

18M ENHANCED INCOME Fund 1

Annual Report
16 December 2019

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



AFFIN HWANG
CAPITAL

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

TRUSTEE
TMF Trustees Malaysia Berhad (610812-W)

18M ENHANCED INCOME FUND 1

Annual Report and Audited Financial Statements

For The Financial Period From 1 May 2019 To 16 December 2019 (Date of Maturity)

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FUND INFORMATION

Fund Name	18M Enhanced Income Fund 1
Fund Type	Income
Fund Category	Fixed Income (Wholesale)
Investment Objective	The Fund aims to provide income return whilst maintaining capital preservation
Duration of the Fund	Eighteen (18) months close-ended Fund
Termination Date	16 December 2019
Benchmark	12-Month Malayan Banking Berhad Fixed Deposit Rate
Distribution Policy	Subject to the availability of income, the Fund will distribute income on the Maturity Date

BREAKDOWN OF UNITHOLDERS BY SIZE AS AT 16 DECEMBER 2019

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	-	-
5,001 to 10,000	-	-
10,001 to 50,000	-	-
50,001 to 500,000	-	-
500,001 and above	-	-
Total	0	0

* Note : Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 16 Dec 2019 (%)	As at 30 Apr 2019 (%)
Portfolio composition		
Unquoted derivative - option	-	4.75
Cash and cash equivalent	100.00	95.25
Total	100.00	100.00
Total NAV (million)	216.065	226.854
NAV per Unit (in respective currencies)	1.0000	1.0478
Unit in Circulation (million)	216.065	216.506
Highest NAV	1.0920	1.0478
Lowest NAV	1.0000	0.9935
Return of the Fund (%) ⁱⁱⁱ	4.23	4.78
- Capital Growth (%) ⁱ	-4.56	4.78
- Income Distribution (%) ⁱⁱ	9.21	Nil
Gross Distribution per Unit (sen)	9.21	Nil
Net Distribution per Unit (sen)	9.21	Nil
Management Expense Ratio (%) ¹	0.04	0.05
Portfolio Turnover Ratio (times) ²	0.02	0.02

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
Capital Returnⁱ	= (NAV per Unit @ 16/12/19 ÷ NAV per Unit @ 30/04/19* - 1) x 100 = (1.0000 ÷ 1.0478 – 1) x 100 = -4.56%
Income Return @ ex-date	= {Income distribution per Unit ÷ NAV per Unit on ex- date} + 1 = {0.0921 ÷ 1.0000 @ 16/12/19} + 1 = 1.0921
Total Income Returnⁱⁱ	= {Income distribution per Unit ÷ NAV per Unit on ex-date} x 100 = {1.0921} – 1 x 100 = 9.21%
Return of the Fundⁱⁱⁱ	= [(1 + Capital Return) x (1 + Income Return)] – 1 x 100 = [(1 + (-4.56%)) x (1 + 9.21%)] – 1 x 100 = 4.23%

* Source – TMF Trustees Malaysia Berhad

¹The MER of the Fund was slightly lower than previous year due to higher average NAV of the Fund during the period under review.

²The PTR of the Fund was unchanged for the financial year.

Table 1: Performance of the Fund

	Financial Year to Date (1/5/19 - 16/12/19)	Since Commencement (14/6/18 - 16/12/19)
Fund	4.23%	9.21%
Benchmark	2.10%	5.10%
Outperformance	2.13%	4.11%

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	Financial Year to Date (1/5/19 - 16/12/19)	Since Commencement (14/6/18 - 16/12/19)
Fund	6.80%	6.01%
Benchmark	3.35%	3.35%
Outperformance	3.45%	2.66%

Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	Financial Year to Date (1/5/19 - 16/12/19)	FYE 2019 (14/6/18 - 30/4/19)
Fund	4.23%	4.78%
Benchmark	2.10%	2.94%
Outperformance	2.13%	1.84%

Source of Benchmark: Bloomberg

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

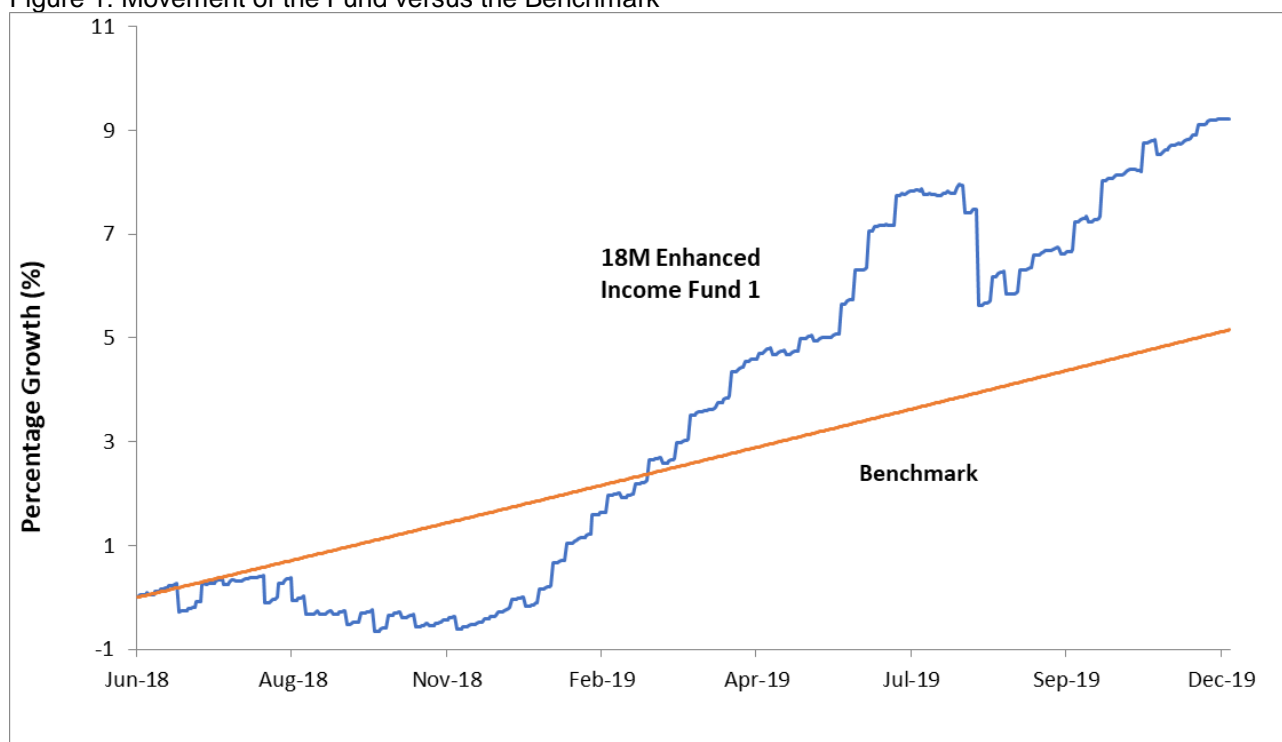
MANAGER'S REPORT

Performance Review

For the period 1 May 2019 to 16 December 2019, the Fund has registered a 4.23% return as compared to the benchmark return of 2.10%. The Fund outperformed the benchmark by 2.13 percentage points. The Net Asset Value (NAV) per unit as at 16 December 2019 was RM1.0000 while the NAV per unit 30 April 2019 was RM1.0478. (See Table 1 for performance of the Fund and Figure 1 for the movement of the Fund versus the Benchmark respectively).

The Fund has generated returns and outperformed its Benchmark since commencement. As such, the Fund has met its objective of capital preservation. As the Fund's objective also aims to provide income return upon maturity, the Fund is anticipated to be able to meet its objective upon maturity if the return holds.

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 Bloomberg."

Benchmark: 12-Month Malayan Banking Berhad Fixed Deposit Rate

Income Distribution / Unit Split

Affin Hwang Asset Management Berhad recently declared a gross distribution of RM0.0921 per Unit for investors of the 18M Enhanced Income Fund 1 over the period under review.

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)
15 Dec 2019	16 Dec 2019	1.0919	0.0921	1.0000

No unit split were declared for the financial year ended 16 December 2019.

Asset Allocation

For a snapshot of the Fund's asset mix during the period under review, please refer to Figure 2.

Figure 2: Asset allocation of the Fund

	<u>16 Dec 2019</u>	<u>30 Apr 2019</u>
	(%)	(%)
Unquoted derivative - option	-	4.75
Cash & cash equivalent	100.00	95.25
Total	100.00	100.00

As the Fund matures on 16 December 2019, all investments of the Fund were liquidated and all proceeds were returned accordingly to investors.

Strategies Employed

Over the period under review, the Manager continued to maintain the strategy of investing a minimum of 90% of the Fund's NAV in Defensive Assets such as deposits, and maximum of 10% of the Fund's NAV in Active Assets, such as option.

Market Review

"Sell in May and go away" has again proven to be a recurring theme this year after deteriorating trade relations between US and China wreaked further havoc across global financial markets in May. Trump raised the tariff on some US\$200 billion worth of Chinese imports to 25.0% from 10.0% earlier that month in an extreme bid to speed up trade negotiations. While the tariff hike was initially downplayed, things took a swift turn on when Trump banned Huawei with a national security order; thus prompting US companies to sever all business ties with the Chinese smartphone and telecommunications giant.

For the first time in more than a decade, the US Federal Reserve ("Fed") reduced interest rates by 25bps in July; effectively lowering the benchmark rate to a new range of 2.00-2.25%. However, the Fed delivered another widely expected 25bps rate cut at its policy meeting in September and October before Fed Chair Jerome Powell stopped short from guiding expectations of further easing indicating that 'monetary policy was in a good place'. The FOMC also dropped the use of the phrase 'act as appropriate' which markets took as a signal that the Fed would likely stay on hold for now.

Asian markets retreated in August as trade tensions flared up again after a surprise tariff announcement from US President Donald Trump. The Hong Kong Hang Seng index fell 7.4%, whilst the broader MSCI Asia ex-Japan index closed 4.6% lower as the prolonged trade row takes another turn for the worse. However, things took a turn in October as markets were buoyed by positive trade developments and synchronised monetary easing by global central banks, only to tumble at the end of November as US-China trade tensions continued to simmer following the signing of bills by US President Donald Trump in support of Hong Kong protesters.

Meanwhile, Hong Kong continues to be plagued by protests which are starting to hurt businesses and dent economic growth. The unrest in Hong Kong started since early June when protesters took to the streets to oppose an extradition bill proposal. The demonstrations have shifted into a movement calling for more autonomy, full democracy and the ousting of Hong Kong's embattled leader Carrie Lam.

On a side note, BNM cut the Overnight Policy Rate by 25 bps to 3.00% on 7 May – likely a pre-emptive measure against a weakening external environment as well as slowing domestic growth. The announcement was largely priced in by investors, which saw the MGS market rallied strongly in the few weeks prior to the announcement, though the buying subsequently eased up amid the addition of risks on the global trade front.

State of Affairs of the Fund

There is neither any significant change to the state affairs of the Fund nor any circumstances that materially affect any interests of the unit holders during the period under review.

Soft Commissions received from Brokers

As per the requirements of the Securities Commission's Guidelines on Unit Trust Funds and Guidelines on Compliance Function for Fund Management Companies, soft commissions received from brokers/dealers may be retained by the management company only if the :-

- (i) goods and services provided are of demonstrable benefit to Unit holders of the Fund; and
- (ii) goods and services are in the form of research and advisory services that assists in the decision making process.

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

Cross Trade

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

TRUSTEE'S REPORT TO THE UNITHOLDERS OF 18M ENHANCED INCOME FUND 1

We have acted as Trustee of 18M Enhanced Income Fund 1 for the financial period from 1st May 2019 to 16th December 2019 (Date of Maturity). To the best of our knowledge, **Affin Hwang Asset Management Berhad**, the Manager, has managed the Fund in accordance with the limitations imposed on the investment powers of the management company and the trustee under the Deeds, other provisions of the Deeds, the Capital Markets and Services Act 2007, the Securities Commission's Guidelines on Wholesale Funds and other applicable laws during the financial period then ended.

We have also ensured the following:

- (a) the procedures and processes employed by **Affin Hwang Asset Management Berhad** to value and/or price the units of the Fund are adequate and that such valuation/pricing is carried out in accordance with the Deeds of the Fund and other regulatory requirements; and
- (b) the creation and cancellation of units have been carried out in accordance with the Deeds and relevant regulatory requirements.

During this financial year, the total distribution of 9.2143 cent per Unit (net), have been distributed to the Unitholders of the Fund. We are of the view that the distributions are not inconsistent with the objective of the Fund.

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

NORHAYATI BINTI AZIT
DIRECTOR – FUND SERVICES

Kuala Lumpur
14 January 2020

18M ENHANCED INCOME FUND 1

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY)

	<u>Note</u>	Financial period from 1.5.2019 to 16.12.2019 (date of maturity) RM	Financial period from 16.5.2018 (date of launch) to 30.4.2019 RM
INVESTMENT INCOME			
Interest income from financial assets at amortised cost		5,499,952	7,892,288
Net loss on foreign currency exchange		(25,262)	(7,330)
Net gain on financial asset at fair value through profit or loss	7	4,198,079	2,549,750
Exit fee income		6,298	14,516
		<u>9,679,067</u>	<u>10,449,224</u>
EXPENSES			
Trustee fee	4	(58,193)	(78,590)
Auditors' remuneration		(10,000)	(10,000)
Tax agent's fee		(6,500)	(4,500)
Other expenses		(7,237)	(2,227)
		<u>(81,930)</u>	<u>(95,317)</u>
NET PROFIT BEFORE TAXATION		9,597,137	10,353,907
TAXATION	5	<u>(1,199)</u>	<u>(3,221)</u>
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u>9,595,938</u>	<u>10,350,686</u>
Net profit after taxation is made up of the following:			
Realised amount		9,595,938	7,884,511
Unrealised amount		-	2,466,175
		<u>9,595,938</u>	<u>10,350,686</u>

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

18M ENHANCED INCOME FUND 1

STATEMENT OF FINANCIAL POSITION AS AT 16 DECEMBER 2019 (DATE OF MATURITY)

	<u>Note</u>	16.12.2019 (date of maturity) RM	<u>2019</u> RM
ASSETS			
Cash and cash equivalents		236,064,138	56,142
Financial asset at fair value through profit or loss	7	-	226,866,237
Tax recoverable		1,580	2,779
Exit fee receivable		-	2,567
TOTAL ASSETS		<u>236,065,718</u>	<u>226,927,725</u>
LIABILITIES			
Amount due to Manager			
- cancellation of units		-	51,323
Amount due to Trustee		65,616	7,423
Auditors' remuneration		10,000	10,000
Tax agent's fee		11,000	4,500
Distribution payable		19,908,878	-
Other payables and accruals		5,062	694
TOTAL LIABILITIES		<u>20,000,556</u>	<u>73,940</u>
NET ASSET VALUE OF THE FUND		<u>216,065,162</u>	<u>226,853,785</u>
EQUITY			
Unitholders' capital		216,027,416	216,503,099
Retained earnings		37,746	10,350,686
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>216,065,162</u>	<u>226,853,785</u>
NUMBER OF UNITS IN CIRCULATION	8	<u>216,065,000</u>	<u>216,506,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.0000</u>	<u>1.0478</u>

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18M ENHANCED INCOME FUND 1

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY)

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 May 2019	216,503,099	10,350,686	226,853,785
Total comprehensive income for the financial period	-	9,595,938	9,595,938
Distribution (Note 6)	-	(19,908,878)	(19,908,878)
Movement in unitholders' capital:			
Cancellation of units	(475,683)	-	(475,683)
Balance as at 16 December 2019 (date of maturity)	<u>216,027,416</u>	<u>37,746</u>	<u>216,065,162</u>
Balance as at 16 May 2018 (date of launch)	-	-	-
Total comprehensive income for the financial period	-	10,350,686	10,350,686
Movement in unitholders' capital:			
Creation of units arising from applications	216,794,000	-	216,794,000
Cancellation of units	(290,901)	-	(290,901)
Balance as at 30 April 2019	<u>216,503,099</u>	<u>10,350,686</u>	<u>226,853,785</u>

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

18M ENHANCED INCOME FUND 1

STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY)

	Financial period from 1.5.2019 to 16.12.2019 (date of maturity) RM	Financial period from 16.5.2018 (date of launch) to 30.4.2019 RM
Note		
CASH FLOWS FROM OPERATING ACTIVITIES		
Placement of deposits with licensed financial institutions	(65,032,741)	(208,300,000)
Proceeds from matured of deposits with licensed financial institutions	281,118,310	-
Purchase of investments	-	(8,230,918)
Proceeds from sale of investments	14,978,747	-
Interest received	5,499,952	106,719
Exit fee income received	8,865	11,949
Trustee fee paid	-	(71,167)
Net realised foreign exchange (loss)/gain	(71,901)	76,245
Payment for other fees and expenses	(12,869)	(1,533)
Tax paid	-	(6,000)
Net cash generated from/(used in) operating activities	<u>236,488,363</u>	<u>(216,414,705)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	-	216,794,000
Payments for cancellation of units	(527,006)	(239,578)
Net cash (used in)/generated from financing activities	<u>(527,006)</u>	<u>216,554,422</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	235,961,357	139,717
EFFECTS OF FOREIGN CURRENCY EXCHANGE	46,639	(83,575)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD/ DATE OF LAUNCH	<u>56,142</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u><u>236,064,138</u></u>	<u><u>56,142</u></u>

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

18M ENHANCED INCOME FUND 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY)

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

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

The Fund commenced operations on 21 May 2018 and was terminated on 16 December 2019. 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 net proceeds have been distributed pro rata to unitholders on 23 December 2019, according to the number of units held in the Fund as at 16 December 2019. The Manager and the Trustee of the Fund hereby authorised the termination of the trust in respect of the Fund on 16 December 2019.

- (a) New standards, amendments and interpretations effective after 1 January 2019 and have not been early adopted:

There are no new standards, amendments to published standards and interpretations to existing standards that are applicable to the Fund but not yet effective and have not been early adopted as the Fund has matured on 16 December 2019.

B INCOME RECOGNITION

Interest income

Interest income from deposits with a licensed financial institution is recognised based on effective interest rate method on an accruals 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).

18M ENHANCED INCOME FUND 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (CONTINUED)

B INCOME RECOGNITION (CONTINUED)

Realised gains and losses on sale of investment

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.

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

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, which is the Fund’s functional and presentation currency.

E FOREIGN CURRENCY TRANSLATION

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

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

18M ENHANCED INCOME FUND 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (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 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.

18M ENHANCED INCOME FUND 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

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

The Fund's investment in unquoted derivative – option is valued on a weekly basis using valuation techniques by JP Morgan Securities PLC (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 financial liabilities are subsequently carried at amortised cost using the effective interest method.

(iii) Impairment

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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.

18M ENHANCED INCOME FUND 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (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.

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 period if a unitholder exercises the right to put the unit back to the Fund.

Units are created and cancelled at prices based on the Fund's net asset value per unit at the time of creation or cancellation. The Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units.

18M ENHANCED INCOME FUND 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (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 Unlisted Capital Market Products under the Lodge and Launch Framework.

(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 instruments 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 inputs 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. However, the Fund does not expect a reasonable possible shift in the implied volatility and the net cost of borrowing would change the fair value of the option significantly.

18M ENHANCED INCOME FUND 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY)

1 INFORMATION ON THE FUND

The Wholesale Fund was constituted under the name 18M Enhanced Income Fund 1 (the "Fund") pursuant to the execution of a Deed dated 23 April 2018 (the "Deed") entered into between Affin Hwang Asset Management Berhad (the "Manager") and TMF Trustees Malaysia Berhad (the "Trustee").

The Fund commenced operations on 21 May 2018 and was terminated on 16 December 2019 under Clause 12.1 of the Deed. 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 net proceeds have been distributed pro rata to unitholders on 23 December 2019, according to the number of units held in the Fund as at 16 December 2019. The Manager and the Trustee of the Fund hereby authorised the termination of the trust in respect of the Fund on 16 December 2019.

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 permitted 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 Unlisted Capital Market Products under the Lodge and Launch Framework, 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 14 January 2020.

18M ENHANCED INCOME FUND 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	Note	Financial assets at amortised cost RM	Financial asset at fair value through profit or loss RM	Total RM
<u>16.12.2019 (date of maturity)</u>				
Cash and cash equivalents		236,064,138	-	236,064,138
Total		<u>236,064,138</u>	<u>-</u>	<u>236,064,138</u>
<u>30.4.2019</u>				
Cash and cash equivalents		56,142	-	56,142
Unquoted derivative – option	7	-	10,780,668	10,780,668
Deposits with a licensed financial institution	7	216,085,569	-	216,085,569
Exit fee receivable		2,567	-	2,567
Total		<u>216,144,278</u>	<u>10,780,668</u>	<u>226,924,946</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 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.

18M ENHANCED INCOME FUND 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (CONTINUED)

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

Market risk (continued)

(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 short term placement with a financial institution. The Manager overcomes this exposure by way of maintaining deposits on short term basis.

The Fund's exposure to interest rate risk associated with deposit with licensed financial institutions is not material as the deposits are held for a period of less than 12 months.

(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:

The Fund has no financial instruments denominated in foreign currencies as at 16 December 2019 (date of maturity).

	Unquoted derivative – option RM	Total RM
<u>30.4.2019</u>		
Euro	<u>10,780,668</u>	<u>10,780,668</u>

18M ENHANCED INCOME FUND 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (CONTINUED)

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

Market risk (continued)

(c) Currency risk (continued)

The table below summarises the sensitivity of the Fund's profit after tax and net asset value to changes in foreign exchange movements. The analysis is based on the assumption that the foreign exchange rate changes 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.

	Change in rate %	Impact on loss after tax/ NAV RM
<u>30.4.2019</u>		
Euro	+/- 5	<u>+/- 539,033</u>

Credit risk

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

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

18M ENHANCED INCOME FUND 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (CONTINUED)

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

Credit risk (continued)

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

	Cash and cash equivalents RM	Unquoted derivative – option RM	Deposits with a licensed financial institution RM	Exit fee receivable RM	Total RM
<u>16.12.2019 (date of maturity)</u>					
Financials					
- AAA	236,064,138	-	-	-	236,064,138
Total	<u>236,064,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,064,138</u>
<u>30.4.2019</u>					
Financials					
- AAA	56,142	-	-	-	56,142
- AA3	-	-	216,085,569	-	216,085,569
- NR	-	10,780,668	-	-	10,780,668
Others					
- NR	-	-	-	2,567	2,567
Total	<u>56,142</u>	<u>10,780,668</u>	<u>216,085,569</u>	<u>2,567</u>	<u>226,924,946</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 a licensed financial institution and other instruments, which are capable of being converted into cash within 7 days.

18M ENHANCED INCOME FUND 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (CONTINUED)

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

Liquidity risk (continued)

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>16.12.2019 (date of maturity)</u>			
Amount due to Trustee	65,616	-	65,616
Auditor's remuneration	-	10,000	10,000
Tax agent's fee	-	11,000	11,000
Distribution payable	19,908,878	-	19,908,878
Other payables and accruals	-	5,062	5,062
	<u>19,974,494</u>	<u>26,062</u>	<u>20,000,556</u>
<u>30.4.2019</u>			
Amount due to Manager			
- cancellation of units	51,323	-	51,323
Amount due to Trustee	7,423	-	7,423
Auditor's remuneration	-	10,000	10,000
Tax agent's fee	-	4,500	4,500
Other payables and accruals	-	694	694
	<u>58,746</u>	<u>15,194</u>	<u>73,940</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.

18M ENHANCED INCOME FUND 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (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.

18M ENHANCED INCOME FUND 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (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:

The Fund does not hold any financial instruments at fair value through profit or loss as at 16 December 2019 (date of maturity).

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>30.4.2019</u>				
Financial asset at fair value through profit or loss				
- unquoted derivative				
- option	-	-	10,780,668	10,780,668

Level 3 instruments

The Fund invests in a vanilla call option linked to PIMCO Income Fund, a mutual fund that is originated by the Option Seller. 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 assumptions 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 vanilla call option linked to PIMCO Income Fund.

Such risk management models are audited by the respective Option Seller's internal audits and are approved by their respective risk committees. The models themselves are maintained and/or validated by a separate team from the Option Seller's sales and traders of the vanilla call option linked to Mutual Fund, in order to ensure fairness and accuracy in valuations.

18M ENHANCED INCOME FUND 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

Level 3 instruments (continued)

The descriptions of unobservable inputs in the option valuation are:

- **Implied volatility:** this is based on the Option Seller's assumptions of the level of volatility of the PIMCO Income Fund. This can be based on several factors (but not limited to) such as realized volatility, option quotes in the broker market or making proxy using correlated underlyings implied volatility which is observed in the market. The implied volatility is an internal number of Option Seller.
- **Net Cost of Borrowing:** the cost of holding the PIMCO Income Fund on the Option Seller's balance sheet net of any rebates received from Jupiter fund manager. This net cost of borrow is a spread over Euribor rates and this is an internal number for Option Seller.

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 for the financial period from 1 May 2019 to 16 December 2019 (date of maturity):

	16.12.2019 (date of maturity) RM	30.4.2019 RM
Opening balance	10,780,668	-
(Maturity)/Purchase	(14,978,747)	8,230,918
Gain recognised in statement of comprehensive income	4,198,079	-
Net change in fair value reserve on financial assets at fair value through profit or loss	-	2,549,750
	<u>-</u>	<u>10,780,668</u>

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.

18M ENHANCED INCOME FUND 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (CONTINUED)

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 financial period from 1 May 2019 to 16 December 2019 (date of maturity), the Trustee fee is recognised at a rate of 0.04% (2019: 0.04%) per annum on the NAV of the Fund calculated on a daily basis as stated in the Fund's Information Memorandum.

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

5 TAXATION

	Financial period from 1.5.2019 to 16.12.2019 (date of maturity) RM	Financial period from 16.5.2018 (date of launch) to 30.4.2019 RM
Current taxation	1,199	3,221

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 1.5.2019 to 16.12.2019 (date of maturity) RM	Financial period from 16.5.2018 (date of launch) to 30.4.2019 RM
Net profit before taxation	9,597,137	10,353,907
Tax at Malaysian statutory rate of 24%	2,303,313	2,484,938
Tax effects of:		
Investment income not subject to tax	(2,321,465)	(2,504,329)
Expenses not deductible for tax purposes	16,543	20,236
Restriction on tax deductible expenses for Wholesale Funds	2,808	2,376
Tax expense	1,199	3,221

18M ENHANCED INCOME FUND 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (CONTINUED)

6 DISTRIBUTION

	Financial period from 1.5.2019 to 16.12.2019 (date of maturity) RM	Financial period from 16.5.2018 (date of launch) to 30.4.2019 RM
Distribution to unitholders is from the following sources:		
Interest income	5,497,713	-
Net realised gain on sale of investments	6,562,086	-
Previous years' realised income	7,874,315	-
Gross realised income	19,934,114	-
Less: Expenses	(25,236)	-
Net distribution amount	19,908,878	-

During the financial period ended 16 December 2019 (date of maturity), distributions were made as follows:

	Gross/Net distribution per unit (sen) RM
<u>16.12.2019 (date of maturity)</u>	
16.12.2019	9.2143

There is no distribution were made during the financial period ended 30 April 2019.

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

Included in distribution for the financial period ended 16 December 2019 (date of maturity) is an amount of RM7,874,315 made from previous financial years' realised income.

The distribution declared on 16 December 2019 was settled on 23 December 2019.

18M ENHANCED INCOME FUND 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (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 Fund's investment in unquoted derivative – option is set out below:

	16.12.2019 (date of Maturity) RM	2019 RM
Financial asset at fair value through profit or loss:		
- unquoted derivative – option	-	10,780,668
	<hr/>	<hr/>
Net gain on financial asset at fair value through profit or loss:		
- realised gain on changes in fair value	4,198,079	-
- unrealised gain on changes in fair value	-	2,549,750
	<hr/>	<hr/>
	4,198,079	2,549,750
	<hr/>	<hr/>

(a) Unquoted derivative – option

(i) There is no investment in unquoted derivative – option as at 16 December 2019 (date of maturity).

18M ENHANCED INCOME FUND 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (CONTINUED)

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

(a) Unquoted derivative – option (continued)

(ii) Unquoted derivative – option as at 30 April 2019 is as follows:

<u>Name of issuer</u>	<u>Quantity</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Option</u>				
18M European Options on PIMCO Funds Global Investors Series PLC – Income Fund	46,782,495	8,230,918	10,780,668	4.75
Total unquoted derivative – option	46,782,495	8,230,918	10,780,668	4.75
Accumulated unrealised gain on unquoted derivative – option		2,549,750		
Total unquoted derivative – option		10,780,668		

The unquoted derivative – option expires on 16 December 2019.

(b) Deposits with a licensed financial institution

	<u>16.12.2019 (date of maturity) RM</u>	<u>30.9.2018 RM</u>
Deposit with a licensed financial institution	-	216,085,569

18M ENHANCED INCOME FUND 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (CONTINUED)

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

(b) Deposits with a licensed financial institution (continued)

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

	16.12.2019 (date of maturity) %	2019 %
Deposits with a licensed financial institution	-	4.25

Deposits with a licensed financial institution as at 30 April 2019 has an average maturity of 228 days. The amount includes interest receivable of RM7,785,569.

8 NUMBER OF UNITS IN CIRCULATION

	16.12.2019 (date of maturity) No. of units	30.4.2019 No. of units
At the beginning of the financial period/date of launch	216,506,000	-
Creation of units arising from applications	-	216,794,000
Cancellation of units	(441,000)	(288,000)
At the end of the financial period	216,065,000	216,506,000

18M ENHANCED INCOME FUND 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (CONTINUED)

9 TRANSACTIONS WITH DEALERS

- (i) Details of transactions with the top dealers for the financial period from 1 May 2019 to 16 December 2019 (date of maturity) are as follows:

<u>Name of dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
JP Morgan Securities PLC	<u>14,978,747</u>	<u>100.00</u>

- (ii) Details of transactions with the top dealers for the financial period from 16 May 2018 (date of launch) to 30 April 2019 are as follows:

<u>Name of dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
JP Morgan Securities PLC	<u>8,230,918</u>	<u>100.00</u>

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>16.12.2019 (date of maturity)</u> No. of units	RM	<u>30.4.2019</u> No. of units	RM
<u>The Manager:</u>				
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)	<u>2,434</u>	<u>2,434</u>	<u>297,005</u>	<u>311,201</u>

18M ENHANCED INCOME FUND 1

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 MAY 2019 TO 16 DECEMBER 2019 (DATE OF MATURITY) (CONTINUED)

11 MANAGEMENT EXPENSE RATIO ("MER")

	Financial period from 1.5.2019 to 16.12.2019 (date of maturity) %	Financial period from 16.5.2018 (date of launch) to 30.4.2019 %
MER	0.04	0.05

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 calculated on a daily basis was RM231,423,010 (30.4.2019: RM204,894,020).

12 PORTFOLIO TURNOVER RATIO ("PTR")

	Financial period from 1.5.2019 to 16.12.2019 (date of maturity)	Financial period from 16.5.2018 (date of launch) to 30.4.2019
PTR (times)	0.02	0.02

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 (30.4.2019: RM8,230,918)
total disposal for the financial period = RM8,230,918 (30.4.2019: RM Nil)

18M ENHANCED INCOME FUND 1

STATEMENT BY THE MANAGER

I, Teng Chee Wai, as the Director of **Affin Hwang Asset Management Berhad**, do hereby state that in my opinion as the Manager, the financial statements set out on pages 9 to 34 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 16 December 2019 (date of maturity) and of its financial performance, changes in equity and cash flows for the financial period from 1 May 2019 to 16 December 2019 (date of maturity) 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
14 January 2020

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF 18M ENHANCED INCOME FUND 1

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of 18M Enhanced Income Fund 1 ("the Fund") give a true and fair view of the financial position of the Fund as at 16 December 2019 (date of maturity), and of its financial performance and its cash flows for the financial period from 1 May 2019 to 16 December 2019 (date of maturity) 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 16 December 2019 (date of maturity), and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial period from 1 May 2019 to 16 December 2019 (date of maturity), and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 9 to 34.

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.

Emphasis of Matter

We draw attention to Note 1 to these financial statements, which refers to the Fund's maturity date subsequent to the balance sheet date, in accordance with the Deed. These financial statements have therefore been prepared using a liquidation basis of accounting. Our opinion is not modified in respect of this matter.

Independence and other ethical responsibilities

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

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF 18M ENHANCED INCOME FUND 1 (CONTINUED)

REPORT ON 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.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF 18M ENHANCED INCOME FUND 1 (CONTINUED)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
18M ENHANCED INCOME FUND 1 (CONTINUED)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
14 January 2020

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