

Affin Hwang SGD Bond Fund

Annual Report
30 September 2021

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



AFFIN HWANG
CAPITAL

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

TRUSTEE
TMF Trustees Malaysia Berhad (610812-W)

AFFIN HWANG SGD BOND FUND

Annual Reports and Audited Financial Statements For The Financial Period From 23 February 2021 (Date of Launch) To 30 September 2021

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FUND INFORMATION

Fund Name	Affin Hwang SGD Bond Fund
Fund Type	Income
Fund Category	Bond
Investment Objective	The Fund aims to provide regular income
Benchmark	Singapore Dollar Banks Saving Deposits Rate
Distribution Policy	Depending on the level of income the Fund generates, the Fund will provide distribution on an annual basis.

BREAKDOWN OF UNITHOLDERS BY RM SIZE AS AT 30 SEPTEMBER 2021

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	14	38
5,001 to 10,000	6	48
10,001 to 50,000	34	897
50,001 to 500,000	44	7,545
500,001 and above	15	31,935
Total	113	40,463

* Note: Excluding Manager's stock

BREAKDOWN OF UNITHOLDERS BY SGD SIZE AS AT 30 SEPTEMBER 2021

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	1	2
5,001 to 10,000	1	10
10,001 to 50,000	7	245
50,001 to 500,000	16	2,387
500,001 and above	5	9,727
Total	30	12,371

* Note: Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 30 Sep 2021 (%)
Portfolio composition	
Unquoted fixed income securities – foreign	94.88
Cash & cash equivalent	5.12
Total	100.00

Currency class	<u>RM</u> <u>Class</u>	<u>SGD</u> <u>Class</u>
Total NAV (RM'million)	20.455	6.224
NAV per Unit (RM)	0.5056	0.5030
Unit in Circulation (million)	40.465	12.374
Highest NAV	0.5140	0.5043
Lowest NAV	0.4947	0.4907
Return of the Fund (%) ⁱⁱⁱ	1.12	0.60
- Capital Growth (%) ⁱ	1.12	0.60
- Income Distribution (%) ⁱⁱ	Nil	Nil
Gross Distribution per Unit (sen)	Nil	Nil
Net Distribution per Unit (sen)	Nil	Nil
Management Expense Ratio (%)		0.75
Portfolio Turnover Ratio (times)		1.17

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

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

An illustration of the above would be as follow:-

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

MANAGER'S REPORT

Income Distribution / Unit Split

No income distribution or unit split were declared for the financial year ended 30 September 2021.

Performance Review

SGD Class

For the period 16 March 2021 to 30 September 2021, the Fund registered a 0.60% return compared to the benchmark return of 0.04%. The Fund thus outperformed the Benchmark by 0.56%. The Net Asset Value per unit ("NAV") of the Fund as at 30 September 2021 was SGD0.5030 while the initial NAV was SGD0.5000. The Fund has not met its investment objective, however we will strive to achieve its investment objective of providing income to investors in the next financial year.

MYR Class

For the period 16 March 2021 to 30 September 2021, the Fund registered a 1.12% return compared to the benchmark return of 0.04%. The Fund thus outperformed the Benchmark by 1.08%. The Net Asset Value per unit ("NAV") of the Fund as at 30 September 2021 was MYR0.5056 while the initial NAV was MYR0.5000. The Fund has not met its investment objective, however we will strive to achieve its investment objective of providing income to investors in the next financial year.

Table 1: Performance of the Fund

	Since Commencement (16/3/21 - 30/9/21)
Benchmark	0.04%
SGD Class	0.60%
Outperformance	0.56%
MYR Class	1.12%
Outperformance	1.08%

Source of Benchmark: Monetary Authority of Singapore

Table 2: Average Total Return

	Since Commencement (16/3/21 - 30/9/21)
Benchmark	0.04%
SGD Class	0.60%
Outperformance	0.56%
MYR Class	1.12%
Outperformance	1.08%

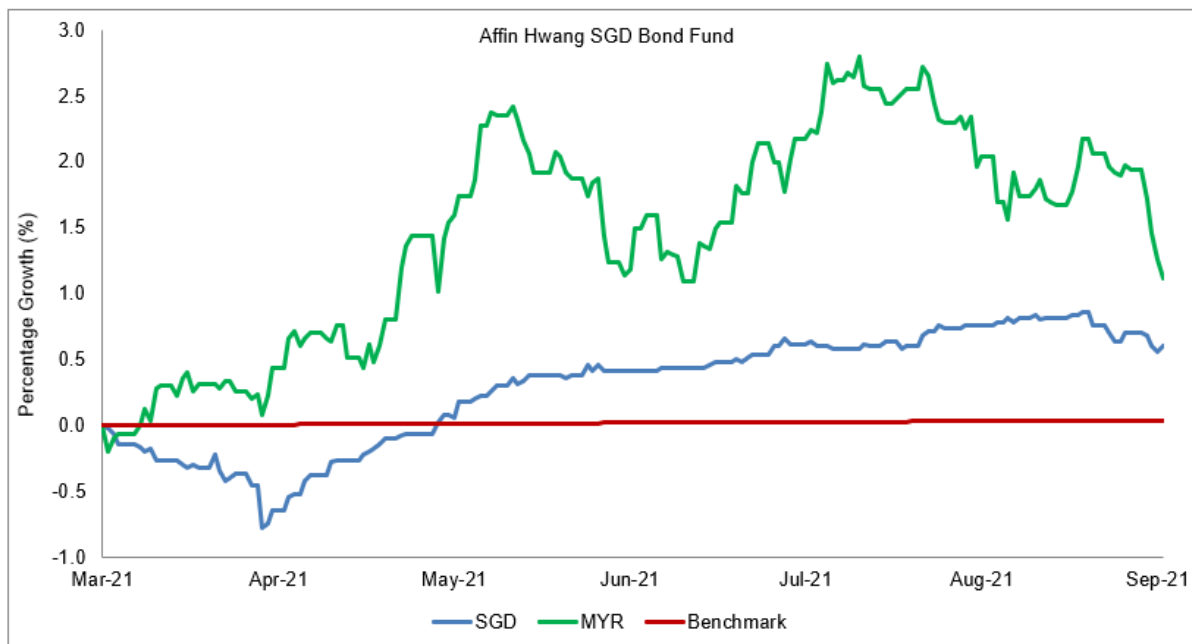
Source of Benchmark: Monetary Authority of Singapore

Table 3: Annual Total Return

	FYE 2021 (16/3/21 - 30/9/21)
Benchmark	0.04%
SGD Class	0.60%
Outperformance	0.56%
MYR Class	1.12%
Outperformance	1.08%

Source of Benchmark: Monetary Authority of Singapore

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 Monetary Authority of Singapore."

Benchmark: Singapore Dollar Banks Saving Deposits Rate

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

Asset Allocation

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

As at 30 September 2021, the asset allocation of the Fund stood at 94.88% of the Fund's NAV in fixed income securities while the remaining was held in cash and cash equivalent.

Strategy Employed

Over the period under review, the Manager maintained a focus on high conviction credit names across both domestic and regional space. To date, the Fund's bond holdings have continued to meet their respective financial obligations in respect of their outstanding debt.

Market Review

Global equities started 2021 on a strong note as policy easing, and global vaccine rollouts went underway. At the start of January, US markets saw strong optimism. The storming of the US Capitol in early January had little effect over the broader market. However, a black swan event at the end of the month saw retail investors selectively targeting underperforming stocks (e.g. GME and AMC) that resulted in a short squeeze and pushing their share prices to new highs.

US equity markets ended the month of February with modest gains though sentiment was tested as surging bond yields and inflation fears took precedence. Whilst equities and bonds tend to move in opposite directions, the reality is that equity outperformance in the past year has largely come from growth-centric stocks and "stay at home" trades, which were facing short-term squeezes on their profit margins from rising rates. Another factor is the shift from growth to value, with value stocks performing better over the period.

Global equities endured a mixed session in March as US-China tensions boiled over dampening sentiment. With recovery still in a fragile state, global central banks including the Fed are expected to keep monetary policy accommodative to nurse the economy through the pandemic. Meanwhile, rising bond yields continue to unsettle markets. Banks are enjoying higher trading fees and lower provision costs as the economy gradually regains its footing.

Global markets shrugged off inflation fears to climb higher in June as investors start to buy-in to the Fed's dovish testimony. The S&P 500 and Nasdaq index rose, buoyed by stimulus optimism after early indication of bipartisan support of the proposed US\$1.2 trillion infrastructure bill in the US Congress. US Fed Chair, Jerome Powell testified in the House of Representatives to reiterate the central bank's view that inflation is transitory and that the FOMC will not rush to hike rates. The yield on the 10-year Treasury note tumbled as the Fed affirmed that it would not pre-emptively hike rates before signs of a recovery.

In Asia, the MSCI Asia ex-Japan index was marginally weaker in June as sentiment was dampened on geopolitical tensions and consolidation seen in China's economy. The Group of Seven ("G7") nations and North Atlantic Treaty Organisation ("NATO") held its annual summit with political leaders from US and Europe vowing to toughen its stance on China.

China had also reported weaker than expected retail sales and industrial production data. Industrial production grew 8.8% y-o-y in May, which came below consensus expectations of 9.2%. Weaker upstream production as well as a power shortage in the Yunan province which is an aluminium production hub led to lower factory output. May retail sales which rose 12.4% y-o-y also fell market expectations of 14.0%. However, weaker economic data could push back any chance of further tightening in China as policymakers look to sustain growth.

Asia was dragged by the weakness in the Chinese market in July. Once again, China saw regulators cracking down on businesses, this time targeting the education sector. Authorities had banned the provision of holiday and weekend tutoring, and further said that they will no longer approve the establishment of new tuition centres. Instead, tutoring companies are being asked to register as non-profit institutions.

In Asia, the MSCI Asia ex-Japan index reversed course by climbing slightly higher. Regulatory noise still dominated headlines in China amidst calls for more oversight in the electric vehicle (EV) industry. The Fed is currently adopting a wait-and-see approach to the Delta variants impact and its implication on job data, highlighting that inflation is transitory and it was more harmful to react amidst the temporary surge in inflation.

The local equity market's performance was muted relative to regional peers. In the February result season, the tech sector was largely reporting earnings that beat expectations on the back of robust demand. Meanwhile, Finance Minister clarified in an interview that the government is not looking to impose capital gains tax on stocks. The government was mulling new taxes to widen its revenue base once the economy is on a more stable footing.

The Malaysian bond market saw an unwinding of "rate cut" bets at the end of January following BNM's announcement to keep interest rates unchanged at 1.75% highlighting that recovery of the local economy was underway. The shorter-end of the MGS curve saw yields rose whilst longer-tenured papers remained resilient that month.

Yields trended higher in tandem with US treasury movement in the quarter. Undoubtedly, the performance of the local bond market has been subpar since the start of the year; especially given the volatility in US Treasury yields, as well as the lack of support from EPF due to its ongoing commitment to the i-Sinar and i-Lestari programme. However, demand was seen returning in March, as more investors – including insurance players and asset managers – are seen nibbling into the market given the more attractive yield levels.

Fiscal deficit is expected to breach above the government's target of 6.0%. With the unveiled PEMULIH stimulus package, we could see the debt ceiling be raised to 65.0% from 60.0%. This could translate to more government bond supplies, which may put further pressure on Malaysia's sovereign rating.

On the monetary policy side, Bank Negara Malaysia ("BNM") kept Overnight Policy Rates ("OPR") at 1.75% in its monetary policy meeting in July. The central bank remained slightly optimistic on Malaysia's growth outlook on the back of various support measures in place, vaccine rollouts, as well as stronger export numbers.

Political risks abated slightly with the appointment of Datuk Seri Ismail Sabri Yaakob as the 9th Prime Minister after securing the majority support of 114 MPs. The next Parliament sitting is slated in September which Datuk Seri Ismail Sabri will face a test of majority support through a vote of confidence. With political stability expected until the next General Election (GE) due by 2023, the local market could see further support on the back of continued vaccination roll-outs. The gradual reopening of more economic sectors also point to economic growth improving in the coming quarters.

During its quarterly GDP briefing, BNM said that Malaysia's GDP grew 16.1% y-o-y in the 2Q'21, although it contracted 2% on a q-o-q basis. The central bank also revised its full-year GDP growth forecast for Malaysia to between 3% and 4%, from the previous forecast of between 6% and 7.5% for 2021.

Prime Minister Datuk Seri Ismail Sabri Yaakob unveiled his cabinet line-up with familiar faces at the helm. Foreigners turned net buyers in the last week of August with net inflows rising to the tune of RM960 million which is the strongest weekly inflow since 2019.

On a separate note, Bank Negara Malaysia is slated to hold its next Monetary Policy Committee meeting on 9 September 2021. Despite recently revising its 2021 GDP forecast to a lowered range of 3.0-4.0%, we expect the central bank to keep rates unchanged at 1.75% amid several supportive drivers including: (i) healthy vaccination rollouts, (ii) robust external demand, and (iii) gradual reopening of sectors and economies.

Investment Outlook

Global markets have rallied sharply from their lowest, supported by fiscal and monetary stimulus. The economy is still recovering, albeit at a slow pace, as consumers' confidence return. Recovery plays will be the most obvious theme for the year of improving macroeconomic conditions and the inevitable rollout of vaccines has everyone looking to the future and letting go of 2020's miseries. We have already seen the rotation from growth to value take place in the start of 2021.

Earnings momentum will continue in 2021 with earnings growth projected to rise in Asia ex-Japan. Key sectors leading the recovery include the energy, consumer discretionary and industrials. Though, this is tempered by moderately higher valuations which has crept up above historical averages. Liquidity conditions remain positive and with earnings visibility from Asian companies that are riding along a China-led economic recovery, Asia continues to be an ocean of growth potential as the region continues to grow. Selected Chinese consumer names which are less likely to be pressured by regulatory headwinds were deemed more favourable.

Back home, economic recovery continues to progress as international borders slowly start to reopen. On COVID-19 developments, over 90% of Malaysia's adult population has been vaccinated. From a bottom-up perspective, the domestic focus will be on the recovery beneficiaries and exporters in the technology and EMS segment which have strong earnings visibility in the near term as well increasing demand. Weights in politically sensitive stocks have also been trimmed as the situation remains fluid.

ESG funds have also been gathering plenty of interest and we will expect this investor shift to ESG-focused funds to be more commonplace across the industry. The Biden administration's foray into building stronger climate change initiatives also signals a shift for the investment industry as this will generate more opportunities across asset classes. The wider implications of this on the economy will take time to materialise, but will continue to be observed.

State of Affairs of the Fund

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

Soft Commissions received from Brokers

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

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

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

Cross Trade

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

TRUSTEE'S REPORT

TO THE UNITHOLDERS OF AFFIN HWANG SGD BOND FUND

We have acted as Trustee for Affin Hwang SGD Bond Fund (the "Fund") for the financial year ended 30 September 2021. To the best of our knowledge, for the financial year under review, Affin Hwang Asset Management Berhad ("the Manager"), has operated and managed the Fund in accordance with the following:-

- (a) limitations imposed on the investment powers of the Manager under the Deed(s), the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) valuation and pricing for the Fund has been carried out in accordance with the Deed(s) of the Fund and applicable regulatory requirements; and
- (c) creation and cancellation of units for the Fund have been carried out in accordance with the Deed(s) of the Fund and applicable regulatory requirements.

For Deutsche Trustees Malaysia Berhad

Ng Hon Leong
Head, Trustee Operations

Richard Lim Hock Seng
Chief Executive Officer

Kuala Lumpur
15 November 2021

AFFIN HWANG SGD BOND FUND

FINANCIAL STATEMENTS

**FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021
(DATE OF LAUNCH) TO 30 SEPTEMBER 2021**

AFFIN HWANG SGD BOND FUND

FINANCIAL STATEMENTS

**FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021
(DATE OF LAUNCH) TO 30 SEPTEMBER 2021**

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AFFIN HWANG SGD BOND FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021

	<u>Note</u>	Financial period from 23.2.2021 (date of launch) to 30.9.2021 SGD
INVESTMENT INCOME		
Interest income for financial assets at fair value through profit or loss		132,735
Net loss on foreign currency exchange		(5,883)
Net loss on forward foreign currency contracts at fair value through profit or loss		(43,493)
Net gain on financial assets at fair value through profit or loss	7	40,308
		123,667
EXPENSES		
Management fee	4	(45,822)
Trustee fee	5	(1,376)
Auditors' remuneration		(2,723)
Tax agent's fee		(1,121)
Other expenses		(5,715)
		(56,757)
NET PROFIT BEFORE TAXATION		66,910
Taxation	6	-
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		66,910
Increase in net asset attributable to unitholders is made up of the following:		
Realised amount		98,109
Unrealised amount		(31,199)
		66,910

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

AFFIN HWANG SGD BOND FUND

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

	<u>Note</u>	As at <u>30.9.2021</u> SGD
ASSETS		
Cash and cash equivalents		1,389,697
Amount due from dealer		282,925
Amount due from Manager		
- creation of units		64,629
Financial assets at fair value through profit or loss	7	12,216,276
TOTAL ASSETS		<u>13,953,527</u>
LIABILITIES		
Forward foreign currency contracts at fair value through profit or loss	8	14,343
Amount due to dealer		745,229
Amount due to Manager		
- management fee		10,397
- cancellation of units		303,503
Amount due to Trustee		312
Auditors' remuneration		2,723
Tax agent's fee		1,121
Other payables and accruals		641
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)		<u>1,078,269</u>
NET ASSET VALUE OF THE FUND		<u>12,875,258</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>12,875,258</u>

AFFIN HWANG SGD BOND FUND

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021 (CONTINUED)

	<u>Note</u>	As at <u>30.9.2021</u> SGD
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS		
- MYR Class		6,651,015
- SGD Class		6,224,243
		12,875,258
NUMBER OF UNITS IN CIRCULATION		
- MYR Class	9 (a)	40,465,000
- SGD Class	9 (b)	12,374,000
		52,839,000
NET ASSET VALUE PER UNIT (SGD)		
- MYR Class		0.1644
- SGD Class		0.5030
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- MYR Class		RM0.5056
- SGD Class		SGD0.5030

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

AFFIN HWANG SGD BOND FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021

	Financial period from 23.2.2021 (date of launch) to <u>30.9.2021</u> SGD
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE DATE OF LAUNCH	-
Movement due to units created and cancelled during the financial period:	
Creation of units arising from applications	14,883,443
- MYR Class	8,424,378
- SGD Class	6,459,065
Cancellation of units	(2,075,095)
- MYR Class	(1,799,406)
- SGD Class	(275,689)
Net increase in net assets attributable to unitholders during the financial period	66,910
- MYR Class	26,043
- SGD Class	40,867
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	<u><u>12,875,258</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 SGD BOND FUND

STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021

Financial
period from
23.2.2021
(date of
launch) to
30.9.2021
SGD

CASH FLOWS FROM OPERATING ACTIVITIES

Proceeds from sale of investments	2,556,847
Purchase of investments	(14,177,983)
Interest received	40,207
Management fee paid	(35,425)
Trustee fee paid	(1,064)
Payments for other fees and expenses	(5,074)
Realised loss on forward foreign currency contracts	(29,150)
Net realised loss on foreign currency exchange	(5,732)
Net cash flows used in operating activities	(11,657,374)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from creation of units	14,818,814
Payments for cancellation of units	(1,771,592)
Net cash flows generated from financing activities	13,047,222

NET INCREASE IN CASH AND CASH EQUIVALENTS	1,389,848
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EFFECTS OF FOREIGN CURRENCY EXCHANGE	(151)
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CASH AND CASH EQUIVALENTS AT THE DATE OF LAUNCH	-
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CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>1,389,697</u>
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Cash and cash equivalents as at 30 September 2021 comprise of bank balances.

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

AFFIN HWANG SGD BOND FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021

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 L.

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

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'

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

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

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework.
- Annual Improvements to MFRSs 2018 – 2020 Cycle (effective for annual periods beginning on or after 1 January 2022).
- Amendments to MFRS 137 'onerous contracts—cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts.
- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date.

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

AFFIN HWANG SGD BOND FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

B INCOME RECOGNITION

Interest income

Interest income from unquoted fixed income securities are recognised based on effective interest rate method on an accrual basis.

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

Realised gains and losses on sale of investments

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

C TAXATION

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

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

D 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 Singapore Dollar (“SGD”), 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.

AFFIN HWANG SGD BOND FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

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

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

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

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

The Fund classifies cash and cash equivalents, amount due from dealer and amount due from Manager as financial assets at amortised cost as these financial assets are held to collect contractual cash flows that represent SPPI.

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

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value.

Financial liabilities, within the scope of MFRS 9, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

AFFIN HWANG SGD BOND FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

Financial liabilities are de-recognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

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

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

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

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

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

(iii) Impairment

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

AFFIN HWANG SGD BOND FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (continued)

Definition of default and credit-impaired financial assets

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

Quantitative criteria:

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

Qualitative criteria:

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

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

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

Write-off

The Fund 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.

G CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances which are subject to an insignificant risk of changes in value.

H AMOUNT DUE FROM/(TO) DEALER

Amounts due from and to dealer represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The due from dealer balance is held for collection. Refer to Note F for accounting policy on recognition and measurement.

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

AFFIN HWANG SGD BOND FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

H AMOUNT DUE FROM/(TO) DEALER (CONTINUED)

Significant financial difficulties of the dealer, probability that the dealer will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

I CREATION AND CANCELLATION OF UNITS

The unitholders' contributions to the Fund meet the definition of puttable instruments classified as financial liability under MFRS 132 'Financial Instruments: Presentation'.

The Fund issues cancellable units, in two classes of units, known respectively as the MYR class and SGD class, which are cancelled at the unitholders' option and do not have identical features. The units are classified as financial liabilities. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value ("NAV") of respective classes. The outstanding units are carried at the redemption amount that is payable at the statement of financial position date if the unitholder exercises the right to put back the unit to the Fund.

Units are created and cancelled at the unitholders' option at prices based on the Fund's NAV per unit of respective classes at the close of business on the relevant dealing day. The Fund's NAV per unit of respective classes is calculated by dividing the net assets attributable to unitholders of respective classes with the total number of outstanding units of respective classes.

J DERIVATIVE FINANCIAL INSTRUMENTS

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

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

The fair value of forward foreign currency contracts are determined using forward exchange rates at the date of statements of financial position, with the resulting value discounted back to present value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as financial assets/liabilities at fair value through profit or loss.

AFFIN HWANG SGD BOND FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

K INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Income not distributed is included in net assets attributable to unitholders.

L 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 SC's Guidelines on Unit Trust Funds.

Functional currency

Due to mixed factors in determining the functional currency of the Fund, the Manager has used its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have determined the functional currency to be in SGD primarily due to the following factors:

- i) Significant portion of the Fund's investment is in unquoted investments denominated in SGD.
- ii) Significant portion of cash is denominated in SGD for the purpose of making settlement of the foreign trades.
- iii) Significant portion of the Fund's expenses are denominated in SGD.

M REALISED AND UNREALISED PORTIONS OF INCREASE OR DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The analysis of realised and unrealised increase or decrease in net assets attributable to unitholders as presented on the statement of comprehensive income is prepared in accordance with SC's Guidelines on Unit Trust Funds.

AFFIN HWANG SGD BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021

1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name Affin Hwang SGD Bond Fund (the “Fund”) pursuant to the execution of a Deed dated 30 October 2020 (the “Deed”) entered into between Affin Hwang Asset Management Berhad (the “Manager”) and Deutsche Trustees Malaysia Berhad (the “Trustee”).

The Fund commenced operations on 16 March 2021 and will continue its operations until terminated by the Trustee as provided under Clause 12.3 of the Deed.

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

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

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

The main objective of the Fund is to provide regular income.

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

The financial statements were authorised for issue by the Manager on 15 November 2021.

AFFIN HWANG SGD BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	<u>Note</u>	At amortised <u>cost</u> SGD	At fair value through <u>profit or loss</u> SGD	<u>Total</u> SGD
<u>As at 30.9.2021</u>				
<u>Financial assets</u>				
Cash and cash equivalents		1,389,697	-	1,389,697
Amount due from dealer		282,925	-	282,925
Amount due from Manager				
- creation of units		64,629	-	64,629
Unquoted fixed income securities	7	-	12,216,276	12,216,276
Total		<u>1,737,251</u>	<u>12,216,276</u>	<u>13,953,527</u>
<u>Financial liabilities</u>				
Forward foreign currency contracts	8	-	14,343	14,343
Amount due to dealer		745,229	-	745,229
- management fee		10,397	-	10,397
- cancellation of units		303,503	-	303,503
Amount due to Trustee		312	-	312
Auditors' remuneration		2,723	-	2,723
Tax agent's fee		1,121	-	1,121
Other payables and accruals		641	-	641
Total		<u>1,063,926</u>	<u>14,343</u>	<u>1,078,269</u>

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

AFFIN HWANG SGD BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

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

Market risk

(a) Price risk

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

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

	As at 30.9.2021 SGD
Unquoted investments*	
Unquoted fixed income securities	12,216,276

* Includes interest receivable of SGD119,802.

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

<u>% Change in price</u>	<u>Market value</u> SGD	Impact on profit after tax/NAV SGD
<u>As at 30.9.2021</u>		
-5%	11,491,650	(604,824)
0%	12,096,474	-
+5%	12,701,298	604,824

AFFIN HWANG SGD BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

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

Market risk (continued)

(b) Interest rate risk

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

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

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

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

<u>% Change in interest rate</u>	<u>Impact on profit after tax/NAV</u>
	As at
	<u>30.9.2021</u>
	SGD
+ 2%	(23,727)
- 2%	<u>23,818</u>

AFFIN HWANG SGD BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

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

Market risk (continued)

(c) Currency risk

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

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

	Unquoted fixed income <u>securities</u> SGD	Cash and cash <u>equivalents</u> SGD	Other <u>assets*</u> SGD	<u>Total</u> SGD
<u>As at 30.9.2021</u>				
<u>Financial assets</u>				
Chinese Yuan	213,118	217,313	-	430,431
Malaysian Ringgit	-	286,011	13,826	299,837
United States Dollar	1,768,151	22,375	282,925	2,073,451
	<u>1,981,269</u>	<u>525,699</u>	<u>296,751</u>	<u>2,803,719</u>

* Other assets consist of amount due from dealer and amount due from Manager.

	Other <u>liabilities*</u> SGD	Net assets attributable to <u>unitholders</u> SGD	<u>Total</u> SGD
<u>Financial liabilities</u>			
Malaysian Ringgit	65,768	6,651,015	6,716,783
	<u>65,768</u>	<u>6,651,015</u>	<u>6,716,783</u>

* Other liabilities consist of amount due to Manager, auditors' remuneration, tax agent's fee and other payables.

AFFIN HWANG SGD BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

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

Market risk (continued)

(c) Currency risk (continued)

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

	Change in rate %	Impact on profit after tax/ NAV SGD
<u>As at 30.9.2021</u>		
Chinese Yuan	+/- 1.92	+/- 8,264
Malaysian Ringgit	+/- 2.22	-/+ 142,456
United States Dollar	+/- 2.87	+/- 59,508

Liquidity risk

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

AFFIN HWANG SGD BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES 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 one month SGD	Between one month to one year SGD	Total SGD
<u>As at 30.9.2021</u>			
Forward foreign currency contracts at fair value through profit or loss	-	14,343	14,343
Amount due to dealer	745,229	-	745,229
Amount due to Manager			
- management fee	10,397	-	10,397
- cancellation of units	303,503	-	303,503
Amount due to Trustee	312	-	312
Auditors' remuneration	-	2,723	2,723
Tax agent's fee	-	1,121	1,121
Other payables and accruals	-	641	641
Net assets attributable to unitholders*	12,875,258	-	12,875,258
	<u>13,934,699</u>	<u>18,828</u>	<u>13,953,527</u>

* Outstanding units are cancelled on demand at the unitholders' option (Note I). However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as unitholders of these instruments typically retain them for the medium to long term.

Credit risk

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

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

For unquoted fixed income securities, the Manager regularly reviews the rating assigned to the issuer so that necessary steps can be taken if the rating falls below those described by the Deed and SC's Guidelines on Unit Trust Funds.

The settlement terms of the proceeds from the creation of units' receivable from the Manager are governed by the SC's Guidelines on Unit Trust Funds.

AFFIN HWANG SGD BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

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

Credit risk (continued)

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

	Unquoted fixed income <u>securities</u> SGD	Cash and cash <u>equivalents</u> SGD	Other <u>assets*</u> SGD	<u>Total</u> SGD
<u>As at 30.9.2021</u>				
Consumer discretionary				
- NR	797,766	-	-	797,766
Financial services				
- AA1	-	1,389,697	-	1,389,697
- A2	501,108	-	-	501,108
- A3	258,117	-	-	258,117
- Ba1	267,439	-	-	267,439
- Ba2	531,831	-	-	531,831
- Baa1	527,132	-	-	527,132
- Baa2	518,983	-	282,925	801,908
- Baa3	1,034,056	-	-	1,034,056
- BBB	268,220	-	-	268,220
- BBB+	503,752	-	-	503,752
- NR	508,261	-	-	508,261
Health care				
- NR	276,345	-	-	276,345
Industrials				
- Baa1	401,671	-	-	401,671
- BBB	254,169	-	-	254,169
Real estate				
- A2	268,234	-	-	268,234
- B2	279,243	-	-	279,243
- Baa2	250,863	-	-	250,863
- BBB-	520,395	-	-	520,395
- NR	3,739,501	-	-	3,739,501
Telecommunications				
- NR	509,190	-	-	509,190
Others				
- NR	-	-	64,629	64,629
	<u>12,216,276</u>	<u>1,389,697</u>	<u>347,554</u>	<u>13,953,527</u>

* Other assets consist of amount due from dealer and amount due from Manager.

AFFIN HWANG SGD BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

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

Capital risk

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

3 FAIR VALUE ESTIMATION

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

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the period end date. The Fund utilises the current bid price for financial assets which falls within the bid-ask spread.

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

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

(i) Fair value hierarchy

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

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

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.

AFFIN HWANG SGD BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

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

	<u>Level 1</u> SGD	<u>Level 2</u> SGD	<u>Level 3</u> SGD	<u>Total</u> SGD
<u>As at 30.9.2021</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	12,216,276	-	12,216,276
Financial liabilities at fair value through profit or loss				
- forward foreign currency contracts	-	14,343	-	14,343

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

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

AFFIN HWANG SGD BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

4 MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 5.00% per annum on the NAV of the Fund, calculated on a daily basis.

For the financial period from 23 February 2021 (date of launch) to 30 September 2021, the management fee is recognised at a rate of 1.00% 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 Manager in respect of management fee other than the amounts recognised above.

5 TRUSTEE FEE

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

For the financial period from 23 February 2021 (date of launch) to 30 September 2021, the Trustee's fee is recognised at a rate of 0.03% per annum on the NAV of the Fund (excluding foreign custodian fees and charges), calculated on a daily basis as stated in the Fund's Prospectus.

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

6 TAXATION

	Financial period from 23.2.2021 (date of launch) to <u>30.9.2021</u> SGD
Current taxation	-

AFFIN HWANG SGD BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

6 TAXATION (CONTINUED)

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 23.2.2021 (date of launch) to 30.9.2021 SGD
Net profit before taxation	66,910
Tax at Malaysian statutory rate of 24%	16,058
Tax effects of:	
Investment income not subject to tax	(29,681)
Expenses not deductible for tax purposes	1,793
Restriction on tax deductible expenses for Unit Trust Funds	11,830
Tax expense	-

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30.9.2021 SGD
Financial assets at fair value through profit or loss:	
- unquoted fixed income securities – foreign	12,216,276
	Financial period from 23.2.2021 (date of launch) to 30.9.2021 SGD
Net gain on financial assets at fair value through profit or loss	
- realised gain on sale of investments	29,739
- unrealised gain on changes in fair value	10,569
	40,308

AFFIN HWANG SGD BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

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

(a) Unquoted fixed income securities – foreign

(i) Unquoted fixed income securities – foreign as at 30 September 2021 is as follows:

	Nominal value SGD	Adjusted cost SGD	Fair value SGD	Percentage of NAV %
Bonds				
2.9% AIA Group Ltd Call: 11.06.2031 (A2)	500,000	499,858	501,108	3.89
3% Ascendas Real Estate Inv Trust Call: 17.09.2025 (Baa2)	250,000	252,536	250,863	1.95
3.75% Barclays PLC Call: 23.05.2025 (Baa2)	250,000	265,511	264,890	2.06
4.875% Commerzbank AG Call: 01.03.2022 (BBB+)	250,000	252,095	252,852	1.96
5.625% Credit Suisse Group AG Call: 06.06.2024 (Ba2)	250,000	260,522	262,133	2.04
3.98% DBS Group Holdings Ltd Call: 12.09.2025 (Baa1)	250,000	261,987	264,143	2.05
2.18% FLCT Treasury Pte Lt 26.07.2028 (BBB+)	250,000	251,000	250,900	1.95
3.0% Frasers Property AHL 09.10.2028 (NR)	500,000	500,329	499,229	3.88
4.98% Frasers Property Treasury Pte Call: 11.04.2024 (NR)	250,000	261,301	260,701	2.02
3.4% GLL IHT Pte Ltd 10.08.2025 (NR)	250,000	258,923	257,411	2.00
4.6% GLL IHT Pte Ltd Call: 23.01.2023 (NR)	250,000	254,030	254,530	1.98
3.3% Henderson Land MTN Ltd 13.05.2023 (NR)	211,000	208,649	213,118	1.66
2.25% Hongkong Land Finance Call: 15.04.2031 (A2)	272,140	268,899	268,234	2.08
1.5% HPHT Finance Ltd Call: 17.08.2026 (Baa1)	408,210	401,426	401,671	3.12
4.7% HSBC Holdings PLC Call: 08.06.2022 (Baa3)	250,000	256,838	255,977	1.99
5% HSBC Holdings PLC Call: 24.09.2023 (Baa3)	250,000	255,298	257,265	2.00
5.75% Julius Baer Group Ltd Call: 20.04.2022 (Baa3)	250,000	261,525	261,859	2.03
3.15% Keppel REIT Call: 11.09.2025 (NR)	250,000	245,371	245,371	1.91
3.75% Landesbank Baden- Wuerttemberg Call: 18.05.2022 (Baa2)	250,000	253,633	254,093	1.97
4.2% Lendlease Global Commercial REIT Call: 04.06.2026 (NR)	250,000	253,423	255,948	1.99

AFFIN HWANG SGD BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

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

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

(i) Unquoted fixed income securities – foreign as at 30 September 2021 is as follows:
(continued)

	Nominal value SGD	Adjusted cost SGD	Fair value SGD	Percentage of NAV %
<u>Bonds</u> (continued)				
4.25% LS Finance 2022 Ltd 16.10.2022 (NR)	272,140	270,429	277,848	2.16
3.15% Mapletree Industrial Trust Call: 11.05.2026 (BBB-)	250,000	253,085	255,585	1.99
3.5% Mapletree North Asia Com Trust Call: 08.06.2026 (NR)	500,000	503,378	497,264	3.86
4.5% Mapletree Treasury Services Call: 19.01.2022 (NR)	500,000	507,504	508,262	3.95
4.25% Parkway Pantai Ltd Call: 27.07.2022 (NR)	272,140	271,589	276,345	2.15
7.125% Powerlong Real Estate Call: 08.11.2021 (B2)	272,140	284,500	279,243	2.17
5.2% Shimao Group Holdings Ltd Call: 16.09.2024 (BBB-)	272,140	268,804	264,810	2.06
3.13% Singapore Airlines Ltd 17.11.2026 (NR)	250,000	261,871	261,287	2.03
4.25% Singapore Post Ltd Call :02.03.2022 (BBB)	250,000	256,296	254,169	1.97
3.3% SingTel Group Treasury Pte Ltd Call: 14.07.2031 (A3)	250,000	259,719	258,117	2.00
6.125% Societe Generale SA Call: 16.04.2024 (Ba2)	250,000	266,369	269,698	2.09
4.1% SPH REIT Call: 30.08.2024 (NR)	500,000	504,800	504,160	3.92
5.375% Standard Chartered PLC Call: 03.10.2024 (Ba1)	250,000	266,221	267,439	2.08
3.95% Star Hub Ltd Call: 16.06.2022 (NR)	500,000	509,460	509,190	3.95
4.85% UBS Group AG Call: 04.09.2024 (Baa3)	250,000	258,819	258,955	2.01
5.875% UBS Grp Funding Switzerland AG Call: 28.11.2023 (BBB)	250,000	266,668	268,220	2.08
3.58% United Overseas Bank Ltd Call: 17.07.2026 (Baa1)	250,000	260,925	262,989	2.04
2.33% UOL Treasury Services 31.08.2028 (NR)	500,000	500,989	501,389	3.89
4.08% Wing Tai Holdings Ltd Call: 28.06.2022 (NR)	250,000	251,280	250,380	1.94

AFFIN HWANG SGD BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

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

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

(i) Unquoted fixed income securities – foreign as at 30 September 2021 is as follows:
(continued)

	Nominal value SGD	Adjusted cost SGD	Fair value SGD	Percentage of NAV %
<u>Bonds</u> (continued)				
4.25% Wing Tai Properties Fin Ltd 29.11.2022 (NR)	250,000	259,847	258,630	2.01
Total unquoted fixed income securities – foreign	<u>11,979,910</u>	<u>12,205,707</u>	<u>12,216,276</u>	<u>94.88</u>
Accumulated unrealised gain on unquoted fixed income securities – foreign		10,569		
Total unquoted fixed income securities – foreign		<u>12,216,276</u>		

8 FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 2 forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to SGD2,054,036. The forward foreign currency contracts entered into during the financial period were for hedging against the currency exposure arising from the investment in the foreign unquoted fixed income securities denominated in United States Dollar. As the Fund has not adopted hedge accounting during the financial period, the change in the fair value of the forward foreign currency contract is recognised immediately in the statement of comprehensive income.

AFFIN HWANG SGD BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

9 NUMBER OF UNITS IN CIRCULATION

(a) MYR Class units in circulation

	As at <u>30.9.2021</u> No. of units
At the date of launch	-
Creation of units arising from applications	51,491,000
Cancellation of units	<u>(11,026,000)</u>
At the end of the financial period	<u><u>40,465,000</u></u>

(b) SGD Class units in circulation

	As at <u>30.9.2021</u> No. of units
At the date of launch	-
Creation of units arising from applications	12,922,000
Cancellation of units	<u>(548,000)</u>
At the end of the financial period	<u><u>12,374,000</u></u>

AFFIN HWANG SGD BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

10 TRANSACTIONS WITH DEALERS

- (i) Details of transactions with the top dealers for the financial period from 23 February 2021 (date of launch) to 30 September 2021 are as follows:

<u>Name of dealers</u>	<u>Value of trade</u> SGD	Percentage of <u>total trade</u> %
Standard Chartered Bank Malaysia	4,127,832	24.61
DBS Bank Ltd	3,291,115	19.61
OCBC Bank Malaysia Bhd	1,787,750	10.65
United Overseas Bank (M) Bhd	1,272,850	7.59
Nomura Singapore Ltd	1,063,822	6.34
HSBC Bank Malaysia Bhd	1,020,200	6.08
OCBC Ltd	1,015,500	6.05
Mizuho Securities Asia Limited	943,060	5.62
HSBC Corporation Ltd	668,550	3.98
Others	1,589,921	9.47
	<u>16,780,600</u>	<u>100.00</u>

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

AFFIN HWANG SGD BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

11 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER (CONTINUED)

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

	As at 30.9.2021	
	No. of units	SGD
<u>The Manager:</u>		
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)		
- MYR Class	2,673	439
- SGD Class	2,393	1,204
	<u>2,673</u>	<u>1,204</u>

12 MANAGEMENT EXPENSE RATIO ("MER")

	Financial period from 23.2.2021 (date of launch) to 30.9.2021 %
MER	0.75

MER is derived from the following calculation:

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

A	=	Management fee, excluding management fee rebates
B	=	Trustee fee
C	=	Auditors' remuneration
D	=	Tax agent's fee
E	=	Other expenses
F	=	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 is SGD7,607,502.

AFFIN HWANG SGD BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 23 FEBRUARY 2021 (DATE OF LAUNCH) TO 30 SEPTEMBER 2021 (CONTINUED)

13 PORTFOLIO TURNOVER RATIO ("PTR")

Financial
period from
23.2.2021
(date of
launch) to
30.9.2021

PTR (times)

1.17

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 = SGD14,923,212

total disposal for the financial period = SGD2,810,033

14 COMPARATIVES

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

15 SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD

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

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

AFFIN HWANG SGD BOND FUND

STATEMENT BY THE MANAGER

I, Dato' Teng Chee Wai, for and on behalf of the board of directors of the Manager, **Affin Hwang Asset Management Berhad**, do hereby state that in the opinion of the Manager, the financial statements set out on pages 1 to 31 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 30 September 2021 and of its financial performance, changes in net assets attributable to unitholders and cash flows for the financial period from 23 February 2021 (date of launch) to 30 September 2021 in accordance with the Malaysia Financial Reporting Standards, International Financial Reporting Standards.

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

DATO' TENG CHEE WAI
EXECUTIVE DIRECTOR/MANAGING DIRECTOR

Kuala Lumpur
15 November 2021

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG SGD BOND FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

in our opinion, the financial statements of Affin Hwang SGD Bond Fund (“the fund”) give a true and fair view of the financial position of the fund as at 30 September 2021, and of its financial performance and its cash flows for the financial period from 23 February 2021 (date of launch) to 30 September 2021 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 30 September 2021, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the financial period from 23 February 2021 (date of launch) to 30 September 2021, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 31.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG SGD BOND FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards, 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 SGD BOND FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF
AFFIN HWANG SGD BOND FUND (CONTINUED)**

OTHER MATTERS

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

**PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants**

**Kuala Lumpur
15 November 2021**

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