



ANNUAL REPORT
31 May 2023

Affin Hwang Total Return Fund

MANAGER
AHAM Asset Management Berhad
*(Formerly known as Affin Hwang Asset
Management Berhad)*
199701014290 (429786-T)

Custodian
CIMB Commerce Trustee Berhad
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AFFIN HWANG TOTAL RETURN FUND

Annual Report and Audited Financial Statements For the Financial Year Ended 31 May 2023

Contents	Page
FUND INFORMATION	II
FUND PERFORMANCE DATA	III
MANAGER'S REPORT	IV
TRUSTEE'S REPORT	VIII
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.

FUND PERFORMANCE DATA

Category	As at 31 May 2023 (%)	As at 31 May 2022 (%)	As at 31 May 2021 (%)
Portfolio Composition			
Unquoted derivative – total return swap	98.76	97.96	99.76
Cash & cash equivalent	1.24	2.04	0.24
Total	100.00	100.00	100.00
Currency class	USD Class	USD Class	USD Class
Total NAV (in million)	5.752	10.968	15.107
NAV per unit (in respective currencies)	0.7812	0.8649	1.0646
Unit in Circulation (million)	7.363	12.682	14.190
Highest NAV	0.8634	1.0827	1.0828
Lowest NAV	0.7412	0.8582	0.9372
Return of the Fund (%)	-9.68	-18.76	13.52
- Capital Return (%)	-9.68	-18.76	13.52
- Income Return (%)	Nil	Nil	Nil
Gross Distribution per Unit (sen)	Nil	Nil	Nil
Net Distribution per Unit (sen)	Nil	Nil	Nil
Total Expenses Ratio (%) ¹	1.11	1.10	1.09
Portfolio Turnover Ratio (times) ²	0.42	0.06	0.32

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 TER was higher than previous year due to **lower average** NAV of the Fund during the financial year.

² The Fund's PTR was higher than previous year due increased trading activities for Fund during 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 2023.

Performance Review

For the period 1 June 2022 to 31 May 2023, the Fund registered a -9.68% return compared to the benchmark return of 5.65%. The Fund thus underperformed the Benchmark by 15.33%. The Net Asset Value per unit ("NAV") of the Fund as at 31 May 2023 was USD0.7812 while the NAV as at 31 May 2022 was USD0.8649.

Since commencement, the Fund has registered a return of -21.88% compared to the benchmark return of 10.68%, underperforming by 32.56%.

Table 1: Performance of the Fund

	1 Year (1/6/22 - 31/5/23)	3 Years (1/6/20 - 31/5/23)	Since Commencement (10/1/20 - 31/5/23)
Fund	(9.68%)	(16.70%)	(21.88%)
Benchmark	5.65%	9.54%	10.68%
Outperformance	(15.33%)	(26.24%)	(32.56%)

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	1 Year (1/6/22 - 31/5/23)	3 Years (1/6/20 - 31/5/23)	Since Commencement (10/1/20 - 31/5/23)
Fund	(9.68%)	(5.91%)	(7.02%)
Benchmark	5.65%	3.08%	3.04%
Outperformance	(15.33%)	(8.99%)	(10.06%)

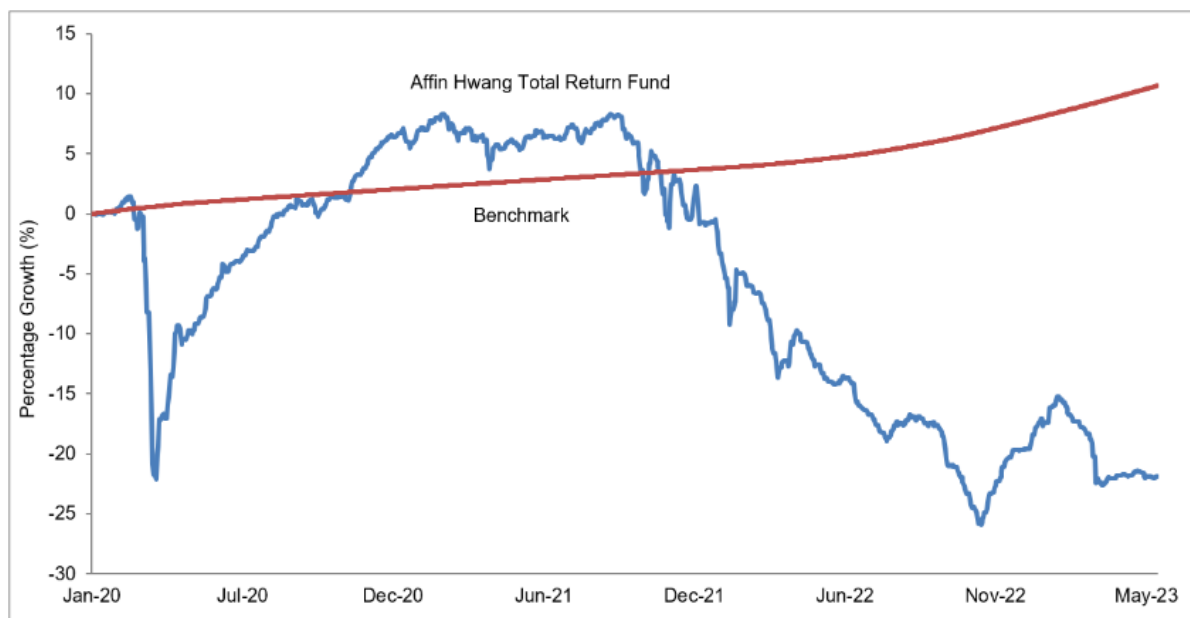
Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	FYE 2023 (1/6/22 - 31/5/23)	FYE 2022 (1/6/21 - 31/5/22)	FYE 2021 (1/6/20 - 31/5/21)	FYE 2020 (10/1/20 - 31/5/20)
Fund	(9.68%)	(18.76%)	13.52%	(6.22%)
Benchmark	5.65%	1.92%	1.72%	1.04%
Outperformance	(15.33%)	(20.68%)	11.80%	(7.26%)

Source of Benchmark: Bloomberg

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



"This information is prepared by AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) 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 98.76% of the Fund's NAV invested in derivatives while the balance was held in cash and cash equivalent.

Strategies Employed

The Fund invests in total return swap that provides exposures to AHAM Hard Currencies Fixed Income Fund (formerly known as Affin Hwang Hard Currencies Fixed Income Fund).

Market Review

Market volatility persisted over the past year as macro events and policy rate increases across the global economy affected stock and bond markets. Over the year under review, the S&P500 returned 2.89%, MSCI AC World index returned 2.64%, MSCI AC Asia ex Japan Index 1.40%, and the FTSE Bursa Malaysia -7.94%. Bond markets were similarly impacted with the Bloomberg Barclays Global Aggregate Index down -4.48%, while local bond markets saw edge higher with the benchmark 10-year MGS yield closing at 3.85%.

The financial year under review started off turbulent May last year, driven by a confluence of unprecedented events that unfolded globally. The Russia-Ukraine conflict casted a shadow of geopolitical instability, heightening risk sentiments and increasing volatility. Although Covid cases have started to trend downward since a year ago, the market continues to grapple with the ongoing effects of the pandemic and geopolitical instability. Temporary closure of factories and logistical facilities created disruptions in the flow of goods and services resulted in supply chain bottlenecks and delayed deliveries. Now that supply have started to normalise, and goods and services are readily available, consumer spending is returning to pre-pandemic

levels. In order to regulate consumer spending driven by stimulus over the lock-down period to rein in inflation, central banks globally embarked on a series of policy rates increases.

The US Federal Reserve raised their policy rates in each monetary policy committee meetings since March last year, to of 5.25% in May 2023. The sharp pace of policy tightening raised concerns in the financial markets of an over-tightening that could lead to a growth slowdown, or even a potential recession. Further signs of tension in the economy were also visible in March this year as the fallout of Silicon Valley Bank and the emergency rescue of Credit Suisse triggered concerns of contagion to other vulnerable banks. However, despite the Fed's effort in policy tightening, economic indicators continue to remain positive. In addition to fractures in the banking sector, other notable events over the year included the concern over the US approaching its debt ceiling in January, failing which to reach a consensus to suspend or raise the limit could result in a catastrophic default. However, investors heaved a sigh of relief after lawmakers passed a bill to raise the debt ceiling, in a deal that included concessions on spending expected to have limited effect on economic growth.

The global equity was volatile throughout the year and ended the month of May down 1.25%, but with a stark difference between sectors. Technology stocks were boosted by enthusiasm over new developments in generative artificial Intelligence (AI) while energy and materials stocks were among the weaker performers in the month. Although economic data released remained broadly supportive, the prospect of a government default has put investors on edge.

At the start of the financial year, both the China onshore and offshore equity markets regained momentum as COVID cases in China seemed to have peaked out and an ease in lockdown measures in various cities including Shanghai's reopening in June last year was seen. However, by the end of the financial year, Chinese stocks trended downwards, amongst other factors includes high-profile divestments of Chinese internet platform companies and lingering geopolitical risks. After great anticipation of China's reopening cooled, Chinese equities fell sharply by the end of the financial year. Weak demand for exports and lacklustre consumer spending has effected in the slowing down of factory outputs in China.

In Asia, the broader MSCI Asia ex-Japan index fell over the year. The effect of China's cooling economy also weakened sentiment towards Hong Kong stocks. India on the other hand showed gains driven by steady earnings and foreign inflows. The development in AI helped boost Taiwan and South Korea's technology stocks.

Major macro events over the financial year under review had a notable effect on the domestic market. While Bank Negara similarly raised policy rates to tame domestic inflation, the pace of increase was more measured compared to other major central banks. Due to Malaysia's close trade relation to China, the Ringgit has weakened considerably year to date. In a statement, Bank Negara Malaysia (BNM) believes that the depreciation of the Ringgit is not fundamentally driven and that global headwinds are driving investors to seek safe haven assets like the US dollar. On local fixed income, the 10-year MGS yield closed unchanged at 3.71%. Malaysia's GDP for the first quarter of 2023 came relatively strong at 5.60% compared to market expectations of 5.10% driven by an expansion of household spending and strong employment growth. The strong GDP showing may have been a factor that weighed on BNM's decision to hike the overnight policy rate (OPR) earlier in May.

Investment Outlook

Global equity markets still remain susceptible to shifting sentiment towards geopolitical tensions, inflation, economic growth and ultimately corporate earnings. Valuations have already significantly adjusted to reflect a change in the market environment, and we believe reflect realistic expectations for inflation, rates and risk premia. Consequently, the source of risk has now shifted from valuation to earnings in light of the softer growth and prospects for a recession, which appears increasingly likely.

China is expected to be a strong source of growth and returns for Asia. The Chinese equities as well as credit market took a breather from February onwards after strong rally in the prior months. Market sentiment was dampened by the re-intensifying geopolitical tensions between US-China which arose from the balloon controversies and the plan to expand US troops in Taiwan for military training. On the other hand, macro and economic front continued to deliver encouraging data. Consumption to recover in February, stronger and at a faster pace than expected, albeit with more encouraging signs in the services sector over consumer goods.

Signs of the rebound were evident over the Chinese New Year holiday, and domestic tourism recorded the strongest visitor and revenue levels since the pandemic. China's official manufacturing PMI rose to 52.6 in February from 50.1 in January, however has dipped slightly to 51.9 in March. Non-manufacturing PMI on the other hand rose to 58.2 in March, the highest since May 2011. The supportive stance continued into 2023 and was recently validated by the 2 sessions that took place in early March. The general positive tone on economic recovery and consumption stimulus remains, alongside with the announcement of the new cabinet and securing of President Xi's third term.

In contrast to the expected slowdown in the developed market economy, Malaysia's economic fundamentals continues to remain strong. Within the financial period under review, the government unveiled its revised budget, focusing on sustainable economic growth, institutional reforms and reducing social inequality. The benchmark KLCI edged lower as market reaction to Budget 2023 was neutral. Our view is that newly tabled budget is a pragmatic one that should restore confidence and shore up support in the long run. The absence of any prosperity tax is a huge relief to the market that should augur well for corporate earnings. Notwithstanding macro noises, Malaysia economy is primarily domestic driven and therefore more insulated against external shocks.

Bond investors may see some relief this year after enduring a painful 2022 which saw rates volatility reaching unprecedented highs. In 2023, volatility in rates is expected to temper down as we see a slower pace of adjustment in rates. In addition, a slower growth outlook is beneficial for rates. On local fixed income, credit rating agencies are likely to maintain the sovereign ratings of Malaysia bonds. Rates volatility will be driven by external development.

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, no soft commission was received by the manager on behalf of the fund.

Cross Trade

No cross trade transactions were carried out over the financial year under review.

Securities Financing Transactions

The Fund has not undertaken any securities lending or repurchase transactions during the financial year under review.

Changes Made To the Fund's Information Memorandum

There were no changes made to the Fund's information memorandum during the financial year under review.

TRUSTEE'S REPORT

TO THE UNIT HOLDERS OF AFFIN HWANG TOTAL RETURN FUND (“Fund”)

We have acted as the Trustee of the Fund for the financial year ended 31 May 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) has operated and managed the Fund during the year covered by these financial statements in accordance with the following:-

1. Limitations imposed on the investment powers of the Management Company under the Deed, securities laws and the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework;
2. Valuation and pricing is carried out in accordance with the Deeds; and
3. Any creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirement.

For and on behalf of
CIMB Commerce Trustee Berhad

Datin Ezreen Eliza binti Zulkiplee
Chief Executive Officer

Kuala Lumpur, Malaysia
26 July 2023

AFFIN HWANG TOTAL RETURN FUND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

AFFIN HWANG TOTAL RETURN FUND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

CONTENTS	PAGE(S)
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 - 29
STATEMENT BY THE MANAGER	30
INDEPENDENT AUDITORS' REPORT	31 – 34

AFFIN HWANG TOTAL RETURN FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

	<u>Note</u>	<u>2023</u> USD	<u>2022</u> USD
INVESTMENT LOSS			
Net loss on derivative at fair value through profit or loss	8	(852,098)	(2,420,184)
		<u>(852,098)</u>	<u>(2,420,184)</u>
EXPENSES			
Management fee	4	(97,156)	(130,711)
Trustee fee	5	(3,895)	(5,233)
Fund accounting fee	6	(2,506)	(2,908)
Auditors' remuneration		(2,398)	(2,424)
Tax agent's fee		(799)	(848)
Other expenses		(1,330)	(1,543)
		<u>(108,084)</u>	<u>(143,667)</u>
NET LOSS BEFORE TAXATION		(960,182)	(2,563,851)
Taxation	7	-	-
NET LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		<u>(960,182)</u>	<u>(2,563,851)</u>
Net loss after taxation is made up of the following:			
Realised amount		(96,748)	112,563
Unrealised amount		(863,434)	(2,676,414)
		<u>(960,182)</u>	<u>(2,563,851)</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 2023

	<u>Note</u>	<u>2023</u> USD	<u>2022</u> USD
ASSETS			
Cash and cash equivalents		80,937	238,222
Derivative at fair value through profit or loss	8	5,680,456	10,743,890
TOTAL ASSETS		<u>5,761,393</u>	<u>10,982,112</u>
LIABILITIES			
Amount due to Manager - management fee		4,895	9,294
Amount due to Trustee		196	372
Fund accounting fee		216	-
Auditors' remuneration		2,283	2,424
Tax agent's fee		799	805
Other payable and accruals		1,116	1,116
TOTAL LIABILITIES		<u>9,505</u>	<u>14,011</u>
NET ASSET VALUE OF THE FUND		<u>5,751,888</u>	<u>10,968,101</u>
EQUITY			
Unitholders' capital		8,588,448	12,844,479
Accumulated losses		(2,836,560)	(1,876,378)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>5,751,888</u>	<u>10,968,101</u>
NUMBER OF UNITS IN CIRCULATION	9	<u>7,363,000</u>	<u>12,682,000</u>
NET ASSET VALUE PER UNIT (USD)		<u>0.7812</u>	<u>0.8649</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 2023

	Unitholders' <u>capital</u> USD	Accumulated <u>losses</u> USD	<u>Total</u> USD
Balance as at 1 June 2022	12,844,479	(1,876,378)	10,968,101
Total comprehensive loss for the financial year	-	(960,182)	(960,182)
Movement in unitholders' capital:			
Creation of units arising from applications	2,000,308	-	2,000,308
Cancellation of units	(6,256,339)	-	(6,256,339)
Balance as at 31 May 2023	<u>8,588,448</u>	<u>(2,836,560)</u>	<u>5,751,888</u>
Balance as at 1 June 2021	14,419,718	687,473	15,107,191
Total comprehensive loss for the financial year	-	(2,563,851)	(2,563,851)
Movement in unitholders' capital:			
Cancellation of units	(1,575,239)	-	(1,575,239)
Balance as at 31 May 2022	<u>12,844,479</u>	<u>(1,876,378)</u>	<u>10,968,101</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 2023

	<u>2023</u> USD	<u>2022</u> USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sales of investments	6,200,000	1,650,000
Purchase of investments	(2,000,000)	-
Management fee paid	(101,555)	(134,179)
Trustee fee paid	(4,071)	(5,371)
Fund accounting fee paid	(2,290)	(2,908)
Payment for other fees and expenses	(4,674)	(4,475)
Realised gain on total return swap	100,250	341,729
Interest expense paid on total return swap	(88,914)	(85,499)
	<hr/>	<hr/>
Net cash flows generated from operating activities	4,098,746	1,759,297
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	2,000,308	-
Payments for cancellation of units	(6,256,339)	(1,575,239)
	<hr/>	<hr/>
Net cash flows used in financing activities	(4,256,031)	(1,575,239)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(157,285)	184,058
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		
	238,222	54,164
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	<u>80,937</u>	<u>238,222</u>

Cash and cash equivalents as at 31 May 2023 and 31 May 2022 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 2023

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 in accordance with the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS and IFRS 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:

- 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.

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 101 ‘Classification of liabilities as current or non-current’ (effective 1 January 2024) clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity’s expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). In addition, the amendments clarify that when a liability could be settled by the transfer of an entity’s own equity instruments (e.g. a conversion option in a convertible bond), conversion option meeting the definition of an equity instrument in MFRS 132 ‘Financial Instruments: Presentation’ does not impact the current or non-current classification of the convertible instrument.

AFFIN HWANG TOTAL RETURN FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

The amendments also specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

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

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 2023 (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 payments of 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 consisting of the amount outstanding.

The Fund classifies amount due to Manager, amount due to Trustee, fund accounting fee, payables for 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.

AFFIN HWANG TOTAL RETURN FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

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 which they arise.

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 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 reorganization; and
- 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 2023 (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.

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 the unitholder's option 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 2023 (CONTINUED)

I DERIVATIVE FINANCIAL INSTRUMENTS

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

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 and net interest income and expense on the total return swap 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 2023 (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 2023

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 AHAM Asset Management Berhad (formerly known as 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 Deed.

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. On 10 November 2022, the Manager has changed its name from Affin Hwang Asset Management Berhad to AHAM Asset Management Berhad.

The financial statements were authorised for issue by the Manager on 26 July 2023.

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (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>2023</u>				
<u>Financial assets</u>				
Unquoted derivatives				
- total return swap	8	-	5,680,456	5,680,456
Cash and cash equivalents		80,937	-	80,937
Total		<u>80,937</u>	<u>5,680,456</u>	<u>5,761,393</u>
<u>Financial liabilities</u>				
Amount due to Manager				
- management fee		4,895	-	4,895
Amount due to Trustee		196	-	196
Fund accounting fee		216	-	216
Auditors' remuneration		2,283	-	2,283
Tax agent's fee		799	-	799
Other payables and accruals		1,116	-	1,116
Total		<u>9,505</u>	<u>-</u>	<u>9,505</u>
<u>2022</u>				
<u>Financial assets</u>				
Unquoted derivatives				
- total return swap	8	-	10,743,890	10,743,890
Cash and cash equivalents		238,222	-	238,222
Total		<u>238,222</u>	<u>10,743,890</u>	<u>10,982,112</u>

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (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>2022 (continued)</u>				
<u>Financial liabilities</u>				
Amount due to Manager				
- management fee		9,294	-	9,294
Amount due to Trustee		372	-	372
Auditors' remuneration		2,424	-	2,424
Tax agent's fee		805	-	805
Other payables and accruals		1,116	-	1,116
		<u>14,011</u>	<u>-</u>	<u>14,011</u>
Total		<u>14,011</u>	<u>-</u>	<u>14,011</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 2023 (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>2023</u>		
<u>Financial liabilities</u>		
Malaysian Ringgit	4,414	4,414
	<u> </u>	<u> </u>
<u>2022</u>		
<u>Financial liabilities</u>		
Malaysian Ringgit	4,345	4,345
	<u> </u>	<u> </u>

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

The table below summarises the sensitivity of the Fund's loss after tax and net asset value to changes in foreign exchange movements. The analysis is based on the assumption that the foreign exchange rate changes based on each currency's respective historical volatility, with all other variables 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 rate</u> %	<u>Impact on loss after tax/NAV</u> USD
<u>2023</u>		
Malaysian Ringgit	+/- 5.75	+/- 254
	<u> </u>	<u> </u>
<u>2022</u>		
<u>Financial liabilities</u>		
Malaysian Ringgit	+/- 3.42	+/- 149
	<u> </u>	<u> </u>

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (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>2023</u>			
Amount due to Manager			
- management fees	4,895	-	4,895
Amount due to Trustee	196	-	196
Fund accounting fee	-	216	216
Auditors' remuneration	-	2,283	2,283
Tax agent fee	-	799	799
Other payables and accruals	-	1,116	1,116
	<u>5,091</u>	<u>4,414</u>	<u>9,505</u>
<u>2022</u>			
Amount due to Manager			
- management fees	9,294	-	9,294
Amount due to Trustee	372	-	372
Auditors' remuneration	-	2,424	2,424
Tax agent fee	-	805	805
Other payables and accruals	-	1,116	1,116
	<u>9,666</u>	<u>4,345</u>	<u>14,011</u>

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (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 swap USD	Cash and cash equivalents USD	Total USD
<u>2023</u>			
Financial services - AAA	5,680,456	80,937	5,761,393
	<u>5,680,456</u>	<u>80,937</u>	<u>5,761,393</u>
<u>2022</u>			
Financial services - AAA	10,743,890	238,222	10,982,112
	<u>10,743,890</u>	<u>238,222</u>	<u>10,982,112</u>

Capital risk

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

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

3 FAIR VALUE ESTIMATION

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

The fair value of financial assets traded in active 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 2023 (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>2023</u>				
Financial assets at fair value through profit or loss				
- total return swap	-	-	5,680,456	5,680,456
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>2022</u>				
Financial assets at fair value through profit or loss				
- total return swap	-	-	10,743,890	10,743,890
	<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 investments 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. 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 2023 (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 has changed from a fixed rate of 1.80% to a fixed rate of 5.95% effective from 13 April 2023. 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% (2022: 1%), the impact on profit or loss would be an increase of USD Nil (2022: USD3,677) and a decrease of USD Nil (2022: USD3,677) in fair value respectively.

The following table presents the movements in Level 3 instruments for the financial year ended 31 May 2023:

	<u>USD</u>
As at 1 June 2022	10,743,890
Purchase of investment	2,000,000
Sale/reduction	(6,200,000)
Net change in fair value on financial assets at fair value through profit or loss	(863,434)
As at 31 May 2023	<u>5,680,456</u>

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (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 year ended 31 May 2022:

	<u>USD</u>
As at 1 June 2021	15,070,304
Purchase of investment	-
Sale/reduction	(1,650,000)
Net change in fair value on financial assets at fair value through profit or loss	<u>(2,676,414)</u>
As at 31 May 2022	<u><u>10,743,890</u></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 2023, management fee is recognised at a rate of 1.00% (2022: 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 2023, the Trustee's fee is recognised at a rate of 0.04% (2022: 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 2023 (CONTINUED)

6 FUND ACCOUNTING FEE

The fund valuation and accounting fee for the Fund is RM13,000 (equivalent of USD2,506) (2022: RM12,000 (equivalent of USD2,908)) for the financial year.

7 TAXATION

	<u>2023</u> USD	<u>2022</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:

	<u>2023</u> USD	<u>2022</u> USD
Net loss before taxation	(960,182)	(2,563,851)
Tax at Malaysian statutory rate of 24% (2022: 24%)	(230,444)	(615,324)
Tax effects of:		
Investment loss not brought to tax	204,504	580,844
Expenses not deductible for tax purposes	2,024	2,470
Restriction on tax deduction expenses for Wholesale Funds	23,916	32,010
Tax expense	-	-

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

8 DERIVATIVE AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2023</u> USD	<u>2022</u> USD
Derivative at fair value through profit or loss:		
- total return swap	5,680,456	10,743,890
	<u>5,680,456</u>	<u>10,743,890</u>
Net loss on financial asset at fair value through profit or loss:		
- realised gain on sale of investment	11,336	256,230
- unrealised loss on changes in fair value	(863,434)	(2,676,414)
	<u>(852,098)</u>	<u>(2,420,184)</u>

(a) Unquoted derivative – total return swap

(i) Unquoted derivative – total return swap as at 31 May 2023 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 – AHAM Hard Currencies Fixed Income Fund (fka Affin Hwang Hard Currencies Fixed Income Fund)* (CIMB Bank Berhad)	6,405,566	8,270,000	5,680,456	98.76
	<u>6,405,566</u>	<u>8,270,000</u>	<u>5,680,456</u>	<u>98.76</u>
Total unquoted derivative – total return swap	<u>6,405,566</u>	<u>8,270,000</u>	<u>5,680,456</u>	<u>98.76</u>
Accumulated unrealised loss on unquoted derivative – total return swap		(2,589,544)		
		<u>(2,589,544)</u>		
Total unquoted derivative – total return swap		<u>5,680,456</u>		

* The Reference Fund is managed by the Manager.

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (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 2022 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 – AHAM Hard Currencies Fixed Income Fund (fka Affin Hwang Hard Currencies Fixed Income Fund)* (CIMB Bank Berhad)	15,875,459	12,470,000	10,743,890	97.96
	<u>15,875,459</u>	<u>12,470,000</u>	<u>10,743,890</u>	<u>97.96</u>
Total unquoted derivative – total return swap		(1,726,110)		
		<u>10,743,890</u>		

* The Reference Fund is managed by the Manager.

The details of the contract terms are as follows:

	<u>2023 USD</u>	<u>2022 USD</u>
Leverage Factor	1.00	1.40
Balance Initial Exchange Amount	5,680,456	10,674,866
Equity Notional Amount	5,680,456	14,949,920

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

9 NUMBER OF UNITS IN CIRCULATION

	<u>2023</u>	<u>2022</u>
	No. of units	No. of units
At the beginning of the financial year	12,682,000	14,190,000
Creation of units arising from applications	2,372,000	-
Cancellation of units	(7,691,000)	(1,508,000)
At the end of the financial year	<u>7,363,000</u>	<u>12,682,000</u>

10 TRANSACTIONS WITH DEALER

- (i) Details of transaction with the dealer for the financial year ended 31 May 2023 are as follows:

<u>Name of dealer</u>	<u>Value of trade USD</u>	<u>Percentage of total trade %</u>
CIMB Bank Berhad	<u>8,200,000</u>	<u>100.00</u>

- (ii) Details of transaction with the dealer for the financial year ended 31 May 2022 are as follows:

<u>Name of dealer</u>	<u>Value of trade USD</u>	<u>Percentage of total trade %</u>
CIMB Bank Berhad	<u>1,650,000</u>	<u>100.00</u>

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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>
CVC Capital Partners Asia V L.P. ("CVC Asia V")	Ultimate holding company of the Manager
Lembaga Tabung Angkatan Tentera ("LTAT")	Substantial shareholder of the Manager and former ultimate holding corporate body of the Manager
Affin Bank Berhad ("ABB")	Former penultimate holding company of the Manager
Affin Hwang Investment Bank Berhad Manager	Former immediate holding company of the Manager
Starlight TopCo Limited	Penultimate holding company of the Manager
Starlight Universe Limited	Intermediate holding company of the Manager
Starlight Asset Sdn Bhd	Immediate holding company of the Manager
Nikko Asset Management Co., Ltd ("NAM")	Substantial shareholder of the Manager
Nikko Asset Management International Limited ("NAMI")	Former substantial shareholder of the Manager
AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)	The Manager
Subsidiaries and associated companies of CVC Asia V as disclosed in their financial statements	Subsidiaries and associated companies of the ultimate holding company of the Manager
Subsidiaries and associated companies of ABB as disclosed in its financial statements	Subsidiaries and associated companies of the former penultimate holding company of the Manager
Directors of AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)	Directors of the Manager

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (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 are as follows:

	<u>2023</u>		<u>2022</u>	
	No. of units	USD	No. of units	USD
<u>The Manager:</u>				
AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) (The units are held legally for booking purpose)	45,834	35,806	46,309	40,053

Other than the above, there were no units held by the other Directors or any other parties related to the Manager.

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

12 TOTAL EXPENSE RATIO (“TER”)

	<u>2023</u> %	<u>2022</u> %
TER	<u>1.11</u>	<u>1.10</u>

TER is derived from the following calculation:

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

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 NAV of Fund calculated on a daily basis

The average NAV of the Fund for the financial year calculated on a daily basis is USD9,745,065 (2022: USD13,085,849).

13 PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>2023</u>	<u>2022</u>
PTR (times)	<u>0.42</u>	<u>0.06</u>

PTR is derived from the following calculation:

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

where: total acquisition for the financial year = USD2,000,000 (2022: USD Nil)
total disposal for the financial year = USD6,200,000 (2022: USD1,650,000)

AFFIN HWANG TOTAL RETURN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

14 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Change in corporate shareholding of AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)

On 28 January 2022, Affin Bank Berhad announced that funds advised by CVC Capital Partners, a leading global private equity and investment advisory firm with approximately US\$125 billion of assets under management, has agreed to acquire approximately 68% of the equity interest in AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad).

The Acquisition has been approved by Securities Commissions Malaysia on 1 July 2022, and upon completion of the Acquisition on 29 July 2022, AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) has ceased to be a subsidiary of Affin Hwang Investment Bank Berhad.

Change in substantial shareholders of AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)

On 19 April 2023, Nikko Asset Management International Limited ("NAMI") has divested all its equity interest of 27% in AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) to Nikko Asset Management Co., Ltd ("NAM") for 20% and the remaining 7% of the equity interest to Lembaga Tabung Angkatan Tentera ("LTAT") resulting in both NAM and LTAT becoming substantial shareholders of the Manager.

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, **AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)**, the financial statements set out on pages 1 to 29 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 2023 and of its financial performance, changes in equity and cash flows for the financial year ended 31 May 2023 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,
AHAM ASSET MANAGEMENT BERHAD
(FORMERLY KNOWN AS AFFIN HWANG ASSET MANAGEMENT BERHAD)

DATO' TENG CHEE WAI
EXECUTIVE DIRECTOR/MANAGING DIRECTOR

Kuala Lumpur
26 July 2023

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 (“the Fund”) give a true and fair view of the financial position of the Fund as at 31 May 2023 and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 May 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 29.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

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 the 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.

**INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF AFFIN HWANG TOTAL RETURN FUND (CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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)

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
26 July 2023**

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AHAM Asset Management Berhad

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