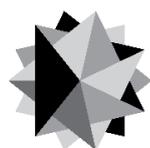


Affin Hwang

Income Focus Fund 2

Annual Report
24 April 2020

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



AFFIN HWANG
CAPITAL

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

TRUSTEE
CIMB Commerce Trustee Berhad (313031-A)

AFFIN HWANG INCOME FOCUS FUND 2

Annual Report and Audited Financial Statements For The Financial Period From 1 August 2019 To 24 April 2020 (Date of Maturity)

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FUND INFORMATION

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

BREAKDOWN OF UNITHOLDERS BY RM CLASS SIZE AS AT 24 APRIL 2020

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

* Note : Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 24 April 2020 (%)	As at 31 July 2019 (%)
Portfolio composition		
Deposits with licensed financial institutions	-	96.08
Unquoted derivatives - option	-	3.92
Cash and cash equivalent	100.00	-
Total	100.00	100.00
Total NAV (RM'million)	103.567	108.471
NAV per Unit (RM)	1.0000	1.0382
Unit in Circulation (million)	103.567	104.477
Highest NAV	1.1130	1.0465
Lowest NAV	1.0000	0.9815
Return of the Fund (%) ⁱⁱⁱ	3.37	7.34
- Capital Growth (%) ⁱ	-3.68	3.82
- Income Distribution (%) ⁱⁱ	7.32	3.39
Gross Distribution per Unit (sen)	7.32	3.55
Net Distribution per Unit (sen)	7.32	3.55
Management Expense Ratio (%) ¹	0.04	0.06
Portfolio Turnover Ratio (times) ²	0.02	0.03

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

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

An illustration of the above would be as follow:-

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

¹The MER of the Fund was lower than previous year due to lower expenses incurred by the Fund during the financial period.

²The Fund recorded a lower PTR as the Manager had decreased its trading activities during the financial period.

MANAGER'S REPORT

Income Distribution / Unit Split

The NAV 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)
23-Apr-20	24-Apr-20	1.0733	0.0732	1.0000

No unit splits were declared for the financial year ended 24 April 2020.

Performance Review

For the period 1 August 2019 to 24 April 2020, the Fund registered a return of 3.37%. The Benchmark for the period registered a return of 2.17%. The Fund outperformed the Benchmark by 1.20 percentage points. The Net Asset Value (NAV) per unit of the Fund as at 24 April 2020 was RM 1.000 while the NAV at 31 July 2019 was RM 1.0382. The fund has declared a total gross income distribution of RM 0.07322 of the period.

Since its inception to 24 April 2020 the Fund has registered a return of 10.96%. Compared to the benchmark of 6.49% for the same period, the Fund outperformed the Benchmark by 4.48 percentage points. The fund has declared a total gross income distribution of RM0.1087 per unit to-date. As such, the Manager Fund will continue to be managed in a manner to fulfill its objective.

Table 1: Performance of the Fund

	Financial Year To Date (01/8/19 - 24/4/20)	1 Year (25/4/19 - 24/4/20)	Since Commencement (24/4/18 - 24/4/20)
Fund	3.37%	7.49%	10.96%
Benchmark	2.17%	3.03%	6.49%
Outperformance / (Underperformance)	1.20%	4.46%	4.47%

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	Financial Year To Date (01/8/19 - 24/4/20)	1 Year (25/4/19 - 24/4/20)	Since Commencement (24/4/18 - 24/4/20)
Fund	4.62%	7.49%	5.32%
Benchmark	2.97%	3.03%	3.18%
Outperformance / (Underperformance)	1.65 %	4.46%	2.14%

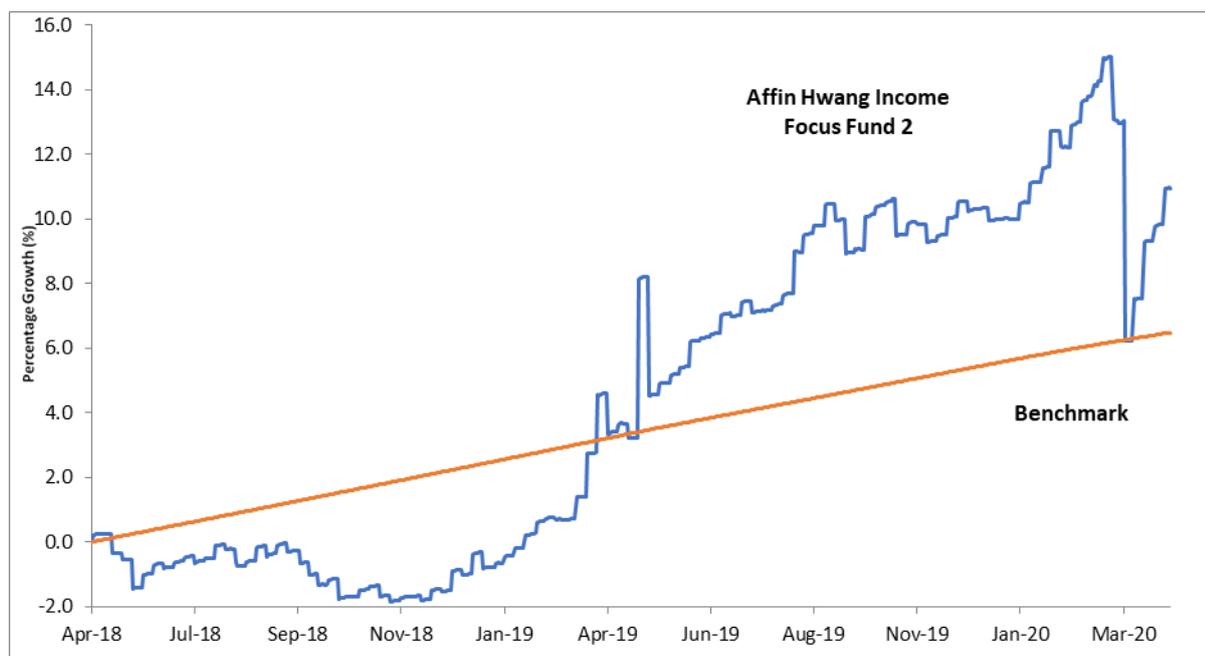
Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	FYE 2020 (01/8/19 - 24/4/20)	FYE 2019 (24/4/18 - 31/7/19)
Fund	3.37%	7.34%
Benchmark	2.17%	4.23%
Outperformance	1.20%	3.12%

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: MBBD12M FD

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

Asset Allocation

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

As the Fund matures on 24 April 2020, all investments of the Fund were liquidated and all proceeds were returned accordingly to investors.

Strategies Employed

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

Market Review

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

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

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

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

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

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

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

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

Whilst RM250 billion seems like a massive amount on the surface, the actual fiscal spending outlay amounts to 10.0% or RM25 billion. The rest of the relief package comes in the form of loan guarantees, moratorium in loan repayments, EPF withdrawals, among others.

The budget deficit is expected to widen with the new stimulus package. The government will have to tap into the country's coffers including relying on dividend payments from GLCs like Petronas to help fund the

package. However, this also comes on the back of depressed oil prices that may put additional fiscal constraints.

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

State of Affairs of the Fund

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

Soft Commissions received from Brokers

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

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

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

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

We, **CIMB Commerce Trustee Berhad** being the trustee of **Affin Hwang Income Focus Fund 2** (“**the Fund**”), are of the opinion that **Affin Hwang Asset Management Berhad** (“**the Manager**”), acting in the capacity as Manager of the Fund, has fulfilled its duties in the following manner for the financial period from 1 August 2019 to 24 April 2020 (date of maturity).

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

For and on behalf of
CIMB Commerce Trustee Berhad

Lee Kooi Yoke
Chief Executive Officer

Kuala Lumpur, Malaysia
18 March 2020

AFFIN HWANG INCOME FOCUS FUND 2

FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY)

AFFIN HWANG INCOME FOCUS FUND 2

FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY)

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AFFIN HWANG INCOME FOCUS FUND 2

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY)

	<u>Note</u>	Financial period from 1.8.2019 to 24.4.2020 (date of maturity) RM	Financial period from 8.3.2018 (date of launch) to 31.7.2019 RM
INVESTMENT INCOME			
Interest income from financial assets at amortised cost		2,926,448	5,436,689
Net (loss)/gain on foreign currency exchange		(3,898)	24,089
Net loss on forward foreign currency contract at fair value through profit or loss		-	(34,028)
Net gain on financial asset at fair value through profit or loss	8	760,877	2,324,355
Exit fee income		19,971	17,942
		<u>3,703,398</u>	<u>7,769,047</u>
EXPENSES			
Trustee fee	4	(24,424)	(42,026)
Auditors' remuneration		(10,000)	(8,000)
Tax agent's fee		(3,500)	(4,500)
Other expenses		(11,595)	(8,946)
		<u>(49,519)</u>	<u>(63,472)</u>
NET PROFIT BEFORE TAXATION		3,653,879	7,705,575
Taxation	5	(4,456)	(4,019)
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u>3,649,423</u>	<u>7,701,556</u>
Net profit after taxation is made up of the following:			
Realised amount		3,649,423	9,115,207
Unrealised amount		-	(1,413,651)
		<u>3,649,423</u>	<u>7,701,556</u>

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

AFFIN HWANG INCOME FOCUS FUND 2

STATEMENT OF FINANCIAL POSITION AS AT 24 APRIL 2020 (DATE OF MATURITY)

	<u>Note</u>	As at 24.4.2020 (date of maturity)	As at 31.7.2019 RM
ASSETS			
Cash and cash equivalents		111,187,080	16,864
Deposits with licensed financial institutions	7	-	104,219,085
Financial asset at fair value through profit or loss	8	-	4,249,071
Tax recoverable		775	5,231
TOTAL ASSETS		<u>111,187,855</u>	<u>108,490,251</u>
LIABILITIES			
Amount due to Trustee		13,358	2,760
Auditors' remuneration		10,000	8,000
Tax agent's fee		4,500	4,500
Distribution payable		7,582,969	-
Other payables and accruals		10,009	4,215
TOTAL LIABILITIES		<u>7,620,836</u>	<u>19,475</u>
NET ASSET VALUE OF THE FUND		<u>103,567,019</u>	<u>108,470,776</u>
EQUITY			
Unitholders' capital		103,509,078	104,479,289
Retained earnings		57,941	3,991,487
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>103,567,019</u>	<u>108,470,776</u>
NUMBER OF UNITS IN CIRCULATION	9	<u>103,567,000</u>	<u>104,477,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.0000</u>	<u>1.0382</u>

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

AFFIN HWANG INCOME FOCUS FUND 2

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY)

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 August 2019	104,479,289	3,991,487	108,470,776
Total comprehensive income for the financial period	-	3,649,423	3,649,423
Distribution (Note 6)		(7,582,969)	(7,582,969)
Movement in unitholders' capital:			
Cancellation of units	(970,211)	-	(970,211)
Balance as at 24 April 2020 (date of maturity)	<u>103,509,078</u>	<u>57,941</u>	<u>103,567,019</u>
Balance as at 8 March 2018 (date of launch)	-	-	-
Total comprehensive income for the financial period	-	7,701,556	7,701,556
Distribution (Note 6)		(3,710,069)	(3,710,069)
Movement in unitholders' capital:			
Creation of units arising from applications	104,840,000	-	104,840,000
Cancellation of units	(360,711)	-	(360,711)
Balance as at 31 July 2019	<u>104,479,289</u>	<u>3,991,487</u>	<u>108,470,776</u>

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

AFFIN HWANG INCOME FOCUS FUND 2

STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY)

	<u>Note</u>	Financial period from 1.8.2019 to 24.4.2020 (date of maturity) RM	Financial period from 8.3.2018 (date of launch) to 31.7.2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from settlement of unquoted derivative – option		5,009,948	3,738,006
Proceeds from maturity of deposits with licensed financial institutions		136,989,886	325,254,100
Placements of deposits with licensed financial institutions		(37,989,886)	(424,254,100)
Purchase of investments		-	(5,662,722)
Interest received		8,145,533	217,604
Exit fee income received		19,971	17,942
Trustee fee paid		(13,826)	(39,266)
Net realised foreign exchange gain		(3,898)	24,089
Realised loss on forward foreign currency contract		-	(34,028)
Payment for other fees and expenses		(17,301)	(4,731)
Tax paid		-	(9,250)
Net cash generated from/(used in) operating activities		<u>112,140,427</u>	<u>(100,752,356)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from creation of units		-	104,840,000
Payments for cancellation of units		(970,211)	(360,711)
Payment for distribution		-	(3,710,069)
Net cash (used in)/generated from financing activities		<u>(970,211)</u>	<u>100,769,220</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		111,170,216	16,864
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD/ DATE OF LAUNCH		<u>16,864</u>	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD		<u><u>111,187,080</u></u>	<u><u>16,864</u></u>

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

AFFIN HWANG INCOME FOCUS FUND 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (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, 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.

The Fund commenced operations on 24 April 2018 and will continue its operations until terminated by the Trustee as provided under Clause 12.1 of the Deed or on maturity date of the Fund which falls on 24 April 2020. As such, the going concern assumption can no longer be used for the preparation of financial statements. The financial statements have therefore been prepared using a liquidation basis of accounting. The net proceeds have been distributed pro rata to unitholders on 27 April 2020, according to the number of units held in the Fund as at 24 April 2020. The Manager and the Trustee of the Fund hereby authorised the termination of the trust in respect of the Fund on 24 April 2020.

- (a) New standards, amendments and interpretations effective after 1 August 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 24 April 2020.

B INCOME RECOGNITION

Interest income

Interest income from deposits with licensed financial institutions is recognised based on effective interest rate method on an accrual basis.

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

AFFIN HWANG INCOME FOCUS FUND 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

B INCOME RECOGNITION (CONTINUED)

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.

Realised gains and losses on settlement of unquoted derivative – option

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

C DISTRIBUTION

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

D TAXATION

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

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

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.

AFFIN HWANG INCOME FOCUS FUND 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

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 are managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments and derivatives not designated as hedging instruments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents and deposits with licensed financial institutions as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies amount due to Trustee, auditors' remuneration, tax agent's fee, distribution payable 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.

AFFIN HWANG INCOME FOCUS FUND 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

G 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 BNP Paribas Issuance B.V. (the "Option Seller"). Refer to Note H and Note 3 of the financial statements.

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

(iii) Impairment

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

Significant increase in credit risk

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

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.

AFFIN HWANG INCOME FOCUS FUND 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (continued)

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 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 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.

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.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held-for-trading and recognised in the statement of comprehensive income.

I 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.

AFFIN HWANG INCOME FOCUS FUND 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

J UNITHOLDERS' CAPITAL

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

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

The outstanding units are carried at the redemption amount that is payable at each financial year if unitholders exercise the right to put the unit back to the Fund.

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

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.

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

AFFIN HWANG INCOME FOCUS FUND 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

K CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(i) Fair value of unquoted derivative – option

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

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

For the unquoted derivative - option, an increase in the implied volatility and the net cost of borrowing would lead to an increase in estimated value.

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 Unit Trust Funds.

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY)

1 INFORMATION ON THE FUND

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

The Fund commenced operations on 24 April 2018 and will continue its operations until terminated by the Trustee as provided under Clause 12.1 of the Deed or on maturity date of the Fund which falls on 24 April 2020. 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 27 April 2020, according to the number of units held in the Fund as at 24 April 2020. The Manager and the Trustee of the Fund hereby authorised the termination of the trust in respect of the Fund on 24 April 2020.

The Fund may invest in the following permitted investments:

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

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

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

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

The financial statements were authorised for issue by the Manager on 18 May 2020.

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	<u>Note</u>	At amortised cost RM	At fair value through profit or loss RM	<u>Total</u> RM
<u>As at 24.4.2020 (date of maturity)</u>				
<u>Financial asset</u>				
Cash and cash equivalents		111,187,080	-	111,187,080
<u>Financial liabilities</u>				
Amount due to Trustee		13,358	-	13,358
Auditors' remuneration		10,000	-	10,000
Tax agent's fee		4,500	-	4,500
Distribution payable		7,582,969	-	7,582,969
Other payables and accruals		10,009	-	10,009
Total		7,620,836	-	7,620,836
<u>As at 31.7.2019</u>				
<u>Financial assets</u>				
Cash and cash equivalents		16,864	-	16,864
Deposits with licensed financial institutions	7	104,219,085	-	104,219,085
Unquoted derivative – option	8	-	4,249,071	4,249,071
Total		104,235,949	4,249,071	108,485,020
<u>Financial liabilities</u>				
Amount due to Trustee		2,760	-	2,760
Auditors' remuneration		8,000	-	8,000
Tax agent's fee		4,500	-	4,500
Other payables and accruals		4,215	-	4,215
Total		19,475	-	19,475

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

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

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

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

Market risk

(a) Price risk

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

The Fund is not exposed to any price risk as at 24 April 2020 (date of maturity) and 31 July 2019.

(b) Interest rate risk

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

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

(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.

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

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

(c) Currency risk (continued)

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 24 April 2020 (date of maturity).

	Unquoted derivative – <u>option</u> RM	<u>Total</u> RM
<u>As at 31.7.2019</u>		
Euro	4,249,071	4,249,071

The table below summarises the sensitivity of the Fund's profit after tax and net asset value ("NAV") to changes in foreign exchange movements. The analysis is based on the assumption that the foreign exchange rate changes by 5%, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate. 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 <u>in rate</u> %	Impact on profit after <u>tax/NAV</u> RM
<u>As at 31.7.2019</u>		
Euro	+/- 5	+/- 212,454

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

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

Credit risk

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

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

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

	<u>Cash and cash equivalents</u> RM	<u>Deposits with licensed institutions</u> RM	<u>Unquoted derivative – option</u> RM	<u>Total</u> RM
<u>As at 24.4.2020 (date of maturity)</u>				
Financial Services				
- AAA	111,187,080	-	-	111,187,080
<u>As at 31.7.2019</u>				
Financial Services				
- AAA	16,864	23,927,839	-	23,944,703
- AA2	-	30,206,381	-	30,206,381
- AA3	-	50,084,865	4,249,071	54,333,936
	<u>16,864</u>	<u>104,219,085</u>	<u>4,249,071</u>	<u>108,485,020</u>

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

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

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations. The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellation of units by unitholders. Liquid assets comprise cash, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 days.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

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

	<u>Within one month</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>As at 24.4.2020 (date of maturity)</u>			
Amount due to Trustee	13,358	-	13,358
Auditor's remuneration	-	10,000	10,000
Tax agent's fee	-	4,500	4,500
Distribution payable	7,582,969	-	7,582,969
Other payables and accruals	-	10,009	10,009
	<u>7,596,327</u>	<u>24,509</u>	<u>7,620,836</u>
<u>As at 31.7.2019</u>			
Amount due to Trustee	2,760	-	2,760
Auditor's remuneration	-	8,000	8,000
Tax agent's fee	-	4,500	4,500
Other payables and accruals	-	4,215	4,215
	<u>2,760</u>	<u>16,715</u>	<u>19,475</u>

Capital risk

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

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (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.

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 24 April 2020 (date of maturity).

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>As at 31.7.2019</u>				
Financial asset at fair value through profit or loss				
- unquoted derivative				
- option	-	-	4,249,071	4,249,071
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Level 3 instrument

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

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

The descriptions of unobservable inputs in the option valuation are:

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

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

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

Level 3 instrument

The following table presents the movements in Level 3 instruments for the financial period from 1 August 2019 to 24 April 2020 (date of maturity):

	As at 24.4.2020 <u>(date of maturity)</u> RM	As at 31.7.2019 RM
Opening balance	4,249,071	-
(Maturity)/Purchase	(5,009,948)	5,662,722
Gain recognised in statement of comprehensive income	760,877	-
Net change in fair value on financial asset at fair value through profit or loss	-	(1,413,651)
	<u>-</u>	<u>4,249,071</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.

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

4 TRUSTEE FEE

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

For the financial period from 1 August 2019 to 24 April 2020 (date of maturity), the Trustee fee is recognised at a rate of 0.03% (from 8 March 2018 (date of launch) to 31 July 2019: 0.03%) per annum on the NAV of the Fund calculated on a daily basis as stated in the Fund's Prospectus.

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

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

5 TAXATION

	Financial period from 1.8.2019 to 24.4.2020 (date of maturity) RM	Financial period from 8.3.2018 (date of launch) to 31.7.2019 RM
Current taxation – local	4,456	4,019
	<u>4,456</u>	<u>4,019</u>

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

Net profit before taxation	3,653,879	7,705,575
Tax at Malaysian statutory rate of 24% (from 8 March 2018 (date of launch) to 31 July 2019: 24%)	876,931	1,849,338
Tax effects of:		
Investment income not subject to tax	(884,024)	(1,860,265)
Expenses not deductible for tax purposes	8,525	12,354
Restriction on tax deductible expenses for Unit Trust Funds	3,024	2,592
Tax expense	<u>4,456</u>	<u>4,019</u>

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

6 DISTRIBUTION

	Financial period from 1.8.2019 to 24.4.2020 (date of maturity) RM	Financial period from 8.3.2018 (date of launch) to 31.7.2019 RM
Distribution to unitholders is from the following sources:		
Interest income	2,219,873	-
Realised gain on settlement of unquoted derivative – option	-	3,747,170
Previous financial period's realised income	5,402,354	-
	<hr/>	<hr/>
Gross realised income	7,622,227	3,747,170
Less: Expenses	(39,258)	(37,101)
	<hr/>	<hr/>
Net distribution amount	7,582,969	3,710,069
	<hr/>	<hr/>
Gross/Net distribution per unit (sen)	7.3218	3.5500
	<hr/>	<hr/>
Ex-date	24.4.2020	29.4.2019
	<hr/>	<hr/>

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

Included in distribution for the financial period is an amount of RM5,402,354 (from 8 March 2018 (date of launch) to 31 July 2019: RM Nil) made from previous period's realised income.

There are no unrealised losses for the current financial period (from 8 March 2018 (date of launch) to 31 July 2019: RM1,413,651).

The distribution declared on 24 April 2020 of RM7,582,969 was settled on 4 May 2020.

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

7 DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

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

	As at 24.4.2020 (date of maturity) %	As at 31.7.2019 %
Deposits with licensed financial institutions	-	4.15

Deposits with licensed financial institutions as at 31 July 2019 have an average maturity of 268 days. The amount includes interest receivables of RM5,219,085.

8 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Fund invests in unquoted derivative – option. An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price. The notional amount of the Fund's exposure to the unquoted derivative – option as at 31 July 2019 is RM103,216,626. The Fund's investment in unquoted derivative – option is set out below:

	As at 24.4.2020 (date of maturity) RM	As at 31.7.2019 RM
Financial asset at fair value through profit or loss:		
- unquoted derivative – option	-	4,249,071
Net gain on financial asset at fair value through profit or loss:		
- realised gain on settlement of unquoted derivative – option	760,877	3,738,006
- unrealised loss on changes in fair value	-	(1,413,651)
	760,877	2,324,355

(a) Unquoted derivative – option

(i) There is no investment in unquoted derivative – option as at 24 April 2020 (date of maturity).

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

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

(a) Unquoted derivative – option (continued)

(i) Unquoted derivative – option as at 31 July 2019 are as follows:

<u>Name of issuer</u>	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Option</u>				
2Y European Option on Jupiter JGF – Dynamic Bond Fund	3,000	5,662,722	4,249,071	3.92
Total unquoted derivative – option	3,000	5,662,722	4,249,071	3.92
Accumulated unrealised loss on unquoted derivative – option		(1,413,651)		
Total unquoted derivative – option		4,249,071		

The unquoted derivative – option was settled on 17 April 2020.

9 NUMBER OF UNITS IN CIRCULATION

	<u>As at 24.4.2020 (date of maturity) No. of units</u>	<u>As at 31.7.2019 No. of units</u>
At the beginning of the financial period/date of launch	104,477,000	-
Creation of units arising from applications	-	104,840,000
Cancellation of units	(910,000)	(363,000)
At the end of the financial period	103,567,000	104,477,000

The Fund has matured on 24 April 2020 and all the units in circulation were subsequently cancelled on 27 April 2020 at RM1.00 per unit.

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

10 TRANSACTION WITH DEALER

- (i) Details of transaction with dealer for the financial period from 1 August 2019 to 24 April 2020 (date of maturity) are as follows:

<u>Name of dealer</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
BNP Paribas Securities Singapore Pte Ltd	5,009,948	100.00

- (ii) Details of transaction with dealer for the financial period from 8 March 2018 (date of launch) to 31 July 2019 are as follows:

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

11 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>24.4.2020 (date of maturity)</u> No. of units	As at RM	<u>31.7.2019</u> No. of units	As at RM
<u>The Manager:</u>				
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)	374,419	374,419	429,186	445,581

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

12 MANAGEMENT EXPENSE RATIO (“MER”)

	Financial period from 1.8.2019 to 24.4.2020 (date of maturity)	Financial period from 8.3.2018 (date of launch) to 31.7.2019 %
MER	<u>0.04</u>	<u>0.06</u>

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 from 1 August 2019 to 24 April 2020 (date of maturity) calculated on a daily basis was RM110,919,327 (from 8 March 2018 (date of launch) to 31 July 2019: RM99,812,928).

AFFIN HWANG INCOME FOCUS FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 AUGUST 2019 TO 24 APRIL 2020 (DATE OF MATURITY) (CONTINUED)

13 PORTFOLIO TURNOVER RATIO (“PTR”)

	Financial period from 1.8.2019 to 24.4.2020 (date of maturity)	Financial period from 8.3.2018 (date of launch) to 31.7.2019
PTR (times)	0.02	0.03

PTR is derived from the following calculation:

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

where: total acquisition for the financial period = RM Nil
(from 8 March 2018 (date of launch) to 31 July 2019: RM5,662,722)
total disposal for the financial period = RM5,009,948
(from 8 March 2018 (date of launch) to 31 July 2019: RM Nil)

14 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The worsening macro-economic outlook as a result of Covid-19, both domestically and globally, has resulted in the deterioration of the Fund's Net Asset Value/unit as of the date of this report. This is mainly due to the decrease in the fair value of the Fund's investments at fair value through profit or loss.

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

AFFIN HWANG INCOME FOCUS FUND 2

STATEMENT BY THE MANAGER

I, Teng Chee Wai, the Director of **Affin Hwang Asset Management Berhad**, hereby state that in my opinion as the Manager, the financial statements set out on pages 1 to 27 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 24 April 2020 (date of maturity) and of its financial performance, changes in equity and cash flows for the financial period from 1 August 2019 to 24 April 2020 (date of maturity) in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards.

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

TENG CHEE WAI
EXECUTIVE DIRECTOR/MANAGING DIRECTOR

Kuala Lumpur
18 May 2020

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG INCOME FOCUS FUND 2

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Affin Hwang Income Focus Fund 2 (“the Fund”) give a true and fair view of the financial position of the Fund as at 24 April 2020 (date of maturity), and of its financial performance and its cash flows for the financial period from 1 August 2019 to 24 April 2020 (date of maturity) in accordance with Malaysian Financial Reporting Standards, 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 24 April 2020 (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 August 2019 to 24 April 2020 (date of maturity), and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 27.

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

Without qualifying our opinion, we draw attention to Note A, Basis of Preparation of the financial statements, which states that the Fund has been terminated on 24 April 2020. These financial statements have therefore been prepared using a liquidation basis of accounting. Our opinion is not qualified 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.

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INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG INCOME FOCUS FUND 2 (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, 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 INCOME FOCUS FUND 2 (CONTINUED)

REPORT ON 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.
- (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 INCOME FOCUS FUND 2 (CONTINUED)

OTHER MATTERS

This report is made solely to the unit holders 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
18 May 2020

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