
Tax agent's fee	-	3,500	3,500
Other payables and accruals	-	819	819
	<u>136,072</u>	<u>1,011,193</u>	<u>1,147,265</u>

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (CONTINUED)

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

##### Capital risk

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

#### 3 FAIR VALUE ESTIMATION

Financial instruments comprise financial assets and financial liabilities. Fair value is 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 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.

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (CONTINUED)

#### 3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

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

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>As at 30.11.2021</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	66,529,185	-	66,529,185
- forward foreign currency contracts	-	73,630	-	73,630
	<u>-</u>	<u>66,602,815</u>	<u>-</u>	<u>66,602,815</u>
Financial liabilities at fair value through profit or loss:				
- forward foreign currency contracts	-	1,121,260	-	1,121,260
	<u>-</u>	<u>1,121,260</u>	<u>-</u>	<u>1,121,260</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 20**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (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 28 October 2020 (date of launch) to 30 November 2021, 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 28 October 2020 (date of launch) to 30 November 2021, 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 RM11,917 for the financial period.

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (CONTINUED)

#### 7 TAXATION

	Financial period from 28.10.2020 (date of launch) to <u>30.11.2021</u> RM
Current taxation	-

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

	Financial period from 28.10.2020 (date of launch) to <u>30.11.2021</u> RM
Net loss before taxation	(2,667,486)
Tax at Malaysian statutory rate of 24%	(640,197)
Tax effects of:	
Investment loss disallowed from tax	586,300
Expenses not deductible for tax purposes	15,981
Restriction on tax deductible expenses for Wholesale Funds	37,916
Tax expense	-

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (CONTINUED)

#### 8 DISTRIBUTION

	Financial period from 28.10.2020 (date of launch) to <u>30.11.2021</u> RM
Distribution to unitholders is from the following sources:	
Interest income	2,287,520
Gross realised income	<u>2,287,520</u>
Less: Expenses	<u>(207,694)</u>
Net distribution amount	<u><u>2,079,826</u></u>

During the financial period from 28 October 2020 (date of launch) to 30 November 2021, distribution was made as follows:

<u>Ex-date</u>	<u>Gross/Net distribution per unit</u> (sen)
26.11.2021	<u><u>2.8840</u></u>

Gross distribution per unit is derived from gross realised income less expense 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.

The Fund has incurred an unrealised loss of RM6,097,350 for the financial period from 28 October 2020 (date of launch) to 30 November 2021.

#### 9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at <u>30.11.2021</u> RM
Financial assets at fair value through profit or loss:	
- unquoted fixed income securities – local	511,504
- unquoted fixed income securities – foreign	<u>66,017,681</u>
	<u><u>66,529,185</u></u>

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (CONTINUED)

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

	Financial period from 28.10.2020 (date of launch) to <u>30.11.2021</u> RM
Net loss on financial assets at fair value through profit or loss:	
- realised gain on sale of investments	232,233
- unrealised loss on changes in fair value	(4,737,462)
	<u>(4,505,229)</u>

(a) Unquoted fixed income securities – local

(i) Unquoted fixed income securities – local 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>				
5.8% WCT Holdings Bhd Call: 27.09.2024 (A)	500,000	512,935	511,504	0.76
Total unquoted fixed income securities – local	<u>500,000</u>	<u>512,935</u>	<u>511,504</u>	<u>0.76</u>
Accumulated unrealised loss on unquoted fixed income securities – local		(1,431)		
Total unquoted fixed income securities – local		<u>511,504</u>		

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (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 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>				
5.125% Country Garden Holdings Co Ltd Call: 17.01.2022 (BBB-)	2,521,500	2,560,946	2,444,535	3.63
4.875% CNAC HK Finbridge Co Ltd 14.03.2025 (A)	2,521,500	2,590,466	2,775,736	4.12
6.125% Shimao Group Holdings Limited Call: 21.02.2022 (BBB-)	840,500	883,792	634,841	0.94
8.5% Yuzhou Group Holdings Co Ltd Call: 26.02.2022 (B3)	840,500	790,321	323,030	0.48
5.125% Erste Group Bank AG Call: 15.10.2025 (Ba1)	954,940	1,061,176	1,032,576	1.53
3.97% CRCC Chengan Ltd Call: 27.06.2024 (Baa1)	3,362,000	3,350,655	3,536,766	5.25
3.425% CCCI Treasure Ltd Call: 21.11.2024 (Baa2)	4,202,500	4,054,869	4,315,185	6.41
7.7% Yuzhou Group Holdings Co Ltd Call: 20.02.2023 (B3)	2,101,250	2,170,360	717,793	1.07
3% Geely Finance HK Ltd 05.03.2025 (BBB-)	3,362,000	3,269,411	3,397,808	5.04
3.875% Bluestar Finance Holdings Ltd Call: 24.06.2023 (Baa3)	3,362,000	3,289,883	3,468,236	5.15
6% Standard Chartered PLC Call: 26.07.2025 (Ba1)	1,681,000	1,760,731	1,822,933	2.71
6.75% Times China Holdings Ltd Call: 08.07.2023 (B1)	2,521,500	2,576,446	1,799,122	2.67
5.95% KWG Group Holdings Ltd Call: 10.08.2023 (BB-)	3,362,000	3,326,904	2,603,015	3.87
5.95% Powerlong Real Estate Call: 30.04.2023 (B2)	3,362,000	3,262,988	2,821,805	4.19
6.35% Yuzhou Group Holdings Co Ltd Call: 13.01.2025 (B3)	840,500	821,359	280,089	0.42
3.15% Mapletree Industrial Trust Call: 11.05.2026 (BBB-)	769,275	771,453	762,756	1.13
4.9% Powerlong Real Estate Call: 13.05.2024 (B2)	1,260,750	1,230,649	1,051,655	1.56
5.55% Times China Holdings Ltd Call: 04.06.2023 (B1)	840,500	850,735	621,371	0.92
4% Swedbank AB Call: 17.03.2029 (Ba1)	840,500	855,965	817,442	1.21

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (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 2021 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)				
3.2% Allianz SE Call: 30.10.2027 (Baa1)	840,500	836,979	796,094	1.18
3.975% Shimao Group Holdings Limited 16.09.2023 (BBB-)	840,500	836,760	646,496	0.96
4.75% Scentre Group Trust 2 Call: 24.06.2026 (Baa1)	3,362,000	3,396,020	3,552,425	5.27
4.25% Huarong Finance 2019 Co Ltd Call: 30.09.2025 (BB-)	2,521,500	2,392,564	2,308,184	3.43
4.875% Julius Baer Group Ltd Call: 08.10.2026 (Baa3)	1,681,000	1,712,651	1,738,088	2.58
5.275% Kasikornbank Public Co Ltd Call: 14.10.2025 (Ba1)	1,681,000	1,651,027	1,769,567	2.63
7.375% Yuzhou Group Holdings Co Ltd Call: 13.01.2024 (B3)	1,681,000	1,725,083	566,111	0.84
5.625% Phoenix Group Holdings PLC Call: 29.01.2025 (BBB)	3,362,000	3,393,605	3,523,943	5.23
4% Geely Automobile Holdings Ltd Call: 09.12.2024 (Baa3)	1,260,750	1,250,838	1,321,280	1.96
3.8% Nanyang Commercial Bank Ltd Call: 20.11.2024 (Baa2)	2,521,500	2,480,894	2,593,769	3.85
4% China State Construction Fin C Call: 03.12.2024 (Baa3)	3,362,000	3,338,344	3,528,344	5.24
4.1% Chinalco Capital Holdings Ltd Call: 11.09.2024 (BBB+)	3,362,000	3,382,399	3,489,794	5.18
6.125% Societe Generale SA Call: 16.04.2024 (Ba2)	2,307,825	2,383,340	2,414,029	3.58
5.625% Credit Suisse Group AG Call: 06.06.2024 (Ba2)	1,538,550	1,615,584	1,625,835	2.41

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (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 2021 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)				
<u>S</u>				
8.1% Yinson Juniper Ltd Call: 29.03.2024 (NR)	840,500	878,515	917,028	1.36
Total unquoted fixed income securities – foreign	<u>70,709,340</u>	<u>70,753,712</u>	<u>66,017,681</u>	<u>98.00</u>
Accumulated unrealised loss on unquoted fixed income securities – foreign		<u>(4,736,031)</u>		
Total unquoted fixed income securities – foreign		<u>66,017,681</u>		

#### 10 CASH AND CASH EQUIVALENTS

	<u>As at 30.11.2021 RM</u>
Cash and bank balances	209,385
Deposit with a licensed financial institution	1,700,163
	<u>1,909,548</u>

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

	<u>As at 30.11.2021 %</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 20

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (CONTINUED)

#### 11 FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 18 forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM71,123,253. 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, 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 30.11.2021 No. of units
Balance as at 28 October 2020 (date of launch)	-
Creation of units arising from applications	72,417,000
Cancellation of units	(301,000)
Balance as at 30 November 2021	<u>72,116,000</u>

#### 13 TRANSACTIONS WITH DEALERS

(i) Details of transactions with the top 10 dealers for the financial period from 28 October 2020 (date of launch) to 30 November 2021 are as follows:

<u>Name of dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
MarketAxess Holdings Inc#	19,536,044	20.74
Barclays Bank PLC	14,861,236	15.78
Nomura Singapore Ltd	10,414,688	11.05
Standard Chartered Bank	7,287,776	7.74
Bank of America	6,361,607	6.75
HSBC Banking Corporation Ltd	5,677,056	6.03
Mizuho securities Asia Ltd	4,482,140	4.76
Citigroup Global Markets	4,051,063	4.30
Citibank Bhd	3,390,593	3.60
HSBC Bank Malaysia Bhd	2,538,411	2.69
Others#	15,599,894	16.56
	<u>94,200,508</u>	<u>100.00</u>

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (CONTINUED)

#### 13 TRANSACTIONS WITH DEALERS (CONTINUED)

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

<u>Name of dealers</u>	Financial period from 28.10.2020 (date of launch) to <u>30.11.2021</u> RM
MarketAxess Holdings Inc	10,564,297
RHB Investment Bank Bhd	507,800
	<hr/>
	11,072,097
	<hr/> <hr/>

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

	Financial period from 28.10.2020 (date of launch) to <u>30.11.2021</u> RM
Affin Hwang Flexible Maturity Income Fund 11	3,453,452
Affin Hwang Flexible Maturity Income Fund 13	847,883
Affin Hwang Flexible Maturity Income Fund 14	507,800
Affin Hwang Wholesale Income Fund	6,262,962
	<hr/>
	11,072,097
	<hr/> <hr/>

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (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>Relationships</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
Directors 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 period as follows:

	<u>As at 30.11.2021</u>	
	No. of units	RM
<u>The Manager:</u>		
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)	5,687	5,312
	<u>5,687</u>	<u>5,312</u>

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

	Financial period from 28.10.2020 (date of launch) to <u>30.11.2021</u> %
MER	<u>0.36</u>

## AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (CONTINUED)

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

MER is derived from the following calculation:

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

A	=	Management fee
B	=	Trustee fee
C	=	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 RM69,506,211.

#### 16 PORTFOLIO TURNOVER RATIO (“PTR”)

	Financial period from 28.10.2020 (date of launch) to <u>30.11.2021</u>
PTR (times)	<u>0.68</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 = RM82,677,056  
total disposal for the financial period = RM12,118,621

## **AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 OCTOBER 2020 (DATE OF LAUNCH) TO 30 NOVEMBER 2021 (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 PERIOD**

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 20**

### **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 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 2021 and of its financial performance, changes in equity and cash flows for the financial period from 28 October 2020 (date of launch) to 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 20

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Our opinion

In our opinion, the financial statements of Affin Hwang Flexible Maturity Income Fund 20 (“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 period from 28 October 2020 (date of launch) to 30 November 2021 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 equity and statement of cash flows for the financial period then ended, 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 20 (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 to terminate the Fund or has no realistic alternative but to do so.

#### 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.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF  
AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20 (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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.

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.

**INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF  
AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20 (CONTINUED)**

**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**

## **DIRECTORY OF SALES OFFICE**

### **HEAD OFFICE**

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## **DIRECTORY OF SALES OFFICE (CONTINUED)**

### **SARAWAK**

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