

Affin Hwang

Target Maturity Income Fund

Annual Report

31 August 2021

Outthink. Out**perform.**



AFFIN HWANG
CAPITAL

MANAGER

Affin Hwang Asset Management Berhad
199701014290 (429786-T)

TRUSTEE

TMF Trustees Malaysia Berhad (610812-W)

AFFIN HWANG TARGET MATURITY INCOME FUND

**Annual Reports and Audited Financial Statements
For The Financial Period From 27 May 2020 (Date of Launch) To 31 August 2021**

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FUND INFORMATION

Fund Name	Affin Hwang Target Maturity Income Fund
Fund Type	Income
Fund Category	Fixed Income (Wholesale)
Investment Objective	The Fund aims to provide income through investments in fixed income instruments
Duration of the Fund	Three and a half (3.5) years close-ended Fund
Termination Date	19 December 2023
Benchmark	3-years Malayan Banking Berhad fixed deposit rate as at Investment Date
Distribution Policy	Depending on the level of income the Fund generates, the Fund will provide distribution on an annual basis and the first income distribution will be made on the eighteen (18) months from the Investment Date.

BREAKDOWN OF UNITHOLDERS BY SIZE AS AT 31 AUGUST 2021

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	64	3,107
50,001 to 500,000	137	26,459
500,001 and above	36	82,992
Total	237	112,558

* Note: Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 31 Aug 2021 (%)
Portfolio composition	
Unquoted fixed income securities – local	4.12
Unquoted fixed income securities – foreign	89.60
Total unquoted fixed income securities	93.72
Cash & cash equivalent	6.28
Total	100.00
Total NAV (RM'million)	125.010
NAV per Unit (RM)	1.1106
Unit in Circulation (million)	112.561
Highest NAV	1.1106
Lowest NAV	1.0000
Return of the Fund (%) ⁱⁱⁱ	11.06
- Capital Growth (%) ⁱ	11.06
- Income Distribution (%) ⁱⁱ	Nil
Gross Distribution per Unit (sen)	Nil
Net Distribution per Unit (sen)	Nil
Management Expense Ratio (%)	0.12
Portfolio Turnover Ratio (times)	0.83

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 31 August 2021.

Performance Review

For the period 19 June 2020 to 31 August 2021, the Fund registered a return of 11.06% compared to the benchmark return of 2.29%. The Fund thus outperformed the Benchmark by 8.77%. The Net Asset Value per unit ("NAV") of the Fund as at 31 August 2021 was MYR1.1106 while the initial NAV was MYR1.0000. The Fund has not met its investment objective, however the Fund strive to achieve it by providing income through investments in fixed income instruments.

Table 1: Performance of the Fund

	Since Commencement (19/6/20 - 31/8/21)
Fund	11.06%
Benchmark	2.29%
Outperformance	8.77%

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	Since Commencement (19/6/20 - 31/8/21)
Fund	9.11%
Benchmark	1.90%
Outperformance	7.21%

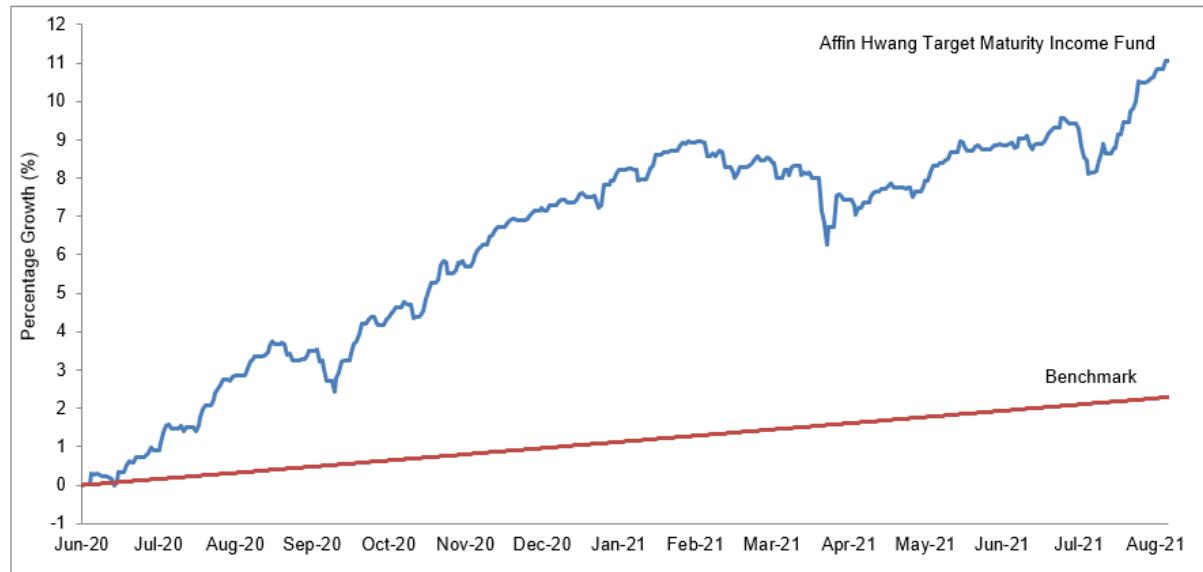
Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	FYE 2021 (19/6/20 - 31/8/21)
Fund	11.06%
Benchmark	2.29%
Outperformance	8.77%

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: 3-years Malayan Banking Berhad fixed deposit rate as at Investment Date

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 31 August 2021, the asset allocation of the Fund stood at 93.72% 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, while the 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.

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.

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 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 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. 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.

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. 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.

In August, 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 the month with net inflows rising to the tune of RM960 million which is the strongest weekly inflow since 2019.

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 crepted up above historical averages as well as a power crunch in China sent shockwaves across the region's supply chain. The crackdown on power consumption is being driven by rising demand for electricity and surging coal and gas prices, as well as strict targets from Beijing to cut emissions. 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. News of the potential default of China's leading real estate developer Evergrande also sent chills down investors' spines. Selected Chinese consumer names which are less likely to be pressured by regulatory headwinds were deemed more favourable.

Back home, economic recovery is on track as backed by positive vaccine roll-outs throughout the country. 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. The 12th Malaysia Plan also aims to revive the economy as well as move up the supply value chain, with an emphasis of clean & sustainable energy at the forefront. 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

Cross trade transactions have been carried out during the reported period and that the Investment Committee of the fund has reviewed that such transactions are in the best interest of the fund and transacted on an arm's length and fair value basis.

TRUSTEE'S REPORT TO THE UNITHOLDERS OF AFFIN HWANG TARGET MATURITY INCOME FUND

We have acted as Trustee of Affin Hwang Target Maturity Income Fund ("the Fund") for the financial period from 27 May 2020 (Date of Launch) to 31 August 2021. To the best of our knowledge, **Affin Hwang Asset Management Berhad**, the Manager, has managed the Fund in accordance with the limitations imposed on the investment powers of the management company and the trustee under the Deeds, other provisions of the Deeds, the Capital Markets and Services Act 2007, the Securities Commission's Guidelines on Unlisted Capital Market Product under the Lodge Framework and other applicable laws during the financial period then ended.

We have also ensured the following:

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

For TMF Trustees Malaysia Berhad

(Company No.: 610812-W)

NORHAYATI BINTI AZIT
DIRECTOR – FUND SERVICES

Kuala Lumpur
15 October 2021

AFFIN HWANG TARGET MATURITY INCOME FUND

FINANCIAL STATEMENTS

**FOR THE FINANCIAL PERIOD FROM 27 MAY 2020
(DATE OF LAUNCH) TO 31 AUGUST 2021**

AFFIN HWANG TARGET MATURITY INCOME FUND

FINANCIAL STATEMENTS

**FOR THE FINANCIAL PERIOD FROM 27 MAY 2020
(DATE OF LAUNCH) TO 31 AUGUST 2021**

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AFFIN HWANG TARGET MATURITY INCOME FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021

Financial
period from
27.5.2020
(date of
launch) to
31.8.2021
RM

Note

INVESTMENT INCOME

Interest income from financial assets at amortised cost		111,175
Interest income from financial assets at fair value through profit or loss		7,231,920
Net loss on foreign currency exchanges		(222,788)
Net gain on forward foreign currency contracts at fair value through profit or loss		2,535,534
Net gain on financial assets at fair value through profit or loss	8	2,928,196
		<hr/>
		12,584,037

EXPENSES

Trustee fee	5	(57,881)
Fund accounting fee	6	(14,083)
Auditors' remuneration		(8,000)
Tax agent's fee		(3,500)
Other expenses		(51,323)
		<hr/>
		(134,787)

NET PROFIT BEFORE TAXATION

12,449,250

Taxation 7

 -

NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD

12,449,250

AFFIN HWANG TARGET MATURITY INCOME FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

Financial
period from
27.5.2020
(date of
launch) to
31.8.2021
RM

Note

Net profit after taxation is made up of the following:

Realised amount	8,798,469
Unrealised amount	3,650,781
	<u>12,449,250</u>

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

AFFIN HWANG TARGET MATURITY INCOME FUND

STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2021

	<u>Note</u>	As at <u>31.8.2021</u> RM
ASSETS		
Cash and cash equivalents	10	5,071,277
Financial assets at fair value through profit or loss	8	117,151,337
Forward foreign currency contracts at fair value through profit or loss	9	2,943,040
TOTAL ASSETS		<u>125,165,654</u>
LIABILITIES		
Amount due to Trustee		4,196
Auditors' remuneration		8,000
Tax agent's fee		3,500
Other payables and accruals		492
Forward foreign currency contracts at fair value through profit or loss	9	139,216
TOTAL LIABILITIES		<u>155,404</u>
NET ASSET VALUE OF THE FUND		<u>125,010,250</u>
EQUITY		
Unitholders' capital		112,561,000
Retained earnings		12,449,250
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>125,010,250</u>
NUMBER OF UNITS IN CIRCULATION	11	<u>112,561,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>1.1106</u>

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

AFFIN HWANG TARGET MATURITY INCOME FUND

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021

	<u>Unitholders' capital</u> RM	<u>Retained earnings</u> RM	<u>Total</u> RM
Balance as at 27 May 2020 (date of launch)	-	-	-
Total comprehensive income for the financial period	-	12,449,250	12,449,250
Movement in unitholders' capital:			
Creation of units arising from applications	112,561,000	-	112,561,000
Balance as at 31 August 2021	<u>112,561,000</u>	<u>12,449,250</u>	<u>125,010,250</u>

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

AFFIN HWANG TARGET MATURITY INCOME FUND

STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021

Financial period from 27.5.2020 (date of launch) to 31.8.2021 RM

Note

CASH FLOWS FROM OPERATING ACTIVITIES

Proceeds from sale of investments	38,905,976
Purchase of investments	(151,567,918)
Interest received	5,777,842
Trustee fee paid	(53,685)
Fund accounting fee paid	(14,083)
Payment for other fees and expenses	(50,831)
Net realised loss on forward foreign currency contracts	(268,290)
Net realised gain on foreign currency exchange	70,332
Other income	4,054
Net cash flows used in operating activities	<u>(107,196,603)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from creation of units	112,561,000
Net cash flows generated from financing activities	<u>112,561,000</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 5,364,397

EFFECTS OF FOREIGN CURRENCY EXCHANGE (293,120)

CASH AND CASH EQUIVALENTS AT THE DATE OF LAUNCH -

CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD 10 5,071,277

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

AFFIN HWANG TARGET MATURITY INCOME FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 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 J.

(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 TARGET MATURITY INCOME FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

B INCOME RECOGNITION

Interest income

Interest income from short-term deposit with a licensed financial institution and unquoted fixed income securities are recognised based on effective interest rate method on an accruals basis.

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

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 Ringgit Malaysia ("RM"), which is the Fund's functional and presentation currency.

E FOREIGN CURRENCY TRANSLATION

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

AFFIN HWANG TARGET MATURITY INCOME FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 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 subsequently at fair value through profit or loss, and
- those to be measured at amortised cost

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

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

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

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

(ii) Recognition and measurement

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

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

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

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

AFFIN HWANG TARGET MATURITY INCOME FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

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

Unquoted fixed income securities including money market instrument 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 Unlisted Capital Market Products under the Lodge and Launch Framework. Where such quotation are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income securities 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 non-BPA price; and
- (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 denominated in foreign currencies are revalued at least twice a week by reference to the mid price quoted in Bloomberg. We use the Composite Bloomberg Bond Trader (“CBBT”) which is a weighted average bid and ask of price contributions submitted by Bloomberg Dealers. However if such quotations are not available, the fair value shall be determined by reference to the bid and offer prices quoted by independent and reputable financial institutions.

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

(iii) Impairment

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

AFFIN HWANG TARGET MATURITY INCOME FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (continued)

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Quantitative criteria:

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

Qualitative criteria:

The debtor meets 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 of cash and bank balances and deposit held in highly liquid investment that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

AFFIN HWANG TARGET MATURITY INCOME FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

H 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 a unitholder exercises the right to put the unit back to the Fund.

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

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

The fair value of forward foreign currency contracts is determined using forward exchange rates at the 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 TARGET MATURITY INCOME FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

J 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 of the estimates, certain key variables that are anticipated to have material impacts to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

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

However, the Manager is of the opinion that there are no accounting policies which require significant judgment to be exercised.

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the Securities Commission's ("SC") Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

K REALISED AND UNREALISED PORTIONS OF PROFIT OR LOSS AFTER TAX

The analysis of realised and unrealised profit or loss after tax as presented on the statement of comprehensive income is prepared in accordance with SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021

1 INFORMATION ON THE FUND

The Wholesale Fund was constituted under the name Affin Hwang Target Maturity Income Fund (the "Fund") pursuant to the execution of a Deed dated 8 May 2020 and First Supplemental Deed dated 7 October 2020 ("the Deeds") entered into between Affin Hwang Asset Management Berhad (the "Manager") and TMF Trustees Malaysia Berhad (the "Trustee").

The Fund commenced operations on 19 June 2020 and will continue its operations until terminated by the Trustee as provided under Clause 11.3 of the Deed or on maturity date of the Fund which is three and a half years from the investment date or such earlier date in accordance with the provisions of the Deed or subject to the early maturity feature.

The Fund may invest in any of the following investments:

- (a) Debentures;
- (b) Money market instruments;
- (c) Deposits;
- (d) Derivatives;
- (e) Structured products; and
- (f) Any other form of investments permitted by the SC from time to time which is in line with the objective of the Fund.

All investments will be subjected to the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, the Deed and the objective of the Fund.

The main objective of the Fund is to provide income through investments in fixed income instruments.

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 October 2021.

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	<u>Note</u>	At amortised cost RM	At fair value through profit or loss RM	Total RM
<u>As at 31.8.2021</u>				
<u>Financial assets</u>				
Cash and cash equivalents		5,071,277	-	5,071,277
Unquoted fixed income securities	8	-	117,151,337	117,151,337
Forward foreign currency contracts	9	-	2,943,040	2,943,040
Total		5,071,277	120,094,377	125,165,654
<u>Financial liabilities</u>				
Amount due to Trustee		4,196	-	4,196
Auditors' remuneration		8,000	-	8,000
Tax agent's fee		3,500	-	3,500
Other payables and accruals		492	-	492
Forward foreign currency contracts	9	-	139,216	139,216
Total		16,188	139,216	155,404

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

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated by the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

Market risk

(a) Price risk

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

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

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

Market risk (continued)

(a) Price risk (continued)

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

	As at <u>31.8.2021</u> RM
Unquoted investments Unquoted fixed income securities*	<u>117,151,337</u>

*includes interest receivable of RM1,721,721.

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 unquoted securities.

<u>% Change in price</u>	<u>Market value</u> RM	Impact on profit after tax/NAV RM
<u>As at 31.8.2021</u>		
-5%	109,658,135	(5,771,481)
0%	115,429,616	-
+5%	<u>121,201,097</u>	<u>5,771,481</u>

(b) Interest rate risk

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

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

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

Market risk (continued)

(b) Interest rate risk (continued)

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

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

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

<u>% Change in interest rate</u>	<u>Impact on profit after tax/NAV</u>
	As at <u>31.8.2021</u>
	RM
+ 2%	(185,662)
- 2%	186,332

The Fund's exposure to the interest rate risk is mainly confined to short term placement with a financial institution. The Manager overcomes this exposure by way of maintaining deposits on a short-term basis.

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

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 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 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 the foreign currency versus Ringgit Malaysia based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels and technical chart considerations.

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

	Unquoted fixed income securities RM	Forward foreign currency contracts RM	Cash and cash equivalents RM	Total RM
<u>As at 31.8.2021</u>				
<u>Financial assets</u>				
Euro	8,643,812	28,538	491,413	9,163,763
British Pound Sterling	-	-	1,760,642	1,760,642
Singapore Dollar	16,130,222	45,780	9,509	16,185,511
United States Dollar	87,230,496	2,868,722	1,343,091	91,442,309
	<u>112,004,530</u>	<u>2,943,040</u>	<u>3,604,655</u>	<u>118,552,225</u>
<u>Financial liabilities</u>				
Euro		26,869	26,869	
British Pound Sterling		110,262	110,262	
Singapore Dollar		2,085	2,085	
		<u>139,216</u>	<u>139,216</u>	

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 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 by each currency's respective historical volatility, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Any increase/(decrease) in foreign exchange rate will result in a corresponding (decrease)/increase in the net assets attributable to unitholders by each currency's respective historical volatility. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in price %	Impact on profit after tax/NAV RM
<u>As at 31.8.2021</u>		
Euro	+/- 5.49	+/- 501,482
British Pound Sterling	+/- 8.67	+/- 143,130
Singapore Dollar	+/- 3.19	+/- 516,469
United States Dollar	+/- 3.84	+/- 3,514,005

Credit risk

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

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

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.

The settlement terms of the proceeds from the creation of units' receivable from the Manager are governed by the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

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

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

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

Credit risk (continued)

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

	Unquoted fixed income securities RM	Cash and cash equivalents RM	Forward foreign currency contracts RM	Total RM
<u>As at 31.8.2021</u>				
Basic Materials				
- BBB	929,786	-	-	929,786
- BBB+	1,331,071	-	-	1,331,071
- Baa3	5,136,157	-	-	5,136,157
- Ba3	2,246,488	-	-	2,246,488
Consumer Discretionary				
- BBB-	3,969,945	-	-	3,969,945
Financial Services				
- AAA	-	5,071,277	1,315,682	6,386,959
- AA2	-	-	678,001	678,001
- AA3	-	-	854,868	854,868
- Baa1	2,537,898	-	-	2,537,898
- Baa2	3,129,446	-	-	3,129,446
- Baa3	4,392,912	-	-	4,392,912
- Ba1	8,110,788	-	-	8,110,788
- Ba2	8,755,625	-	-	8,755,625
- Ba3	2,139,972	-	-	2,139,972
- BBB	8,128,006	-	-	8,128,006
- BBB-	8,581,380	-	-	8,581,380
- BB	914,635	-	-	914,635
- BB-	3,749,853	-	-	3,749,853
- NR	922,337	-	94,489	1,016,826
Industrials				
- Baa1	3,053,205	-	-	3,053,205
- Baa2	2,124,782	-	-	2,124,782
- NR	5,635,953	-	-	5,635,953
Real Estate				
- Baa1	2,258,641	-	-	2,258,641
- Baa3	2,092,166	-	-	2,092,166
- Ba3	2,100,266	-	-	2,100,266
- BBB-	5,258,225	-	-	5,258,225
- BB-	7,472,418	-	-	7,472,418
- B1	7,138,651	-	-	7,138,651
- B2	8,670,250	-	-	8,670,250

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

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

Credit risk (continued)

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

	Unquoted fixed income securities <u>RM</u>	Cash and cash equivalents <u>RM</u>	Forward foreign currency contracts <u>RM</u>	Total <u>RM</u>
<u>As at 31.8.2021 (continued)</u>				
Technology				
- Baa3	1,223,674	-	-	1,223,674
Utilities				
- AA3	5,146,807	-	-	5,146,807
	<u>117,151,337</u>	<u>5,071,277</u>	<u>2,943,040</u>	<u>125,165,654</u>

Liquidity risk

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

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

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

	Within one month <u>RM</u>	Between one month to one year <u>RM</u>	Total <u>RM</u>
<u>As at 31.8.2021</u>			
Amount due to Trustee	4,196	-	4,196
Auditors' remuneration	-	8,000	8,000
Tax agent's fee	-	3,500	3,500
Other payables and accruals	-	492	492
Forward foreign currency contracts at fair value through profit or loss	-	139,216	139,216
	<u>4,196</u>	<u>151,208</u>	<u>155,404</u>

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

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

Capital risk

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

3 FAIR VALUE ESTIMATION

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

The fair value of financial assets traded in active market (such as trading securities) is based on quoted market prices at the close of trading on the period end date. The Fund utilises the current bid 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 TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 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> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>As at 31.8.2021</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	- 117,151,337		-	117,151,337
- forward foreign currency contracts	- 2,943,040		-	2,943,040
	<u>120,094,377</u>		<u>-</u>	<u>120,094,377</u>
Financial liabilities at fair value through profit or loss:				
- forward foreign currency contracts	- 139,216		-	139,216
	<u>139,216</u>		<u>-</u>	<u>139,216</u>

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

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

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

4 MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 3.00% per annum on the NAV of the Fund, calculated on a daily basis.

The Manager does not intend to impose any management fee on the Fund for the current and future financial periods.

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, exclusive of foreign custodian fees.

For the financial period from 27 May 2020 (date of launch) to 31 August 2021, the Trustee fee is recognised at a rate of 0.04% per annum on the NAV of the Fund, exclusive of foreign custodian fees and charges, calculated on a daily basis as stated in the Fund's Information Memorandum.

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

6 FUND ACCOUNTING FEE

The fund valuation and accounting fee for the Fund is RM13,000 per annum.

7 TAXATION

	Financial period from 27.5.2020 (date of launch) to <u>31.8.2021</u> RM
Current taxation	-

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

7 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 27.5.2020 (date of launch) to <u>31.8.2021</u> RM
Net profit before taxation	<u>12,449,250</u>
Tax at Malaysian statutory rate of 24%	2,987,820
Tax effects of:	
Investment income not subject to tax	(3,020,168)
Expenses not deductible for tax purposes	30,188
Restriction on tax deductible expenses for Wholesale Funds	<u>2,160</u>
Tax expense	<u><u>-</u></u>

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at <u>31.8.2021</u> RM	Financial period from 27.5.2020 (date of launch) to <u>31.8.2021</u> RM
Financial assets at fair value through profit or loss:		
- unquoted fixed income securities – local	5,146,807	
- unquoted fixed income securities – foreign	112,004,530	
	<hr/>	
	117,151,337	<hr/>
Net gain on financial assets at fair value through profit or loss:		
- realised gain on sale of investments	1,632,516	
- unrealised gain on changes in fair value	1,295,680	
	<hr/>	
	2,928,196	<hr/>

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

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

(a) Unquoted fixed income securities – local

(i) Unquoted fixed income securities – local as at 31 August 2021 are as follows:

<u>Name of issuer</u>	Nominal <u>value</u> RM	Adjusted <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>Bonds</u>				
4.55% Kedah Cement Sdn Bhd 07.07.2023 (AA3)	5,000,000	5,037,849	5,146,807	4.12
Total unquoted fixed income securities – local	5,000,000	5,037,849	5,146,807	4.12
Accumulated unrealised gain on unquoted fixed income securities – local		108,958		
Total unquoted fixed income securities – local		5,146,807		

(b) Unquoted fixed income securities – foreign

(i) Unquoted fixed income securities – foreign as at 31 August 2021 are as follows:

<u>Name of issuer</u>	Nominal <u>value</u> RM	Adjusted <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>Bonds</u>				
4.4% Krung Thai Bank PLC Call: 25.03.2026 (Ba3)	2,076,500	2,118,386	2,139,972	1.71
4% Franshion Brilliant Ltd Call: 03.01.2023 (Baa3)	2,076,500	2,128,947	2,092,166	1.67
5.375% CIFI Holdings Group Co Ltd Call: 24.08.2022 (Ba3)	2,076,500	2,093,588	2,100,266	1.68
5.2% Shimao Group Holdings Ltd Call: 30.01.2022 (BBB-)	830,600	883,548	869,537	0.70
4.875% CNAC HK Finbridge Co Ltd 14.03.2025 (BBB)	830,600	893,079	929,786	0.74
7.50% Credit Suisse Group AG Call: 17.07.2023 (Ba2)	2,076,500	2,240,407	2,261,239	1.81
6.5% Asahi Mutual Life Insurance Co Call: 05.09.2023 (BBB-)	4,260,978	4,798,788	4,736,408	3.79

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

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

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

(i) Unquoted fixed income securities – foreign as at 31 August 2021 are as follows:
(continued)

<u>Name of issuer</u>	Nominal <u>value</u> RM	Adjusted <u>cost</u> RM	Fair <u>value</u> RM	Percentage of NAV %
<u>Bonds (continued)</u>				
8.5% Yuzhou Group Holdings Co Ltd Call: 04.02.2022 (B2)	1,038,250	1,091,376	992,126	0.79
6.125% Shimao Group Holdings Ltd Call: 21.02.2022 (BBB-)	1,245,900	1,340,710	1,283,777	1.03
8.5% Yuzhou Group Holdings Co Ltd Call: 26.02.2022 (B2)	1,661,200	1,720,373	1,505,845	1.20
6.55% CIFI Holdings Group Co Ltd Call: 28.03.2022 (BB-)	1,245,900	1,350,172	1,338,143	1.07
8.1% Yinson Juniper Ltd Call: 29.03.2024 (NR)	4,983,600	5,519,794	5,635,953	4.51
6.5% Country Garden Holdings Co Ltd Call: 08.04.2022 (BBB-)	2,076,500	2,288,639	2,237,054	1.79
3.97% CRCC Chengan Ltd Call: 27.06.2024 (Baa1)	2,907,100	3,032,607	3,053,205	2.44
5.6% Shimao Group Holdings Ltd Call: 15.07.2023 (BBB-)	830,600	903,722	867,857	0.69
6.75% Times China Holdings Ltd Call: 16.07.2022 (B1)	2,076,500	2,189,472	2,127,417	1.70
7.4% KWG Group Holdings Ltd Call: 05.03.2022 (BB-)	2,076,500	2,266,978	2,224,093	1.78
3.425% CCCI Treasure Ltd Call: 21.11.2024 (Baa2)	2,076,500	2,137,592	2,124,782	1.70
3.875% Bluestar Finance Holdings Ltd Call: 24.06.2023 (Baa3)	4,983,600	5,152,179	5,136,157	4.11
6.75% Times China Holdings Ltd Call: 08.07.2023 (B1)	4,153,000	4,323,270	4,175,166	3.34
6.125% Emirates NBD Bank PJSC Call: 26.04.2026 (NR)	830,600	864,148	922,337	0.74
5.95% CIFI Holdings Group Co Ltd Call: 20.07.2023 (BB-)	1,245,900	1,302,355	1,335,917	1.07
5.125%UBS Group AG Call: 29.07.2026 (Baa3)	1,245,900	1,280,976	1,370,061	1.10
6.25% Powerlong Real Estate Call: 10.08.2022 (B2)	2,491,800	2,494,094	2,564,426	2.05
2.125% Meituan Call: 28.09.2025 (Baa3)	1,245,900	1,233,013	1,223,674	0.98

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

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

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

(i) Unquoted fixed income securities – foreign as at 31 August 2021 are as follows:
(continued)

<u>Name of issuer</u>	Nominal <u>value</u> RM	Adjusted <u>cost</u> RM	Fair <u>value</u> RM	Percentage of NAV %
<u>Bonds (continued)</u>				
5.95% Powerlong Real Estate Call: 30.04.2023 (B2)	1,661,200	1,677,770	1,729,141	1.38
5.5% Agile Group Holdings Ltd Call: 17.05.2024 (BB-)	1,245,900	1,244,732	1,256,103	1.00
6.25% Credit Suisse Group AG Call: 18.12.2024 (BB)	830,600	890,990	914,635	0.73
6.75% QBE Insurance Group Ltd Call: 02.12.2024 (BBB-)	3,322,400	3,806,560	3,844,972	3.08
3.60% DBS Group Holdings Ltd Call: 07.09.2021 (Baa1)	2,491,800	2,580,612	2,537,898	2.03
6.2% Times China Holdings Ltd Call: 22.09.2023 (B1)	830,600	849,145	836,068	0.67
5.00% Bangkok Bank PCL/Hong Kong Call: 23.09.2025 (Ba1)	2,491,800	2,590,860	2,670,573	2.14
4.75% Scentre Group Trust 2 Call: 24.06.2026 (Baa1)	2,076,500	2,123,800	2,258,641	1.81
4.25% Huarong Finance 2019 Co Ltd Call: 30.09.2025 (BB-)	4,153,000	3,904,414	3,749,853	3.00
5.275% Kasikornbank Public Co Ltd Call: 14.10.2025 (Ba1)	2,076,500	2,179,178	2,235,299	1.79
8.25% Indika Energy Capital IV Call: 22.10.2022 (Ba3)	2,076,500	2,137,637	2,246,488	1.80
6% CIFI Holdings Group Co Ltd Call: 16.01.2023 (BB-)	1,245,900	1,270,622	1,318,162	1.05
5.625% Phoenix Group Holdings PLC Call: 29.01.2025 (BBB)	2,907,100	3,045,526	3,175,516	2.54
8.375% Yuzhou Group Holdings Co Ltd Call: 30.10.2022 (B2)	2,076,500	2,236,016	1,878,712	1.50
4.1% Chinalco Capital Holdings Ltd Call: 11.09.2024 (BBB+)	1,245,900	1,322,011	1,331,071	1.06
6.5% Erste Group Bank AG Call: 15.04.2024 (Ba1)	980,040	1,021,447	1,119,290	0.90
4.75% Banco Santander SA Call: 19.03.2025 (Ba1)	1,960,080	2,062,947	2,085,626	1.67
5.875% Banco Bilbao Vizcaya Arg SA Call: 24.09.2023 (Ba2)	1,960,080	1,929,554	2,137,498	1.71

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

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

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

(i) Unquoted fixed income securities – foreign as at 31 August 2021 are as follows:
(continued)

<u>Name of issuer</u>	Nominal <u>value</u> RM	Adjusted <u>cost</u> RM	Fair <u>value</u> RM	Percentage of NAV %
<u>Bonds (continued)</u>				
6% Banco Bilbao Vizcaya Arg SA Call: 29.03.2024 (Ba2)	980,040	997,811	1,086,017	0.87
4.375% Cooperatieve Rabobank UA Call: 29.06.2027 (Baa3)	1,960,080	1,941,835	2,215,381	1.77
3.75% Landesbank Baden-Wuerttemberg Call: 18.05.2022 (Baa2)	3,088,400	3,037,956	3,129,446	2.50
5.875% UBS Grp Funding Switzerland AG Call: 28.11.2023 (BBB)	4,632,600	4,762,858	4,952,490	3.96
4.125% Ford Motor Credit Co LLC 20.06.2024 (BBB-)	3,860,500	3,616,741	3,969,945	3.18
5.75% Julius Baer Group Ltd Call: 20.04.2022 (Baa3)	772,100	784,242	807,470	0.65
6.125% Societe Generale SA Call: 16.04.2024 (Ba2)	1,544,200	1,558,814	1,658,869	1.33
5.625% Credit Suisse Group AG Call: 06.06.2024 (Ba2)	1,544,200	1,595,517	1,612,002	1.29
Total unquoted fixed income securities – foreign	<u>106,657,948</u>	<u>110,817,808</u>	<u>112,004,530</u>	<u>89.60</u>
Accumulated unrealised gain on unquoted fixed income securities – foreign		1,186,722		
Total unquoted fixed income securities – foreign		<u>112,004,530</u>		

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

9 FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 29 forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM114,931,382. 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 Euro, British Pound Sterling, Singapore Dollar and United States Dollar. As the Fund has not adopted hedge accounting during the financial period, the changes in the fair value of the forward foreign currency contracts are recognised immediately in the statement of comprehensive income.

10 CASH AND CASH EQUIVALENTS

	As at <u>31.8.2021</u> RM
Cash and bank balances	3,633,468
Deposit with a licensed financial institution	<u>1,437,809</u>
	<u><u>5,071,277</u></u>

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

	As at <u>31.8.2021</u> %
Deposit with a licensed financial institution	<u>1.75</u>

Deposit with a licensed financial institution has an average day to maturity of 1 day.

11 NUMBER OF UNITS IN CIRCULATION

	As at <u>31.8.2021</u> No. of units
At 27 May 2020 (date of launch)	-
Creation of units arising from applications	<u>112,561,000</u>
At the end of the financial period	<u>112,561,000</u>

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

12 TRANSACTIONS WITH DEALERS

- (i) Details of transactions with the top 10 dealers for the financial period from 27 May 2020 (date of launch) to 31 August 2021 are as follows:

<u>Name of dealers</u>	Value of trade RM	Percentage of total trade %
Nomura Singapore Ltd#	43,126,768	22.62
BNP Paribas Securities Services SA	19,973,419	10.48
Citigroup Global Markets Inc	17,791,578	9.33
Barclays Bank PLC	15,439,635	8.10
Standard Chartered Bank Malaysia Bhd	14,183,138	7.44
MarketAxess Holdings Inc#	12,506,821	6.56
Bank of America	8,798,210	4.61
HSBC Corporation Ltd	8,764,469	4.60
Australia & New Zealand Banking Group Ltd	8,088,759	4.24
NatWest Markets	7,263,595	3.80
Others	34,722,719	18.21
	<hr/>	<hr/>
	190,659,111	100.00
	<hr/>	<hr/>

Included in the transactions with dealers are cross trades conducted between the Fund and other funds managed by the Manager amounting to:

<u>Name of dealers</u>	Financial period from 27.5.2020 (date of launch) to 31.8.2021 RM
MarketAxess Holdings Inc	11,675,629
Nomura Singapore Limited	26,677,446
	<hr/>
	38,353,075
	<hr/>

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

12 TRANSACTIONS WITH DEALERS (CONTINUED)

The cross trades are conducted between the Fund and other funds managed by the Manager as follows:

	Financial period from 27.5.2020 (date of launch) to <u>31.8.2021</u> RM
Affin Hwang Flexible Maturity Income Fund 8	2,537,061
Affin Hwang Flexible Maturity Income Fund 9	28,000,903
Affin Hwang Flexible Maturity Income Fund 11	889,785
Affin Hwang Flexible Maturity Income Fund 13	3,902,093
Affin Hwang Select Bond Fund	3,023,233
	<hr/>
	38,353,075
	<hr/>

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

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

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

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

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

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

	As at 31.8.2021	
	No. of units	
<u>The Manager:</u>		
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)	3,135	3,482
	<hr/>	<hr/>

14 MANAGEMENT EXPENSE RATIO (“MER”)

	Financial period from 27.5.2020 (date of launch) to <u>31.8.2021</u> %
MER	0.12
	<hr/>

MER is derived from the following calculation:

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

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

The average NAV of the Fund for the financial period calculated on a daily basis is RM114,374,057.

AFFIN HWANG TARGET MATURITY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 27 MAY 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021 (CONTINUED)

15 PORTFOLIO TURNOVER RATIO (“PTR”)

	Financial period from 27.5.2020 (date of launch) to <u>31.8.2021</u>
PTR (times)	<u>0.83</u>

PTR is derived from the following calculation:

(Total acquisition for the financial period + total disposal for the financial period) ÷ 2
Average NAV of the Fund for the financial period calculated on a daily basis

where: total acquisition for the financial period = RM151,567,918
total disposal for the financial period = RM37,463,906

16 COMPARATIVES

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

17 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 TARGET MATURITY INCOME 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 34 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 August 2021 and of its financial performance, changes in equity and cash flows for the financial period from 27 May 2020 (date of launch) to 31 August 2021 in accordance with the Malaysian 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 October 2021

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG TARGET MATURITY INCOME FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Affin Hwang Target Maturity Income Fund (“the Fund”) give a true and fair view of the financial position of the Fund as at 31 August 2021, and of its financial performance and its cash flows for the financial period from 27 May 2020 (date of launch) to 31 August 2021 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 August 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial period from 27 May 2020 (date of launch) to 31 August 2021, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 34.

Basis for opinion

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

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

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 TARGET MATURITY INCOME 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 and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG TARGET MATURITY INCOME FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional 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 Company'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 TARGET MATURITY INCOME 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 October 2021

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