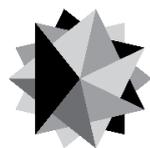


Affin Hwang

Total Return Fund

Annual Report
31 May 2021

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 Ended 31 May 2021

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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 2021

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	4	184
50,001 to 500,000	8	1,323
500,001 and above	4	12,637
Total	16	14,144

* Note: Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 31 May 2021 (%)	As at 31 May 2020 (%)
Portfolio Composition		
Unquoted derivative – total return swap	99.76	99.79
Cash & cash equivalent	0.24	0.21
Total	100.00	100.00
Currency class	USD Class	USD Class
Total NAV (in million)	15.107	8.120
NAV per unit (in respective currencies)	1.0646	0.9378
Unit in Circulation (million)	14.190	8.659
Highest NAV	1.0828	1.0141
Lowest NAV	0.9372	0.7788
Return of the Fund (%) ⁱⁱⁱ	13.52	-6.22
- Capital Return (%) ⁱ	13.52	-6.22
- Income Return (%) ⁱⁱ	Nil	Nil
Gross Distribution per Unit (sen)	Nil	Nil
Net Distribution per Unit (sen)	Nil	Nil
Management Expenses Ratio (%) ¹	1.09	0.61
Portfolio Turnover Ratio (times) ²	0.32	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

¹ The Fund's MER was higher than previous year due to higher expenses incurred for the Fund for the financial year.

² The Fund's PTR was lower than previous year due to higher average NAV of the Fund for the financial year.

MANAGER'S REPORT

Income Distribution / Unit Split

No income distributions or unit splits were declared for the financial year ended 31 May 2021.

Performance Review

For the period 1 June 2020 to 31 May 2021, the Fund registered a 13.52% return compared to the benchmark return of 1.72%. The Fund thus outperformed the Benchmark by 11.80%. The Net Asset Value per unit ("NAV") of the Fund as at 31 May 2021 was USD1.0646 while the NAV as at 31 May 2020 was USD0.9378.

Since commencement, the Fund has registered a return of 6.46% compared to the benchmark return of 2.78%, outperforming by 3.68%. The Fund has met its investment objective.

Table 1: Performance of the Fund

	1 Year (1/6/20 - 31/5/21)	Since Commencement (10/1/20 - 31/5/21)
Fund	13.52%	6.46%
Benchmark	1.72%	2.78%
Outperformance	11.80%	3.68%

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	1 Year (1/6/20 - 31/5/21)	Since Commencement (10/1/20 - 31/5/21)
Fund	13.52%	4.60%
Benchmark	1.72%	1.99%
Outperformance	11.80%	2.61%

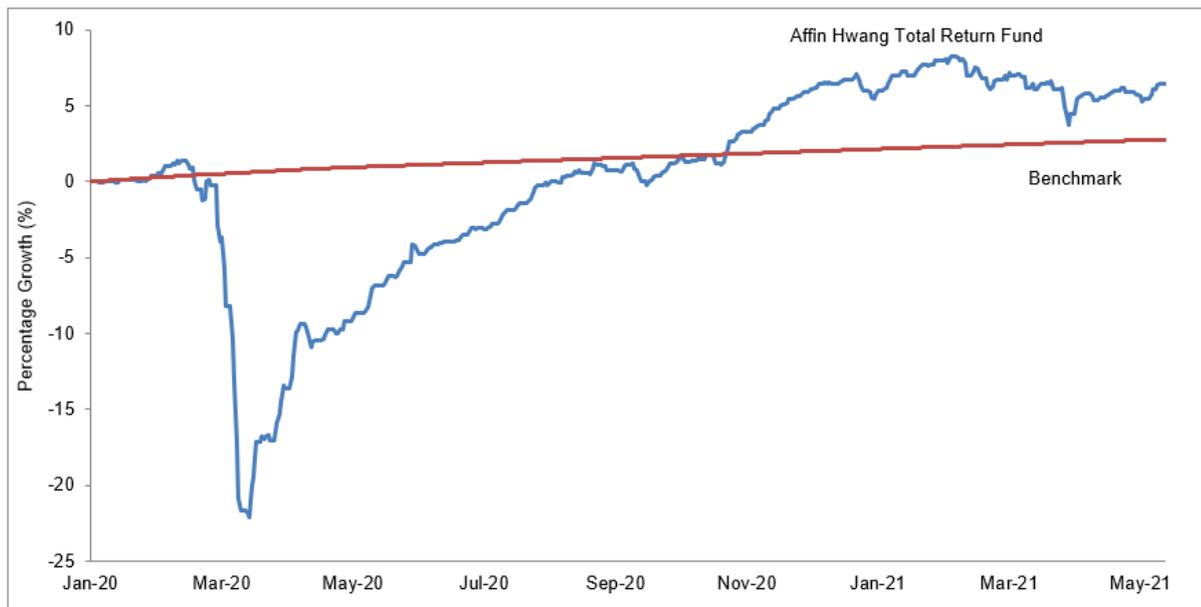
Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	FYE 2021 (1/6/20 - 31/5/21)	FYE 2020 (10/1/20 - 31/5/20)
Fund	13.52%	(6.22%)
Benchmark	1.72%	1.04%
Outperformance	11.80%	(7.26%)

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 3 months +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 99.76% 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 0.24% 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 equities started 2021 on a strong note as policy easing, and global vaccine rollouts went underway. At the start of January, US markets saw strong optimism. The storming of the US Capitol in early January had little effect over the broader market. However, a black swan event at the end of the month saw retail investors selectively targeting underperforming stocks (e.g. GME and AMC) that resulted in a short squeeze and pushing their share prices to new highs.

US equity markets ended the month of February with modest gains though sentiment was tested as surging bond yields and inflation fears took precedence. Whilst equities and bonds tend to move in opposite directions, the reality is that equity outperformance in the past year has largely come from growth-centric stocks and "stay at home" trades, which were facing short-term squeezes on their profit margins from rising rates. Another factor is the shift from growth to value, with value stocks performing better over the period.

Global equities endured a mixed session in March as US-China tensions boiled over dampening sentiment. The S&P 500 index rose 4.4% higher as the latest US labour data showed signs of a rebound. In Asia, the

MSCI Asia ex-Japan index fell 2.5% as increased regulatory scrutiny prompted a selloff in Chinese technology stocks. The Hong Kong Hang Seng index dropped 1.8% in March. With recovery still in a fragile state, global central banks including the Fed are expected to keep monetary policy accommodative to nurse the economy through the pandemic. Meanwhile, rising bond yields continue to unsettle markets. Earnings season continues with technology and banking stocks leading way in terms of results. Banks are enjoying higher trading fees and lower provision costs as the economy gradually regains its footing.

Global markets shrugged off inflation fears to climb higher in June as investors start to buy-in to the Fed's dovish testimony. The S&P 500 index closed 2.4% higher reaching an all-time high of 4,280.70 points in the last week of the month. The Nasdaq index rose 5.6% buoyed by stimulus optimism after early indication of bipartisan support of the proposed US\$1.2 trillion infrastructure bill in the US Congress.

US Fed Chair, Jerome Powell testified in the House of Representatives to reiterate the central bank's view that inflation is transitory and that the FOMC will not rush to hike rates. The yield on the 10-year Treasury note tumbled from 1.60% to close at 1.46% in June as the Fed affirmed that it would not pre-emptively hike rates before signs of a recovery.

In Asia, the MSCI Asia ex-Japan index was marginally weaker down 1.1% in June as sentiment was dampened on geopolitical tensions and consolidation seen in China's economy. The Group of Seven ("G7") nations and North Atlantic Treaty Organisation ("NATO") held its annual summit in June with political leaders from US and Europe vowing to toughen its stance on China.

China had also reported weaker than expected retail sales and industrial production data. Industrial production grew 8.8% y-o-y in May, which came below consensus expectations of 9.2%. Weaker upstream production as well as a power shortage in the Yunnan province which is an aluminium production hub led to lower factory output. May retail sales which rose 12.4% y-o-y also fell market expectations of 14.0%. However, weaker economic data could push back any chance of further tightening in China as policymakers look to sustain growth.

The commodity market saw multiple consecutive periods of increased market inflow, particularly across crude oil, grain & oilseed, and livestock markets in January. This rally continued in February, as copper saw its largest monthly gain in over four years and oil prices hitting new one-year highs. The S&P GSCI posted a return on 14.15% in the quarter. Overall, the commodities saw strong return in 1H2021, buoyed by vaccination programs and normalization of the economy.

In February and March, the local equity market's performance was muted relative to regional peers, gaining by 0.8% and 1.0% in the respective months. February was also results season in the local market, with the tech sector largely reporting earnings beat on the back of robust demand. Meanwhile, Finance Minister Tengku Zafrul clarified in an interview that the government is not looking to impose capital gains tax on stocks. The government is mulling new taxes to widen its revenue base once the economy is on a more stable footing.

The Malaysian bond market saw an unwinding of "rate cut" bets at the end of January following BNM's announcement to keep interest rates unchanged at 1.75% highlighting that recovery of the local economy was underway. The shorter-end of the MGS curve saw yields rise whilst longer-tenured papers remained resilient that month.

Yields trended higher in tandem with US treasury movement in the quarter. Undoubtedly, the performance of the local bond market has been subpar since the start of the year; especially given the volatility in US Treasury yields, as well as the lack of support from EPF due to its ongoing commitment to the i-Sinar and i-Lestari programme. However, we were seeing some demand returning in March, as more investors – including insurance players and asset managers – are seen nibbling into the market given the more attractive yield levels.

Benchmark KLCI fell 3.2% in June as daily new COVID-19 cases remain stubbornly high. Phase One of the movement control under the National Recovery Plan ("NRP"), which was initially scheduled to end on 28 June 2021 has been extended as cases has not fallen below the 4,000 threshold.

To provide aid to affected communities and businesses, the government unveiled the PEMULIH stimulus package worth RM150 billion. However, the direct fiscal injection of the stimulus package amounts to RM10 billion which includes cash handouts targeted at lower income groups as well as salary subsidies. The Prime Minister also announced an opt-in blanket loan moratorium for individual borrowers as well as the i-Citra initiative to allow contributors to withdraw up to RM5,000 from their EPF as a lifeline for households.

The local bond market was similarly in a cautious mood ahead of the Fed's meeting and persistently high cases in the country. The 10-year MGS benchmark yield edged 7bps higher in the month to close at 3.28%. Malaysia's GDP forecast was slashed from 6.0% to 4.0% given the extension in lockdown.

With that, fiscal deficit is expected to breach above the government's target of 6.0%. With the newly unveiled PEMULIH stimulus package, we could see the debt ceiling be raised to 65.0% from 60.0%. This could translate to more government bond supplies, which may put further pressure on Malaysia's sovereign rating.

On the monetary policy side, Bank Negara Malaysia (BNM) may see more pressure to further slash the Overnight Policy Rate ("OPR") to cushion the economic impact of COVID-19. Malaysia's inflation figure came in at 4.4% in May 2021 as compared to the 4.7% in the preceding month.

Investment Outlook

Global markets have rallied sharply from their lowest, supported by fiscal and monetary stimulus. The economy is still recovering, albeit at a slow pace, as consumers' confidence return. Recovery plays will be the most obvious theme for the year of improving macroeconomic conditions and the inevitable rollout of vaccines has everyone looking to the future and letting go of 2020's miseries. We have already seen the rotation from growth to value take place in the start of 2021.

Earnings momentum will continue in 2021 with earnings growth projected to rise by 38.0% in Asia ex-Japan (ex-Financials) according to estimates by some sell-side analysts. Key sectors leading the recovery include the energy, consumer discretionary and industrials. Though, this is tempered by moderately higher valuations which has crept up above historical averages. Liquidity conditions remain positive and with earnings visibility from Asian companies that are riding along a China-led economic recovery, Asia continues to be an ocean of growth potential as the region continues to grow.

Back home, economic recovery continues to be delayed by Covid-19 as cases surge throughout the country. From a bottom-up perspective, the domestic focus will be on the recovery beneficiaries and exporters in the technology and EMS segment which have strong earnings visibility in the near term as well increasing demand.

ESG funds have also been gathering plenty of interest and we will expect this investor shift to ESG-focused funds to be more commonplace across the industry. The Biden administration's foray into building stronger climate change initiatives also signals a shift for the investment industry as this will generate more opportunities across asset classes. The wider implications of this on the economy will take time to materialise, but will continue to be observed.

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 year ended 31 May 2021.

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 2021

AFFIN HWANG TOTAL RETURN FUND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

AFFIN HWANG TOTAL RETURN FUND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

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AFFIN HWANG TOTAL RETURN FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

	<u>Note</u>	Financial year ended 31.5.2021 USD	Financial period from 25.11.2019 (date of launch) to 31.5.2020 USD
INVESTMENT INCOME/(LOSS)			
Net income/(loss) on derivative at fair value through profit or loss	8	1,657,129	(797,755)
		<u>1,657,129</u>	<u>(797,755)</u>
EXPENSES			
Management fee	4	(123,865)	(29,390)
Trustee fee	5	(4,996)	(1,176)
Fund accounting fee	6	(2,963)	(703)
Auditors' remuneration		(2,300)	(2,301)
Tax agent's fee		(805)	(806)
Other expenses		(1,908)	(688)
		<u>(136,837)</u>	<u>(35,064)</u>
NET PROFIT/(LOSS) BEFORE TAXATION		1,520,292	(832,819)
Taxation	7	-	-
NET PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR/PERIOD		<u>1,520,292</u>	<u>(832,819)</u>
Net profit/(loss) after taxation is made up of the following:			
Realised amount		(202,343)	(60,488)
Unrealised amount		1,722,635	(772,331)
		<u>1,520,292</u>	<u>(832,819)</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 2021

	<u>Note</u>	<u>2021</u> USD	<u>2020</u> USD
ASSETS			
Cash and cash equivalents		54,164	27,903
Derivative at fair value through profit or loss	8	15,070,304	8,102,669
TOTAL ASSETS		<u>15,124,468</u>	<u>8,130,572</u>
LIABILITIES			
Amount due to Manager - management fee		12,762	6,733
Amount due to Trustee		510	269
Auditors' remuneration		2,300	2,301
Tax agent's fee		805	806
Other payable and accruals		900	460
TOTAL LIABILITIES		<u>17,277</u>	<u>10,569</u>
NET ASSET VALUE OF THE FUND		<u>15,107,191</u>	<u>8,120,003</u>
EQUITY			
Unitholders' capital		14,419,718	8,952,822
Retained earnings/(accumulated losses)		687,473	(832,819)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>15,107,191</u>	<u>8,120,003</u>
NUMBER OF UNITS IN CIRCULATION	9	<u>14,190,000</u>	<u>8,659,000</u>
NET ASSET VALUE PER UNIT (USD)		<u>1.0646</u>	<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 YEAR ENDED 31 MAY 2021

	Unitholders' <u>capital</u> RM	Retained earnings/ (accumulated <u>losses</u>) RM	<u>Total</u> RM
Balance as at 1 June 2020	8,952,822	(832,819)	8,120,003
Total comprehensive income for the financial year	-	1,520,292	1,520,292
Movement in unitholders' capital:			
Creation of units arising from applications	6,987,713	-	6,987,713
Cancellation of units	(1,520,817)	-	(1,520,817)
Balance as at 31 May 2021	<u>14,419,718</u>	<u>687,473</u>	<u>15,107,191</u>
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 YEAR ENDED 31 MAY 2021

	Financial year ended 31.5.2021 USD	Financial period from 25.11.2019 (date of launch) to 31.5.2020 USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sales of investments	1,400,000	1,650,000
Purchase of investments	(6,645,000)	(10,525,000)
Management fee paid	(117,836)	(22,657)
Trustee fee paid	(4,755)	(907)
Fund accounting fee paid	(2,963)	(703)
Payment for other fees and expenses	(4,575)	(228)
Interest expense paid on total return swap	(65,506)	(25,424)
Net cash flows used in operating activities	<u>(5,440,635)</u>	<u>(8,924,919)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	6,987,713	10,546,513
Payments for cancellation of units	(1,520,817)	(1,593,691)
Net cash flows generated from financing activities	<u>5,466,896</u>	<u>8,952,822</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	26,261	27,903
EFFECTS OF FOREIGN CURRENCY EXCHANGE	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR/DATE OF LAUNCH	<u>27,903</u>	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR/PERIOD	<u><u>54,164</u></u>	<u><u>27,903</u></u>

Cash and cash equivalents as at 31 May 2021 and 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 YEAR ENDED 31 MAY 2021

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

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

(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 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 ‘Interest Rate Benchmark Reform – Phase 2’ (effective 1 January 2021) provide practical expedient allowing entities to update the effective interest rate for instruments measured at amortised cost to account for any required changes in contractual cash flows that is a direct consequence of IBOR reform.
- 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.

AFFIN HWANG TOTAL RETURN FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONITNUED)

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

The impact of the proposed Interest Rate Benchmark Reform is outlined in Note 3 to the financial statements.

Other than the above, 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).

C TAXATION

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

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 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 statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

AFFIN HWANG TOTAL RETURN FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (CONTINUED)

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.

The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are solely principal and interest ("SPPI"). However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments and derivatives not designated as hedging instruments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents as financial assets at amortised cost as these financial assets are held to collect contractual cash flows that represents SPPI.

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

(ii) Recognition and measurement

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

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

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 de-recognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

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

AFFIN HWANG TOTAL RETURN FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

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

(iii) Impairment

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

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

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

AFFIN HWANG TOTAL RETURN FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (continued)

Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

The Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in bad debt recoveries. There are no write-offs/recoveries during the financial year/period.

G CASH AND CASH EQUIVALENTS

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

H UNITHOLDERS' CAPITAL

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

- the units entitle the holder to a proportionate share of the Fund's net asset value ("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.

AFFIN HWANG TOTAL RETURN FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (CONTINUED)

I DERIVATIVE FINANCIAL INSTRUMENTS

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

The Fund's derivative financial instruments comprise 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.

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.

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.

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.

AFFIN HWANG TOTAL RETURN FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (CONTINUED)

J CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

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.

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 YEAR ENDED 31 MAY 2021

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’s 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 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 2021.

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (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>2021</u>				
<u>Financial assets</u>				
Unquoted derivatives				
- total return swap	8	-	15,070,304	15,070,304
Cash and cash equivalents		54,164	-	54,164
Total		<u>54,164</u>	<u>15,070,304</u>	<u>15,124,468</u>
<u>Financial liabilities</u>				
Amount due to Manager				
- management fee		12,762	-	12,762
Amount due to Trustee		510	-	510
Auditors' remuneration		2,300	-	2,300
Tax agent's fee		805	-	805
Other payables and accruals		900	-	900
Total		<u>17,277</u>	<u>-</u>	<u>17,277</u>
<u>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>

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (CONTINUED)

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

Financial instruments are as follows: (continued)

	<u>Note</u>	At amortised <u>cost</u> USD	At fair value through <u>profit or loss</u> USD	<u>Total</u> USD
<u>2020 (continued)</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.

Market risk

(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.

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (CONTINUED)

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

Market risk (continued)

(a) Currency risk (continued)

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>2021</u>		
<u>Financial liabilities</u>		
Malaysian Ringgit	4,005	4,005
	<u> </u>	<u> </u>
<u>2020</u>		
<u>Financial liabilities</u>		
Malaysian Ringgit	3,567	3,567
	<u> </u>	<u> </u>

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

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>2021</u>		
Malaysian Ringgit	+/- 3.72	-/+ 149
		<u> </u>
<u>2020</u>		
Malaysian Ringgit	+/- 5.40	-/+ 193
		<u> </u>

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 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 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.

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>2021</u>			
Amount due to Manager			
- management fees	12,762	-	12,762
Amount due to Trustee	510	-	510
Auditors' remuneration	-	2,300	2,300
Tax agent fee	-	805	805
Other payables and accruals	-	900	900
	<u>13,272</u>	<u>4,005</u>	<u>17,277</u>
<u>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>

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (CONTINUED)

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

Credit risk

Credit risk refers to the ability of an issuer or counterparty to make timely payments of interest, principals and proceeds from realisation of investments. The Manager manages the credit risk by undertaking credit evaluation to minimise such risk.

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

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

	Unquoted derivatives - total return <u>swap</u> USD	Cash and cash <u>equivalents</u> USD	<u>Total</u> USD
<u>2021</u>			
Financial services - AAA	15,070,304	54,164	15,124,468
	<u> </u>	<u> </u>	<u> </u>
<u>2020</u>			
Financial services - AAA	8,102,669	27,903	8,130,572
	<u> </u>	<u> </u>	<u> </u>

Capital risk

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

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (CONTINUED)

3 FAIR VALUE ESTIMATION

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

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the period end date. The Fund utilises the current bid price for financial assets which fall within the bid-ask spread.

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

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

(i) Fair value hierarchy

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

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

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

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

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

	<u>Level 1</u> USD	<u>Level 2</u> USD	<u>Level 3</u> USD	<u>Total</u> USD
<u>2021</u>				
Financial assets at fair value through profit or loss				
- total return swap	-	-	15,070,304	15,070,304
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>2020</u>				
Financial assets at fair value through profit or loss				
- total return swap	-	-	8,102,669	8,102,669
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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.

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

Level 3 instruments (continued)

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 swap valuation are as follows:

- The cost of leverage is expressed as a spread over the prevailing London Inter-Bank Offer Rate ("LIBOR"). 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.

The costs of leverage will transition from the prevailing LIBOR to the Secured Overnight Financing Rate ("SOFR") in December 2021. This transition will be guided by the ISDA IBOR transition protocol. The Structurer for the total return swap will begin the transition by the end of December 2021. However, the Manager is still assessing the impact of the transition from LIBOR to SOFR on the fair value of the Fund's total return swap.

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 7,805 and a decrease of USD 7,805 in fair value respectively.

The following table presents the movements in Level 3 instruments for the financial year ended 31 May 2021:

	<u>USD</u>
As at 1 June 2020	8,102,669
Purchase of investment	6,645,000
Sale/reduction	(1,400,000)
Net change in fair value on financial assets at fair value through profit or loss	1,722,635
	<u>15,070,304</u>

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

Level 3 instruments (continued)

The following table presents the movements in Level 3 instruments for the financial period 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	<u>(772,331)</u>
	<u>8,102,669</u>

(ii) 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 year ended 31 May 2021, management fee is recognised at a rate of 1.00% (2020: 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 year ended 31 May 2021, the Trustee's fee is recognised at a rate of 0.04% (2020: 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 YEAR ENDED 31 MAY 2021 (CONTINUED)

6 FUND ACCOUNTING FEE

The fund valuation and accounting fee for the Fund is RM12,000 (equivalent of: USD2,963) (2020: RM 12,000) per annum.

7 TAXATION

	Financial year ended <u>31.05.2021</u> USD	Financial period from 25.11.2019 (date of launch) to <u>31.5.2020</u> USD
Current taxation	-	-

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

	Financial year ended <u>31.05.2021</u> USD	Financial period from 25.11.2019 (date of launch) to <u>31.5.2020</u> USD
Net profit/(loss) before taxation	1,520,292	(832,819)
Tax at Malaysian statutory rate of 24%(2020: 24%)	364,870	(199,877)
Tax effects of:		
(Investment income not subject to tax)/ investment loss not brought to tax	(397,711)	191,461
Expenses not deductible for tax purposes	2,451	681
Restriction on tax deduction expenses for Wholesale Funds	30,390	7,735
Tax expense	-	-

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (CONTINUED)

8 DERIVATIVE AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2021</u> USD	<u>2020</u> USD
Derivative at fair value through profit or loss:		
- total return swap	15,070,304	8,102,669
Net gain/(loss) on financial asset at fair value through profit or loss:		
- realised loss on sale of investment	(65,506)	(25,424)
- unrealised gain/(loss) on changes in fair value	1,722,635	(772,331)
	<u>1,657,129</u>	<u>(797,755)</u>

(a) Unquoted derivative – total return swap

(i) Unquoted derivative – total return swap as at 31 May 2021 is as follows:

	<u>Quantity</u>	<u>Adjusted cost USD</u>	<u>Fair value USD</u>	<u>Percentage of NAV %</u>
<u>Total return swap</u>				
Total return swap	14,120,000	14,120,000	15,070,304	99.76
Total unquoted derivative				
- total return swap	14,120,000	14,120,000	15,070,304	99.76
Accumulated unrealised gain on unquoted derivative – total return swap		950,304		
Total unquoted derivative – total return swap		<u>15,070,304</u>		

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (CONTINUED)

8 DERIVATIVE AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(a) Unquoted derivative – total return swap (continued)

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

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

9 NUMBER OF UNITS IN CIRCULATION

	<u>2021</u> No. of units	<u>2020</u> No. of units
At the beginning of the financial year/date of launch	8,659,000	-
Creation of units arising from applications	6,964,000	10,661,000
Cancellation of units	<u>(1,433,000)</u>	<u>(2,002,000)</u>
At the end of the financial year/period	<u>14,190,000</u>	<u>8,659,000</u>

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (CONTINUED)

10 TRANSACTIONS WITH DEALER

- (i) Details of transaction with the dealer for the financial year ended 31 May 2021 are as follows:

<u>Name of dealer</u>	<u>Value of trade</u> USD	<u>Percentage of total trade</u> %
CIMB Bank Berhad	8,045,000	100.00

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

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

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

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

<u>Related parties</u>	<u>Relationship</u>
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

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (CONTINUED)

11 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER (CONTINUED)

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

	<u>2021</u>		<u>2020</u>	
	No. of units	USD	No. of units	USD
<u>The Manager:</u>				
Affin Hwang Asset Management Berhad (the units are held legally for booking purposes)	46,750	49,770	49,353	46,284

12 MANAGEMENT EXPENSE RATIO (“MER”)

	<u>Financial year ended 31.05.2021</u>	<u>Financial period from 25.11.2019 (date of launch) to 31.5.2020</u>
	USD	USD
MER	1.09	0.61

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

The average NAV of the Fund for the financial year/period calculated on a daily basis is USD12,504,039 (2020: USD5,709,452).

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2021 (CONTINUED)

13 PORTFOLIO TURNOVER RATIO (“PTR”)

	Financial year ended <u>31.05.2021</u> USD	Financial period from 25.11.2019 (date of launch) to <u>31.5.2020</u> USD
PTR (times)	<u>0.32</u>	<u>1.07</u>

PTR is derived from the following calculation:

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

where: total acquisition for the financial year/period = USD6,645,000 (2020: USD10,525,000)
total disposal for the financial year/period = USD1,400,000 (2020: USD1,650,000)

14 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

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

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, 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 27 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 31 May 2021 and of its financial performance, changes in equity and cash flows for the financial year ended 31 May 2021 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

DATO' TENG CHEE WAI
EXECUTIVE DIRECTOR/MANAGING DIRECTOR

Kuala Lumpur
15 July 2021

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 2021 and of its financial performance and its cash flows for the financial year ended 31 May 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 31 May 2021, 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 27.

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
15 July 2021**

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