

Affin Hwang

Enhanced Deposit Fund

Annual Report
30 April 2020

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



AFFIN HWANG
CAPITAL

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

TRUSTEE
HSBC (Malaysia) Trustee Berhad
193701000084 (001281T)

AFFIN HWANG ENHANCED DEPOSIT FUND

Annual Report and Audited Financial Statements For the Financial Year Ended 30 April 2020

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FUND INFORMATION

Fund Name	Affin Hwang Enhanced Deposit Fund
Fund Type	Income
Fund Category	Money Market
Investment Objective	The Fund aims to provide investors with a regular income stream and high level of liquidity to meet cash flow requirement whilst maintaining capital preservation
Benchmark	The performance benchmark of the Fund is the Maybank Overnight Repo Rate
Distribution Policy	The Fund endeavours to distribute income on a monthly basis

BREAKDOWN OF UNITHOLDERS BY SIZE AS AT 30 APRIL 2020

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	411	355
5,001 to 10,000	218	1,829
10,001 to 50,000	501	12,982
50,001 to 500,000	625	105,657
500,001 and above	305	2,419,020
Total	2060	2,539,843

* Note : Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 30 April 2020 (%)	As at 30 April 2019 (%)	As at 30 April 2018 (%)
Portfolio Composition			
Unquoted fixed income securities – local			
- Bond	-	-	29.71
- Commercial paper	-	-	3.97
Total Unquoted fixed income securities – local	-	-	33.68
Cash and cash equivalent	100.00	100.00	66.32
Total	100.00	100.00	100.00
Total NAV (RM'million)	2,979.984	1,627.719	404.082
NAV per Unit (RM)	1.1733	1.1751	1.1469
Units in Circulation (million)	2,539.891	1,385.220	352.325
Highest NAV	1.1776	1.1751	1.1474
Lowest NAV	1.1725	1.1469	1.1197
Return of the Fund ⁱⁱⁱ (%)	3.35	3.73	3.52
-Capital Return (%)	-0.15	2.46	2.43
-Income Return (%)	3.51	1.24	1.06
Gross Distribution per Unit (sen)	4.06	1.43	1.20
Net Distribution per Unit (sen)	4.06	1.43	1.20
Management Expenses Ratio (%) ¹	0.32	0.38	0.51
Portfolio Turnover Ratio (times) ²	22.76	0.20	0.98

Basis of calculation and assumption made in calculating the returns:-

The performance figures are a comparison of the growth/decline in NAV for the stipulated period taking into account all the distribution payable (if any) during the stipulated period.

An illustration of the above would be as follow:-

Capital return	= NAV per Unit end / NAV per Unit begin – 1
Income return	= Income distribution per Unit / NAV per Unit ex-date
Total return	= (1+Capital return) x (1+Income return) – 1

¹The MER of the Fund was lower than previous period due to higher average net asset value for the financial year.

²The Fund recorded a higher PTR than previous year due to higher trading activities for the financial year.

MANAGER'S REPORT

Income Distribution / Unit Split

The NAV per Unit prior and subsequent to the distributions are as follow:

Cum Date	Ex-Date	Cum-distribution (RM)	Distribution per Unit (RM)	Ex-distribution (RM)
7-May-19	8-May-19	1.1759	0.0012	1.1748
22-May-19	23-May-19	1.1763	0.0015	1.1751
11-Jun-19	12-Jun-19	1.1773	0.0017	1.1757
25-Jun-19	26-Jun-19	1.1773	0.0017	1.1757
9-Jul-19	10-Jul-19	1.1771	0.0017	1.1755
23-Jul-19	24-Jul-19	1.1770	0.0017	1.1754
13-Aug-19	14-Aug-19	1.1776	0.0017	1.1761
27-Aug-19	28-Aug-19	1.1775	0.0017	1.1759
10-Sep-19	11-Sep-19	1.1773	0.0017	1.1757
24-Sep-19	25-Sep-19	1.1772	0.0017	1.1756
8-Oct-19	9-Oct-19	1.1770	0.0017	1.1754
22-Oct-19	23-Oct-19	1.1768	0.0017	1.1752
12-Nov-19	13-Nov-19	1.1773	0.0017	1.1757
26-Nov-19	27-Nov-19	1.1771	0.0017	1.1755
10-Dec-19	11-Dec-19	1.1768	0.0017	1.1752
25-Dec-19	26-Dec-19	1.1766	0.0017	1.1751
7-Jan-20	8-Jan-20	1.1763	0.0017	1.1747
21-Jan-20	22-Jan-20	1.1761	0.0017	1.1745
11-Feb-20	12-Feb-20	1.1765	0.0017	1.1749
25-Feb-20	26-Feb-20	1.1762	0.0018	1.1745
10-Mar-20	11-Mar-20	1.1758	0.0018	1.1741
24-Mar-20	25-Mar-20	1.1753	0.0018	1.1736
7-Apr-20	8-Apr-20	1.1748	0.0018	1.1731
21-Apr-20	22-Apr-20	1.1743	0.0018	1.1725

No unit splits were declared for the financial year ended 30 April 2020.

Performance Review

For the period 1 May 2019 to 30 April 2020, the Fund has registered a 3.35% return as compared to the benchmark return of 1.48%. The Fund thus outperformed the benchmark by 1.87 percentage points. The Net Asset Value (NAV) per unit of the Fund as at 30 April 2020 was RM 1.1733 while the 30 April 2019 was RM1.1751. During the same period under review, the Fund has declared a total income distribution of RM0.0406 per unit by way of reinvestment in the form of additional units.

Since commencement, the Fund has outperformed the benchmark by 27.49 percentage points with returns of 63.16% compared to the benchmark return of 35.67%. The Fund has declared a total gross income distribution of RM0.3452 per unit to date. We believe the Fund's objective of providing investors with a steady income stream in the form of distribution has been met.

Table 1: Performance of the Fund

	1 Year (1/5/19 - 30/4/20)	3 Years (1/5/17 - 30/4/20)	5 Years (1/5/15 - 30/4/20)	Since Commencement (14/6/05 - 30/4/20)
Fund	3.35%	10.98%	19.36%	63.16%
Benchmark	1.48%	5.26%	9.30%	35.67%
Outperformance	1.87%	5.72%	10.06%	27.49%

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	1 Year (1/5/19 - 30/4/20)	3 Years (1/5/17 - 30/4/20)	5 Years (1/5/15 - 30/4/20)	Since Commencement (14/6/05 - 30/4/20)
Fund	3.35%	3.53%	3.60%	3.34%
Benchmark	1.48%	1.72%	1.79%	2.07%
Outperformance / (Underperformance)	1.87%	1.81%	1.81%	1.27%

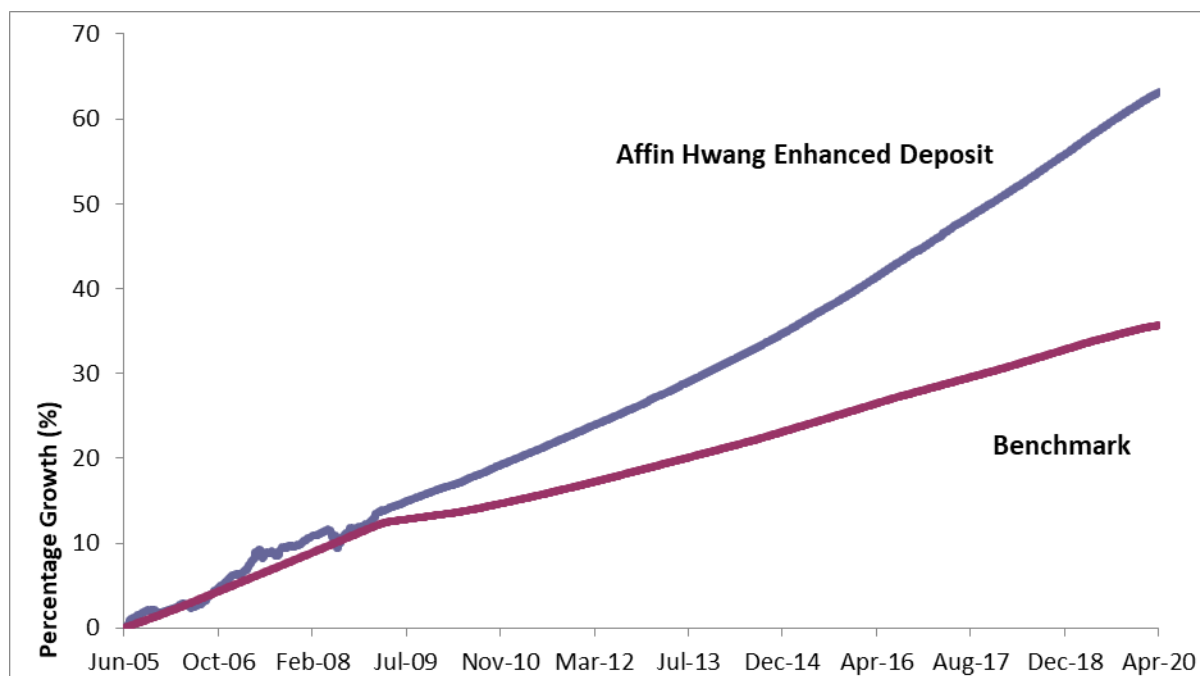
Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	FYE 2020 (01/5/19 - 30/4/20)	FYE 2019 (01/5/18 - 30/4/19)	FYE 2018 (01/5/17 - 30/4/18)	FYE 2017 (01/5/16 - 30/4/17)	FYE 2016 (01/5/15 - 30/4/16)
Fund	3.35%	3.73%	3.52%	3.74%	3.68%
Benchmark	1.48%	1.90%	1.79%	1.80%	2.01%
Outperformance / (Underperformance)	1.87%	1.83%	1.73%	1.94%	1.67%

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: MBB Overnight Rate

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.

As at 30 April 2020, the Manager had maintained the Fund's allocation towards cash and cash equivalent at 100% over the year.

Strategies Employed

The Fund invests solely into deposits with financial institutions and aims to provide investors with a regular income stream and high level of liquidity to meet cash flow requirement whilst maintaining capital preservation.

Market Review

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

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

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

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

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

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

There are tentative signs of the coronavirus infection starting to stabilise in US and Europe. Spain reported the fewest number of new coronavirus deaths in the month. Italy which was the first Western democracy to be hit by the virus and has suffered the most deaths of any nation is starting to see signs of the pandemic ebbing. In the US, the pace of infection has slowed with New York which has emerged as the new epicentre of the epidemic appears to have passed the peak with hospitalisation rates falling.

On commodities, crude oil prices slid 8.0% in April as production cuts agreed by OPEC+ disappointed markets. The supply cuts were unlikely to be sufficient to mitigate the sharp collapse in demand which has also seen depleting storage space in the industry. Oil prices are expected to stay weak as supply cuts including those agreed by OPEC+ (9.7 million barrels per day) is unlikely to be sufficient to mitigate the sharp collapse in demand (20 to 35million barrels per day).

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

The local market suffered losses with the benchmark KLCI closing 8.9% lower in March as pandemic fears gripped the country with cases continuing to rise. Malaysia has the highest number of known infections in Southeast Asia with more than 3,000 confirmed cases in the country at the time of writing.

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

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

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

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

Investment Outlook

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

We could see a resurgence of COVID-19 cases as many countries ease or end their lockdown. To prevent a second wave of infection, it is imperative that countries have sufficient testing and thorough contact-tracing capabilities that enable effective targeted quarantine. These capabilities will help limit COVID-19 infections when countries re-open their economy.

On treatment for COVID-19, any rapid drug or vaccine development, if successful will help mitigate COVID-19 infections. Clinical trials have shown the most promise for re-purposed drugs like Remdesivir that has sped up recovery rates during hospitalisation, though it did not significantly improve mortality rates.

In Asia, we continue to see a resumption of activities in China where the coronavirus was first detected. Almost all factories have reopened as lockdowns are gradually lifted in the country. However, the utilisation rates have yet to return to full scale, perhaps due to a lack of demand and strict social distancing measures in place that prevent factories from operating at full capacity. Recent reports also point to most hotels and tourist sites reopening in China. There has also been a marked recovery in automobile sales.

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 year under review, the management company had received on behalf of the Fund, soft commissions in the form of research materials, data and quotation services, investment-related publications, market data feed and industry benchmarking agencies which are of demonstrable benefit to Unitholders of the Fund.

Cross Trade

Cross trade transactions have been carried out during the reported year and the Investment Committee of the Fund has reviewed that such transaction are in the best interest of the Fund, transacted in the normal course of business at agreed terms and on a fair value basis.

TRUSTEE'S REPORT TO THE UNITHOLDERS OF AFFIN HWANG ENHANCED DEPOSIT FUND

We have acted as Trustee of Affin Hwang Enhanced Deposit Fund ("the Fund") for the financial year ended 30 April 2020. To the best of our knowledge, Affin Hwang Asset Management Berhad ("the Management Company"), has operated and managed the Fund in accordance with the following:-

- a) limitations imposed on the investment powers of the Management Company and the Trustee under the Deeds, the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- b) valuation/pricing is carried out in accordance with the Deeds and any regulatory requirements; and
- c) creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirements.

During this financial year, a total distribution of 4.06 sen per unit (gross) has been distributed to the unitholders of the Fund. We are of the view that the distribution is not inconsistent with the objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie
Manager, Investment Compliance Monitoring

Kuala Lumpur
Date: 19 June 2020

AFFIN HWANG ENHANCED DEPOSIT FUND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020

AFFIN HWANG ENHANCED DEPOSIT FUND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020

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AFFIN HWANG ENHANCED DEPOSIT FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020

	<u>Note</u>	<u>2020</u> RM	<u>2019</u> RM
INVESTMENT INCOME			
Interest income from financial assets at amortised cost		1,269	30,129,863
Interest income from financial assets at fair value through profit or loss		93,328,082	3,394,386
Net gain on financial assets at fair value through profit or loss	8	-	231,654
		<u>93,329,351</u>	<u>33,755,903</u>
EXPENSES			
Management fee	4	(7,822,982)	(2,816,104)
Trustee fee	5	(521,532)	(190,560)
Auditors' remuneration		(8,000)	(8,000)
Tax agent's fee		(3,800)	(3,300)
Other expenses		(12,948)	(10,844)
		<u>(8,369,262)</u>	<u>(3,028,808)</u>
NET PROFIT BEFORE TAXATION		84,960,089	30,727,095
Taxation	6	-	-
NET PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>84,960,089</u>	<u>30,727,095</u>
Net profit after taxation is made up of the following:			
Realised amount		84,960,089	30,727,095
Unrealised amount		-	-
		<u>84,960,089</u>	<u>30,727,095</u>

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

AFFIN HWANG ENHANCED DEPOSIT FUND

STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2020

ASSETS	<u>Note</u>	<u>2020</u> RM	<u>2019</u> RM
Cash and cash equivalents		905	1,009
Financial assets at fair value through profit or loss	8	2,980,794,273	1,628,155,873
TOTAL ASSETS		<u>2,980,795,178</u>	<u>1,628,156,882</u>
LIABILITIES			
Amount due to Manager - management fee		741,204	397,945
Amount due to Trustee		49,414	26,530
Auditors' remuneration		8,000	8,000
Tax agent's fee		3,371	3,800
Other payables and accruals		8,868	2,045
TOTAL LIABILITIES		<u>810,857</u>	<u>438,320</u>
NET ASSET VALUE OF THE FUND		<u>2,979,984,321</u>	<u>1,627,718,562</u>
EQUITY			
Unitholders' capital		2,937,630,330	1,579,127,506
Retained earnings		42,353,991	48,591,056
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>2,979,984,321</u>	<u>1,627,718,562</u>
NUMBER OF UNITS IN CIRCULATION	9	<u>2,539,891,000</u>	<u>1,385,220,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.1733</u>	<u>1.1751</u>

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

AFFIN HWANG ENHANCED DEPOSIT FUND

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 May 2019	1,579,127,506	48,591,056	1,627,718,562
Total comprehensive income for the financial year	-	84,960,089	84,960,089
Distributions (Note 7)	-	(91,197,154)	(91,197,154)
Movement in unitholders' capital:			
Creation of units arising from applications	3,107,464,482	-	3,107,464,482
Creation of units arising from distributions	86,191,711	-	86,191,711
Cancellation of units	(1,835,153,369)	-	(1,835,153,369)
Balance as at 30 April 2020	<u>2,937,630,330</u>	<u>42,353,991</u>	<u>2,979,984,321</u>
Balance as at 1 May 2018	374,845,698	29,235,803	404,081,501
Total comprehensive income for the financial year	-	30,727,095	30,727,095
Distributions (Note 7)	-	(11,371,842)	(11,371,842)
Movement in unitholders' capital:			
Creation of units arising from applications	1,685,504,423	-	1,685,504,423
Creation of units arising from distributions	10,690,944	-	10,690,944
Cancellation of units	(491,913,559)	-	(491,913,559)
Balance as at 30 April 2019	<u>1,579,127,506</u>	<u>48,591,056</u>	<u>1,627,718,562</u>

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

AFFIN HWANG ENHANCED DEPOSIT FUND

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020

	<u>2020</u> RM	<u>2019</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of investments	-	233,031,794
Purchase of investments	-	(98,021,938)
Placement of deposits with licensed financial institution	(59,771,237,973)	(17,728,337,491)
Proceed from maturity of deposits with licensed financial institution	58,419,131,723	16,383,051,911
Interest received	92,797,201	19,965,355
Management fee paid	(7,479,723)	(2,577,538)
Trustee fee paid	(498,648)	(173,593)
Payment for other fees and expenses	(18,354)	(34,110)
	<hr/>	<hr/>
Net cash used in operating activities	(1,267,305,774)	(1,193,095,610)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	3,107,464,482	1,685,504,423
Payments for cancellation of units	(1,835,153,369)	(491,913,559)
Payments for distributions	(5,005,443)	(680,898)
	<hr/>	<hr/>
Net cash generated from financing activities	1,267,305,670	1,192,909,966
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(104)	(185,644)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	1,009	186,653
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	905	1,009
	<hr/> <hr/>	<hr/> <hr/>

Cash and cash equivalents as at 30 April 2020 and 30 April 2019 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 ENHANCED DEPOSIT FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020

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

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported financial year. 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 I.

(a) Standards and amendments to existing standards effective 1 May 2019:

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 May 2019 that have a material effect on the financial statements of the Fund.

(b) New standards, amendments and interpretations effective after 1 May 2019 and have not been early adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 May 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

B INCOME RECOGNITION

Interest income

Interest income from short term deposits with licensed financial institutions and unquoted fixed income securities are recognised based on effective interest rate method on an accrual basis.

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

AFFIN HWANG ENHANCED DEPOSIT FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONTINUED)

B INCOME RECOGNITION (CONTINUED)

Realised gains and losses on sales of investments

For unquoted fixed income securities, realised gains and losses on sale of investments are accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on cost adjusted for accretion of discount or amortisation of premium on investments.

C DISTRIBUTION

A distribution to the Fund's unitholders is accounted for as a deduction from realised reserve. A proposed distribution is recognised as a liability in the period in which it is approved by the Trustee of the Fund.

D 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.

E FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Fund's functional and presentation currency.

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

The Fund classify 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.

AFFIN HWANG ENHANCED DEPOSIT FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(i) Classification (continued)

The contractual cash flows of the Fund's debt securities and deposits with licensed financial institutions are solely principal and interest, 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, auditors' remuneration, tax agent's fee and other payables and accruals as financial liabilities measured at amortised cost.

(ii) Recognition and measurement

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

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

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

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

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

Deposits with licensed financial institutions are stated at fair value. Due to the short term nature of the deposits, the cost plus accrued interest calculated based on the effective interest rate method over the period from the date of placement to the date of maturity of the respective deposits is a reasonable estimate of fair value.

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

AFFIN HWANG ENHANCED DEPOSIT FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment

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

Significant increase in credit risk

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

Definition of default and credit-impaired financial assets

The Fund defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

Any contractual payment which is more than 90 days past due is considered credit impaired.

Qualitative criteria:

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

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

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

Write-off

The Fund write 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.

AFFIN HWANG ENHANCED DEPOSIT FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONTINUED)

G CASH AND CASH EQUIVALENTS

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

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 assets value;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial year 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 net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units.

I CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

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

However, the Manager is of the opinion that there are no accounting policies which require significant judgment to be exercised.

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC's Guidelines on Unit Trust Funds.

J REALISED AND UNREALISED PORTIONS OF PROFIT OR LOSS AFTER TAX

The analysis of realised and unrealised profit or loss after tax as presented on the statement of comprehensive income is prepared in accordance with SC's Guidelines on Unit Trust Funds.

AFFIN HWANG ENHANCED DEPOSIT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020

1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name Hwang Enhanced Deposit Fund (the “Fund”) pursuant to the execution of a Master Deed dated 4 April 2005, First Supplemental Deed dated 29 December 2005, Second Supplemental Deed dated 20 February 2006, Third Supplemental Deed dated 18 June 2007, Fourth Supplemental Deed dated 15 October 2008, Fifth Supplemental Deed dated 12 March 2009, Sixth Supplemental Deed dated 19 March 2010 and Ninth Supplemental Deed dated 19 December 2016. The Fund has changed its name from HwangDBS Enhanced Deposit Fund to Hwang Enhanced Deposit Fund as amended by Seventh Supplemental Deed dated 18 January 2012 and from Hwang Enhanced Deposit Fund to Affin Hwang Enhanced Deposit Fund as amended by Eighth supplemental Deed dated 27 June 2014 (the “Deeds”) entered into between Affin Hwang Asset Management Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”).

The Fund invests 90% to 100% of its NAV in debentures, money market instruments and deposits with maturities of no more than 365 days. Up to 10% of the NAV of the Fund may be invested in debentures, money market instruments and deposits with the remaining maturity exceeding 365 days but no longer than 732 days. As such, the Fund shall invest in a diversified portfolio of good quality, short-term fixed income investments and money market instruments, including deposits, bankers’ acceptances, negotiable certificates of deposits and commercial papers. Other fixed income investments comprise government and government-sponsored bonds and private debt securities with maturity of not more than 732 days.

The Fund was launched on 18 April 2005 and will continue its operations until terminated by the Trustee as provided under Clause 3.1 of the Deed.

The Fund may invest in any of the followings investment:

- (a) Debentures;
- (b) Unlisted securities, including without limitation, securities that have been approved by the relevant regulatory authorities for the listing of and quotation of such securities;
- (c) Money market instruments;
- (d) Ringgit-denominated deposits;
- (e) Unit or shares in collective investment schemes;
- (f) Any other form of investment as may be permitted by the SC from time to time which are in line with the objective of the Fund.

All investment will be subjected to SC’s Guidelines on Unit Trust Funds, the Deeds and the objective of the Fund.

The Fund will select debt securities, the selection of which will depend largely on credit quality, to assure relative certainty of principal repayment and overall total return stability.

The Manager is a company incorporated in Malaysia. The principal activities of the Manager are establishment and management of unit trust 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 19 June 2020.

AFFIN HWANG ENHANCED DEPOSIT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	Note	At amortised cost RM	At fair value through profit or loss RM	Total RM
<u>2020</u>				
<u>Financial assets</u>				
Deposits with licensed financial Institutions	8	-	2,980,794,273	2,980,794,273
Cash and cash equivalents		905	-	905
Total		905	2,980,794,273	2,980,795,178
<u>Financial liabilities</u>				
Amount due to Manager				
- management fee		741,204	-	741,204
Amount due to Trustee		49,414	-	49,414
Auditors' remuneration		8,000	-	8,000
Tax agent's fee		3,371	-	3,371
Other payables and accruals		8,868	-	8,868
Total		810,857	-	810,857
<u>2019</u>				
<u>Financial assets</u>				
Deposits with licensed financial Institutions	8	-	1,628,155,873	1,628,155,873
Cash and cash equivalents		1,009	-	1,009
Total		1,009	1,628,155,873	1,628,156,882
<u>Financial liabilities</u>				
Amount due to Manager				
- management fee		397,945	-	397,945
Amount due to Trustee		26,530	-	26,530
Auditors' remuneration		8,000	-	8,000
Tax agent's fee		3,800	-	3,800
Other payables and accruals		2,045	-	2,045
Total		438,320	-	438,320

AFFIN HWANG ENHANCED DEPOSIT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONTINUED)

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

The Fund is exposed to a variety of risks which include market risk (including interest rate risk), credit risk, liquidity risk and capital risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated by the SC's Guidelines on Unit Trust Funds and the Deeds.

Market risk

(a) Interest rate risk

The Fund's exposure to interest rate risk associated with deposit with licensed financial institutions are not material as the deposits are held on a short term basis.

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</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>2020</u>			
Amount due to Manager			
- management fee	741,204	-	741,204
Amount due to Trustee	49,414	-	49,414
Auditors' remuneration	-	8,000	8,000
Tax agent's fee	-	3,371	3,371
Other payables and accruals	-	8,868	8,868
	<u>790,618</u>	<u>20,239</u>	<u>810,857</u>

AFFIN HWANG ENHANCED DEPOSIT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONTINUED)

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

Liquidity risk (continued)

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

	<u>Within one month</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>2019</u>			
Amount due to Manager			
- management fee	397,945	-	397,945
Amount due to Trustee	26,530	-	26,530
Auditors' remuneration	-	8,000	8,000
Tax agent's fee	-	3,800	3,800
Other payables and accruals	-	2,045	2,045
	<u>424,475</u>	<u>13,845</u>	<u>438,320</u>

Credit risk

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

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

For unquoted fixed income securities, the Manager regularly reviews the rating assigned to the issuer so that necessary steps can be taken if the rating falls below those described by the Deeds and SC's Guidelines on Unit Trust Funds.

AFFIN HWANG ENHANCED DEPOSIT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONTINUED)

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

Credit risk (continued)

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

	Deposits with licensed financial <u>institutions</u> RM	Cash and cash <u>equivalents</u> RM	<u>Total</u> RM
<u>2020</u>			
Financial services			
- AAA	1,206,267,321	905	1,206,268,226
- AA2	1,043,566,855	-	1,043,566,855
- AA3	374,018,643	-	374,018,643
- A1	336,214,879	-	336,214,879
- NR	20,726,575	-	20,726,575
	<u>2,980,794,273</u>	<u>905</u>	<u>2,980,795,178</u>
<u>2019</u>			
Financial services			
- AAA	838,097,623	1,009	838,098,632
- AA1	84,629,691	-	84,629,691
- AA2	330,104,580	-	330,104,580
- AA3	116,725,409	-	116,725,409
- A1	177,886,186	-	177,886,186
- NR	80,712,384	-	80,712,384
	<u>1,628,155,873</u>	<u>1,009</u>	<u>1,628,156,882</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 ENHANCED DEPOSIT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (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 year end date. The Fund utilises the current bid price for financial assets which falls within the bid-ask spread.

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

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

(i) Fair value hierarchy

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

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

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

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

AFFIN HWANG ENHANCED DEPOSIT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>2020</u>				
Financial assets at fair value through profit or loss				
- deposits with licensed financial institutions	-	2,980,794,273	-	2,980,794,273
	<u>-</u>	<u>2,980,794,273</u>	<u>-</u>	<u>2,980,794,273</u>
	<u>-</u>	<u>2,980,794,273</u>	<u>-</u>	<u>2,980,794,273</u>
<u>2019</u>				
Financial assets at fair value through profit or loss				
- deposits with licensed financial institutions	-	1,628,155,873	-	1,628,155,873
	<u>-</u>	<u>1,628,155,873</u>	<u>-</u>	<u>1,628,155,873</u>
	<u>-</u>	<u>1,628,155,873</u>	<u>-</u>	<u>1,628,155,873</u>

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. This includes deposits with licensed financial institutions. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

- (ii) The carrying values of cash and cash equivalents and all current liabilities are a reasonable approximation of the fair values due to their short term nature.

4 MANAGEMENT FEE

In accordance with the Deeds, the Manager is entitled to a management fee at a rate not exceeding 3.00% per annum on the NAV of the Fund calculated on daily basis.

For the financial year ended 30 April 2020, the management fee is recognised at a rate of 0.30% (2019: 0.30%) per annum on the NAV of the Fund calculated on a daily basis.

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

AFFIN HWANG ENHANCED DEPOSIT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONTINUED)

5 TRUSTEE FEE

In accordance with the Deeds, the Trustee is entitled to an annual fee at a rate not exceeding 0.30% per annum on the NAV of the Fund.

The Trustee imposes a tiered trustee fee in respect of the Fund:-

Net Asset Value (NAV)	% of NAV of the Funds
< RM500 million	0.03% per annum
≥ RM500 million	0.02% per annum

For the financial year ended 30 April 2020 and 30 April 2019, Trustee's fee is recognised at the rates stated above.

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

6 TAXATION

	<u>2020</u> RM	<u>2019</u> RM
Current taxation - local	-	-

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

	<u>2020</u> RM	<u>2019</u> RM
Net profit before taxation	84,960,089	30,727,095
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	20,390,421	7,374,503
Tax effects of:		
Investment income not subject to tax	(22,399,044)	(8,091,998)
Expenses not deductible for tax purposes	126,787	39,710
Restrictions on tax deductible expenses for Unit Trust Funds	1,881,836	677,785
Tax expense	-	-

AFFIN HWANG ENHANCED DEPOSIT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONTINUED)

7 DISTRIBUTIONS

	<u>2020</u> RM	<u>2019</u> RM
Distributions to unitholders are from the following sources:		
Interest income	58,150,492	-
Previous years' realised income	39,347,107	11,380,629
	<hr/>	<hr/>
Gross realised income	97,497,599	11,380,629
Less: expenses	(6,300,445)	(8,787)
	<hr/>	<hr/>
	<u>91,197,154</u>	<u>11,371,842</u>

During the financial year ended 30 April 2020, distributions (sen) were made as follows:

<u>2020</u>	<u>Gross/Net distribution per unit (sen)</u>
08.05.2019	0.12
23.05.2019	0.15
12.06.2019	0.17
26.06.2019	0.17
10.07.2019	0.17
24.07.2019	0.17
14.08.2019	0.17
28.08.2019	0.17
11.09.2019	0.17
25.09.2019	0.17
09.10.2019	0.17
23.10.2019	0.17
13.11.2019	0.17
27.11.2019	0.17
11.12.2019	0.17
26.12.2019	0.17
08.01.2020	0.17
22.01.2020	0.17
12.02.2020	0.17
26.02.2020	0.18
11.03.2020	0.18
25.03.2020	0.18
08.04.2020	0.18
22.04.2020	0.18
	<hr/>
	<u>4.06</u>

AFFIN HWANG ENHANCED DEPOSIT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONTINUED)

7 DISTRIBUTIONS (CONTINUED)

During the financial year ended 30 April 2019, distributions (sen) were made as follows:

<u>2019</u>	<u>Gross/Net distribution per unit (sen)</u>
23.05.2018	0.10
27.06.2018	0.10
25.07.2018	0.10
20.08.2018	0.10
24.09.2018	0.10
24.10.2018	0.10
28.11.2018	0.10
12.12.2018	0.10
26.12.2018	0.10
09.01.2019	0.06
23.01.2019	0.06
13.02.2019	0.06
27.02.2019	0.06
13.03.2019	0.06
27.03.2019	0.07
10.04.2019	0.08
24.04.2019	0.08
	<hr/>
	1.43
	<hr/> <hr/>

Gross distribution per unit is derived from gross realised income less expenses divided by the number of units in circulation, while net distribution per unit is derived from gross realised income less expenses and taxation divided by the number of units in circulation.

Included in distribution for the financial year is an amount of RM39,347,107 (2019: RM11,380,629) made from previous years' realised income.

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2020</u> RM	<u>2019</u> RM
Financial assets at fair value through profit or loss:		
- deposits with licensed financial institutions	<u>2,980,794,273</u>	<u>1,628,155,873</u>
Net gain on financial assets at fair value through profit or loss:		
- realised gain on sale of investments	<u>-</u>	<u>231,654</u>

AFFIN HWANG ENHANCED DEPOSIT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONTINUED)

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Deposits with licensed financial institutions

	<u>2020</u> RM	<u>2019</u> RM
Deposits with licensed financial institutions	2,980,794,273	1,628,155,873

Weighted average effective interest rates per annum of deposits with licensed financial institutions are as follows:

	<u>2020</u> %	<u>2019</u> %
Deposits with licensed financial institutions	3.15	4.07

The deposits with licensed financial institutions have an average maturity of 46 days (2019: 168 days).

9 NUMBER OF UNITS IN CIRCULATION

	<u>2020</u> No. of units	<u>2019</u> No. of units
At the beginning of the financial year	1,385,220,000	352,325,000
Creation of units arising from applications	2,642,744,363	1,445,812,996
Creation of units arising from distributions	73,355,233	9,162,686
Cancellation of units	(1,561,428,596)	(422,080,682)
At the end of the financial year	2,539,891,000	1,385,220,000

AFFIN HWANG ENHANCED DEPOSIT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONTINUED)

10 TRANSACTIONS WITH DEALERS/ FINANCIAL INSTITUTIONS

- (i) Details of transactions with the top 10 financial Institutions for the financial year ended 30 April 2020 are as follows:

<u>Name of Financial Institutions</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
Hong Leong Bank Bhd	37,537,561,790	62.72
Public Bank Bhd	5,346,835,380	8.93
Sumitomo Mitsui Bank Corporation	3,091,594,295	5.17
RHB Bank Bhd	2,679,985,842	4.48
Affin Hwang Investment Bank Bhd	2,572,821,565	4.30
CIMB Bank Bhd	1,573,059,674	2.63
Am Bank Bhd Treasury Dept	1,218,464,010	2.04
KAF Investment Bank Bhd	1,092,776,458	1.83
Hong Leong Islamic Bank Bhd	843,812,980	1.41
United Overseas Bank (M) Bhd	729,118,664	1.22
Others	3,160,207,315	5.27
	<u>59,846,237,973</u>	<u>100.00</u>

- (ii) Details of transactions with the top 10 dealers for the financial year ended 30 April 2019 are as follows:

<u>Name of dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
Alliance Bank (M) Bhd#	48,062,472	16.62
HSBC Nom (Tempatan) Sdn Bhd	41,500,000	14.35
OCBC Bank (M) Bhd	38,370,015	13.27
Hong Leong Investment Bank Bhd#	37,003,680	12.80
Affin Hwang Investment Bank Bhd#	31,359,126	10.85
RHB Investment Bank Bhd#	22,243,813	7.69
RHB Bank Bhd#	20,548,910	7.11
CIMB Bank Bhd	19,998,910	6.92
Hong Leong Bank Bhd	14,013,200	4.85
Am Investment Bank Bhd	5,000,000	1.73
Others	11,017,900	3.81
	<u>289,118,026</u>	<u>100.00</u>

Included in transactions with dealers/ financial institutions are trades conducted with Affin Hwang Investment Bank Bhd, company related to the Manager amounting to RM2,572,821,565 (2019: RM31,359,126). The Manager is of the opinion that the transactions with the related company have been entered into in the normal course of business at agreed terms between the related parties.

AFFIN HWANG ENHANCED DEPOSIT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONTINUED)

10 TRANSACTIONS WITH DEALERS/ FINANCIAL INSTITUTIONS (CONTINUED)

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

	<u>2020</u> RM	<u>2019</u> RM
<u>Brokers and dealers</u>		
Affin Hwang Investment Bank	-	29,403,007
Alliance Bank (M) Bhd	-	48,062,472
Hong Leong Investment Bank	-	37,003,679
RHB Bank Bhd	-	31,540,015
RHB Investment Bank Bhd	-	9,253,713
	<u>-</u>	<u>155,262,886</u>

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

	<u>2020</u> RM	<u>2019</u> RM
Affin Hwang Aiiman Income Plus Fund	-	3,003,900
Affin Hwang Select Cash Fund	-	46,073,179
Affin Hwang Bond Fund	-	5,000,500
Affin Hwang Flexible Maturity Income Fund IV	-	1,253,313
Affin Hwang Select Income Fund	-	64,820,784
Affin Hwang Select Bond Fund	-	25,697,230
Affin Hwang Institutional Bond Fund	-	1,413,580
Affin Hwang Income Fund I	-	8,000,400
	<u>-</u>	<u>155,262,886</u>

AFFIN HWANG ENHANCED DEPOSIT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONTINUED)

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

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

<u>Related parties</u>	<u>Relationship</u>
Affin Hwang Asset Management Berhad	The Manager
Affin Hwang Investment Bank Berhad	Holding company of the Manager
Affin Bank Berhad (“ABB”)	Ultimate holding company of the Manager
AXA Affin Life Insurance Berhad	Subsidiary of the ultimate holding company of the Manager
Affin Hwang Trustee Berhad	Associated company of the Manager
Accelvantage Academy Sdn Bhd	Subsidiary of the Manager
Directors of Affin Hwang Asset Management Berhad	Directors of the Manager

The units held by Manager at the end of the financial year is as below.

	<u>2020</u>		<u>2019</u>	
	<u>No. of units</u>	<u>RM</u>	<u>No. of units</u>	<u>RM</u>
<u>The Manager:</u>				
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)	<u>47,555</u>	<u>55,796</u>	<u>3,110</u>	<u>3,654</u>
<u>Parties related to the Manager:</u>				
Affin Hwang Trustee Berhad (The units are held beneficially)	<u>518,931</u>	<u>608,861</u>	<u>1,378,893</u>	<u>1,620,284</u>
AXA Affin Life Insurance Bhd (The units are held beneficially)	<u>25,435,860</u>	<u>29,843,895</u>	<u>-</u>	<u>-</u>
Director of Affin Hwang Asset Management Berhad (The units are held beneficially)	<u>1,629,079</u>	<u>1,911,398</u>	<u>-</u>	<u>-</u>
<u>Subsidiary of the Manager:</u>				
Accelvantage Academy Sdn Bhd (The units are held beneficially)	<u>555,930</u>	<u>652,272</u>	<u>-</u>	<u>-</u>

AFFIN HWANG ENHANCED DEPOSIT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONTINUED)

12 MANAGEMENT EXPENSE RATIO (“MER”)

	<u>2020</u> %	<u>2019</u> %
MER	<u>0.32</u>	<u>0.38</u>

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial year calculated on a daily basis is RM2,596,921,119 (2019: RM835,743,744).

13 PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>2020</u>	<u>2019</u>
PTR (times)	<u>22.76</u>	<u>0.20</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 = RM59,771,237,973 (2019: RM98,021,938)
total disposal for the financial year = RM58,419,131,723 (2019: RM232,900,101)

AFFIN HWANG ENHANCED DEPOSIT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 (CONTINUED)

14 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The worsening macro-economic outlook as a result of Covid-19, both domestically and globally, has resulted in the deterioration of the Fund's Net Asset Value/unit as of the date of this report. This is mainly due to the decrease in interest income earned from the Fund's deposits with licensed financial institutions.

The Manager is monitoring the situation closely and will be actively managing the portfolio to achieve the Fund's objective.

AFFIN HWANG ENHANCED DEPOSIT FUND

STATEMENT BY THE MANAGER

I, Teng Chee Wai, for and on behalf of the board of directors of the Manager, **Affin Hwang Asset Management Berhad**, do hereby state that in the opinion of the Manager, the financial statements set out on pages 1 to 25 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 April 2020 and of its financial performance, changes in equity and cash flows for the financial year ended 30 April 2020 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards.

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

TENG CHEE WAI
EXECUTIVE DIRECTOR/MANAGING DIRECTOR

Kuala Lumpur
19 June 2020

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG ENHANCED DEPOSIT FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Affin Hwang Enhanced Deposit Fund (“the Fund”) give a true and fair view of the financial position of the Fund as at 30 April 2020, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 April 2020, 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 25.

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 ENHANCED DEPOSIT 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 to terminate the Fund, or has no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG ENHANCED DEPOSIT FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional 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 of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
AFFIN HWANG ENHANCED DEPOSIT FUND (CONTINUED)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

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

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the unitholders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
19 June 2020

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