

Affin Hwang

Income Focus Fund 2

Interim Report
31 January 2020

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



AFFIN HWANG
CAPITAL

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

TRUSTEE
CIMB Commerce Trustee Berhad (313031-A)

AFFIN HWANG INCOME FOCUS FUND 2

Interim Report and Unaudited Financial Statements 6 Months Financial Period Ended 31 January 2020

Contents	Page
FUND INFORMATION	III
FUND PERFORMANCE DATA.....	IV
MANAGER'S REPORT	V
TRUSTEE'S REPORT	VIII
FINANCIAL STATEMENT	
DIRECTORY OF SALES OFFICE	

FUND INFORMATION

Fund Name	Affin Hwang Income Focus Fund 2
Fund Type	Income
Fund Category	Fixed Income (close-ended)
Investment Objective	The Fund aims to provide income return whilst maintaining capital preservation
Duration of the Fund	Two (2) years close-ended Fund
Termination Date	24 April 2020
Benchmark	12-Month Malayan Banking Berhad fixed deposit rate
Distribution Policy	Subject to the availability of income, the Fund will distribute income on an annual basis

BREAKDOWN OF UNITHOLDERS BY SIZE AS AT 31 JANUARY 2020

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	30	97
5,001 to 10,000	44	406
10,001 to 50,000	73	2,017
50,001 to 500,000	34	5,498
500,001 and above	8	95,397
Total	189	103,416

* Note: Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 31 Jan 2020 (%)	As at 31 Jan 2019 (%)
Portfolio composition		
Deposits with licensed financial institutions	94.14	98.22
Unquoted derivatives - option	5.86	1.78
Total	100.00	100.00
Total NAV (RM'million)	112.043	104.086
NAV per Unit (RM)	1.0795	0.9958
Unit in Circulation (million)	103.792	104.529
Highest NAV	1.0795	1.0025
Lowest NAV	1.0381	0.9815
Return of the Fund (%) ⁱⁱⁱ	3.98	-0.42
- Capital Growth (%) ⁱ	3.98	-0.42
- Income Distribution (%) ⁱⁱ	Nil	Nil
Gross Distribution per Unit (sen)	Nil	Nil
Net Distribution per Unit (sen)	Nil	Nil
Management Expense Ratio (%) ¹	0.02	0.04
Portfolio Turnover Ratio (times) ²	-	0.03

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 year due to higher average NAV of the Fund for the financial year.

²The PTR of the Fund was zero due to zero average sum of total acquisition and disposal for the financial year.

MANAGER'S REPORT

Income Distribution / Unit Split

No income distribution or unit split was declared for the financial year ended 31 January 2020.

Performance Review

For the period 1 August 2019 to 31 January 2020, the Fund has registered a 3.98% return as compared to the benchmark return of 1.55%. The Fund outperformed the benchmark by 2.43 percentage points. The Net Asset Value (NAV) per unit as at 31 January 2020 was RM1.0795 while the NAV per unit 31 July 2019 was RM1.0382. The Fund has declared a total gross income distribution of RM0.0355 per unit from the since inception date (See Table 1 for performance of the Fund and Figure 1 for the movement of the Fund versus the Benchmark respectively).

Table 1: Performance of the Fund

	6 Months (1/8/19 - 31/1/20)	1 Year (1/2/19 - 31/1/20)	Since Commencement (24/4/18 - 31/1/20)
Fund	3.98%	12.08%	11.61%
Benchmark	1.55%	3.17%	5.84%
Outperformance / (Underperformance)	2.43%	8.91%	5.77%

Source of Benchmark: Maybank

Table 2: Average Total Return

	1 Year (1/2/19 - 31/1/20)	Since Commencement (24/4/18 - 31/1/20)
Fund	12.08%	6.38%
Benchmark	3.17%	3.25%
Outperformance	8.91%	3.13%

Source of Benchmark: Maybank

Table 3: Annual Total Return

	FYE 2019 (24/4/18 - 31/7/19)
Fund	7.34%
Benchmark	4.23%
Outperformance	3.11%

Source of Benchmark: Maybank

Figure 1: Movement of the Fund versus the Benchmark



"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 Maybank."

Benchmark: 12-month Malayan Banking Berhad fixed deposit rate as at Investment Date

Asset Allocation

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

During the period under review, the Fund's exposure into deposits with licensed financial institutions stood at 94.14% while the remaining was held in unquoted derivatives - option.

Strategy Employed

The Fund remain invested with over 90% of its allocation in deposits and the remaining in derivatives. The Fund continue to aim to provide income return whilst maintaining capital preservation throughout the tenure until its maturity.

Market Review (1 August 2019 – 31 January 2020)

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 over the coronavirus outbreak that has claimed the lives of at least 300 people with rates of infection rapidly increasing.

Investors have been closely tracking the coronavirus outbreak to assess its potential impact to the economy as a result of wide scale city and factory shutdowns in China, as well as travel restriction bans. Global supply chains could see disruption due to stalled manufacturing activity; impacting markets like Taiwan and Korea which are heavily interlinked.

Meanwhile, the US-China trade war made some positive headway with the two countries signing a phase-one trade deal. US President Donald Trump and Chinese Vice Premier Liu He signed the pact that will roll back some tariffs as well as see Beijing boost purchases of US goods and services by US\$200 billion over two years. This include purchases of US agriculture products by US\$32 billion over the next two years by China.

The US will cut by half the tariff rate it imposed on September 1 on US\$120 billion worth of Chinese goods to 7.5%. Tariffs that were scheduled to go into effect on December 15 on nearly US\$160 billion worth of Chinese goods including electronics goods were suspended indefinitely. China's retaliatory December 15 tariffs including a 25.0% tariff on US-made autos were also suspended. However, US tariffs of 25.0% on US\$250 billion worth of Chinese goods put in place earlier will remain. These could be rolled back as part of a Phase 2 trade negotiation according to US Treasury Secretary Steven Mnuchin. Negotiations for the second phase of the trade deal is expected to commence before the presidential election in November.

On monetary policy, the US Federal Reserve ("Fed") kept its benchmark rates unchanged in its policy meeting, but extended its repo injection programme by two more months to June 2020. This has resulted in a surge in the Fed's balance sheet to above the US\$4 trillion mark. With US inflation currently hovering 0.7% below the Fed's target of 2.0%, consensus now expects the central bank to deliver two rate cuts in 2H'2020.

Meanwhile, the European Central Bank left monetary policy unchanged at a historic low of -0.5%, and announced the launched of a strategic review of its monetary policy strategy to assess if its inflation target is still appropriate.

Bank Negara Malaysia unexpectedly lowered its overnight policy rate by 25bps to 2.75% during its January meeting, its first interest rate cut since March 2019. The rate cut is expected to boost economic growth amid price stability.

Investment Outlook

Markets are drawing comparisons of the coronavirus outbreak to that of SARS (Severe Acute Respiratory Syndrome) in 2003, when the economy also came to a standstill at the height of the disease. However, the long-term impact of epidemics to significantly derail economic growth is transient and stock markets staged a quick recovery soon thereafter once the outbreak is contained.

The quick and measured response from Chinese authorities in containing the outbreak has also soothed fears, as authorities draw upon lessons from past outbreaks like SARS and MERS. Whilst we could see impact to China's 1Q'2020 GDP, additional fiscal and monetary support may cushion downside to its economy albeit with a lag effect.

While the temporary trade truce between US and China has allowed financial markets to stand on firmer ground as compared to 2018, President Trump's hardball negotiation tactics to claim more favourable terms – as reflected in the resurgence of tariff threats in late April 2019 – may spark a new phase of trade uncertainty. Though, the more synchronised dovish stance by central banks globally may help prop up markets to some extent.

The local market could see further weakness following a plunge in commodity prices such as crude oil and palm oil, as demand from China wanes due to the outbreak. On the flipside, glove makers lead gainers as expectations of rising healthcare demand would lift 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.

TRUSTEE'S REPORT TO THE UNITHOLDERS OF AFFIN HWANG INCOME FOCUS FUND 2

We, **CIMB Commerce Trustee Berhad** being the trustee for **Affin Hwang Income Focus Fund 2** ("the Fund"), are of the opinion that **Affin Hwang Asset Management Berhad** ("the Manager"), acting in the capacity as the Manager of the Fund, has fulfilled its duties in the following manner for the 6 months financial period ended 31 January 2020.

- a) The Fund has been managed in accordance with the limitations imposed on the investment powers of the Manager under the Deed, the Securities Commission Malaysia's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 (as amended from time to time) and other applicable laws;
- b) Valuation and pricing for the Fund has been carried out in accordance with the Deed and relevant regulatory requirements; and
- c) Creation and cancellation of units have been carried out in accordance with the Deed and relevant regulatory requirements.

For and on behalf of
CIMB Commerce Trustee Berhad

Lee Kooi Yoke
Chief Executive Officer

Kuala Lumpur, Malaysia
11 March 2020

AFFIN HWANG INCOME FOCUS FUND 2

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020

AFFIN HWANG INCOME FOCUS FUND 2

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020

CONTENTS	PAGE(S)
UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME	1
UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION	2
UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY	3
UNAUDITED INTERIM STATEMENT OF CASH FLOWS	4
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	5 - 10
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS	11 - 23
STATEMENT BY THE MANAGER	24

AFFIN HWANG INCOME FOCUS FUND 2

UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020

		6 months financial period ended 31.1.2020	Financial period from 8.3.2018 (date of launch) to 31.1.2019
	Note RM	RM	
INVESTMENT INCOME/(LOSS)			
Interest income from financial assets at amortised cost		2,002,072	3,400,130
Net loss on foreign currency exchange		-	(7,668)
Net gain/(loss) on unquoted derivatives at fair value through profit or loss	7	2,315,121	(3,810,457)
Exit fee income		7,795	15,319
		<u>4,324,988</u>	<u>(402,676)</u>
EXPENSES			
Trustee fee	4	(16,712)	(26,111)
Auditors' remuneration		(4,031)	(5,562)
Tax agent's fee		(1,764)	(2,907)
Other expenses		(3,583)	(6,043)
		<u>(26,090)</u>	<u>(40,623)</u>
NET PROFIT/(LOSS) BEFORE TAXATION		4,298,898	(443,299)
TAXATION	5	<u>(1,750)</u>	<u>(3,481)</u>
NET PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD		<u>4,297,148</u>	<u>(446,780)</u>
Net profit/(loss) after taxation is made up of the following:			
Realised amount		1,982,027	3,363,677
Unrealised amount		2,315,121	(3,810,457)
		<u>4,297,148</u>	<u>(446,780)</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 FOCUS FUND 2

UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2020

	Note	2020 RM	2019 RM
ASSETS			
Cash and cash equivalents		23,400	62,832
Deposits with licensed financial institutions	6	105,471,157	102,183,192
Financial asset at fair value through profit or loss	7	6,564,192	1,852,265
Tax recoverable		3,481	1,519
TOTAL ASSETS		112,062,230	104,099,808
LIABILITIES			
Amount due to Trustee		5,645	2,647
Auditors' remuneration		4,031	5,561
Tax agent's fee		6,264	2,907
Other payables and accruals		3,018	2,768
TOTAL LIABILITIES		18,958	13,883
NET ASSET VALUE OF THE FUND		112,043,272	104,085,925
EQUITY			
Unitholders' capital		103,754,637	104,532,705
Retained earnings/ (accumulated losses)		8,288,635	(446,780)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		112,043,272	104,085,925
NUMBER OF UNITS IN CIRCULATION	8	103,792,000	104,529,000
NET ASSET VALUE PER UNIT (RM)		1.0795	0.9958

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

AFFIN HWANG INCOME FOCUS FUND 2

UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020

	Unitholders' <u>capital</u> RM	Retained earnings/ (accumulated <u>losses</u>) RM	<u>Total</u> RM
Balance as at 1 August 2019	104,479,289	3,991,487	108,470,776
Total comprehensive income for the financial period	-	4,297,148	4,297,148
Movement in unitholders' capital:			
Cancellation of units	(724,652)	-	(724,652)
Balance as at 31 January 2020	<u>103,754,637</u>	<u>8,288,635</u>	<u>112,043,272</u>
Balance as at 8 March 2018 (date of launch)	-	-	-
Total comprehensive loss for the financial period	-	(446,780)	(446,780)
Movement in unitholders' capital:			
Creation of units arising from applications	104,840,000	-	104,840,000
Cancellation of units	(307,295)	-	(307,295)
Balance as at 31 January 2019	<u>104,532,705</u>	<u>(446,780)</u>	<u>104,085,925</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 FOCUS FUND 2

UNAUDITED INTERIM STATEMENT OF CASH FLOWS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2019

	6 months financial period ended 31.1.2020 RM	Financial period from 8.3.2018 (date of launch) to 31.1.2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from maturity of deposits with licensed financial institutions	22,992,929	(112,428,357)
Placement of deposits with licensed financial institutions	(29,464,086)	10,245,165
Purchase of investments	-	(5,662,722)
Interest received	7,221,157	3,400,130
Exit fee income received	7,795	15,319
Trustee fee paid	(13,827)	(23,464)
Net realised foreign exchange loss	-	(7,668)
Payment for other fees and expenses	(12,750)	(3,276)
Tax paid	-	(5,000)
Net cash generated from/(used in) operating activities	731,218	(104,469,873)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	-	104,840,000
Payments for cancellation of units	(724,652)	(307,295)
Net cash (used in)/generated from financing activities	(724,652)	104,532,705
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,566	62,832
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD /DATE OF LAUNCH	16,834	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	23,400	62,832

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

AFFIN HWANG INCOME FOCUS FUND 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 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 ("MFRS") and International Financial Reporting Standards ("IFRS").

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

The Fund commenced operations on 24 April 2018 and will continue its operations until terminated by the Trustee as provided under Clause 12.1 of the Deed or on maturity date of the Fund which falls on 24 April 2020. As such, the going concern assumption can no longer be used for the preparation of financial statements. The financial statements have therefore been prepared using a liquidation basis of accounting.

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

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

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

(b) New standards, amendments and interpretations effective after 1 January 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 January 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 is 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 FOCUS FUND 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

B INCOME RECOGNITION

Realised gains and losses on settlement of unquoted derivative – option

Realised gains and losses on settlement of unquoted derivative – option are recognised on the exercise date based on a pre-determined formula as stipulated in the term sheet of the option.

Exit fee income

Exit fee income is a redemption fee charged to unitholders on cancellation of units before the maturity date and is recognised upon cancellation of units.

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 FOREIGN CURRENCY TRANSLATION

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

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

The Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ('OCI') or through profit or loss), and
- those to be measured at amortised cost

AFFIN HWANG INCOME FOCUS FUND 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(i) Classification (continued)

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 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 deposits with licensed financial institutions 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 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.

When the Fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When options are closed, the difference between the premium and the amount paid, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognised as a gain or loss and is presented in the statement of comprehensive income within 'net gain/(loss) on financial assets at fair value through profit and loss' in the financial period which they arise.

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

AFFIN HWANG INCOME FOCUS FUND 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

The Fund's investment in unquoted derivative – option is valued on a weekly basis using valuation techniques by BNP Paribas Issuance B.V. (the "Option Seller"). Refer to Note 3 for further explanation.

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest method over the period from the date of placement to the date of maturity of the deposits.

Financial assets at amortised cost and other 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

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

Write-off

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

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

AFFIN HWANG INCOME FOCUS FUND 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

G DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

The fair value of unquoted derivative – option is determined in accordance with the accounting policy set out in Note F.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held-for-trading and accounted for in accordance with the accounting policy set out in Note F.

H CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprises bank balance that is readily convertible to known amount of cash and which is subjected to an insignificant risk of change in value.

I 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 unitholders exercise 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.

AFFIN HWANG INCOME FOCUS FUND 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

J CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

(i) Fair value of unquoted derivative – option

The Fund invests in unquoted derivative – option that is not quoted in active markets. Fair value of such instrument are determined by using valuation techniques set out in Note 3 of the financial statements.

Models use observable data, to the extent practicable. However, unobservable input such as implied volatility and net cost of borrowing are based on assumptions that require management to make estimates. Changes in assumptions about this factor could affect the reported fair value of the unquoted derivative – option. The sensitivity to unobservable inputs is based on management's expectation of reasonable possible shift in these inputs, taking into consideration historical data and estimations of future market movements.

For the unquoted derivative - option, an increase in the implied volatility and the net cost of borrowing would lead to an increase in estimated value. The Manager is of the opinion that it is reasonably possible, based on existing knowledge, that there could be substantial shift in the unobservable inputs in Note 3 to the financial statements within the next financial period and could result in material changes to the fair value of the unquoted derivative – option.

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020

1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name Affin Hwang Income Focus Fund 2 (the "Fund") pursuant to the execution of a Deed dated 17 October 2017 entered into between Affin Hwang Asset Management Berhad (the "Manager") and CIMB Commerce Trustee Berhad (the "Trustee").

The Fund commenced operations on 24 April 2018 and will continue its operations until terminated by the Trustee as provided under Clause 12.1 of the Deed or on maturity date of the Fund which falls on 24 April 2020.

The Fund may invest in the following permitted investments:

- (i) Money market instruments;
- (ii) Deposits;
- (iii) Options;
- (iv) Structured warrants; and
- (v) Any other form of investments as may be determined by the SC from time to time which are in line with the objective of the Fund.

All investments will be subjected to the SC's Guidelines on Unit Trust Funds, the Deed and the objective of the Fund.

The objective of the Fund is to provide income return whilst maintaining capital preservation.

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 11 March 2020.

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	<u>Note</u>	Financial assets at amortised cost RM	Financial assets at fair value through profit or loss RM	<u>Total</u> RM
<u>2020</u>				
Cash and cash equivalents		23,400	-	23,400
Deposits with licensed financial institutions	6	105,471,157	-	105,471,157
Unquoted derivative - option	7	-	6,564,192	6,564,192
Total		<u>105,494,557</u>	<u>6,564,192</u>	<u>112,058,749</u>
<u>2019</u>				
Cash and cash equivalents		62,832	-	62,832
Deposits with licensed financial institutions	6	102,183,192	-	102,183,192
Unquoted derivative - option	7	-	1,852,265	1,852,265
Total		<u>102,246,024</u>	<u>1,852,265</u>	<u>104,098,289</u>

All current liabilities are financial liabilities which are carried at amortised cost.

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

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

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.

(b) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows.

The Fund's exposure to the interest rate risk is mainly confined to deposits with licensed financial institutions. The Manager overcomes this exposure by placing deposits with licensed financial institutions with fixed rates of interest and maturity.

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

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

Market risk (continued)

(c) Currency risk

Currency risk is associated with investments denominated in foreign currencies. When the foreign currencies fluctuate in an unfavourable movement against Ringgit Malaysia, the investments will face currency losses in addition to the capital gain/(loss). The Manager will evaluate the likely directions of a foreign currency versus Ringgit Malaysia based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels, and technical chart considerations.

The following table sets out the foreign currency risk concentrations and counterparties of the Fund:

	<u>Option</u>	<u>Total</u> RM
<u>2020</u>		
Euro	6,564,192	6,564,192
<u>2019</u>		
Euro	1,852,265	1,852,265

The table below summarises the sensitivity of the Fund's profit after tax and net asset value ("NAV") to changes in foreign exchange movements. The analysis is based on the assumption that the foreign exchange rate changes by 5%, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Any increase/(decrease) in foreign exchange rate will result in a corresponding increase/(decrease) in the net assets attributable to unitholders by approximately 5%. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	<u>Change</u> <u>in rate</u> %	<u>Impact on</u> <u>profit after tax/</u> <u>NAV</u> RM
<u>2020</u>		
Euro	+/- 5	+/- 328,210
<u>2019</u>		
Euro	+/- 5	+/- 92,613

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

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

Credit risk

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

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

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

	<u>Cash and cash equivalents</u> RM	<u>Deposits with licensed institutions</u> RM	<u>Unquoted derivatives</u> RM	<u>Total</u> RM
<u>2020</u>				
Financial Services				
- AAA	23,400	4,494,663	-	4,518,063
- AA1	-	19,074,756	-	19,074,756
- AA2	-	30,799,773	-	30,799,773
- AA3	-	51,101,965	-	51,101,965
- NR	-	-	6,564,192	6,564,192
	<u>23,400</u>	<u>105,471,157</u>	<u>6,564,192</u>	<u>112,058,749</u>
<u>2019</u>				
Financial Services				
- AAA	62,832	4,082,814	-	4,145,646
- AA1	-	19,393,370	-	19,393,370
- AA2	-	29,622,663	-	29,622,663
- AA3	-	49,084,345	-	49,084,345
- NR	-	-	1,852,265	1,852,265
	<u>62,832</u>	<u>102,183,192</u>	<u>1,852,265</u>	<u>104,098,289</u>

The financial assets of the Fund as at the end of the financial period are neither past due nor impaired.

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 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 payments and cancellation of units 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 <u>one month</u> RM	Between one month to <u>one year</u> RM	<u>Total</u> RM
<u>2020</u>			
Amount due to Trustee	5,645	-	5,645
Auditor's remuneration	-	4,031	4,031
Tax agent's fee	-	6,264	6,264
Other payables and accruals	-	3,018	3,018
	<u>5,645</u>	<u>13,313</u>	<u>18,958</u>
<u>2019</u>			
Amount due to Trustee	2,647	-	2,647
Auditor's remuneration	-	5,561	5,561
Tax agent's fee	-	2,907	2,907
Other payables and accruals	-	2,768	2,768
	<u>2,647</u>	<u>11,236</u>	<u>13,883</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 unitholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 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 financial period end date.

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

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

(i) Fair value hierarchy

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

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

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.

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>2020</u>				
Financial asset at fair value through profit or loss				
- unquoted derivative - option	-	-	6,564,192	6,564,192
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>2019</u>				
Financial asset at fair value through profit or loss				
- unquoted derivative - option	-	-	1,852,265	1,852,265
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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.

Level 3 instruments

The Fund invests in an option issued by the Option Seller and is valued on a weekly basis. These investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, the Fund has used valuation techniques to derive the fair value.

In determining the valuation, the Option Seller utilises risk management models based on probability testing. The model utilises market observable input factors such as interest rate levels and remaining time to maturity; and combine them with the Option Seller's own unobservable inputs such as Implied Volatility and Net Cost of Borrowing. These market observable quantitative inputs and in-house assumptions are then typically put through a random process and simulated multiple times to create a sufficiently large sample size whereby the Option Seller is able to arrive at a meaningful average level which is used as the mark to market valuation for the option.

The descriptions of unobservable inputs in the option valuation are:

- **Implied Volatility:** this is derived by the Option Seller from a number of parameters including but not limited to the Option Seller's assumptions, using proxies from correlated assets and derivation from observable inputs like realised volatility of the Jupiter JGF – Dynamic Bond Fund (“the underlying fund”) and volatility quotes in the broker market.
- **Net Cost of Borrowing:** the net cost of borrowing for the Option Seller is expressed as a spread over Euribor rates. The valuation of the option is impacted by the cost of borrowing associated with the option seller having to buy units of the underlying Jupiter JGP – Dynamic Bond Fund net of rebates given by the mutual fund manager.

The sensitivity of fair value valuations for fund linked option to unobservable inputs are not static and can vary substantially depending on the Option Seller's assumptions.

The following table presents the movements in Level 3 instruments:

	<u>2020</u> RM	<u>2019</u> RM
Opening	4,249,071	-
Purchase	-	5,662,722
Net change in fair value on financial asset at fair value through profit or loss	2,315,121	(3,810,457)
	<u>6,564,192</u>	<u>1,852,265</u>

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

Level 3 instruments (continued)

In the specific case of the Fund's investment, the fair value of the investment will rise respectively when:

- Implied volatility increases;
- Net cost of borrowing increases;

and vice versa, the fair value of the investment will fall if each of the above factors move in the opposite direction.

(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 TRUSTEE FEE

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.10% per annum on the NAV of the Fund excluding of foreign custodian fees.

For the 6 months financial period ended 31 January 2020, the Trustee fee is recognised at a rate of 0.03% per annum on the NAV of the Fund calculated on a daily basis as stated in the Fund's Prospectus.

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

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

5 TAXATION

	6 months financial period ended 31.1.2020 RM	Financial period from 8.3.2018 (date of launch) to 31.1.2019 RM
Current taxation	1,750	3,481

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

Net profit/(loss) before taxation	4,298,898	(443,299)
Tax at Malaysian statutory rate of 24% (2019: 24%)	1,031,736	(106,392)
Tax effects of:		
Investment income not subject to tax/ (Investment loss exempt from tax)	(1,036,126)	100,319
Expenses not deductible for tax purposes	5,052	7,599
Restriction on tax deductible expenses for UTF	1,088	1,955
Tax expense	1,750	3,481

6 DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

	2020 RM	2019 RM
Designated at fair value through profit or loss - Deposits with licensed financial institutions*	105,471,157	102,183,192

*Includes interest receivable of RM7,217,727 (2019: RM3,183,192).

The weighted average interest rate for deposits with licensed financial institutions that was effective as at balance sheet date was as follows:

	2020 %	2019 %
Deposits with licensed financial institutions	4.14	4.15

Deposits with licensed financial institutions have an average to maturity of 31 days (2019: 168 days).

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

7 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Fund invests in unquoted derivative – option. An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price. The notional amount of the Fund's exposure to the unquoted derivative – option as at 31 January 2020 is RM103,216,626. The Fund's investment in unquoted derivative – option is set out below:

	<u>2020</u> RM	<u>2019</u> RM
Financial asset at fair value through profit or loss:		
- unquoted derivatives – option	6,564,192	1,852,265
Net gain/(loss) on financial asset at fair value through profit or loss		
- unrealised gain/ (loss) on changes in fair value	2,315,121	(3,810,457)

(a) Unquoted derivative – option

(i) Unquoted derivative – option as at 31 January 2020 are as follows:

<u>Name of issuer</u>	<u>Quantity</u>	<u>Adjusted cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
2Y European Option on Jupiter JGF – Dynamic Bond Fund	3,000	5,662,722	6,564,192	5.86
Total unquoted derivatives – option	3,000	5,662,722	6,564,192	5.86
Accumulated unrealised gain on unquoted derivatives – option		901,470		
Total unquoted derivatives – option		6,564,192		

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

7 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(a) Unquoted derivative – option (continued)

(ii) Unquoted derivatives – option as at 31 January 2019 are as follows:

Name of issuer	<u>Quantity</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
2Y European Option on Jupiter JGF – Dynamic Bond Fund	3,000	5,662,722	1,852,265	1.78
Total unquoted derivatives – option	<u>3,000</u>	<u>5,662,722</u>	<u>1,852,265</u>	<u>1.78</u>
Accumulated unrealised loss on unquoted derivatives – option		<u>(3,810,457)</u>		
Total unquoted derivatives – option		<u>1,852,265</u>		

The unquoted derivative - option expires on 17 April 2020.

8 NUMBER OF UNITS IN CIRCULATION

	<u>2020</u> No. of units	<u>2019</u> No. of units
At the beginning of financial period/date of launch	104,477,000	-
Creation of units arising from applications	-	104,840,000
Cancellation of units	<u>(685,000)</u>	<u>(311,000)</u>
At the end of the financial period	<u>103,792,000</u>	<u>104,529,000</u>

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

9 TRANSACTIONS WITH DEALER

- (i) There is no transaction with dealer for the 6 months financial period ended 31 January 2020.
- (ii) Details of transactions with the top dealer for the financial period from 8 March 2018 (date of launch) to 31 January 2019 are as follows:

<u>Name of dealer</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
BNP Paribas Securities Singapore Pte Ltd	5,662,722	100.00

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

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

<u>Related parties</u>	<u>Relationships</u>
Affin Hwang Asset Management Berhad	The Manager
Affin Hwang Investment Bank Berhad	Holding company of the Manager
Affin Bank Berhad ("ABB")	Ultimate holding company of the Manager

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

	<u>2020</u>		<u>2018</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)	376,322	406,240	51,219	51,004

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

11 MANAGEMENT EXPENSE RATIO ("MER")

	6 months financial period ended <u>31.1.2020</u> %	Financial period from 8.3.2018 (date of launch) to <u>31.1.2019</u> %
MER	0.02	0.04

MER is derived from the following calculation:

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

A	=	Trustee fee
B	=	Auditors' remuneration
C	=	Tax agent's fee
D	=	Other expenses
E	=	Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial period ended 31 January 2020 calculated on a daily basis was RM110,516,367 (2019: RM95,902,292)

12 PORTFOLIO TURNOVER RATIO ("PTR")

	6 months financial period ended <u>31.1.2020</u>	Financial period from 8.3.2018 (date of launch) to <u>31.1.2019</u>
PTR (times)	-	0.03

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 = RM Nil (2019: RM 5,662,722)
total disposal for the financial period = RM Nil (2019: RM nil)

AFFIN HWANG INCOME FOCUS FUND 2

STATEMENT BY THE MANAGER

I, Teng Chee Wai, as the Director of **Affin Hwang Asset Management Berhad**, hereby state that in my opinion as the Manager, the financial statements set out on pages 1 to 23 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 January 2020 and of its financial performance, changes in equity and cash flows for the 6 months financial period ended 31 January 2020 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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

TENG CHEE WAI
EXECUTIVE DIRECTOR/MANAGING DIRECTOR

Kuala Lumpur
11 March 2020

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