

Affin Hwang

Single Bond Series 5

Annual Report
31 January 2022

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 SINGLE BOND SERIES 5

Annual Report and Audited Financial Statements For The Financial Period From 15 September 2020 (Date of Launch) To 31 January 2022

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FUND INFORMATION

Fund Name	Affin Hwang Single Bond Series 5
Fund Type	Income
Fund Category	Bond (Wholesale)
Investment Objective	The Fund aims to provide regular income over the medium to long term period
Benchmark	12-month Malayan Banking Berhad Fixed Deposit Rate
Distribution Policy	Subject to the availability of income, the Fund will provide distribution on an annual basis

FUND PERFORMANCE DATA

Category	As at 31 Jan 2022 (%)
Portfolio composition	
Unquoted fixed income securities – foreign	96.05
Cash & cash equivalent	3.95
Total	100.00
Total NAV (RM'million)	51.547
NAV per Unit (RM)	1.0119
Unit in Circulation (million)	50.942
Highest NAV	1.0726
Lowest NAV	0.9971
Return of the Fund (%) ⁱⁱⁱ	6.48
- Capital Growth (%) ⁱ	1.19
- Income Distribution (%) ⁱⁱ	5.23
Gross Distribution per Unit (sen)	5.30
Net Distribution per Unit (sen)	5.30
Management Expense Ratio (%)	0.79
Portfolio Turnover Ratio (times)	0.70

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

The Net Asset Value per unit prior and subsequent to the distribution was as follows:-

Cum Date	Ex-Date	Cum-distribution (RM)	Distribution per Unit (RM)	Ex-distribution (RM)
31-May-21	01-Jun-21	1.0525	0.0250	1.0280
24- Nov -21	25-Nov-21	1.0537	0.0280	1.0264

No unit split were declared for the financial year ended 31 January 2022.

Performance Review (30 October 2020 to 31 January 2022)

For the period 30 October 2020 to 31 January 2022, the Fund registered a 6.48% return compared to the benchmark return of 2.33%. The Fund thus outperformed the Benchmark by 4.15%. The Net Asset Value (NAV) per unit of the Fund as at 31 January 2022 was RM1.0119 while the initial NAV per unit was RM1.0000. During the period under review, the Fund has declared a total gross income distribution of RM0.0530 per unit.

Fund Performance

Table 1: Performance of the Fund

	Since Commencement (30/10/20 - 31/1/22)
Fund	6.48%
Benchmark	2.33%
Outperformance	4.15%

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	Since Commencement (30/10/20 - 31/1/22)
Fund	5.12%
Benchmark	1.85%
Outperformance	3.27%

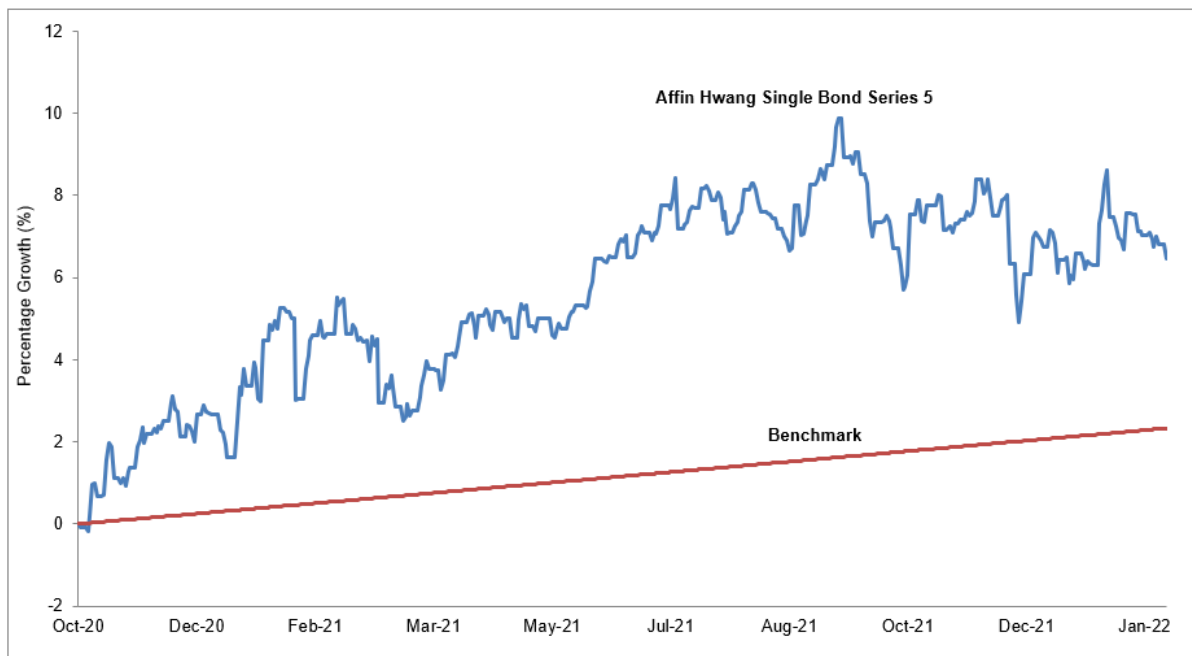
Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	FYE 2022 (30/10/20 - 31/1/22)
Fund	6.48%
Benchmark	2.33%
Outperformance	4.15%

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: 12-month Malayan Banking Berhad Fixed Deposit Rate

Past performance is not necessarily indicative of future performance and that Unit prices and investment returns may go down, as well as up.

Asset Allocation

As at 31 January 2022, the asset allocation of the Fund stood at 96.05% of the Fund's NAV in fixed income securities while the remaining was held in cash and cash equivalent.

Strategies Employed

The Fund invests solely into a high-quality single bond paper and aims to provide regular income over the medium to long term period.

Market Review

Global equities started 2021 on a strong note buoyed by policy easing and optimism surrounding global vaccination rollouts. However, the global recovery grew at an uneven pace as developed markets posted stronger gains compared to emerging markets.

Developed markets have managed to administer the vaccine at a quicker pace which led to a corresponding increase in mobility. The S&P 500 index pierced new highs in the year underpinned by a strong earnings rebound as businesses clambered to meet renewed demand.

However, the rally was tested by surging bond yields in the 1Q'2021 as well as the spectre of inflation that would spook investors for the rest of the year. Inflation vaulted strongly from a low-base effect as supply chain disruptions associated with the pandemic led to a sharp increase in input prices.

Markets were soothed initially by dovish comments from the US Federal Reserve which pledged to keep monetary policy accommodative. Fed Chair Jerome Powell held the view that inflation was transitional and that supply-demand imbalances would begin to ease which would cool down inflation.

However with inflation proving stickier than expected, the Fed relented towards the end of year and pivoted towards a hawkish stance. At its policy meeting, the Fed signaled that it would start accelerating its tapering of bond purchases that would pave the way for 3 rate hikes in 2022.

Meanwhile in Asia, the broader MSCI Asia ex-Japan index ended the year down as the region reeled from the Delta variant that led to fresh lockdowns being imposed and a surge in hospitalization rates.

The region was also pulled down by weaker performance in China as authorities cast a wide regulatory dragnet which impacted a range of sectors including technology, education and e-commerce. This was part of a wider 'common prosperity' drive by Beijing to narrow the income gap and increase the political legitimacy of the Communist Party which celebrated its 100th anniversary in 2021.

On the domestic front, the local market mirrored regional losses with the benchmark KLCI closing lower in the year. A litany of concerns sent the stock market on a volatile path with fresh lockdowns, political instability as well as new taxes proposed under Budget 2022.

Political risks abated slightly with the appointment of Datuk Seri Ismail Sabri Yaakob as the 9th Prime Minister after securing the majority support of 114 MPs. The appointment provided some clarity by resolving the political impasse following the resignation of Tan Sri Muhyiddin Yassin who faced a turbulent tenure due to the mishandling of the pandemic as well as a rare royal rebuke.

Markets were also jolted when the government announced a one-off prosperity tax (Cukai Makmur) during the tabling of Budget 2022 for companies that earned super profits. This quelled the initial optimism from economic reopening as earnings forecasts are pared down.

However, the government made U-turns on other tax measures proposed under Budget 2022 including reinstating the exemption of all types of foreign incomes for individuals from tax as well as stamp duty cap. Markets were concerned that these initial measures would dampen sentiment and reduce market vibrancy as well as velocity of trading. However, the local market saw support on the back of easing policy headwinds as investors also price-in better growth prospects.

Coming into January 2022, the local market mirrored regional movements with the benchmark KLCI closing 3.5% lower during the month as a deepening tech rout dampened sentiment. Bursa Malaysia Technology Index slid by 15.3% in January as the sector was rattled by the Fed's hawkish pivot.

Investment Outlook

2022 is set to be a year of transition for markets as investors contend with normalization of growth rates and monetary policy tightening. We expect to see a lot of crosswinds and periods of transition especially with regards to policy.

Market environment is challenging given rising rates, slowing growth and waning earnings expectations. The key indicators of policies, growth and earnings have not inflected. That said, the positives are that valuations have become less excessive and sentiments have turned bearish.

Russia-Ukraine tension is also weighing on sentiments. However, history suggest that the market impact from geopolitical events tend to be short. Moving forward, we expect markets to shift the focus back to tighter monetary conditions and slowing growth.

While a total lockdown caused by the Omicron variant is not a base-case for now, there will probably be need to make adjustments as we go along. However, developments of new medical treatments such as oral pills can help in the fight against COVID. This would lay the planks for a more sustainable reopening of the economy once we have a complete medical arsenal that is effective against all known variants. There could also be room for the Fed to adjust policy should Omicron turn out to be more destructive than what the market anticipates.

After a wide regulatory dragnet was casted in 2021 by the Chinese government specifically on targeted sectors including education, technology, and e-commerce, recent policy signals by Beijing suggested that the worst of tightening cycle is over. We see the focus of policymakers shifting from that of regulatory tightening to now supporting growth as its economy wanes.

Back home, we believe that it will be a stock picker's market for local investors as Bursa languishes behind other regional peers. With foreign shareholding at an all-time low, much of the exuberance have faded especially on the back of a strong US dollar environment which makes emerging markets like Malaysia unattractive. Though, we view that domestic market will not be susceptible to sudden foreign outflows and that the direction of the market will be influenced more by local players that have grown massively in size and are looking for opportunities to deploy.

In terms of sector opportunities, we see banks as positive, benefit from a rising interest rate cycle as well as improvement in asset quality. Valuations of the sector is also attractive with banking stocks trading at a discount to its book value. Though seeing a lot of pressure now due to ESG headwinds especially pertaining to the welfare of foreign workers, technology and exporters are another key segment that could see potential upside underpinned by strong earnings visibility driven by secular growth trends such as 5G, electric vehicles (EV) and solar energy.

Against a volatile backdrop, we are cautiously positioned for 2022. On inflection points, we see retreating inflation, a less hawkish Fed policy, and subside Russia-Ukraine tension as potential turnarounds for the market to improve.

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

No cross trade transactions have been carried out during the reported period.

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF AFFIN HWANG SINGLE BOND SERIES 5

We, CIMB Commerce Trustee Berhad being the trustee for Affin Hwang Single Bond Series 5 ("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 financial period from 15 September 2020 (date of launch) to 31 January 2022.

- 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 Unlisted Capital Market Products under the Lodge and Launch Framework, the Capital Markets and Services Act 2007 (as amended from time to time) and other applicable laws;
- b) Valuation and pricing for the Fund has been carried out in accordance with the Deed and relevant regulatory requirements;
- c) Creation and cancellation of units have been carried out in accordance with the Deed and relevant regulatory requirements; and
- d) The distributions of income by the Fund are appropriate and reflect the investment objective of the Fund.

For and on behalf of
CIMB Commerce Trustee Berhad

Lee Kooi Yoke
Chief Executive Officer

Kuala Lumpur, Malaysia
15 March 2022

AFFIN HWANG SINGLE BOND SERIES 5

FINANCIAL STATEMENTS

**FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020
(DATE OF LAUNCH) TO 31 JANUARY 2022**

AFFIN HWANG SINGLE BOND SERIES 5

FINANCIAL STATEMENTS

**FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020
(DATE OF LAUNCH) TO 31 JANUARY 2022**

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AFFIN HWANG SINGLE BOND SERIES 5

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022

	<u>Note</u>	Financial period from 15.9.2020 (date of launch) to <u>31.1.2022</u> RM
INVESTMENT INCOME		
Interest income from financial assets at amortised cost		49,309
Interest income from financial assets at fair value through profit or loss		3,174,202
Net gain on foreign currency exchange		52,977
Net loss on forward foreign currency contracts at fair value through profit or loss		(77,843)
Net loss on currency swaps at fair value through profit or loss		(974,431)
Net gain on financial assets at fair value through profit or loss	9	1,441,062
		<u>3,665,276</u>
EXPENSES		
Management fee	4	(357,109)
Trustee fee	5	(28,791)
Fund accounting fee	6	(13,656)
Auditors' remuneration		(8,000)
Tax agent's fee		(3,500)
Other expenses		(18,188)
		<u>(429,244)</u>
NET PROFIT BEFORE TAXATION		3,236,032
Taxation	7	-
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u><u>3,236,032</u></u>

AFFIN HWANG SINGLE BOND SERIES 5

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

	<u>Note</u>	Financial period from 15.9.2020 (date of launch) to <u>31.1.2022</u> RM
Net profit after taxation is made up of the following:		
Realised amount		3,967,848
Unrealised amount		(731,816)
		3,236,032

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

AFFIN HWANG SINGLE BOND SERIES 5

STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2022

	<u>Note</u>	As at <u>31.1.2022</u> RM
ASSETS		
Cash and cash equivalents	10	3,068,558
Financial assets at fair value through profit or loss	9	49,512,243
Forward foreign currency contract at fair value through profit or loss	11	14,000
TOTAL ASSETS		<u>52,594,801</u>
LIABILITIES		
Currency swaps at fair value through profit or loss	12	1,011,328
Amount due to Manager - management fee		22,044
Amount due to Trustee		1,763
Auditors' remuneration		8,000
Tax agent's fee		3,500
Other payables and accruals		735
TOTAL LIABILITIES		<u>1,047,370</u>
NET ASSET VALUE OF THE FUND		<u>51,547,431</u>
EQUITY		
Unitholders' capital		51,274,980
Retained earnings		272,451
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>51,547,431</u>
NUMBER OF UNITS IN CIRCULATION	13	<u>50,942,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.0119</u>

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

AFFIN HWANG SINGLE BOND SERIES 5

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 15 September 2020 (date of launch)	-	-	-
Total comprehensive income for the financial period	-	3,236,032	3,236,032
Distributions (Note 8)	-	(2,963,581)	(2,963,581)
Movement in unitholders' capital:			
Creation of units arising from applications	65,299,369	-	65,299,369
Creation of units arising from distributions	228,819	-	228,819
Cancellation of units	(14,253,208)	-	(14,253,208)
Balance as at 31 January 2022	<u>51,274,980</u>	<u>272,451</u>	<u>51,547,431</u>

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

AFFIN HWANG SINGLE BOND SERIES 5

STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022

	Financial period from 15.9.2020 (date of launch) to <u>31.1.2022</u> RM
<u>Note</u>	
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from sale of investments	14,980,048
Purchase of investments	(63,088,721)
Interest received	3,261,003
Management fee paid	(335,065)
Trustee fee paid	(27,028)
Fund accounting fee paid	(13,656)
Payment for other fees and expenses	(17,453)
Net realised loss on forward foreign currency contracts	(91,843)
Net realised gain on currency swaps	36,897
Net realised gain on foreign exchange	55,660
Net cash flows used in operating activities	(45,240,158)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from creation of units	65,299,369
Payments for cancellation of units	(14,253,208)
Payment for distributions	(2,734,762)
Net cash flows generated from financing activities	48,311,399
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,071,241
EFFECTS OF FOREIGN CURRENCY EXCHANGE	(2,683)
CASH AND CASH EQUIVALENTS AT THE DATE OF LAUNCH	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	10 3,068,558

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

AFFIN HWANG SINGLE BOND SERIES 5

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022

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 period. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. Although these estimates and judgment are based on the Manager's best knowledge of current events and actions, actual results may differ.

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

(a) Standards, amendments to published standards and interpretations that are effective:

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark (IBOR) Reform – Phase 2' (effective 1 January 2021) provide practical expedient allowing Funds to update the effective interest rate to account for any required changes in contractual cash flows that is a direct consequence of IBOR reform. This results in no immediate gain or loss recognised in profit or loss.

The amendments require entities to update the hedge documentation to reflect the changes required by the IBOR replacement. The amendments also provide reliefs that enable and require entities to continue hedge accounting in circumstances when changes in hedged items and hedging instruments are solely due to IBOR reform.

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

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

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework.
- Annual Improvements to MFRSs 2018 – 2020 Cycle (effective for annual periods beginning on or after 1 January 2022).
- Amendments to MFRS 137 'onerous contracts—cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts.

AFFIN HWANG SINGLE BOND SERIES 5

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- Amendments to MFRS 101 'Classification of liabilities as current or non-current (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date.

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

B INCOME RECOGNITION

Interest income

Interest income 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).

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.

Tax on investment income from foreign investments is based on the tax regime of the respective countries that the Fund invests in.

D DISTRIBUTION

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

AFFIN HWANG SINGLE BOND SERIES 5

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

E FUNCTIONAL AND PRESENTATION CURRENCY

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

F 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.

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

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

- those to be measured at fair value through profit or loss, and
- those to be measured at amortised cost.

The Fund classifies its investments based on both the Fund’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income.

The contractual cash flows of the Fund’s debt securities are solely principal and interest (“SPPI”). However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund’s business model’s objective. Consequently, all investments and derivatives not designated as hedging instruments are measured at fair value through profit or loss.

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

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

AFFIN HWANG SINGLE BOND SERIES 5

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(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 foreign transactions are presented in the statement of comprehensive income within 'net gain on financial assets at fair value through profit or loss' in the period which they arise.

Unquoted fixed income securities including money market instruments denominated in foreign currencies are revalued at least twice a week by reference to the mid price quoted in Bloomberg using the Composite Bloomberg Bond Trader ("CBBT") which is a weighted average bid and ask of price contributions submitted by Bloomberg Dealers. However, if such quotations are not available, the fair value shall be determined by reference to the bid and offer prices quoted by independent and reputable financial institutions.

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

(iii) Impairment

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

AFFIN HWANG SINGLE BOND SERIES 5

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (continued)

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Quantitative criteria:

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

Qualitative criteria:

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

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

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

Write-off

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

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

H 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 changes in value.

AFFIN HWANG SINGLE BOND SERIES 5

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

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 period if unitholders exercise the right to put the unit back to the Fund.

Units are created and cancelled at the unitholders' option 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.

J DERIVATIVE FINANCIAL INSTRUMENTS

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

The Fund's derivative financial instruments comprise forward foreign currency contract and currency swaps. 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. Financial derivative positions will be "marked to market" at the close of each valuation day. Foreign exchange gains and losses on the derivative financial instrument are recognised in profit or loss when settled or at the date of the statement of financial position at which time they are included in the measurement of the derivative financial instrument. Derivative instruments that have a negative fair value are presented as liabilities as fair value through profit or loss.

The fair value of forward foreign currency contract is determined using forward exchange rates at the statement of financial position, with the resulting value discounted back to present value.

The fair value of currency swaps is determined using the present value of future cash flows based on observable yield curves at the statement of financial position date.

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 financial assets/liabilities at fair value through profit or loss.

AFFIN HWANG SINGLE BOND SERIES 5

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

K 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 Securities Commission's ("SC") Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

L 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 SINGLE BOND SERIES 5

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022

1 INFORMATION ON THE FUND

The Wholesale Fund was constituted under the name Affin Hwang Single Bond Series 5 (the “Fund”) pursuant to the execution of a Deed dated 14 August 2020 (the “Deed”) entered into between Affin Hwang Asset Management Berhad (the “Manager”) and CIMB Commerce Trustee Berhad (the “Trustee”).

The Fund commenced operations on 15 September 2020 and will continue its operations until terminated by the Trustee as provided under Clause 11.3 of the Deed.

The Fund may invest in any of the following assets, subject to the Deed, the Fund’s objective, the Guidelines, the requirements of the SC and all relevant laws:

- (a) Bond;
- (b) Money market instruments;
- (c) Deposits;
- (d) Derivatives; and
- (e) Any other form of investments as may be determined by the Manager from time to time that is in line with the Fund’s objective.

All investments will be subjected to the SC’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 regular income over the medium to long term period.

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

The financial statements were authorised for issue by the Manager on 15 March 2022.

AFFIN HWANG SINGLE BOND SERIES 5

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	Note	At amortised cost RM	At fair value through profit or loss RM	Total RM
<u>As at 31.1.2022</u>				
<u>Financial assets</u>				
Cash and cash equivalents	10	3,068,558	-	3,068,558
Unquoted fixed income securities	9	-	49,512,243	49,512,243
Forward foreign currency contract	11	-	14,000	14,000
Total		<u>3,068,558</u>	<u>49,526,243</u>	<u>52,594,801</u>
<u>Financial liabilities</u>				
Currency swaps	12	-	1,011,328	1,011,328
Amount due to Manager				
- management fee		22,044	-	22,044
Amount due to Trustee		1,763	-	1,763
Auditors' remuneration		8,000	-	8,000
Tax agent's fee		3,500	-	3,500
Other payables and accruals		735	-	735
Total		<u>36,042</u>	<u>1,011,328</u>	<u>1,047,370</u>

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 Unlisted Capital Market Products under the Lodge and Launch Framework.

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.

AFFIN HWANG SINGLE BOND SERIES 5

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

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

Market risk (continued)

(a) Price risk (continued)

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

	As at 31.1.2022 RM
Unquoted investments	
Unquoted fixed income securities*	49,512,243

*includes interest receivable of RM534,088.

The following table summarises the sensitivity of the Fund's profit after taxation and net asset value ("NAV") to price risk movements. The analysis is based on the assumptions that the market price increased by 1% and decreased by 1% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the unquoted securities.

<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 31.1.2022</u>		
- 1%	48,488,373	(489,782)
0%	48,978,155	-
+ 1%	49,467,937	489,782

(b) Interest rate risk

In general, when interest rates rise, prices of unquoted fixed income securities 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.

AFFIN HWANG SINGLE BOND SERIES 5

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

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

Market risk (continued)

(b) Interest rate risk (continued)

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 31.1.2022</u> RM
+ 2%	(213,701)
- 2%	214,818

The Fund's exposure to interest rate risk associated with deposits with a licensed financial institution is not material as the carrying value of the deposits are held on a short-term basis.

AFFIN HWANG SINGLE BOND SERIES 5

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (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 movements against Ringgit Malaysia, the investments will face currency losses in addition to the capital gain/(loss). The Manager will evaluate the likely directions of the 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:

	Unquoted fixed income <u>securities</u> RM	Forward foreign currency <u>contract</u> RM	Cash and cash <u>equivalents</u> RM	<u>Total</u> RM
<u>As at 31.1.2022</u>				
<u>Financial assets</u>				
United States Dollar	49,512,243	14,000	269,772	49,796,015
			Currency <u>Swaps</u> RM	<u>Total</u> RM
<u>Financial liabilities</u>				
United States Dollar			534,216	534,216

AFFIN HWANG SINGLE BOND SERIES 5

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

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

Market risk (continued)

(c) Currency risk (continued)

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

	Change in price %	Impact on profit after tax/NAV RM
<u>As at 31.1.2022</u>		
United States Dollar	+/- 4.22	+/- 2,079,637

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 investment. The Manager manages the credit risk by undertaking credit evaluation to minimise such risk.

Credit risk arising from cash and bank balances is managed by ensuring that they are held by parties with credit rating of AA or higher.

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.

For unquoted fixed income securities, the Manager regularly reviews the rating assigned to the issuer so that necessary steps can be taken if the rating falls below those described in the Deed and SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

AFFIN HWANG SINGLE BOND SERIES 5

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

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

Credit risk (continued)

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

	Unquoted fixed income securities RM	Forward foreign currency contract RM	Cash and cash equivalents RM	Total RM
<u>As at 31.1.2022</u>				
Financial Services				
- AAA	-	14,000	3,068,558	3,082,558
- Baa3	49,512,243	-	-	49,512,243
	<u>49,512,243</u>	<u>14,000</u>	<u>3,068,558</u>	<u>52,594,801</u>

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.

AFFIN HWANG SINGLE BOND SERIES 5

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

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

Liquidity risk (continued)

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

	Within <u>one month</u> RM	Between one month <u>to one year</u> RM	<u>Total</u> RM
<u>As at 31.1.2022</u>			
Currency swaps at fair value through profit or loss	-	1,011,328	1,011,328
Amount due to Manager			
- management fee	22,044	-	22,044
Amount due to Trustee	1,763	-	1,763
Auditors' remuneration	-	8,000	8,000
Tax agent's fee	-	3,500	3,500
Other payables and accruals	-	735	735
	<u>23,807</u>	<u>1,023,563</u>	<u>1,047,370</u>

Capital risk

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

AFFIN HWANG SINGLE BOND SERIES 5

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

3 FAIR VALUE ESTIMATION

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

The fair value of financial assets traded in active market (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 prices for financial assets which falls within the bid-ask spread.

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

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

(i) Fair value hierarchy

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

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

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

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

AFFIN HWANG SINGLE BOND SERIES 5

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>As at 31.1.2022</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	49,512,243	-	49,512,243
- forward foreign currency contract	-	14,000	-	14,000
	<u>-</u>	<u>49,526,243</u>	<u>-</u>	<u>49,526,243</u>
Financial liabilities at fair value through profit or loss				
- currency swaps	-	1,011,328	-	1,011,328
	<u>-</u>	<u>1,011,328</u>	<u>-</u>	<u>1,011,328</u>

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unquoted fixed income securities, forward foreign currency contract and currency swaps. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

- (ii) The carrying values of cash and cash equivalents and all current liabilities except for forward foreign currency contract and currency swaps are a reasonable approximation of the fair values due to their short-term nature.

AFFIN HWANG SINGLE BOND SERIES 5

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (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 NAV of the Fund, calculated on a daily basis.

For the financial period from 15 September 2020 (date of launch) to 31 January 2022, the management fee is recognised at a rate of 0.50% per annum on the NAV of the Fund, calculated on a daily basis as stated in the Fund's Information Memorandum.

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

5 TRUSTEE FEE

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

For the financial period from 15 September 2020 (date of launch) to 31 January 2022, the Trustee fee is recognised at a rate of 0.04% per annum on the NAV of the Fund, excluding foreign custodian fees and charges, 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

The fund valuation and accounting fee for the Fund is RM13,656 for the financial period.

AFFIN HWANG SINGLE BOND SERIES 5

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

7 TAXATION

	Financial period from 15.9.2020 (date of launch) to <u>31.1.2022</u> RM
Current taxation	-

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 15.9.2020 (date of launch) to <u>31.1.2022</u> RM
Net profit before taxation	3,236,032
Tax at Malaysian statutory rate of 24%	776,648
Tax effects of:	
Investment income not subject to tax	(879,666)
Expenses not deductible for tax purposes	15,152
Restriction on tax deductible expenses for Wholesale Funds	87,866
Tax expense	-

AFFIN HWANG SINGLE BOND SERIES 5

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

8 DISTRIBUTIONS

Financial
period from
15.9.2020
(date of
launch) to
31.1.2022
RM

Distributions to unitholders is from the following sources:

Interest income	3,209,939
Net realised gain on sale of investments	50,000
Gross realised income	3,259,939
Less: Expenses	(296,358)
Net distribution amount	<u>2,963,581</u>

During the financial period from 15 September 2020 (date of launch) to 31 January 2022, distributions were made as follows:

<u>Ex-date</u>	<u>Gross/Net distribution per unit</u> (sen)
01.06.2021	2.50
25.11.2021	2.80
	<u>5.30</u>

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

The Fund has incurred an unrealised loss of RM731,816 for the financial period from 15 September 2020 (date of launch) to 31 January 2022.

AFFIN HWANG SINGLE BOND SERIES 5

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31.1.2022 RM
Financial assets at fair value through profit or loss:	
- unquoted fixed income securities – foreign	49,512,243
	Financial period from 15.9.2020 (date of launch) to 31.1.2022 RM
Net gain on financial assets at fair value through profit or loss:	
- realised gain on sale of investments	601,351
- unrealised gain on changes in fair value	839,711
	1,441,062

(a) Unquoted fixed income securities – foreign

(i) Unquoted fixed income securities – foreign as at 31 January 2022 are as follows:

<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</u>				
6.00% HSBC Holding PLC 22.05.2027 (Baa3)	46,442,400	48,672,532	49,512,243	96.05
Total unquoted fixed income securities – foreign	46,442,400	48,672,532	49,512,243	96.05
Accumulated unrealised gain on unquoted fixed income securities – foreign		839,711		
Total unquoted fixed income securities – foreign		49,512,243		

AFFIN HWANG SINGLE BOND SERIES 5

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

10 CASH AND CASH EQUIVALENTS

	As at <u>31.1.2022</u> RM
Cash and bank balances	279,254
Deposit with a licensed financial institution	2,789,304
	<u>3,068,558</u>

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

	As at <u>31.1.2022</u> %
Deposit with a licensed financial institution	<u>1.75</u>

The deposit with a licensed financial institution has an average maturity of 3 days.

11 FORWARD FOREIGN CURRENCY CONTRACT

As at the date of statement of financial position, there is 1 forward foreign currency contract outstanding. The notional principal amount of the outstanding forward foreign currency contract amounted to RM4,213,000. The forward foreign currency contract entered into during the financial period was for hedging against the currency exposure arising from the investment in the foreign unquoted fixed income securities denominated in United States Dollar. As the Fund has not adopted hedge accounting during the financial period, the changes in the fair value of the forward foreign currency contract is recognised immediately in the statement of comprehensive income.

12 CURRENCY SWAPS

As at the date of statement of financial position, there are 14 currency swaps outstanding. The notional principal amount of the outstanding currency swaps amounted to RM45,618,450. As the Fund has not adopted hedge accounting during the financial period, the change in the fair value of the currency swaps are recognised immediately in the statement of comprehensive income.

AFFIN HWANG SINGLE BOND SERIES 5

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

13 NUMBER OF UNITS IN CIRCULATION

	As at 31.1.2022 No. of units
At the date of launch	-
Creation of units arising from applications	64,407,297
Creation of units arising from distributions	224,703
Cancellation of units	(13,690,000)
At the end of the financial period	<u>50,942,000</u>

14 TRANSACTIONS WITH DEALERS

- (i) Details of transactions with the dealers for the financial period from 15 September 2020 (date of launch) to 31 January 2022 are as follows:

<u>Name of dealers</u>	Value of trade RM	Percentage of total trade %
BNP Paribas Sec SIN Pte Ltd	19,459,148	24.92
Standard Chartered Bank Bhd	13,840,020	17.73
Bank of America Merrill Lynch	8,957,830	11.47
Morgan Stanley	8,375,631	10.73
Citigroup Global Markets Ltd	8,243,197	10.56
HSBC Bank Malaysia Bhd	6,242,378	8.00
Standard Chartered Bank(M) Bhd	4,376,210	5.60
Mizuho Securities Asia Ltd	3,190,072	4.09
MarketAxess Holdings	3,098,598	3.97
DBS Bank Ltd	2,285,687	2.93
	<u>78,068,771</u>	<u>100.00</u>

AFFIN HWANG SINGLE BOND SERIES 5

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

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

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

<u>Related parties</u>	<u>Relationships</u>
Lembaga Tabung Angkatan Tentera ("LTAT")	Ultimate holding corporate body of the Manager
Affin Bank Berhad ("ABB")	Penultimate holding company of the Manager
Affin Hwang Investment Bank Berhad	Holding company of the Manager
Affin Hwang Asset Management Berhad	The Manager
Subsidiaries and associated companies of ABB as disclosed in its financial statements	Subsidiary and associated companies of the penultimate holding company of the Manager as disclosed in its financial statements
Directors of Affin Hwang Asset Management Berhad	Directors of the Manager

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

	<u>As at 31.1.2022</u>	
<u>The Manager:</u>	No. of units	RM
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)	9,548	9,662

16 MANAGEMENT EXPENSE RATIO ("MER")

	Financial period from 15.9.2020 (date of launch) to 31.1.2022 %
MER	0.79

AFFIN HWANG SINGLE BOND SERIES 5

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

16 MANAGEMENT EXPENSE RATIO ("MER") (CONTINUED)

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

The average NAV of the Fund for the financial period calculated on a daily basis is RM55,023,352.

17 PORTFOLIO TURNOVER RATIO ("PTR")

	Financial period from 15.9.2020 (date of launch) to <u>31.1.2022</u>
PTR (times)	<u>0.70</u>

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 = RM63,088,721
total disposal for the financial period = RM14,378,697

AFFIN HWANG SINGLE BOND SERIES 5

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 15 SEPTEMBER 2020 (DATE OF LAUNCH) TO 31 JANUARY 2022 (CONTINUED)

18 COMPARATIVES

There are no comparative figures as this is the first set of annual financial statements prepared since the launch of the Fund.

19 SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD

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

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

AFFIN HWANG SINGLE BOND SERIES 5

STATEMENT BY THE MANAGER

I, Dato' Teng Chee Wai, for and on behalf of the board of directors of the Manager, **Affin Hwang Asset Management Berhad**, do hereby state that in the opinion of the Manager, the financial statements set out on pages 1 to 31 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 2022 and of its financial performance, changes in equity and cash flows for the financial period from 15 September 2020 (date of launch) to 31 January 2022 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

DATO' TENG CHEE WAI
EXECUTIVE DIRECTOR/MANAGING DIRECTOR

Kuala Lumpur
15 March 2022

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG SINGLE BOND SERIES 5

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Affin Hwang Single Bond Series 5 (“the Fund”) give a true and fair view of the financial position of the Fund as at 31 January 2022, and of its financial performance and its cash flows for the financial period from 15 September 2020 (date of launch) to 31 January 2022 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 January 2022, and the statement of comprehensive income, statement of changes in equity 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 31.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG SINGLE BOND SERIES 5 (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's report but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
AFFIN HWANG SINGLE BOND SERIES 5 (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
AFFIN HWANG SINGLE BOND SERIES 5 (CONTINUED)

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
15 March 2022

DIRECTORY OF SALES OFFICE

HEAD OFFICE

Affin Hwang Asset Management Berhad
Ground Floor
Menara Boustead
69, Jalan Raja Chulan
50200 Kuala Lumpur

Tel : 03 – 2116 6000
Fax : 03 – 2116 6100
Toll free no : 1-800-88-7080
Email: customercare@affinhwangam.com

PENANG

Affin Hwang Asset Management Berhad
No. 10-C-24 Precinct 10
Jalan Tanjung Tokong
10470 Penang

Tel : 04 – 899 8022
Fax : 04 – 899 1916

PERAK

Affin Hwang Asset Management Berhad
1, Persiaran Greentown 6
Greentown Business Centre
30450 Ipoh Perak

Tel : 05 – 241 0668
Fax : 05 – 255 9696

MELAKA

Affin Hwang Asset Management Berhad
Ground Floor, No. 584, Jalan Merdeka
Taman Melaka Raya
75000 Melaka

Tel : 06 – 281 2890 / 3269
Fax : 06 – 281 2937

JOHOR

Affin Hwang Asset Management Berhad
Unit 22-05, Level 22
Menara Landmark
No. 12, Jalan Ngee Heng
80000 Johor Bahru
Johor Darul Takzim

Tel : 07 – 227 8999
Fax : 07 – 223 8998

SABAH

Affin Hwang Asset Management Berhad
Lot No. B-2-09, 2nd Floor
Block B, Warisan Square
Jalan Tun Fuad Stephens
88000 Kota Kinabalu
Sabah

Tel : 088 – 252 881
Fax : 088 – 288 803

DIRECTORY OF SALES OFFICE (CONTINUED)

SARAWAK

Affin Hwang Asset Management Berhad
Ground Floor, No. 69
Block 10, Jalan Laksamana Cheng Ho
93200 Kuching
Sarawak

Tel : 082 – 233 320
Fax : 082 – 233 663

Affin Hwang Asset Management Berhad
1st Floor, Lot 1291
Jalan Melayu, MCLD
98000 Miri
Sarawak

Tel : 085 – 418 403
Fax : 085 – 418 372

www.affinhwangam.com

Affin Hwang Asset Management Berhad
199701014290 (429786-T)