

Affin Hwang

Income Extra Fund

Annual Report
30 April 2020

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



AFFIN HWANG
CAPITAL

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

TRUSTEE
TMF Trustees Malaysia Berhad (610812-W)

AFFIN HWANG INCOME EXTRA FUND

Annual Report and Audited Financial Statements For The Financial Period From 29 July 2019 (Date of Launch) To 30 April 2020

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FUND INFORMATION

Fund Name	Affin Hwang Income Extra Fund
Fund Type	Income
Fund Category	Fixed Income (Wholesale)
Investment Objective	The Fund aims to provide investors with a steady income stream by investing in debentures, money market instruments and/or deposits
Benchmark	Maybank 1-month fixed deposit rate
Distribution Policy	Subject to the availability of income, the Fund will make distribution to Unit Holders on a quarterly basis. However, the amount of income available for distribution may fluctuate from year to year.

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	0	0
5,001 to 10,000	0	0
10,001 to 50,000	2	70
50,001 to 500,000	21	5,650
500,001 and above	30	207,397
Total	53	213,117

* Note : Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 30 Apr 2020 (%)
Portfolio composition	
Unquoted fixed income securities – local	75.55
Cash & cash equivalent	24.45
Total	100.00
Total NAV (RM'million)	219.761
NAV per Unit (RM)	1.0312
Unit in Circulation (million)	213.121
Highest NAV	1.0312
Lowest NAV	1.0000
Return of the Fund (%)	3.12
- Capital Growth (%)	3.12
- Income Distribution (%)	Nil
Gross Distribution per Unit (sen)	Nil
Net Distribution per Unit (sen)	Nil
Management Expense Ratio (%)	0.30
Portfolio Turnover Ratio (times)	1.65

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

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

An illustration of the above would be as follow:-

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

MANAGER'S REPORT

Income Distribution / Unit Split

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

Performance Review

For the period 16 August 2019 to 30 April 2020, the Fund has registered a 3.12% return as compared to the benchmark return of 1.94%. The Fund thus outperformed the benchmark by 1.18 percentage points. The Net Asset Value (NAV) per unit of the Fund as at 30 April 2020 was RM 1.0312 while the 16 August 2019 was RM1.0000. 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

	Since Commencement (16/8/19 - 30/4/20)
Fund	3.12%
Benchmark	1.94%
Outperformance	1.18%

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	Since Commencement (16/8/19 - 30/4/20)
Fund	4.42%
Benchmark	2.75%
Outperformance	1.67%

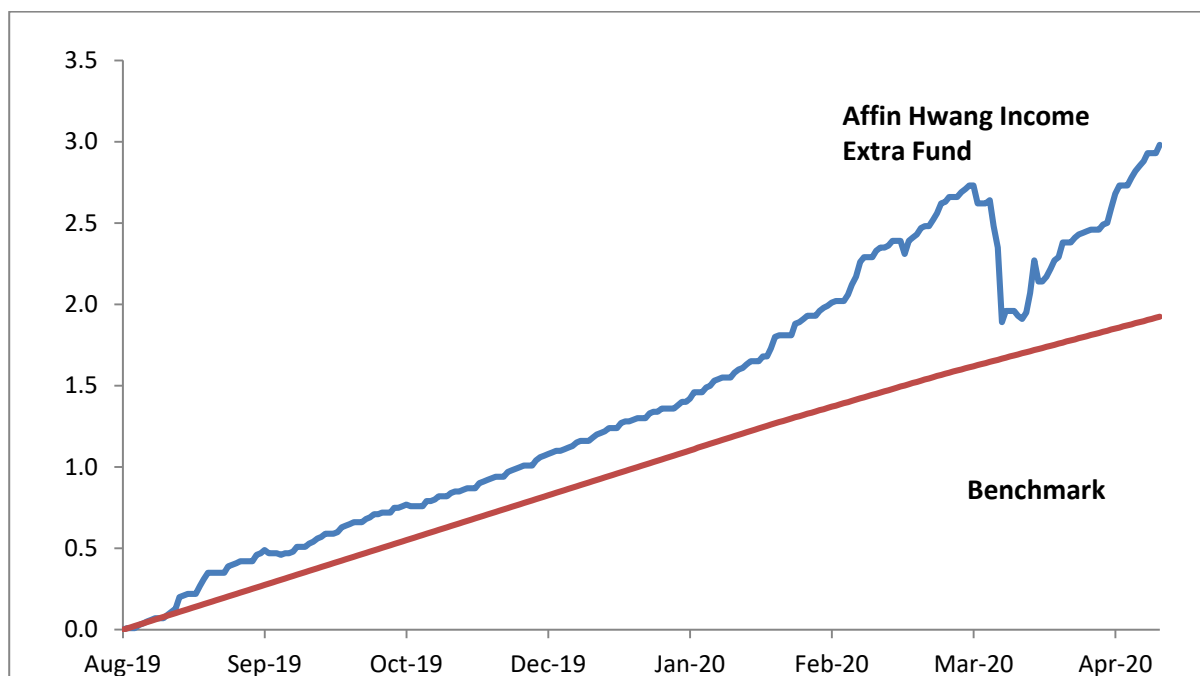
Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	FYE 2020 (16/8/19 - 01/5/20)
Fund	3.12%
Benchmark	1.94%
Outperformance / (Underperformance)	1.18%

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 1M FD

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 Fund's asset allocation stood at 75.55% in fixed income instruments while the balance was held in cash and cash equivalent.

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

Cross Trade

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

TRUSTEE'S REPORT TO THE UNITHOLDERS OF AFFIN HWANG INCOME EXTRA FUND

We have acted as Trustee of Affin Hwang Income Extra Fund ("the Fund") for the financial period from 29 July 2019 (date of launch) to 30 April 2020. To the best of our knowledge, **Affin Hwang Asset Management Berhad**, the Manager, 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, other provisions of the Deeds, the Capital Markets and Services Act 2007, the Securities Commission's Guidelines on Unlisted Capital Market Product under the Lodge and Launch Framework and other applicable laws;
- (b) valuation/pricing is carried out in accordance with the Deeds and any regulatory requirements; and
- (c) creation and cancellation of units have been carried out in accordance with the Deeds and relevant regulatory requirements.

For TMF Trustees Malaysia Berhad
(Company No.: 610812-W)

NORHAYATI BINTI AZIT
DIRECTOR – FUND SERVICES

Kuala Lumpur
19 June 2020

AFFIN HWANG INCOME EXTRA FUND

FINANCIAL STATEMENTS

**FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH)
TO 30 APRIL 2020**

AFFIN HWANG INCOME EXTRA FUND

FINANCIAL STATEMENTS

**FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH)
TO 30 APRIL 2020**

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AFFIN HWANG INCOME EXTRA FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020

	<u>Note</u>	Financial period from 29.7.2019 (date of launch) to 30.4.2020 RM
INVESTMENT INCOME		
Interest income from financial assets at amortised cost		1,698,662
Interest income from financial assets at fair value through profit or loss		3,508,985
Net gain on financial assets at fair value through profit or loss	8	1,506,330
Management fee rebate		101,800
		<hr/> 6,815,777
EXPENSES		
Management fee	4	(504,041)
Trustee fee	5	(57,605)
Auditors' remuneration		(8,000)
Tax agent's fee		(3,500)
Fund accounting fee	6	(2,000)
Other expenses		(4,050)
		<hr/> (579,196)
NET PROFIT BEFORE TAXATION		6,236,581
TAXATION	7	<hr/> -
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<hr/> <hr/> 6,236,581
Net profit after taxation is made up of the following:		
Realised amount		5,367,238
Unrealised amount		869,343
		<hr/> <hr/> 6,236,581

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

AFFIN HWANG INCOME EXTRA FUND

STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2020

	<u>Note</u>	As at <u>30.4.2020</u> RM
ASSETS		
Cash and cash equivalents	9	4,279,984
Term deposits	10	49,532,803
Financial assets at fair value through profit or loss	8	166,039,720
TOTAL ASSETS		<u>219,852,507</u>
LIABILITIES		
Amount due to Manager - management fee		70,325
Amount due to Trustee		8,037
Auditors' remuneration		8,000
Tax agent's fee		3,500
Other payable and accruals		1,697
TOTAL LIABILITIES		<u>91,559</u>
NET ASSET VALUE OF THE FUND		<u>219,760,948</u>
EQUITY		
Unitholders' capital		213,524,367
Retained earnings		6,236,581
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>219,760,948</u>
NUMBER OF UNITS IN CIRCULATION	11	<u>213,121,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.0312</u>

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

AFFIN HWANG INCOME EXTRA FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 29 July 2019 (date of launch)	-	-	-
Total comprehensive income for the financial period	-	6,236,581	6,236,581
Movement in unitholders' capital:			
Creation of units arising from applications	390,670,741	-	390,670,741
Cancellation of units	(177,146,374)	-	(177,146,374)
Balance as at 30 April 2020	<u>213,524,367</u>	<u>6,236,581</u>	<u>219,760,948</u>

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

AFFIN HWANG INCOME EXTRA FUND

STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020

	Financial period from 29.7.2019 (date of launch) to <u>30.4.2020</u> RM
<u>Note</u>	
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from sale of investments	232,158,000
Purchase of investments	(395,009,055)
Placement of term deposits	(49,000,959)
Interest received	2,993,468
Management fee paid	(331,916)
Trustee fee paid	(49,568)
Payment for other fees and expenses	(4,353)
	<hr/>
Net cash used in operating activities	(209,244,383)
	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from creation of units	390,670,741
Payments for cancellation of units	(177,146,374)
	<hr/>
Net cash generated from financing activities	213,524,367
	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,279,984
CASH AND CASH EQUIVALENTS AT THE DATE OF LAUNCH	<hr/> -
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<hr/> 4,279,984 <hr/>
9	

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

AFFIN HWANG INCOME EXTRA FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 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 H.

(a) Standards and amendments to existing standards effective 29 July 2019:

There are no standards, amendments to standards or interpretations that are effective for financial period beginning on 29 July 2019 that have a material effect on the financial statements of the Fund.

(b) New standards, amendments and interpretations effective after 29 July 2019 and have not been early adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 29 July 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 INCOME EXTRA FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

B INCOME RECOGNITION (CONTINUED)

Realised gains and losses on sale of investments

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

C TAXATION

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

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 Ringgit Malaysia (“RM”), which is the Fund’s functional and presentation currency.

E 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.

AFFIN HWANG INCOME EXTRA FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

E FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(i) Classification (continued)

The contractual cash flows of the Fund's debt securities 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 and term deposits 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.

AFFIN HWANG INCOME EXTRA FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

E FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

Unquoted fixed income securities including money market instruments denominated in Ringgit Malaysia are revalued on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with the Securities Commission ("SC") as per the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework. Where such quotation are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

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

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

(iii) Impairment

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

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 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.

AFFIN HWANG INCOME EXTRA FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

E FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (continued)

Definition of default and credit-impaired financial assets (continued)

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 period.

F CASH AND CASH EQUIVALENTS

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

AFFIN HWANG INCOME EXTRA FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

G UNITHOLDERS' CAPITAL

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

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

The outstanding units are carried at the redemption amount that is payable at each financial 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.

H CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

I 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 INCOME EXTRA FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020

1 INFORMATION ON THE FUND

The Wholesale Fund was constituted under the name Affin Hwang Income Extra Fund (the “Fund”) pursuant to the execution of a Deed dated 10 July 2019 (the “Deed”) entered into between Affin Hwang Asset Management Berhad (the “Manager”) and TMF Trustees Malaysia Berhad (the “Trustee”).

The Fund commenced operations on 29 July 2019 and will continue its operations until terminated by the Trustee as provided under Division 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 and all relevant laws:

- (a) Debentures;
- (b) Money market instruments;
- (c) Deposits;
- (d) Units/shares in collective investment schemes; and
- (e) Any other form of investments as may be permitted by the SC from time to time which are in line with the Fund’s objective.

All investments will be subjected to the SC’s Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, the Deed and the objective of the Fund.

The main objective of the Fund is to provide investors with a steady income stream by investing in debentures, money market instruments and/or deposits.

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

The financial statements were authorised for issue by the Manager on 19 June 2020.

AFFIN HWANG INCOME EXTRA FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	<u>Note</u>	At amortised <u>cost</u> RM	At fair value through <u>profit or loss</u> RM	<u>Total</u> RM
<u>As at 30.4.2020</u>				
<u>Financial assets</u>				
Unquoted fixed income securities	8	-	166,039,720	166,039,720
Cash and cash equivalents	9	4,279,984	-	4,279,984
Term deposits	10	49,532,803	-	49,532,803
Total		<u>53,812,787</u>	<u>166,039,720</u>	<u>219,852,507</u>
<u>Financial liabilities</u>				
Amount due to Manager				
- management fee		70,325	-	70,325
Amount due to Trustee		8,037	-	8,037
Auditors' remuneration		8,000	-	8,000
Tax agent's fee		3,500	-	3,500
Other payables and accruals		1,697	-	1,697
Total		<u>91,559</u>	<u>-</u>	<u>91,559</u>

The Fund is exposed to a variety of risks which include market risk (including price risk and 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 Unlisted Capital Market Products under the Lodge and Launch Framework.

AFFIN HWANG INCOME EXTRA FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

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

Market risk

(a) Price risk

Price risk arises mainly from the uncertainty about future prices of investments. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Manager manages the risk of unfavourable changes in prices by continuous monitoring of the performance and risk profile of the investment portfolio.

The Fund's overall exposure to price risk was as follows:

	As at 30.4.2020 RM
Unquoted investment	
Unquoted fixed income securities*	166,039,720

* Includes interest receivable of RM1,548,680.

The following table summarises the sensitivity of the Fund's profit after taxation and net asset value to price risk movements. The analysis is based on the assumptions that the market price increased by 5% and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the quoted and unquoted securities, having regard to the historical volatility of the prices.

<u>% Change in price</u>	<u>Market value</u> RM	<u>Impact on</u> <u>profit after</u> <u>tax/NAV</u> RM
<u>As at 30.4.2020</u>		
-5%	156,266,488	(8,224,552)
0%	164,491,040	-
+5%	172,715,592	8,224,552

AFFIN HWANG INCOME EXTRA FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

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

Market risk (continued)

b) Interest rate risk

In general, when interest rates rise, unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund hold an unquoted fixed income security until maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

This risk is crucial in an unquoted fixed income securities fund since unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of unquoted fixed income securities move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted fixed income securities decrease and vice versa. Furthermore, unquoted fixed income securities with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Investors should note that unquoted fixed income securities and money market instruments are subject to interest rate fluctuations. Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The table below summarises the sensitivity of the Fund's profit after taxation and NAV to movements in prices of unquoted fixed income securities held by the Fund as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate increased and decreased by 2% (200 basis points) with all other variables held constant.

<u>% Change in interest rate</u>	<u>Impact on profit after tax/NAV</u> <u>As at 30.4.2020</u> RM
+ 2%	(276,986)
- 2%	277,061

AFFIN HWANG INCOME EXTRA FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (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.

	Within one month RM	Between one month to one year RM	Total RM
<u>As at 30.4.2020</u>			
Amount due to Manager			
- management fees	70,325	-	70,325
Amount due to Trustee	8,037	-	8,037
Auditors' remuneration	-	8,000	8,000
Tax agent fee	-	3,500	3,500
Other payables and accruals	-	1,697	1,697
	<u>78,362</u>	<u>13,197</u>	<u>91,559</u>

Credit risk

Credit risk refers to the ability of an issuer or counterparty to make timely payments of interests, principals and proceeds from realisation of investments. The Manager manages 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.

The settlement terms of the proceeds from the creation of units' receivable from the Manager are governed by the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

AFFIN HWANG INCOME EXTRA FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 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 and counterparties of the Fund:

	Unquoted fixed income securities RM	Cash and cash equivalents RM	Total RM
<u>As at 30.4.2020</u>			
Consumer goods			
- AA2	5,241,162	-	5,241,162
- AA3	5,176,764	-	5,176,764
Consumer services			
- AAA	3,045,580	-	3,045,580
Financial services			
- AAA	-	24,492,022	24,492,022
- AA1	5,271,827	-	5,271,827
- AA	8,447,664	-	8,447,664
- AA2	10,513,871	14,299,400	24,813,271
- AA-	10,672,488	-	10,672,488
- AA3	15,384,481	15,021,365	30,405,846
- MARC1	1,998,520	-	1,998,520
- P1	14,867,600	-	14,867,600
Government			
- AA+	5,182,538	-	5,182,538
Healthcare			
- AA-	5,145,008	-	5,145,008
Industrials			
- AA-	15,515,882	-	15,515,882
- P1	4,969,200	-	4,969,200
Oil and Gas			
- AA-	10,276,999	-	10,276,999
Telecommunications			
- AAA	5,167,171	-	5,167,171
Utilities			
- AA1	20,709,722	-	20,709,722
- AA	10,713,104	-	10,713,104
- AA2	2,563,440	-	2,563,440
- AA-	5,176,699	-	5,176,699
	<u>166,039,720</u>	<u>53,812,787</u>	<u>219,852,507</u>

AFFIN HWANG INCOME EXTRA FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

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

Capital risk

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

3 FAIR VALUE ESTIMATION

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

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

AFFIN HWANG INCOME EXTRA FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RM	RM	RM	RM
<u>As at 30.4.2020</u>				
Financial assets at fair value				
through profit or loss				
- unquoted fixed income				
securities	-	166,039,720	-	166,039,720

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These includes unquoted fixed income securities. 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, term deposits and all current liabilities are a reasonable approximation of the fair values due to their short term nature.

AFFIN HWANG INCOME EXTRA FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

4 MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 3.00% per annum on the net asset value ("NAV") of the Fund calculated on a daily basis.

For the financial period from 29 July 2019 (date of launch) to 30 April 2020, management fee is recognised at a rate of 0.35% 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 net asset value (NAV) of the Fund, excluding of foreign custodian fees and charges.

For the financial period from 29 July 2019 (date of launch) to 30 April 2020, the Trustee's fee is recognised at a rate of 0.04% per annum on the NAV of the Fund, calculated on a daily basis as stated in the Fund's Information Memorandum.

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

6 FUND ACCOUNTING FEE

Effective 1 January 2020, the annual fund valuation and accounting fee for the fund is RM12,000 per annum.

AFFIN HWANG INCOME EXTRA FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

7 TAXATION

	Financial period from 29.7.2019 (date of launch) to <u>30.4.2020</u> RM
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Current taxation	-
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The numerical reconciliation between net profit before taxation multiplied by the Malaysian statutory tax rate and tax expense of the Fund is as follows:

	Financial period from 29.7.2019 (date of launch) to <u>30.4.2020</u> RM
Net profit before taxation	6,236,581
Tax at Malaysian statutory rate of 24%	1,496,779
Tax effects of:	
Investment income not subject to tax	(1,611,354)
Expenses not deductible for tax purposes	16,117
Restriction on tax deduction expenses for Wholesale Funds	98,458
Tax expense	-

AFFIN HWANG INCOME EXTRA FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Financial period from 29.7.2019 (date of launch) to 30.4.2020 RM
Financial assets at fair value through profit or loss:	
- unquoted fixed income securities – local	166,039,720
Net gain on assets at fair value through profit or loss	
- realised gain on sale of investments	312,085
- unrealised gain on change in fair value	1,194,245
	1,506,330

(a) Unquoted fixed income securities – local

(i) Unquoted fixed income securities – local as at 30 April 2020 are as follows:

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Bonds</u>				
4.7% AZRB Capital Sdn Bhd 23.12.2022 (AA-)	10,000,000	10,163,534	10,252,034	4.66
5.4% BEWG M Sdn Bhd 19.07.2023 (AA)	10,000,000	10,608,411	10,713,104	4.87
4.1% Bumitama Agri Ltd 22.07.2024 (AA3)	5,000,000	5,100,821	5,176,764	2.35
4.9% CIMB Group Hldgs Bhd Call: 30.11.2022 (AA)	3,000,000	3,150,319	3,181,002	1.45
4.15% CIMB Thai Bank PLC Call: 07.08.2024 (AA3)	5,000,000	5,095,571	5,111,008	2.33
4.8% Danajamin Nasional Bhd 06.10.2022 (AA+)	5,000,000	5,153,211	5,182,538	2.36
4.25% Edra Solar Sdn Bhd 11.10.2024 (AA2)	2,500,000	2,505,658	2,563,440	1.17
4.85% Fortune Premiere Sdn Bhd 07.09.2023 (AA)	5,000,000	5,200,873	5,266,662	2.40
4.93% Hong Leong Financial Group Bhd Call: 26.06.2023 (AA2)	5,000,000	5,262,173	5,300,468	2.41

AFFIN HWANG INCOME EXTRA FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Unquoted fixed income securities – local(continued)

(i) Unquoted fixed income securities – local as at 30 April 2020 are as follows:
(continued)

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Bonds (continued)</u>				
4.8% MBSB Bank Bhd 09.12.2022 (AA1)	5,000,000	5,216,112	5,271,827	2.40
5.29% MMC Corp Bhd 26.04.2023 (AA-)	5,000,000	5,096,957	5,176,699	2.36
4.8% Mydin Mohamed Hldgs Bhd 07.05.2020 (AAA)	3,000,000	3,045,830	3,045,580	1.39
4.75% Orix Leasing Malaysia Bhd 14.02.2023 (AA2)	5,000,000	5,158,763	5,213,403	2.37
3.8% Pac Lease Bhd 23.03.2021 (AA3)	3,000,000	3,013,357	3,025,951	1.38
4.3% Perbadanan Kemajuan N. Selangor 28.06.2022 (AA3)	7,000,000	7,173,297	7,247,522	3.30
4.5% Telekom Malaysia Bhd 25.06.2021 (AAA)	5,000,000	5,156,154	5,167,171	2.35
4.85% UEM Edgenta Bhd 26.04.2022 (AA-)	5,000,000	5,100,616	5,145,008	2.34
5% UEM Sunrise Bhd 19.05.2023 (AA-)	10,000,000	10,623,622	10,672,488	4.86
5.1% UiTM Solar Power Sdn Bhd 27.04.2021 (AA-)	5,000,000	5,052,019	5,075,245	2.31
5.3% UiTM Solar Power Sdn Bhd 27.04.2023 (AA-)	5,000,000	5,199,316	5,201,754	2.37
4.65% UMW Holdings Bhd 13.09.2023 (AA2)	5,000,000	5,175,824	5,241,162	2.38
5.32% WCT Holdings Bhd 11.05.2022 (AA-)	5,000,000	5,229,510	5,263,848	2.39
4.38% YTL Corporation Bhd 25.04.2023 (AA1)	5,000,000	5,083,725	5,144,200	2.34
4.49% YTL Power International Bhd 24.03.2023 (AA1)	10,000,000	10,258,433	10,350,415	4.71
4.55% YTL Power International Bhd 10.06.2022 (AA1)	5,000,000	5,192,814	5,215,107	2.37
Gamuda Bhd 16.07.2020 (P1)	5,000,000	4,965,099	4,969,200	2.26
Pac Lease Bhd 17.07.2020 (P1)	10,000,000	9,933,508	9,938,800	4.52
Sabah Credit Corp 08.10.2020 (NR)	5,000,000	4,931,988	4,928,800	2.24

AFFIN HWANG INCOME EXTRA FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Unquoted fixed income securities – local(continued)

(i) Unquoted fixed income securities – local as at 30 April 2020 are as follows:
(continued)

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Adjusted cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>Bonds (continued)</u>				
Sunway Treasury Sukuk Sdn Bhd 13.05.2020 (MARC-1)	2,000,000	1,997,960	1,998,520	0.91
Total unquoted fixed income securities - local	<u>160,500,000</u>	<u>164,845,475</u>	<u>166,039,720</u>	<u>75.55</u>
Accumulated unrealised gain on unquoted fixed income securities - local		<u>1,194,245</u>		
Total unquoted fixed income securities - local		<u>166,039,720</u>		

AFFIN HWANG INCOME EXTRA FUND

NOTES TO THE FINANCIAL STATEMENTS F FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

9 CASH AND CASH EQUIVALENTS

	As at <u>30.4.2020</u> RM
Cash and bank balances	1,685
Deposit with a licensed financial institution	4,278,299
	<u>4,279,984</u>

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

	As at <u>30.4.2020</u> %
Deposit with a licensed financial institution	<u>2.55</u>

Deposit with a licensed financial institution has an average maturity period of 4 days.

10 TERM DEPOSITS

The weighted average effective interest rates per annum for deposits that was effective as at balance sheet date was as follows:

	<u>2020</u> %
Deposits with licensed financial institutions	<u>3.45</u>

The deposits with licensed financial institutions have an average maturity of 108 days. The amount includes interest receivable of RM531,844.

AFFIN HWANG INCOME EXTRA FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

11 NUMBER OF UNITS IN CIRCULATION

	As at <u>30.4.2020</u> No. of units
At the date of launch	-
Creation of units arising from applications	386,953,000
Cancellation of units	<u>(173,832,000)</u>
At the end of the financial period	<u><u>213,121,000</u></u>

12 TRANSACTIONS WITH DEALERS

(i) Details of transaction with the dealers for the financial period from 29 July 2019 (date of launch) to 30 April 2020 are as follows:

<u>Name of dealers</u>	<u>Value of trade</u> RM	Percentage of <u>total trade</u> %
Affin Hwang Investment Bank Bhd#	123,310,800	25.31
CIMB Bank Bhd	113,076,412	23.21
OCBC Bank (Malaysia) Bhd	59,779,041	12.27
Citibank Bhd	56,497,500	11.60
Hong Leong Bank Bhd	30,842,750	6.33
RHB Investment Bank Bhd	20,457,000	4.20
Malayan Banking Bhd	17,124,404	3.52
CIMB Islamic Bank Bhd	15,721,000	3.23
Standard Chartered Bank Malaysia Bhd	15,373,000	3.15
RHB Bank Bhd	10,025,882	2.06
Others	24,959,266	5.12
	<u><u>487,167,055</u></u>	<u><u>100.00</u></u>

Included in transactions with brokers are trades with Affin Hwang Investment Bank Berhad, company related to the Manager amounting to RM123,310,800. The Manager is of the opinion that all transactions with the related companies have been entered into at agreed terms between the related parties.

AFFIN HWANG INCOME EXTRA FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

12 TRANSACTIONS WITH DEALERS (CONTINUED)

- # Included in the transactions with brokers are cross trades conducted between the Fund and private mandates managed by the Manager amounting to:

	Financial period from 29.7.2019 (date of launch) to <u>30.4.2020</u> RM
<u>Name of broker</u>	
Affin Hwang Investment Bank Bhd	61,715,300

The cross trades are conducted between the Fund and private mandates managed by the Manager as follows:

	Financial period from 29.7.2019 (date of launch) to <u>30.4.2020</u> RM
Affin Hwang Aiiman Income Plus Fund	2,500,500
Affin Hwang Bond Fund	10,242,000
Affin Hwang Enhanced Income Fund	3,015,300
Affin Hwang Income Fund 5	10,393,000
Affin Hwang Select Cash Fund	30,517,000
Private mandates managed by the Manager	5,047,500
	<u>61,715,300</u>

AFFIN HWANG INCOME EXTRA FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

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

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

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

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

	<u>As at 30.4.2020</u>	
	No. of units	RM
<u>The Manager:</u>		
Affin Hwang Asset Management Berhad (the units are held legally for booking purposes)	2,998	3,092
	<u>2,998</u>	<u>3,092</u>
<u>Subsidiary and associated companies of the ultimate holding company of the Manager:</u>		
AXA Affin Life Insurance Bhd (The units are held beneficially)	48,718,698	50,238,721
	<u>48,718,698</u>	<u>50,238,721</u>

AFFIN HWANG INCOME EXTRA FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

14 MANAGEMENT EXPENSE RATIO ("MER")

	Financial period from 29.7.2019 (date of launch) to <u>30.4.2020</u> RM
MER	<u>0.30</u>

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial period from 29 July 2019 (date of launch) to 30 April 2020 calculated on a daily basis is RM190,282,422.

AFFIN HWANG INCOME EXTRA FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 29 JULY 2019 (DATE OF LAUNCH) TO 30 APRIL 2020 (CONTINUED)

15 PORTFOLIO TURNOVER RATIO ("PTR")

	Financial period from 29.7.2019 (date of launch) to <u>30.4.2020</u> RM
PTR (times)	1.65

PTR is derived from the following calculation:

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

where: total acquisition for the financial period = RM395,009,055
total disposal for the financial period = RM231,845,915

16 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 fair value of the Fund's investments at fair value through profit or loss.

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

AFFIN HWANG INCOME EXTRA 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 29 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, net assets attributable to unitholders and cash flows for the financial period from 29 July 2019 (date of launch) to 30 April 2020 in accordance with the Malaysia 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 INCOME EXTRA FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our Opinion

In our opinion, the financial statements of Affin Hwang Income Extra 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 financial period from 29 July 2019 (date of launch) to 30 April 2020 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 April 2020, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the financial period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 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’ 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 INCOME EXTRA 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 INCOME EXTRA 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.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
AFFIN HWANG INCOME EXTRA FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- (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.

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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