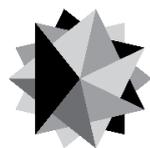


# Affin Hwang

## Total Return Fund

Annual Report  
31 May 2020

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



**AFFIN HWANG**  
CAPITAL

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

**CUSTODIAN**  
CIMB Commerce Trustee Berhad (313031-A)

# AFFIN HWANG TOTAL RETURN FUND

**Annual Report and Audited Financial Statements  
For the Financial Year Period From 25 November 2019 (Date of Launch) To 31 May  
2020**

---

<b>Contents</b>	<b>Page</b>
FUND INFORMATION .....	III
FUND PERFORMANCE DATA.....	IV
MANAGER'S REPORT .....	V
TRUSTEE'S REPORT .....	IX
FINANCIAL STATEMENT	
DIRECTORY OF SALES OFFICE	

## FUND INFORMATION

Fund Name	Affin Hwang Total Return Fund
Fund Type	Income & Growth
Fund Category	Derivatives (Wholesale)
Investment Objective	The Fund seeks to provide total return over the medium to long-term investment horizon.
Benchmark	USD Libor 3 months +1.5%
Distribution Policy	The Fund is expected to provide annual distribution subject to the availability of income.

## BREAKDOWN OF UNITHOLDERS BY USD CLASS SIZE AS AT 31 MAY 2020

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	0	0
5,001 to 10,000	0	0
10,001 to 50,000	6	298
50,001 to 500,000	8	1,150
500,001 and above	4	7,162
<b>Total</b>	<b>18</b>	<b>8,610</b>

\* Note: Excluding Manager's stock

## FUND PERFORMANCE DATA

Category	As at 31 May 2020 (%)
Portfolio Composition	
<b>Unquoted derivative – total return swap</b>	<b>99.79</b>
<b>Cash &amp; cash equivalent</b>	<b>0.21</b>
<b>Total</b>	<b>100.00</b>
Currency class	USD Class
Total NAV (in million)	8.120
NAV per unit (in respective currencies)	0.9378
Unit in Circulation (million)	8.659
Highest NAV	1.0141
Lowest NAV	0.7788
Return of the Fund (%) <sup>iii</sup>	-6.22
- Capital Return (%) <sup>i</sup>	-6.22
- Income Return (%) <sup>ii</sup>	Nil
Gross Distribution per Unit (sen)	Nil
Net Distribution per Unit (sen)	Nil
Management Expenses Ratio (%)	0.61
Portfolio Turnover Ratio (times)	1.07

### **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	=	Capital return x Income return – 1

## MANAGER'S REPORT

### Income Distribution / Unit Split

No income distributions or unit splits were declared for the financial year ended 31 May 2020.

### Performance Review

For the period 10 January 2020 to 31 May 2020, the Fund has registered a -6.22% return as compared to the benchmark return of 1.04%. The Fund thus underperformed the benchmark by 7.26 percentage points. The Net Asset Value (NAV) per unit of the Fund as at 31 May 2020 was USD 0.9378 while the 9 January 2020 was USD1.0000.

Over the period under review, the Fund has not met its objective of providing total return over the medium to long-term investment horizon. We will strive to manage the Fund in a manner to fulfil its objective.

Table 1: Performance of the Fund

	<b>Since Commencement</b> <b>(10/1/20 - 31/5/20)</b>
<b>Fund</b>	<b>(6.22%)</b>
<b>Benchmark</b>	<b>1.04%</b>
<b>Outperformance / (Underperformance)</b>	<b>(7.26%)</b>

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	<b>Since Commencement</b> <b>(10/1/20 - 31/5/20)</b>
<b>Fund</b>	<b>(15.12%)</b>
<b>Benchmark</b>	<b>2.68%</b>
<b>Outperformance / (Underperformance)</b>	<b>(17.80%)</b>

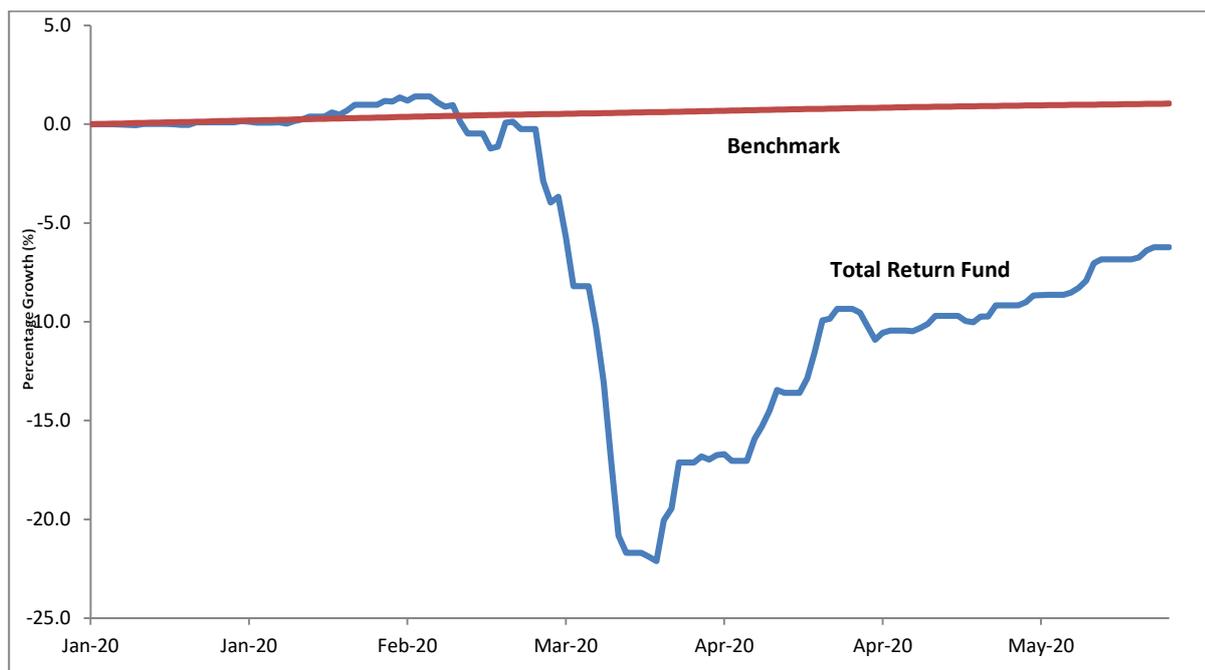
Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	<b>FYE 2020</b> <b>(10/1/20 - 31/5/20)</b>
<b>Fund</b>	<b>(6.22%)</b>
<b>Benchmark</b>	<b>1.04%</b>
<b>Outperformance / (Underperformance)</b>	<b>(7.26%)</b>

Source of Benchmark: Bloomberg

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 Bloomberg."*

Benchmark: USD LIBOR 3M +1.5%

**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**

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

During the period under review, the Fund remained highly invested with 99.79% of the Fund's NAV invested in derivatives – total return swap that provides exposures to hard currencies fixed income, while cash level of the Fund stood at 0.21% over the same period.

### **Strategies Employed**

The Fund invests in total return swap that provides exposures to hard currencies fixed income fund.

### **Market Review**

Global markets got off to a rocky start in 2020 as benchmark gauges reeled from contagion fears as a result of the coronavirus outbreak. The Hong Kong Hang Seng index tumbled 6.7% in January, whilst the broader MSCI Asia ex-Japan index fell 4.5%. The World Health Organization declared a global health emergency as soon as the coronavirus outbreak has claimed the lives of at least 300 people with rates of infection rapidly increasing.

The global equities trended even lower in February as risk assets continue to reel from the impact of the Covid-19 outbreak which sent chills to investors. The rapid spread of the infection outside of China with new cases springing in Italy, South Korea and Iran led to a rush towards safe haven assets with US Treasury yields dipping to record lows. The S&P 500 index tumbled 8.4%, whilst the index Dow Jones closed 10.1% lower in the month. The broader MSCI Asia ex-Japan index fell 2.9%.

Coming into March, the global markets faced a washout, as few asset classes were spared from the selloff due to the pandemic fears as infection rates continue to escalate rapidly. The MSCI Asia ex-Japan index closed 12.2% lower in the month and is down 18.6% YTD. In the US, the S&P 500 index closed 12.5% lower and is down by 20% YTD. The global death toll caused by the pandemic surpassed 50,000 as at end of March. In an attempt to stem the fallout from the coronavirus, major economies led by the US has introduced an unprecedented US\$2 trillion relief package to cushion its economy.

The relief package comes as the US also reports the most number of Covid-19 cases, making it the country with the largest outbreak in the world surpassing that of Italy and China. The number of confirmed Covid-19 cases in the US exceeded the grim 100,000 mark as testing is ramped-up in the country and the administration begins to acknowledge the severity of the outbreak and impose more drastic lockdown measures.

However, global equities staged a rebound in April as markets looked past recent softness in economic data and were instead buoyed by stimulus optimism as well as encouraging developments on the COVID-19 front. The rally was fuelled by a volley of stimulus measures rolled out by major central banks including an expansion package by the US Federal Reserve and the European Union (EU). The S&P 500 index advanced by 8.8% in the month; while positive effects were also felt in Asia in which the Hong Kong Hang Seng and the broader MSCI Asia ex-Japan index rose by 4.4% and 8.9% respectively.

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

On commodities, crude oil prices slid 8.0% in April as production cuts agreed by OPEC+ disappointed markets. The supply cuts were unlikely to be sufficient to mitigate the sharp collapse in demand which has also seen depleting storage space in the industry.

On the domestic front, the benchmark KLCI fell by 3% in February as the country plunged into political turmoil which ultimately culminated in the appointment of Tan Sri Muhyiddin Yassin as the eighth Prime Minister, from the Perikatan Nasional coalition (UMNO, PAS, Bersatu and a splinter faction of PKR). The appointment was announced by Istana Negara amidst shifting political allegiances and frantic horse-trading across the ruling and opposition coalitions.

In May, the benchmark KLCI rose 4.7% buoyed by positive sentiment and surge in momentum. Retail investors have piled into the local stock market as trading volumes reach new highs. Malaysia released its first quarterly GDP print. Malaysia's economic growth slowed to 0.7% in the 1Q2020 which is its slowest pace of growth since 2009. Most sectors of the economy contracted except for private consumption which was likely supported by additional spending during the Chinese New Year festivities.

Moving into the 2Q2020, economic growth will likely come off even more sharply as the quarter captures the full impact of the movement control order (“MCO”) period where most businesses were temporarily shuttered. Against a challenging backdrop for the economy, the full year GDP growth forecast is expected to shrink between -5.0% and 0.7% in 2020.

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

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

The budget deficit is expected to widen with the new stimulus package. The government will have to tap into the country's coffers including relying on dividend payments from GLCs like Petronas to help fund the package. However, this also comes on the back of depressed oil prices that may put additional fiscal constraints.

Recent placement exercises by Tenaga Nasional Bhd (“TNB”) and Serba Dinamik Holdings Bhd point to strong appetite. Khazanah raised RM1 billion from TNB placement (3x oversubscribed) while Serba Dinamik raised RM456.7 million (1.5x oversubscribed). We could see more placement exercises in the market with ample liquidity on the side-lines as most funds are sitting on decent amounts of cash.

## **Investment Outlook**

Economic lockdowns have triggered a rapid and sharp decline in growth. It may take time for the global economy and corporates to recover back to pre-COVID-19 levels. Though, massive stimulus from central banks and governments will help alleviate economic pain.

Although the number of daily new cases may rise again as economies re-open, we are seeing a number of positive developments that may help prevent infection and mortality rates from rising back to its peak in March/April for many countries. The general public is much more careful now by wearing masks in public areas and maintaining hygiene as they adapt to a new normal. Thus, behavioural changes within society can help to stem the spread of infection.

The supply of masks and PPEs are also much higher today than a few months ago as manufacturers increase production to meet demand. Hospitals and medical facilities are also much more prepared after increasing ICU beds and ventilators. Governments have also ramped-up contact tracing capabilities that will help in the process of reopening economies. The research and development process to find a cure is also gathering pace with a number of vaccines already in Phase 3 trials. With a better medical arsenal to combat against the pandemic, expectations are that the second wave will not result in higher mortality rates unlike past pandemics.

## **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 not been carried out during the reported period.

## **TRUSTEE'S REPORT TO THE UNITHOLDERS OF AFFIN HWANG TOTAL RETURN FUND**

We, **CIMB Commerce Trustee Berhad** being the trustee of **Affin Hwang Total Return Fund** ("the Fund"), are of the opinion that **Affin Hwang Asset Management Berhad** ("the Manager"), acting in the capacity as Manager of the Fund, has fulfilled its duties in the following manner for the financial period from 25 November 2019 (Date of Launch) to 31 May 2020.

In our opinion:

- a) The Fund has been managed in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Deeds, the Securities Commission Malaysia's Guidelines on Unlisted Capital Market Product under the Lodge and Launch Framework, the Capital Markets and Services Act, 2007 (as amended from time to time) and other applicable laws;
- b) Valuation and pricing of units of the Fund has been carried out in accordance with the Deed and relevant regulatory requirements;
- c) The creation and cancellation of units have been carried out in accordance with the Deed and the relevant regulatory requirements

For and on behalf of  
**CIMB Commerce Trustee Berhad**

**Lee Kooi Yoke**  
Chief Executive Officer

Kuala Lumpur, Malaysia  
15 July 2020

**AFFIN HWANG TOTAL RETURN FUND**

**FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH)  
TO 31 MAY 2020**

3210A0/nor

# **AFFIN HWANG TOTAL RETURN FUND**

## **FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH)  
TO 31 MAY 2020**

<b>CONTENTS</b>	<b>PAGE(S)</b>
STATEMENT OF COMPREHENSIVE INCOME	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF CHANGES IN EQUITY	3
STATEMENT OF CASH FLOWS	4
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	5 - 11
NOTES TO THE FINANCIAL STATEMENTS	12 - 26
STATEMENT BY THE MANAGER	27
INDEPENDENT AUDITORS' REPORT	28 – 31

## AFFIN HWANG TOTAL RETURN FUND

### STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020

	<u>Note</u>	Financial period from 25.11.2019 (date of launch) to <u>31.5.2020</u> USD
<b>INVESTMENT LOSS</b>		
Net loss on derivative at fair value through profit or loss	8	(797,755)
		<u>(797,755)</u>
<b>EXPENSES</b>		
Management fee	4	(29,390)
Trustee fee	5	(1,176)
Auditors' remuneration		(2,301)
Tax agent's fee		(806)
Fund accounting fee	6	(703)
Other expenses		(688)
		<u>(35,064)</u>
<b>NET LOSS BEFORE TAXATION</b>		(832,819)
Taxation	7	-
<b>NET LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD</b>		<u><u>(832,819)</u></u>
Net loss after taxation is made up of the following:		
Realised amount		(60,488)
Unrealised amount		(772,331)
		<u><u>(832,819)</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 TOTAL RETURN FUND

### STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2020

	<u>Note</u>	As at <u>31.5.2020</u> USD
<b>ASSETS</b>		
Cash and cash equivalents		27,903
Derivative at fair value through profit or loss	8	8,102,669
<b>TOTAL ASSETS</b>		<u>8,130,572</u>
<b>LIABILITIES</b>		
Amount due to Manager - management fee		6,733
Amount due to Trustee		269
Auditors' remuneration		2,301
Tax agent's fee		806
Other payable and accruals		460
<b>TOTAL LIABILITIES</b>		<u>10,569</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>8,120,003</u>
<b>EQUITY</b>		
Unitholders' capital		8,952,822
Accumulated losses		(832,819)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>8,120,003</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	9	<u>8,659,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.9378</u>

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

## AFFIN HWANG TOTAL RETURN FUND

### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020

	Unitholders' <u>capital</u> RM	Accumulated <u>losses</u> RM	<u>Total</u> RM
Balance as at 25 November 2019 (date of launch)	-	-	-
Total comprehensive loss for the financial period	-	(832,819)	(832,819)
Movement in unitholders' capital:			
Creation of units arising from applications	10,546,513	-	10,546,513
Cancellation of units	(1,593,691)	-	(1,593,691)
Balance as at 31 May 2020	<u>8,952,822</u>	<u>(832,819)</u>	<u>8,120,003</u>

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

## AFFIN HWANG TOTAL RETURN FUND

### STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020

	Financial period from 25.11.2019 (date of launch) to <u>31.5.2020</u> USD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Proceeds from sales of investments	1,650,000
Purchase of investments	(10,525,000)
Management fee paid	(22,657)
Trustee fee paid	(907)
Payment for other fees and expenses	(931)
Interest expense paid on total return swap	(25,424)
	<hr/>
Net cash used in operating activities	(8,924,919)
	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from creation of units	10,546,513
Payments for cancellation of units	(1,593,691)
	<hr/>
Net cash generated from financing activities	8,952,822
	<hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	27,903
<b>EFFECTS OF FOREIGN CURRENCY EXCHANGE</b>	-
<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>	27,903
	<hr/> <hr/>

Cash and cash equivalents as at 31 May 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 TOTAL RETURN FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020**

The following accounting policies have been used in dealing with items which are considered material in relation to the financial statements.

#### **A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements have been prepared under the historical cost convention, except as disclosed in the summary of significant accounting policies and comply with Malaysian Financial Reporting Standards, International Financial Reporting Standards (“MFRS”).

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

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

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

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

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

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

- Amendments to MFRS 3 ‘Definition of a Business’ (effective 1 January 2020) revise the definition of a business.

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.

#### **B INCOME RECOGNITION**

##### Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

## **AFFIN HWANG TOTAL RETURN FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (CONTINUED)**

#### **C TAXATION**

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

Withholding taxes on investment income from foreign investment are based on tax regime of the respective countries that the Fund invests in. Such withholding taxes are not “income tax” in nature and are recognised, measured based on the requirements of MFRS 137. They are presented within other expenses line in the statement of comprehensive income.

#### **D FUNCTIONAL AND PRESENTATION CURRENCY**

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

#### **E FOREIGN CURRENCY TRANSLATIONS**

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

#### **F 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. Consequently, all 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 consisting of the amount outstanding.

## **AFFIN HWANG TOTAL RETURN FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (CONTINUED)**

#### **F FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

(i) Classification (continued)

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.

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

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

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

Derivatives investments consist of total return swap. Financial derivatives position will be “marked-to-market” at the close of each valuation day. Foreign exchange gain and losses on the derivatives financial instruments are recognised in profit or loss when settled or at the date of the statement of financial position at which they are included in the measurement of the derivative financial instrument.

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

(iii) Impairment

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

## AFFIN HWANG TOTAL RETURN FUND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (CONTINUED)

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

##### (iii) Impairment (continued)

###### 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 truly 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.

#### G CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances which are subject to an insignificant risk of change in value.

## **AFFIN HWANG TOTAL RETURN FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (CONTINUED)**

#### **H UNITHOLDERS' CAPITAL**

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

- the units entitle the holder to a proportionate share of the Fund's net asset value ("NAV");
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

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

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

#### **I DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

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

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

The valuation methodology used by the Fund in determining the fair value of the total return swap is outlined in Note 3 to the financial statements.

## **AFFIN HWANG TOTAL RETURN FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (CONTINUED)**

#### **J CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

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

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

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the Securities Commission's ("SC") Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

##### (a) Functional currency

Due to mixed factors in determining the functional currency of the Fund, the Manager has used its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have determined the functional currency to be in USD primarily due to the following factors:

- i) The Fund's sole investment is in a total return swap denominated in USD.
- ii) Significant portion of the Fund's cash denominated in USD for the purpose of making settlement of foreign trades and expenses.
- iii) Significant portion of the Fund's expenses are denominated in USD.

##### (b) Fair value of total return swap

The Fund invests in a total return swap which is not quoted in active markets. The fair value of such instrument is determined by using valuation techniques set out in Note 3 of the financial statements.

Models use observable data, to the extent practicable. However, unobservable inputs such as the cost of leverage require management to make estimates. Changes in assumptions about this factor could affect the reported fair value of the total return swap. The sensitivity to unobservable inputs is based on management's expectation of a reasonable possible shift in these inputs, taking into consideration historical data and estimations of future market movements.

For the total return swap, an increase in the cost of leverage would lead to a decrease in fair value, and vice versa.

## **AFFIN HWANG TOTAL RETURN FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (CONTINUED)**

#### **K REALISED AND UNREALISED PORTIONS OF PROFIT OR LOSS AFTER TAX**

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

## **AFFIN HWANG TOTAL RETURN FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020**

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

The Wholesale Fund was constituted under the name Affin Hwang Total Return Fund (the “Fund”) pursuant to the execution of a Deed dated 8 November 2019 (the “Deed”) entered into between Affin Hwang Asset Management Berhad (the “Manager”) and CIMB Commerce Trustee Berhad (the “Trustee”).

The Fund commenced operations on 9 January 2020 and will continue its operations until terminated by the Trustee as provided under Clause 11.3 of the Deeds.

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

- (a) Derivatives;
- (b) Deposits;
- (c) Money market instruments;
- (d) Structured products; and
- (e) Any other form of investments as may be determined by the Manager from time to time that is in line with the Fund’s objective.

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 total return over the medium to long-term investment horizon.

The Manager is a company incorporated in Malaysia. The principal activities of the Manager are establishment and management of unit trust funds, exchange-traded funds and private retirement schemes as well as providing fund management services to private clients.

The financial statements were authorised for issue by the Manager on 15 July 2020.

## AFFIN HWANG TOTAL RETURN FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (CONTINUED)

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

Financial instruments are as follows:

	<u>Note</u>	At amortised cost USD	At fair value through profit or loss USD	Total USD
<u>As at 31.5.2020</u>				
<u>Financial assets</u>				
Unquoted derivatives				
- total return swap	8	-	8,102,669	8,102,669
Cash and cash equivalents		27,903	-	27,903
Total		<u>27,903</u>	<u>8,102,669</u>	<u>8,130,572</u>
<u>Financial liabilities</u>				
Amount due to Manager				
- management fee		6,733	-	6,733
Amount due to Trustee		269	-	269
Auditors' remuneration		2,301	-	2,301
Tax agent's fee		806	-	806
Other payables and accruals		460	-	460
Total		<u>10,569</u>	<u>-</u>	<u>10,569</u>

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

## AFFIN HWANG TOTAL RETURN FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (CONTINUED)

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

##### Market risk (continued)

##### (a) Currency risk

Currency risk is associated with investments denominated in foreign currencies. When the foreign currencies fluctuate in an unfavourable movement against United States Dollar, the investments will face currency losses in addition to the capital gain/loss. The Manager will evaluate the likely directions of a foreign currency versus United States Dollar 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:

	<u>Other payables*</u> USD	<u>Total</u> USD
<u>As at 31.5.2020</u>		
<u>Financial liabilities</u>		
Malaysian Ringgit	3,567	3,567

\* Other payables consists of auditor's remuneration, tax agent's fee and other accruals

## AFFIN HWANG TOTAL RETURN FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (CONTINUED)

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

##### Market risk (continued)

##### (c) Currency risk (continued)

The table below summarises the sensitivity of the Fund's profit after tax and net asset value to changes in foreign exchange movements. The analysis is based on the assumption that the foreign exchange rate changes based on each currency's respective historical volatility, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Any increase/ (decrease) in foreign exchange rate will result in a corresponding (decrease)/ increase in the net assets attributable to unitholders by 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 profit after tax/ NAV</u> USD
<u>As at 31.5.2020</u>		
Malaysian Ringgit	+/-5.40	<u><u>-/+ 193</u></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 payment and cancellations of unit by unitholders, liquid assets comprise cash, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 days.

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

## AFFIN HWANG TOTAL RETURN FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (CONTINUED)

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

##### Liquidity risk (continued)

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

	<u>Within one month USD</u>	<u>Between one month to one year USD</u>	<u>Total USD</u>
<u>As at 31.5.2020</u>			
Amount due to Manager			
- management fees	6,733	-	6,733
Amount due to Trustee	269	-	269
Auditors' remuneration	-	2,301	2,301
Tax agent fee	-	806	806
Other payables and accruals		460	460
	<u>7,002</u>	<u>3,567</u>	<u>10,569</u>

##### Credit risk

The settlement terms of amount due from brokers are governed by the relevant rules and regulations as prescribed by the respective stock exchanges.

Credit risk arising from placements of deposits in licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

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

	<u>Unquoted derivatives - total return swap USD</u>	<u>Cash and cash equivalents USD</u>	<u>Total USD</u>
<u>As at 31.5.2020</u>			
Financial services			
- AAA	<u>8,102,669</u>	<u>27,903</u>	<u>8,130,572</u>

## **AFFIN HWANG TOTAL RETURN FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (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 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 the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

##### (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)

## AFFIN HWANG TOTAL RETURN FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (CONTINUED)

#### 3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

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

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

	<u>Level 1</u> USD	<u>Level 2</u> USD	<u>Level 3</u> USD	<u>Total</u> USD
<u>As at 31.5.2020</u>				
Financial assets at fair value through profit or loss				
- total return swap	-	-	8,102,669	8,102,669

## AFFIN HWANG TOTAL RETURN FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (CONTINUED)

#### 3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

Level 3 instruments

The Fund invests in a total return swap by the Structurer and is valued on a daily basis. These investment classified within Level 3 have significant unobservable inputs, as they are traded infrequently. As observable prices are not available for these securities, the Fund has used valuation techniques to derive the fair value.

The total return swap provides an enhanced exposure to the Reference Fund. 100% of the initial investment of the Fund into the total return swap would provide the Fund with enhanced notional to the Reference Fund up to 200% of the Fund's notional size as compared to a direct investment into the Reference Fund. The returns from the total return swap would refer to the performance of its underlying over a set period.

Costs associated with the purchase of the total return swap includes cost of leverage. Cost of leverage are charges imposed by the structurer of the derivatives in order to provide enhanced exposure as compared to a direct investment. Such costs are usually variable and dependent on the prevailing London Inter-Bank Offer Rate ("LIBOR"). Cost of leverage are already factored in the purchase of such assets and may vary over time depending on market conditions.

In determining the valuation, the Structurer utilises risk management models based on probability testing. The model utilises market observable input factors such as interest rate levels, NAV of the reference fund and leverage ratio; and combine them with the Structurer's own unobservable quantitative inputs such as cost of leverage. These market observable quantitative inputs and in-house assumptions are then typically put through a valuation process whereby the Structurer is able to arrive at a reasonable level which is used as the mark to market valuation for the swap.

The description of unobservable inputs in the option valuation:

- The cost of leverage is expressed as a spread over a relevant USD reference rate. The spread is a function of the swap structurer's cost of borrowing associated with having to purchase the underlying fund for hedging purposes. The cost of leverage is subject to change according to general market conditions and the swap structurer's borrowing capacity.

The sensitivity of fair value valuation for the swap to unobservable inputs are not static and can vary substantially depending on the Structurer's assumptions.

If the cost of leverage used in the valuation decreases or increases by 1%, the impact on profit or loss would be an increase of USD 2,796 and a decrease of USD 2,796 in fair value respectively.

## AFFIN HWANG TOTAL RETURN FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (CONTINUED)

#### 3 FAIR VALUE ESTIMATION (CONTINUED)

(ii) Fair value hierarchy (continued)

Level 3 instruments (continued)

The following table presents the movements in Level 3 instruments for the financial year ended 31 May 2020:

	<u>USD</u>
At 25 November 2019 (date of launch)	-
Purchase of investment	10,525,000
Sale/reduction	(1,650,000)
Net change in fair value on financial assets at fair value through profit or loss	(772,331)
	<u>8,102,669</u>

(iii) The carrying values of cash and cash equivalents and all current liabilities 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 5.00% per annum on the NAV of the Fund calculated on a daily basis.

For the financial period from 25 November 2019 (date of launch) to 31 May 2020, management fee is recognised at a rate of 1.00% 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, excluding of foreign custodian fees and charges.

For the financial period from 25 November 2019 (date of launch) to 31 May 2020, the Trustee's fee is recognised at a rate of 0.04% 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 Trustee in respect of Trustee fee other than the amounts recognised above.

## AFFIN HWANG TOTAL RETURN FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (CONTINUED)

#### 6 FUND ACCOUNTING FEE

Effective 1 January 2020, the annual fund valuation and accounting fee for the Fund is RM12,000 (USD 2,762) per annum.

#### 7 TAXATION

	Financial period from 25.11.2019 (date of launch) to <u>31.5.2020</u> USD
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 25.11.2019 (date of launch) to <u>31.5.2020</u> USD
Net loss before taxation	<u>(832,819)</u>
Tax at Malaysian statutory rate of 24%	(199,877)
Tax effects of:	
Investment loss not brought to tax	191,461
Expenses not deductible for tax purposes	681
Restriction on tax deduction expenses for Wholesale Funds	7,735
Tax expense	<u>-</u>

## AFFIN HWANG TOTAL RETURN FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (CONTINUED)

#### 8 DERIVATIVE AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at <u>31.5.2020</u> USD
Derivative at fair value through profit or loss:	
- total return swap	8,102,669
	<u>8,102,669</u>
Net loss on financial asset at fair value through profit or loss:	
- realised loss on investment	(25,424)
- unrealised loss on changes in fair value	(772,331)
	<u>(797,755)</u>

(a) Unquoted derivative – total return swap

(i) Unquoted derivative – total return swap as at 31 May 2020 is as follows:

<u>Name of issuer</u>	<u>Quantity</u>	Adjusted <u>cost</u> USD	Fair <u>value</u> USD	Percentage <u>of NAV</u> %
<u>Total return swap</u>				
Total return swap	8,875,000	8,875,000	8,102,669	99.79
	<u>8,875,000</u>	<u>8,875,000</u>	<u>8,102,669</u>	<u>99.79</u>
Total unquoted Derivative – total return swap		(772,331)		
Accumulated unrealised loss on unquoted derivative – total return swap		<u>(772,331)</u>		
Total unquoted derivative – total return swap		<u>8,102,669</u>		

## AFFIN HWANG TOTAL RETURN FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (CONTINUED)

#### 9 NUMBER OF UNITS IN CIRCULATION

	As at <u>31.5.2020</u> No. of units
At 25 November 2019 (date of launch)	-
Creation of units arising from applications	10,661,000
Cancellation of units	<u>(2,002,000)</u>
At the end of the financial period	<u><u>8,659,000</u></u>

#### 10 TRANSACTIONS WITH DEALERS

- (i) Details of transaction with the dealers for the financial period from 25 November 2019 (date of launch) to 31 May 2020 are as follows:

<u>Name of dealers</u>	<u>Value of trade</u> USD	<u>Percentage of total trade</u> %
CIMB Bank Berhad	<u>12,175,000</u>	<u>100.00</u>

## AFFIN HWANG TOTAL RETURN FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (CONTINUED)

#### 10 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

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

<u>Related parties</u>	<u>Relationships</u>
Affin Hwang Asset Management Berhad	The Manager
Affin Hwang Investment Bank Berhad	Holding company of the Manager
Affin Bank Berhad (“ABB”)	Ultimate holding company of the Manager
Subsidiaries and associates of ABB as disclosed in its financial statements	Subsidiary and associated companies of the ultimate holding company of the Manager

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

	<u>2020</u>
<u>The Manager:</u>	<u>No. of units</u> <u>USD</u>
Affin Hwang Asset Management Berhad (the units are held legally for booking purposes)	49,353      46,284

## AFFIN HWANG TOTAL RETURN FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (CONTINUED)

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

	Financial period from 25.11.2019 (date of launch) to <u>31.5.2020</u> USD
MER	<u>0.61</u>

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial period from 25 November 2019 (date of launch) to 31 May 2020 calculated on a daily basis is USD5,709,452.

## AFFIN HWANG TOTAL RETURN FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 25 NOVEMBER 2019 (DATE OF LAUNCH) TO 31 MAY 2020 (CONTINUED)

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

	Financial period from 25.11.2019 (date of launch) to <u>31.5.2020</u> USD
PTR (times)	<u>1.07</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 = USD10,525,000  
total disposal for the financial period = USD1,650,000

#### 13 COMPARATIVES

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

#### 14 SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD

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 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 TOTAL RETURN FUND**

### **STATEMENT BY THE MANAGER**

I, Teng Chee Wai, for and on behalf of the board of directors of the Manager, **Affin Hwang Asset Management Berhad**, do hereby state that in the opinion as the Manager, the financial statements set out on pages 1 to 26 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 May 2020 and of its financial performance, changes in equity and cash flows for the financial period from 25 November 2019 (date of launch) to 31 May 2020 in accordance with the Malaysia Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,  
**AFFIN HWANG ASSET MANAGEMENT BERHAD**

**TENG CHEE WAI**  
**EXECUTIVE DIRECTOR/MANAGING DIRECTOR**

Kuala Lumpur  
16 July 2020

## INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG TOTAL RETURN FUND

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Our Opinion

In our opinion, the financial statements of Affin Hwang Total Return Fund give a true and fair view of the financial position of the Fund as at 31 May 2020 and of its financial performance and its cash flows for the financial period from 25 November 2019 (date of launch) to 31 May 2020 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 31 May 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial period from then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 26.

#### 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' Code of Ethics for Professional Accountants ("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 TOTAL RETURN FUND  
(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.

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 TOTAL RETURN FUND  
(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 judgement 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 Fund'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 TOTAL RETURN FUND  
(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  
16 July 2020**

## **DIRECTORY OF SALES OFFICE**

### **HEAD OFFICE**

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

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

### **PENANG**

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

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

### **PERAK**

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

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

### **MELAKA**

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

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

### **JOHOR**

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

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

### **SABAH**

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

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

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

### **SARAWAK**

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

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

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

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

[www.affinhwangam.com](http://www.affinhwangam.com)

Affin Hwang Asset Management Berhad  
199701014290 (429786-T)