

# Affin Hwang

## Select Opportunity Fund

Annual Report  
31 July 2020

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



**AFFIN HWANG**  
CAPITAL

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

**TRUSTEE**  
HSBC (Malaysia) Trustee Berhad  
193701000084 (001281T)

# AFFIN HWANG SELECT OPPORTUNITY FUND

## Annual Report and Audited Financial Statements For the Financial Year Ended 31 July 2020

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## FUND INFORMATION

Fund Name	Affin Hwang Select Opportunity Fund
Fund Type	Growth
Fund Category	Equity
Investment Objective	To achieve consistent capital appreciation over the medium to long-term by investing mainly in listed Malaysian companies with good growth prospects.
Benchmark	The benchmark to be used by the Manager in measuring the performance of the Funds will be the FTSE Bursa Malaysian Top 100 Index ("FBM 100")
Distribution Policy	The Fund endeavours to distribute income, if any, on an annual basis. However, the amount of income available for distributon may fluctuate from year to year.

## BREAKDOWN OF UNITHOLDERS BY SIZE RM CLASS AS AT 31 JULY 2020

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	3,253	8,687
5,001 to 10,000	2,572	18,993
10,001 to 50,000	5,160	115,586
50,001 to 500,000	1,379	152,192
500,001 and above	52	413,759
<b>Total</b>	<b>12,416</b>	<b>709,217</b>

\* Note: Excluding Manager's stock

## FUND PERFORMANCE DATA

Category	As at 31 Jul 2020 (%)	As at 31 Jul 2019 (%)	As at 31 Jul 2018 (%)
Portfolio composition			
<b>Quoted equities – local</b>			
- Construction	1.34	-	0.19
- Consumer products & services	2.90	21.11	0.99
- Financial services	10.21	21.09	12.46
- Health care	9.33	-	-
- Industrial products & services	4.00	5.56	8.57
- Plantation	0.87	-	-
- Preference share	3.41	2.43	2.04
- Properties	-	-	0.50
- REITs	2.71	3.18	3.84
- Technology	12.34	0.76	0.81
- Telecommunication & Media	8.75	9.24	-
- Transportation & Logistics	1.45	4.71	-
- Utilities	5.56	4.13	-
- Trading / services	-	-	21.47
<b>Total quoted equities – local</b>	<b>62.87</b>	<b>72.21</b>	<b>50.87</b>
<b>Quoted equities – foreign</b>			
- Consumer goods	-	2.09	2.54
- Consumer services	9.09	7.88	2.99
- Financial services	7.57	7.03	7.55
- Industrials	1.17	2.74	1.15
- Oil & gas	-	-	4.12
- Preference share	1.97	-	2.04
- Real estate	-	-	3.22
- Technology	10.86	3.23	2.74
<b>Total quoted equities – foreign</b>	<b>30.66</b>	<b>22.97</b>	<b>26.35</b>
<b>Exchange-traded fund - foreign</b>	<b>-</b>	<b>-</b>	<b>1.09</b>
<b>Cash &amp; cash equivalent</b>	<b>6.47</b>	<b>4.82</b>	<b>21.69</b>
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Total NAV (RM'million)	683.161	985.888	1,028.417
NAV per Unit (RM)	0.9630	0.9754	1.0313
Unit in Circulation (million)	709.418	1,010.770	1,015.150
Highest NAV	0.9920	1.0227	1.1557
Lowest NAV	0.7962	0.9450	0.9853
Return of the Fund (%) <sup>iii</sup>	-1.27	-1.74	-3.08
- Capital Growth (%) <sup>i</sup>	-1.27	-3.72	-7.55
- Income Distribution (%) <sup>ii</sup>	Nil	2.06	4.83
Gross Distribution per Unit (sen)	Nil	2.00	5.00
Net Distribution per Unit (sen)	Nil	2.00	5.00
Management Expense Ratio (%) <sup>1</sup>	1.59	1.59	1.67
Portfolio Turnover Ratio (times) <sup>2</sup>	1.74	0.86	1.32

<sup>1</sup>The MER of the Fund remains unchanged for the financial year.

<sup>2</sup>The increase in the Fund's PTR for the financial year was due to higher portfolio activities.

**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 July 2020.

**Performance Review**

For the year under review from 1 August 2019 to 31 July 2020, the Fund registered a -1.27% return compared to the benchmark return of -1.40%. The Fund thus outperformed the Benchmark by 0.13%. The Net Asset Value ("NAV") per unit of the Fund as at 31 July 2020 was RM0.9630 compared to its NAV per unit as at 31 July 2019 was RM0.9754.

Since its inception to 31 July 2020, the Fund has registered a return of 747.81%. Compared to the benchmark of 180.88% for the same year, the Fund outperformed the Benchmark by 566.93 percentage points. The Fund has declared a total gross income distribution of RM1.151 per unit to date. As such, the Fund will continue to be managed in a manner to fulfill its objective.

Table 1: Performance of the Fund

	<b>1 Year</b> (1/8/19 - 31/7/20)	<b>3 Years</b> (1/8/17 - 31/7/20)	<b>5 Years</b> (1/8/15 - 31/7/20)	<b>Since Commencement</b> (28/9/01 - 31/7/20)
<b>Fund</b>	<b>(1.27%)</b>	<b>(5.97%)</b>	<b>24.02%</b>	<b>747.81%</b>
<b>Benchmark</b>	<b>(1.40%)</b>	<b>(7.72%)</b>	<b>(2.73%)</b>	<b>180.88%</b>
<b>Outperformance / (Underperformance)</b>	<b>0.13%</b>	<b>1.75%</b>	<b>26.75%</b>	<b>566.93%</b>

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	<b>1 Year</b> (1/8/19 - 31/7/20)	<b>3 Years</b> (1/8/17 - 31/7/20)	<b>5 Years</b> (1/8/15 - 31/7/20)	<b>Since Commencement</b> (28/9/01 - 31/7/20)
<b>Fund</b>	<b>(1.27%)</b>	<b>(2.03%)</b>	<b>4.39%</b>	<b>12.00%</b>
<b>Benchmark</b>	<b>(1.40%)</b>	<b>(2.64%)</b>	<b>(0.55%)</b>	<b>5.63%</b>
<b>Outperformance / (Underperformance)</b>	<b>0.13%</b>	<b>0.61%</b>	<b>4.94%</b>	<b>6.37%</b>

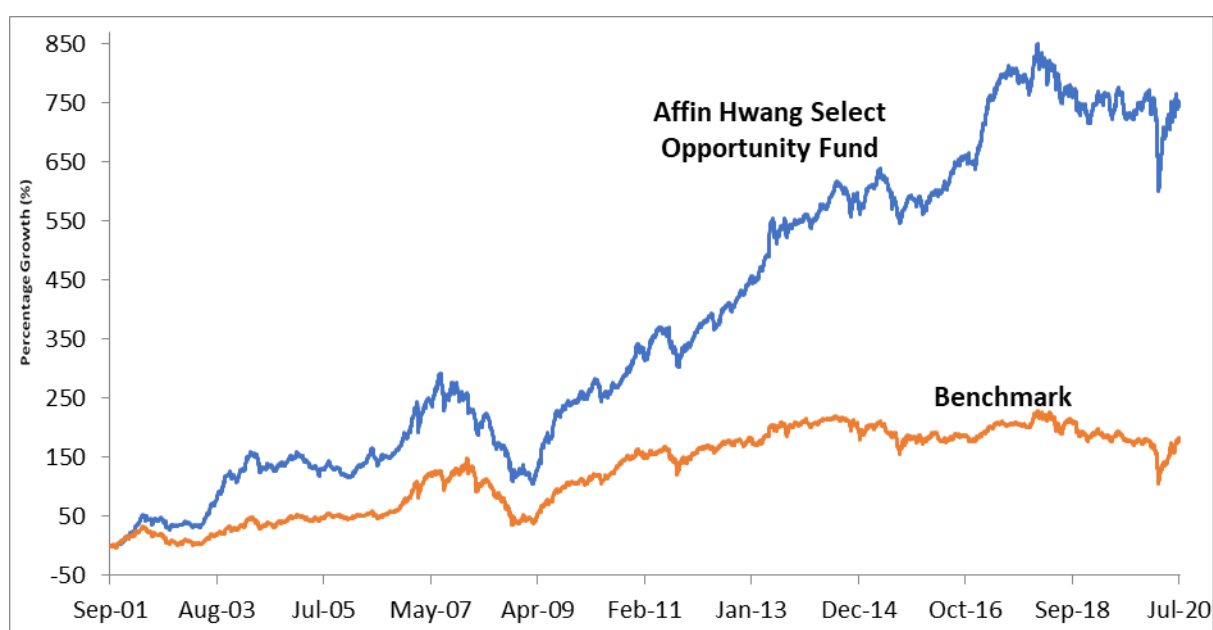
Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	FYE 2020 (01/8/19 - 31/7/20)	FYE 2019 (01/8/18 - 31/7/19)	FYE 2018 (01/8/17 - 31/7/18)	FYE 2017 (01/8/16 - 31/7/17)	FYE 2016 (01/8/15 - 31/7/16)
<b>Fund</b>	<b>(1.27%)</b>	<b>(1.74%)</b>	<b>(3.08%)</b>	<b>23.13%</b>	<b>7.13%</b>
<b>Benchmark</b>	<b>(1.40%)</b>	<b>(8.10%)</b>	<b>1.84%</b>	<b>8.08%</b>	<b>(2.47%)</b>
<b>Outperformance / (Underperformance)</b>	<b>0.13%</b>	<b>6.36%</b>	<b>(4.92%)</b>	<b>15.05%</b>	<b>9.60%</b>

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: FBM100

**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 year under review, please refer to Fund Performance Data.

As at 31 July 2020, the Fund's equities weighting stood at 93.53% while the balance was held in cash and cash equivalent. During the year under review, the Fund's allocation into foreign equities was higher at 30.66%, against 22.97% a year ago as the Fund increased exposures towards the technology sector. However, the allocation into local equities was reduced to 62.87% from 72.21% a year ago. The Manager significantly reduced allocations towards the consumer and financial sectors, while on the other hand significantly increased the Fund's exposures towards health care and technology sectors within the local market. Overall, cash level was slightly higher at 6.47%, an increase of 1.65% against the previous year.

## **Strategy Employed**

With the extreme volatility in markets, we raised our cash holdings and went into a defensive stance in our allocation. As the sell-down accelerated, we then slowly deployed back into the market with a focus on quality. We continue to keep close monitor on market development amidst the rare double whammy of global pandemic and oil price collapse.

## **Market Review**

Global markets got off to a rocky start in 2020 as benchmark gauges reeled from contagion fears as a result of the coronavirus outbreak. The World Health Organization declared a global health emergency as soon as the coronavirus outbreak has claimed the lives of at least 300 people with rates of infection rapidly increasing. The global equities trended lower as risk assets continue to reel from the impact of the Covid-19 outbreak which sent chills to investors. The rapid spread of the infection outside of China with new cases springing in Italy, South Korea and Iran led to a rush towards safe haven assets with US Treasury yields dipping to record lows.

Coming into March, the global markets faced a washout, as few asset classes were spared from the selloff due to the pandemic fears as infection rates continue to escalate rapidly. The MSCI Asia ex-Japan index closed 12.2% lower in the month and is down 18.6% YTD. In the US, the S&P 500 index closed 12.5% lower and is down by 20% YTD. In an attempt to stem the fallout from the coronavirus, major economies led by the US has introduced an unprecedented US\$2 trillion relief package to cushion its economy. The relief package comes as the US also reports the most number of Covid-19 cases, making it the country with the largest outbreak in the world surpassing that of Italy and China.

However, global equities staged a rebound in April as markets looked past recent softness in economic data and were instead buoyed by stimulus optimism as well as encouraging developments on the COVID-19 front. The rally was fuelled by a volley of stimulus measures rolled out by major central banks including an expansion package by the US Federal Reserve and the European Union (EU). The S&P 500 index advanced by 8.8% in the month; while positive effects were also felt in Asia in which the Hong Kong Hang Seng and the broader MSCI Asia ex-Japan index rose by 4.4% and 8.9% respectively.

The US unveiled its Main Street Lending Program which is designed to provide support and ensure credit flow into SMEs that were in “good financial standing”. Similarly, the EU proposed a European Stability Mechanism (“ESM”) which offers a credit line of up to 240 billion Euros to EU members.

Tensions between the two global powerhouse rose recently after China ordered the US to close its Chengdu-based consulate. The order followed the US closure of the Chinese consulate in Houston. On the other hand, remarks by US President Donald Trump that he will move to ban Chinese-owned video app TikTok in the US also added fuel to this fire.

Technology companies have been leading gains in the US stock market despite the slowdown in the economy due to COVID-19. Gold price which has a historical negative correlation to the US dollar has surged to new highs this year as investors flock to the safe haven asset.

On commodities, crude oil prices slid by about 35% YTD as at end of July, after oil prices rebounded in June following a move by Organization of the Petroleum Exporting Countries (“OPEC”) and its oil-producing allies to extend the group’s historic production cut.

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

In May, the benchmark KLCI rose 4.7% buoyed by positive sentiment and surge in momentum. Retail investors have piled into the local stock market as trading volumes reach new highs. Malaysia released its first quarterly GDP print. Malaysia’s economic growth slowed to 0.7% in the 1Q2020 which is its slowest pace of growth since 2009. Most sectors of the economy contracted except for private consumption which was likely supported by additional spending during the Chinese New Year festivities.

In July, the local market tracked regional gains with benchmark KLCI closing 6.9% higher while local politics and courtroom news dominated newsflow as former Prime Minister Datuk Seri Najib Razak was found guilty

by the High Court of all seven charges of abuse of power, criminal breach of trust and money laundering in relation to RM42 million belonging to SRC International Sdn Bhd, a former subsidiary of 1MDB.

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

Whilst RM250 billion seems like a massive amount on the surface, the actual fiscal spending outlay amounts to 10.0% or RM25 billion. The rest of the relief package comes in the form of loan guarantees, moratorium in loan repayments, EPF withdrawals, among others. In April, Prime Minister had announced an additional RM10 billion package to help SMEs cope during the pandemic.

Recent placement exercises by Tenaga Nasional Bhd ("TNB") and Serba Dinamik Holdings Bhd point to strong appetite. Khazanah raised RM1 billion from TNB placement (3x oversubscribed) while Serba Dinamik raised RM456.7 million (1.5x oversubscribed). We could see more placement exercises in the market with ample liquidity on the side-lines as most funds are sitting on decent amounts of cash.

### **Investment Outlook**

Economic lockdowns have triggered a rapid and sharp decline in growth. It may take time for the global economy and corporates to recover back to pre-COVID-19 levels. Though, massive stimulus from central banks and governments will help alleviate economic pain.

Although the number of daily new cases may rise again as economies re-open, we are seeing a number of positive developments that may help prevent infection and mortality rates from rising back to its peak in March/April for many countries. The general public is much more careful now by wearing masks in public areas and maintaining hygiene as they adapt to a new normal. Thus, behavioural changes within society can help to stem the spread of infection.

The supply of masks and PPEs are also much higher today than a few months ago as manufacturers increase production to meet demand. Hospitals and medical facilities are also much more prepared after increasing ICU beds and ventilators. Governments have also ramped-up contact tracing capabilities that will help in the process of reopening economies. The research and development process to find a cure is also gathering pace with a number of vaccines already in Phase 3 trials. With a better medical arsenal to combat against the pandemic, expectations are that the second wave will not result in higher mortality rates unlike past pandemics.

We also saw mortality rates remain under control with a better medical arsenal to combat against the pandemic. Medical front-liners and hospitals are more prepared now in treating patients diagnosed with the virus. There are also positive signs which show that re-purposed drugs such as Remdesivir and Dexamethasone are effective in treating COVID-19.

On the other hand, tensions between the two global powerhouse is expected to continue ahead of the US Presidential Elections in November as Trump has taken a more aggressive foreign policy stance to shore up political support and boost his approval ratings. Gold price which has a historical negative correlation to the US dollar has surged to new highs this year as investors flock to the safe haven asset.

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

## **TRUSTEE'S REPORT TO THE UNITHOLDERS OF AFFIN HWANG SELECT OPPORTUNITY FUND**

We have acted as Trustee of Affin Hwang Select Opportunity Fund ("the Fund") for the financial year ended 31 July 2020. To the best of our knowledge, Affin Hwang Asset Management Berhad ("the Management Company"), has operated and managed the Fund in accordance with the following:-

- a) limitations imposed on the investment powers of the Management Company and the Trustee under the Deeds, the Securities Commission's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007, and other applicable laws;
- b) valuation/pricing is carried out in accordance with the Deeds and any regulatory requirements; and
- c) creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirements.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie  
Manager, Investment Compliance Monitoring

Kuala Lumpur  
17 September 2020

**AFFIN HWANG SELECT OPPORTUNITY FUND**

**FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 JULY 2020**

# **AFFIN HWANG SELECT OPPORTUNITY FUND**

## **FINANCIAL STATEMENTS**

### **FOR THE FINANCIAL YEAR ENDED 31 JULY 2020**

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# AFFIN HWANG SELECT OPPORTUNITY FUND

## STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

	<u>Note</u>	<u>2020</u> RM	<u>2019</u> RM
<b>INVESTMENT (LOSS)/INCOME</b>			
Dividend income		21,786,538	26,708,231
Interest income from financial asset at amortised cost		1,729,892	5,508,683
Net gain on foreign currency exchange		1,092,355	334,085
Net loss on forward foreign currency contracts at fair value through profit or loss		(657,537)	(733,970)
Net loss on financial assets at fair value through profit or loss	8	(26,946,522)	(30,327,501)
		<u>(2,995,274)</u>	<u>1,489,528</u>
<b>EXPENSES</b>			
Management fee	4	(12,514,928)	(15,087,190)
Trustee fee	5	(587,736)	(713,070)
Auditors' remuneration		(9,500)	(7,500)
Tax agent's fee		(23,123)	(36,218)
Transaction cost		(7,152,293)	(4,254,331)
Other expenses		(646,874)	(659,144)
		<u>(20,934,454)</u>	<u>(20,757,453)</u>
<b>NET LOSS BEFORE TAXATION</b>		(23,929,728)	(19,267,925)
Taxation	6	-	-
<b>NET LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR</b>		<u>(23,929,728)</u>	<u>(19,267,925)</u>
Net loss after taxation is made up of the following:			
Realised amount		(31,571,615)	(4,307,760)
Unrealised amount		7,641,887	(14,960,165)
		<u>(23,929,728)</u>	<u>(19,267,925)</u>

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

# AFFIN HWANG SELECT OPPORTUNITY FUND

## STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2020

	<u>Note</u>	<u>2020</u> RM	<u>2019</u> RM
<b>ASSETS</b>			
Cash and cash equivalents	9	51,684,348	48,092,398
Amount due from brokers		2,840,749	18,047,097
Amount due from Manager			
- creation of units		-	329,424
Dividend receivable		74,950	-
Financial assets at fair value			
through profit or loss	8	639,086,722	938,361,143
Forward foreign currency contracts at			
fair value through profit or loss	10	-	171,628
<b>TOTAL ASSETS</b>		<u>693,686,769</u>	<u>1,005,001,690</u>
<b>LIABILITIES</b>			
Amount due to Manager			
- management fee		901,864	1,278,613
- cancellation of units		1,149,509	2,369,566
Amount due to Trustee		42,087	59,668
Amount due to brokers		8,405,332	15,378,669
Auditors' remuneration		9,500	7,500
Tax agent's fee		7,709	7,400
Other payables and accruals		10,019	11,939
<b>TOTAL LIABILITIES</b>		<u>10,526,020</u>	<u>19,113,355</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>683,160,749</u>	<u>985,888,335</u>
<b>EQUITY</b>			
Unitholders' capital		651,417,009	930,214,867
Retained earnings		31,743,740	55,673,468
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>683,160,749</u>	<u>985,888,335</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	11	<u>709,418,000</u>	<u>1,010,770,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.9630</u>	<u>0.9754</u>

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

## AFFIN HWANG SELECT OPPORTUNITY FUND

### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 August 2019	930,214,867	55,673,468	985,888,335
Total comprehensive loss for the financial year	-	(23,929,728)	(23,929,728)
Movement in unitholders' capital:			
Creation of units arising from applications	10,602,797	-	10,602,797
Cancellation of units	(289,400,655)	-	(289,400,655)
Balance as at 31 July 2020	<u>651,417,009</u>	<u>31,743,740</u>	<u>683,160,749</u>
Balance as at 1 August 2018	933,320,734	95,096,153	1,028,416,887
Total comprehensive loss for the financial year	-	(19,267,925)	(19,267,925)
Distribution (Note 7)	-	(20,154,760)	(20,154,760)
Movement in unitholders' capital:			
Creation of units arising from applications	70,872,243	-	70,872,243
Creation of units arising from distribution	20,027,660	-	20,027,660
Cancellation of units	(94,005,770)	-	(94,005,770)
Balance as at 31 July 2019	<u>930,214,867</u>	<u>55,673,468</u>	<u>985,888,335</u>

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

# AFFIN HWANG SELECT OPPORTUNITY FUND

## STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

	<u>Note</u>	<u>2020</u> RM	<u>2019</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		1,584,748,287	773,169,843
Purchase of investments		(1,311,339,670)	(963,753,639)
Dividends received		21,711,588	27,280,360
Interest received		1,729,892	5,508,683
Management fee paid		(12,891,677)	(15,092,453)
Trustee fee paid		(605,317)	(713,316)
Payment for other fees and expenses		(679,108)	(223,346)
Realised loss on forward foreign currency contracts		(485,909)	(962,296)
Realised (loss)/gain on foreign currency exchange		(584,997)	26,784
Net cash generated from/(used in) operating activities		<u>281,603,089</u>	<u>(174,759,380)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from creation of units		10,932,221	73,934,847
Payments for cancellation of units		(290,620,712)	(91,636,204)
Payment for distribution		-	(127,100)
Net cash used in financing activities		<u>(279,688,491)</u>	<u>(17,828,457)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		1,914,598	(192,587,837)
<b>EFFECTS OF FOREIGN CURRENCY EXCHANGE</b>		1,677,352	307,301
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		<u>48,092,398</u>	<u>240,372,934</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	9	<u><u>51,684,348</u></u>	<u><u>48,092,398</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 SELECT OPPORTUNITY FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2020**

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 year. 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 M.

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

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019)
- Annual Improvements to MFRSs 2015 – 2017 Cycle (effective 1 January 2019)

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 'Definition of a Business' (effective 1 January 2020) revise the definition of a business.
- 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 SELECT OPPORTUNITY FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)**

#### **B INCOME RECOGNITION**

##### Dividend income

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income on the ex-dividend date, when the right to receive the dividend has been established.

##### Interest Income

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

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

##### Realised gains and losses on sale of investments

For quoted equities, realised gain and losses on sale of investments is accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

#### **C DISTRIBUTION**

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

#### **D TRANSACTION COSTS**

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include the bid-ask spread, fees and commissions paid to agents, advisors, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

#### **E 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 year.

Withholding taxes on investment income from investments are based on tax regime of the respective countries that the Fund invests in. Such withholding taxes are not "income tax" in nature and are recognised, measured based on the requirements of MFRS 137. They are presented within other expenses line in the statement of comprehensive income.

## **AFFIN HWANG SELECT OPPORTUNITY FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)**

#### **F 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.

#### **G FOREIGN CURRENCY TRANSLATIONS**

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.

#### **H 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, 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 Manager, amount due from brokers and dividend receivable as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

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

## **AFFIN HWANG SELECT OPPORTUNITY FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)**

#### **H FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

##### **(ii) Recognition and measurement**

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

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 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 and loss' in the period which they arise.

The fair value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial year end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

If a valuation based on the market price does not represent the fair value of the securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the securities are valued as determined in good faith by the Manager, based on the methods or basis approved by the Trustee after appropriate technical consultation.

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

## AFFIN HWANG SELECT OPPORTUNITY FUND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

#### H FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

##### (iii) Impairment

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

##### Significant increase in credit risk

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

##### Definition of default and credit-impaired financial assets

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

##### Quantitative criteria:

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

##### Qualitative criteria:

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

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

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

##### Write-off

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

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

## **AFFIN HWANG SELECT OPPORTUNITY FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)**

#### **I CASH AND CASH EQUIVALENTS**

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances and deposits held in highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **J AMOUNT DUE FROM/(TO) BROKERS**

Amounts due from and to brokers 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 brokers balance is held for collection. Refer to Note H for accounting policy on recognition and measurement.

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

#### **K 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 the unitholder's option at prices based on the Fund's net asset value per unit at the time of creation or cancellation. The Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units.

## **AFFIN HWANG SELECT OPPORTUNITY FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)**

#### **L 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 at 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.

#### **M CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information contents on the estimates, certain key variables that are anticipated to have material impacts to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

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

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

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

#### **N REALISED AND UNREALISED PORTIONS OF PROFIT OR LOSS AFTER TAX**

The analysis of realised and unrealised profit or loss after tax as presented on the statement of comprehensive income is prepared in accordance with SC's Guidelines on Unit Trust Funds.

## **AFFIN HWANG SELECT OPPORTUNITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020**

#### **1 INFORMATION ON THE FUND**

The Unit Trust Fund was constituted under the name HwangDBS Select Opportunity Fund (the “Fund”) pursuant to the execution of a Deed dated 13 August 2001, First Supplemental Deed dated 18 June 2007, Second Supplemental Deed dated 15 October 2008, Third Supplemental Deed dated 18 January 2012, Fourth Supplemental Deed dated 27 June 2014, Fifth Supplemental Deed dated 28 April 2017 and Sixth Supplemental Deed dated 5 October 2018 (the “Deeds”) entered into between Affin Hwang Asset Management Berhad (the “Manager”) and HSBC (Malaysia) Trustee Berhad (the “Trustee”). The Fund has changed its name from HwangDBS Select Opportunity Fund to Hwang Select Opportunity Fund as amended by the Third Supplemental Deed dated 18 January 2012 and from Hwang Select Opportunity Fund to Affin Hwang Select Opportunity Fund as amended by Fourth Supplemental Deed dated 27 June 2014.

The Fund commenced operations on 7 September 2001 and will continue its operations until terminated by the Trustee as provided under Clause 13.1 of the Deed.

The Fund may invest in any of the following investments:

- a) Securities of companies listed on Bursa Malaysia and any other exchanges of countries who are members of International Organization of Securities Commissions
- b) Unlisted securities including, without limitation, securities that have been approved by the relevant regulatory authorities for the listing of and quotation for such securities;
- c) Debentures;
- d) Money market instruments;
- e) Deposits;
- f) Derivatives, for the purpose of hedging only;
- g) Warrants;
- h) Structured products;
- i) Units or shares in collective investment schemes;
- j) Any other form of investments permitted by the SC from time to time which are in line with the objective of the Fund

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

The main objective of the Fund is to achieve consistent capital appreciation over the medium to long term through investing mainly in listed Malaysian and foreign companies with good growth prospects.

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 17 September 2020.

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

#### 2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	Note	At amortised cost RM	At fair value through profit or loss RM	Total RM
<u>2020</u>				
<u>Financial assets</u>				
Cash and cash equivalents	9	51,684,348	-	51,684,348
Amount due from brokers		2,840,749	-	2,840,749
Dividend receivable		74,950	-	74,950
Quoted equities	8	-	639,086,722	639,086,722
Total		<u>54,600,047</u>	<u>639,086,722</u>	<u>693,686,769</u>
<u>Financial liabilities</u>				
Amount due to Manager				
- management fee		901,864	-	901,864
- cancellation of units		1,149,509	-	1,149,509
Amount due to Trustee		42,087	-	42,087
Amount due to brokers		8,405,332	-	8,405,332
Auditors' remuneration		9,500	-	9,500
Tax agent's fee		7,709	-	7,709
Other payables and accruals		10,019	-	10,019
Total		<u>10,526,020</u>	<u>-</u>	<u>10,526,020</u>
<u>2019</u>				
<u>Financial assets</u>				
Cash and cash equivalents	9	48,092,398	-	48,092,398
Amount due from brokers		18,047,097	-	18,047,097
Amount due from Manager				
- creation of units		329,424	-	329,424
Quoted equities	8	-	938,361,143	938,361,143
Forward foreign currency contracts	10	-	171,628	171,628
Total		<u>66,468,919</u>	<u>938,532,771</u>	<u>1,005,001,690</u>

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

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

Financial instruments are as follows: (continued)

	Note	At amortised cost RM	At fair value through profit or loss RM	Total RM
<u>2019 (continued)</u>				
<u>Financial liabilities</u>				
Amount due to Manager				
- management fee		1,278,613	-	1,278,613
- cancellation of units		2,369,566	-	2,369,566
Amount due to Trustee		59,668	-	59,668
Amount due to brokers		15,378,669	-	15,378,669
Auditors' remuneration		7,500	-	7,500
Tax agent's fee		7,400	-	7,400
Other payables and accruals		11,939	-	11,939
Total		<u>19,113,355</u>	<u>-</u>	<u>19,113,355</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.

#### 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:

	<u>2020</u> RM	<u>2019</u> RM
<b>Quoted investments</b>		
Quoted equities	<u>639,086,722</u>	<u>938,361,143</u>

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

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

##### Market risk (continued)

##### (a) Price risk (continued)

The following table summarises the sensitivity of the Fund's profit after taxation and net asset value ("NAV") to price risk movements. The analysis is based on the assumptions that the market price increased by 10% (2019: 5%) and decreased by 10% (2019: 5%) with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the quoted securities having regard to the historical volatility of the prices.

<u>% Change in price</u>	<u>Market value</u> RM	<u>Impact on</u> <u>profit after</u> <u>tax/NAV</u> RM
<u>2020</u>		
-10%	575,178,050	(63,908,672)
0%	639,086,722	-
+10%	702,995,394	63,908,672
	<u>                    </u>	<u>                    </u>
<u>2019</u>		
-5%	891,443,086	(46,918,057)
0%	938,361,143	-
+5%	985,279,200	46,918,057
	<u>                    </u>	<u>                    </u>

##### (b) Interest rate risk

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

The Fund's exposure to the interest rate risk is mainly confined to short term deposit 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 SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (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 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:

	Quoted equities RM	Cash and cash equivalents RM	Dividend receivable RM	Total RM
<u>2020</u>				
<u>Financial assets</u>				
Chinese Yuan	-	1,686	-	1,686
Hong Kong Dollar	106,033,360	14,944,202	-	120,977,562
Korean Won	20,803,890	-	74,950	20,878,840
Singapore Dollar	14,810,401	17,915,281	-	32,725,682
United States Dollar	67,760,739	15,048,924	-	82,809,663
	<u>209,408,390</u>	<u>47,910,093</u>	<u>74,950</u>	<u>257,393,433</u>

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

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

##### Market risk (continued)

##### (c) Currency risk (continued)

	Quoted equities RM	Forward foreign currency contracts RM	Cash and cash equivalents RM	Total RM
<u>2019</u>				
<u>Financial assets</u>				
Chinese Yuan	-	-	1,666	1,666
Hong Kong Dollar	93,593,652	-	25,853,761	119,447,413
Singapore Dollar	55,525,536	-	17,941,667	73,467,203
United States Dollar	77,296,160	171,628	1,726,960	79,194,748
	<u>226,415,348</u>	<u>171,628</u>	<u>45,524,054</u>	<u>272,111,030</u>

The table below summarises the sensitivity of the Fund's profit after tax and net asset value ("NAV") to changes in foreign exchange movements. The analysis is based on the assumption that the foreign exchange rate changes by each currency's respective historical volatility (2019: 5%), with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Any increase/(decrease) in foreign exchange rate will result in a corresponding (decrease)/increase in the net assets attributable to unitholders by each currency's respective historical volatility (2019: 5%). Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in rate %	Impact on profit after tax/ NAV RM
<u>2020</u>		
Chinese Yuan	+/- 6.25	+/- 84
Hong Kong Dollar	+/- 6.27	+/- 6,048,878
Korean Won	+/- 9.50	+/- 1,043,942
Singapore Dollar	+/- 4.52	+/- 1,636,284
United States Dollar	+/- 6.25	+/- 4,140,483

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

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

##### Market risk (continued)

##### (c) Currency risk (continued)

	Change in rate %	Impact on profit after tax/ NAV RM
<u>2019</u>		
Chinese Yuan	+/- 5	+/- 83
Hong Kong Dollar	+/- 5	+/- 5,972,371
Singapore Dollar	+/- 5	+/- 3,673,360
United States Dollar	+/- 5	+/- 3,959,737

##### 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 cancellations of units by unitholders. Liquid assets comprise cash, deposit with 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 <u>one month</u> RM	Between one month <u>to one year</u> RM	<u>Total</u> RM
<u>2020</u>			
Amount due to Manager			
- management fee	901,864	-	901,864
- cancellation of units	1,149,509	-	1,149,509
Amount due to Trustee	42,087	-	42,087
Amount due to brokers	8,405,332	-	8,405,332
Auditors' remuneration	-	9,500	9,500
Tax agent's fee	-	7,709	7,709
Other payables and accruals	-	10,019	10,019
	<u>10,498,792</u>	<u>27,228</u>	<u>10,526,020</u>

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

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

##### Liquidity risk (continued)

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

	Within <u>one month</u> RM	Between one month <u>to one year</u> RM	<u>Total</u> RM
<u>2019</u>			
Amount due to Manager			
- management fee	1,278,613	-	1,278,613
- cancellation of units	2,369,566	-	2,369,566
Amount due to Trustee	59,668	-	59,668
Amount due to brokers	15,378,669	-	15,378,669
Auditors' remuneration	-	7,500	7,500
Tax agent's fee	-	7,400	7,400
Other payables and accruals	-	11,939	11,939
	<u>19,086,516</u>	<u>26,839</u>	<u>19,113,355</u>

##### Credit risk

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

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

The settlement terms of amount due from brokers are governed by the relevant rules and regulations as prescribed by the respective stock exchanges.

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 SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (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:

	Forward foreign currency contracts RM	Cash and cash equivalents RM	Other assets* RM	Total RM
<u>2020</u>				
Financial Services				
- AAA	-	51,684,348	1,138,635	52,822,983
- AA-	-	-	1,623,426	1,623,426
- NR	-	-	78,688	78,688
Preference Shares				
- NR	-	-	74,950	74,950
	<u>-</u>	<u>51,684,348</u>	<u>2,915,699</u>	<u>54,600,047</u>
<u>2019</u>				
Financial Services				
- AAA	171,628	48,092,398	-	48,264,026
- AA3	-	-	12,008,831	12,008,831
- NR	-	-	6,367,690	6,367,690
	<u>171,628</u>	<u>48,092,398</u>	<u>18,376,521</u>	<u>66,640,547</u>

\* Other assets consist of dividend receivable, amount due from Manager and amount due from brokers.

## **AFFIN HWANG SELECT OPPORTUNITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (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 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 fall 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 SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (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>2020</u>				
Financial assets at fair value through profit or loss				
- quoted equities	639,086,722	-	-	639,086,722
	<u>639,086,722</u>	<u>-</u>	<u>-</u>	<u>639,086,722</u>
<u>2019</u>				
Financial assets at fair value through profit or loss				
- quoted equities	938,361,143	-	-	938,361,143
- forward foreign currency contracts	-	171,628	-	171,628
	<u>938,361,143</u>	<u>171,628</u>	<u>-</u>	<u>938,532,771</u>

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities. The Fund does not adjust the quoted prices for these instruments.

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 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 Manager, amount due from brokers, dividend receivable and all current liabilities are a reasonable approximation of the fair values due to their short term nature.

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

#### 4 MANAGEMENT FEE

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

For the financial year ended 31 July 2020, the management fee is recognised at a rate of 1.50% (2019: 1.50%) per annum on the NAV of the Fund calculated on a daily basis as stated in the 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 Deeds, the Trustee is entitled to an annual fee at a rate not exceeding 0.30% per annum on the NAV of the Fund.

For the financial year ended 31 July 2020, the Trustee fee is recognised at a rate of 0.07% (2019: 0.07%) per annum on the NAV of the Fund, subject to a minimum fee of RM18,000 per annum calculated and accrued daily, exclusive of foreign sub-custodian fee as stated in the Prospectus.

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

#### 6 TAXATION

	<u>2020</u> RM	<u>2019</u> RM
Current taxation	-	-

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

	<u>2020</u> RM	<u>2019</u> RM
Net loss before taxation	(23,929,728)	(19,267,925)
Tax at Malaysian statutory rate of 24% (2019: 24%)	(5,743,135)	(4,624,302)
Tax effects of:		
Investment income not subject to tax/ (Investment loss not brought to tax)	718,866	(357,487)
Expenses not deductible for tax purposes	2,015,526	1,353,764
Restrictions on tax deductible expenses for Unit Trust Funds	3,008,743	3,628,025
Tax expense	-	-

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

#### 7 DISTRIBUTION

	<u>2020</u> RM	<u>2019</u> RM
Distribution to unitholders is from the following sources:		
Dividend income	-	15,281,681
Previous year's realised income	-	4,873,079
	<hr/>	<hr/>
Gross realised income	-	20,154,760
Less: Expenses	-	-
	<hr/>	<hr/>
Net distribution amount	-	20,154,760
	<hr/> <hr/>	<hr/> <hr/>
Gross/Net distribution per unit (sen)	-	2.00
	<hr/> <hr/>	<hr/> <hr/>
Ex-date	-	19.6.2019
	<hr/> <hr/>	<hr/> <hr/>

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

Included in distributions for the financial year is an amount of RM Nil (2019: RM4,873,079) made from previous year's realised income.

During the financial year ended 31 July 2020, the Fund incurred unrealised loss of RM Nil (2019: RM14,960,165).

#### 8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2020</u> RM	<u>2019</u> RM
Financial assets at fair value through profit or loss		
- quoted equities – local	429,678,332	711,945,795
- quoted equities – foreign	209,408,390	226,415,348
	<hr/>	<hr/>
	639,086,722	938,361,143
	<hr/> <hr/>	<hr/> <hr/>
Net loss on financial assets at fair value through profit or loss		
- realised loss on sale of investments	(33,082,685)	(14,831,710)
- unrealised gain/(loss) on changes in fair value	6,136,163	(15,495,791)
	<hr/>	<hr/>
	(26,946,522)	(30,327,501)
	<hr/> <hr/>	<hr/> <hr/>

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

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

(a) Quoted equities – local

(i) Quoted equities – local as at 31 July 2020 are as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Construction</u>				
Jaks Resources Bhd	12,000,000	11,025,820	9,180,000	1.34
<u>Consumer Products &amp; Services</u>				
Fraser & Neave Holdings Bhd	152,800	4,635,755	4,920,160	0.72
Heineken Malaysia Bhd	369,500	8,286,578	8,269,410	1.21
Mynews Holdings Bhd	9,846,600	6,958,378	6,646,455	0.97
	10,368,900	19,880,711	19,836,025	2.90
<u>Financial Services</u>				
Allianz Malaysia Bhd	1,053,900	11,405,643	14,101,182	2.06
Hong Leong Financial Group Bhd	707,900	13,063,089	9,471,702	1.39
Malayan Banking Bhd	3,411,243	30,960,992	26,164,234	3.83
RHB Bank Bhd	4,025,200	20,194,665	20,045,496	2.93
	9,198,243	75,624,389	69,782,614	10.21
<u>Health Care</u>				
Hartalega Holdings Bhd	442,000	7,128,315	8,963,760	1.31
IHH Healthcare Bhd	1,425,300	8,262,584	7,668,114	1.12
Supermax Corp Bhd	1,363,300	23,252,183	25,221,050	3.69
Top Glove Corp Bhd	849,000	19,975,485	21,921,180	3.21
	4,079,600	58,618,567	63,774,104	9.33
<u>Industrial Products &amp; Services</u>				
Comfort Glove Bhd	732,500	3,971,981	3,926,200	0.57
Sunway Bhd	17,350,840	26,853,513	23,423,634	3.43
	18,083,340	30,825,494	27,349,834	4.00
<u>Plantation</u>				
Kuala Lumpur Kepong Bhd	259,400	5,870,414	5,966,200	0.87

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

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

(a) Quoted equities – local (continued)

(i) Quoted equities – local as at 31 July 2020 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Preference Shares</u>				
Allianz Malaysia Bhd -PA	1,556,458	6,898,365	21,105,570	3.09
SP Setia Bhd Group - RCPS-i B	3,382,600	2,976,688	2,215,603	0.32
	<u>4,939,058</u>	<u>9,875,053</u>	<u>23,321,173</u>	<u>3.41</u>
<u>REITs</u>				
Sunway REIT	7,496,700	12,378,415	11,544,918	1.69
YTL Hospitality REIT	7,301,600	7,751,971	6,936,520	1.02
	<u>14,798,300</u>	<u>20,130,386</u>	<u>18,481,438</u>	<u>2.71</u>
<u>Technology</u>				
Datasonic Group Bhd	12,268,400	18,386,717	17,053,076	2.50
Frontken Corp Bhd	3,600,000	12,240,000	12,600,000	1.84
Greotech Technology Bhd	682,000	3,723,405	3,682,800	0.54
Inari Amertron Bhd	11,429,000	20,519,955	24,229,480	3.55
My EG Services Bhd	19,942,800	25,879,993	26,723,352	3.91
	<u>47,922,200</u>	<u>80,750,070</u>	<u>84,288,708</u>	<u>12.34</u>
<u>Telecommunication &amp; Media</u>				
Astro Malaysia Holdings Bhd	8,248,000	12,804,646	6,515,920	0.95
Axiata Group Bhd	4,743,900	16,809,912	15,180,480	2.22
TIME dotCom Bhd	3,494,900	32,282,951	38,094,410	5.58
	<u>16,486,800</u>	<u>61,897,509</u>	<u>59,790,810</u>	<u>8.75</u>
<u>Transportation &amp; Logistics</u>				
Malaysia Airports Holdings Bhd	1,268,600	7,153,938	6,596,720	0.97
MISC Bhd	422,200	3,396,543	3,305,826	0.48
	<u>1,690,800</u>	<u>10,550,481</u>	<u>9,902,546</u>	<u>1.45</u>

# AFFIN HWANG SELECT OPPORTUNITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

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

(a) Quoted equities – local (continued)

(i) Quoted equities – local as at 31 July 2020 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Utilities</u>				
Tenaga Nasional Bhd	<u>3,345,500</u>	<u>43,158,521</u>	<u>38,004,880</u>	<u>5.56</u>
Total quoted equities – local	<u>143,172,141</u>	<u>428,207,415</u>	<u>429,678,332</u>	<u>62.87</u>
Accumulated unrealised gain on quoted equities – local		<u>1,470,917</u>		
Total quoted equities – local		<u>429,678,332</u>		

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

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

(a) Quoted equities – local (continued)

(ii) Quoted equities – local as at 31 July 2019 are as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Consumer Products &amp; Services</u>				
Aeon Company (Malaysia) Bhd	14,554,800	30,949,161	24,888,708	2.52
British American Tobacco Malaysia Bhd	338,100	7,629,429	7,634,298	0.77
Fraser & Neave Holdings Bhd	734,400	21,792,587	25,189,920	2.56
Genting Bhd	8,675,500	58,428,009	59,513,930	6.04
Genting Malaysia Bhd	11,195,200	39,327,308	43,325,424	4.39
Mynews Holdings Bhd	12,470,200	8,812,419	17,707,684	1.80
Petronas Dagangan Bhd	1,273,300	32,610,408	29,897,084	3.03
	<u>49,241,500</u>	<u>199,549,321</u>	<u>208,157,048</u>	<u>21.11</u>
<u>Financial Services</u>				
Allianz Malaysia Bhd	1,053,900	11,405,643	14,543,820	1.48
Bursa Malaysia Bhd	3,627,600	26,012,821	24,486,300	2.48
CIMB Group Holdings Bhd	9,069,326	55,579,008	45,981,483	4.66
Hong Leong Financial Group Bhd	2,075,300	38,296,127	37,147,870	3.77
Malayan Banking Bhd	8,035,943	75,006,071	69,510,907	7.05
RHB Bank Bhd	2,954,700	16,250,474	16,250,850	1.65
	<u>26,816,769</u>	<u>222,550,144</u>	<u>207,921,230</u>	<u>21.09</u>
<u>Industrial Products &amp; Services</u>				
ATA IMS Bhd	13,158,000	20,613,082	19,342,260	1.96
Sunway Bhd	21,516,872	33,634,200	35,502,839	3.60
	<u>34,674,872</u>	<u>54,247,282</u>	<u>54,845,099</u>	<u>5.56</u>
<u>REITs</u>				
IGB REIT	3,607,600	5,007,335	6,890,516	0.70
Sunway REIT	7,880,500	13,012,139	14,972,950	1.52
YTL Hospitality REIT	7,301,600	7,751,971	9,419,064	0.96
	<u>18,789,700</u>	<u>25,771,445</u>	<u>31,282,530</u>	<u>3.18</u>

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

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

(a) Quoted equities – local (continued)

(ii) Quoted equities – local as at 31 July 2019 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>Technology</u>				
Inari Amertron Bhd	2,609,400	4,583,542	4,279,416	0.43
Malaysian Pac Industries Bhd	361,300	4,692,293	3,284,217	0.33
	<u>2,970,700</u>	<u>9,275,835</u>	<u>7,563,633</u>	<u>0.76</u>
<u>Telecommunication &amp; Media</u>				
Astro Malaysia Holdings Bhd	18,356,500	28,497,635	26,433,360	2.68
Axiata Group Bhd	3,000,000	13,758,453	15,030,000	1.52
Digi.Com Bhd	7,160,500	35,879,515	35,802,500	3.63
Maxis Bhd	274,300	1,536,080	1,558,024	0.16
TIME dotCom Bhd	1,382,200	12,156,458	12,315,402	1.25
	<u>30,173,500</u>	<u>91,828,141</u>	<u>91,139,286</u>	<u>9.24</u>
<u>Transportation &amp; Logistics</u>				
Malaysia Airports Holdings Bhd	2,782,200	22,421,508	23,287,014	2.36
MISC Bhd	3,200,000	21,660,711	23,136,000	2.35
	<u>5,982,200</u>	<u>44,082,219</u>	<u>46,423,014</u>	<u>4.71</u>
<u>Utilities</u>				
Tenaga Nasional Bhd	2,943,400	41,675,691	40,677,788	4.13
<u>Preference Shares</u>				
Allianz Malaysia Bhd - PA	1,556,458	6,898,365	21,230,087	2.15
SP Setia Bhd Group - RCPS-i B	3,382,600	2,976,688	2,706,080	0.28
	<u>4,939,058</u>	<u>9,875,053</u>	<u>23,936,167</u>	<u>2.43</u>
Total quoted equities – local	<u>176,531,699</u>	<u>698,855,131</u>	<u>711,945,795</u>	<u>72.21</u>
Accumulated unrealised gain on quoted equities – local		<u>13,090,664</u>		
Total quoted equities – local		<u>711,945,795</u>		

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

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

(b) Quoted equities – foreign

(i) Quoted equities – foreign as at 31 July 2020 are as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Hong Kong</u>				
<u>Consumer Services</u>				
Alibaba Group Holding Ltd	247,600	21,181,711	33,305,369	4.88
Sands China Ltd	464,000	8,334,994	7,598,770	1.11
	<u>711,600</u>	<u>29,516,705</u>	<u>40,904,139</u>	<u>5.99</u>
<u>Financial Services</u>				
CIFI Holdings Group Co Ltd	115,800	420,192	440,703	0.06
Ping An Insurance Grp Co China	492,000	21,884,246	22,087,002	3.23
	<u>607,800</u>	<u>22,304,438</u>	<u>22,527,705</u>	<u>3.29</u>
<u>Technology</u>				
Tencent Holdings Ltd	145,900	25,405,243	42,601,516	6.24
<u>South Korea</u>				
<u>Preference Shares</u>				
Samsung Electronics Co Ltd - Preference Shares	76,527	11,807,803	13,436,343	1.97
<u>Technology</u>				
SK Hynix Inc	25,086	7,292,160	7,367,547	1.08
<u>Singapore</u>				
<u>Financial Services</u>				
CapitaLand Retail China Trust	3,938,000	17,129,944	14,810,401	2.17

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 July 2020 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>United States</u>				
<u>Consumer Services</u>				
Amazon.com Inc	1,579	13,293,143	21,169,427	3.10
<u>Financial Services</u>				
Visa Inc	17,884	13,924,814	14,428,411	2.11
<u>Industrials</u>				
PayPal Holdings Inc	9,600	7,038,023	7,978,975	1.17
<u>Technology</u>				
Kingsoft Cloud Holdings	49,981	5,483,549	7,425,515	1.09
Microsoft Corporation	19,286	14,289,528	16,758,411	2.45
	69,267	19,773,077	24,183,926	3.54
Total quoted equities – foreign	<u>5,603,243</u>	<u>167,485,350</u>	<u>209,408,390</u>	<u>30.66</u>
Accumulated unrealised gain on quoted equities – foreign		<u>41,923,040</u>		
Total quoted equities – foreign		<u>209,408,390</u>		

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 July 2019 are as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Hong Kong</u>				
<u>Consumer Goods</u>				
China Mengniu Dairy Co Ltd	1,226,000	16,384,319	20,549,942	2.09
<u>Consumer Services</u>				
China Education Group Holdings	1,722,000	10,665,880	11,146,141	1.13
<u>Financial Services</u>				
AIA Group Ltd	472,000	15,352,738	20,102,329	2.04
Ping An Insurance Grp Co China	420,500	17,299,582	20,679,530	2.10
	892,500	32,652,320	40,781,859	4.14
<u>Technology</u>				
Tencent Holdings Ltd	108,800	18,160,037	21,115,710	2.14
<u>Singapore</u>				
<u>Financial Services</u>				
Ascendas Real Estate InvTrust	1,681,700	12,812,726	15,515,196	1.57
DBS Group Holdings Ltd	162,800	12,174,455	12,963,137	1.32
	1,844,500	24,987,181	28,478,333	2.89
<u>Industrials</u>				
Singapore Tech Engineering Ltd	973,000	10,363,640	12,438,443	1.26
Venture Corp Ltd	312,000	16,871,634	14,608,760	1.48
	1,285,000	27,235,274	27,047,203	2.74

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 July 2019 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>United States</u>				
<u>Consumer Services</u>				
Alibaba Group Holding Ltd	30,735	20,075,758	21,947,458	2.23
Amazon.com Inc	3,177	21,135,457	24,465,073	2.48
Autohome Inc	23,857	8,724,637	8,366,888	0.85
Ctrip.com International Ltd	73,237	11,159,417	11,772,772	1.19
	<u>131,006</u>	<u>61,095,269</u>	<u>66,552,191</u>	<u>6.75</u>
<u>Technology</u>				
Adobe Inc	<u>8,713</u>	<u>11,067,938</u>	<u>10,743,969</u>	<u>1.09</u>
Total quoted equities – foreign	<u>7,218,519</u>	202,248,218	<u>226,415,348</u>	<u>22.97</u>
Accumulated unrealised gain on quoted equities – foreign		<u>24,167,130</u>		
Total quoted equities – foreign		<u>226,415,348</u>		

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

#### 9 CASH AND CASH EQUIVALENTS

	<u>2020</u> RM	<u>2019</u> RM
Cash and bank balances	47,963,994	45,561,981
Deposits with licensed financial institutions	3,720,354	2,530,417
	<u>51,684,348</u>	<u>48,092,398</u>

Weighted average effective interest rates per annum with licensed financial institutions are as follows:

	<u>2020</u> %	<u>2019</u> %
Deposits with licensed financial institutions	<u>1.75</u>	<u>3.00</u>

Deposits with licensed financial institutions have an average maturity period of 3 days (2019: 1 day).

#### 10 FORWARD FOREIGN CURRENCY CONTRACTS

As at 31 July 2020, there are no (2019: 2) forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM Nil (2019: RM55,086,692). The forward foreign currency contracts entered into during the financial year was for hedging against the currency exposure arising from the investment in the foreign equities denominated in United States Dollar. As the Fund has not adopted hedge accounting during the financial year, the changes in the fair value of the forward foreign currency contracts are recognised immediately in profit or loss.

#### 11 NUMBER OF UNITS IN CIRCULATION

	<u>2020</u> No. of units	<u>2019</u> No. of units
At the beginning of the financial year	1,010,770,000	1,015,150,000
Creation of units arising from applications	11,097,000	71,257,957
Creation of units arising from distribution	-	20,345,043
Cancellation of units	(312,449,000)	(95,983,000)
At the end of the financial year	<u>709,418,000</u>	<u>1,010,770,000</u>

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

#### 12 TRANSACTIONS WITH BROKERS

(a) Details of transactions with the top 10 brokers for the financial year ended 31 July 2020 are as follows:

<u>Name of brokers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage</u> %
Affin Hwang Investment Bank Bhd#	547,716,427	19.81	1,359,526	23.29
Macquarie Bank Ltd Hong Kong	193,459,258	7.00	383,493	6.57
Robert W.Baird & Co.Inc. NY	158,314,679	5.73	21,210	0.36
JP Morgan Secs (Asia Pac) Ltd HK	129,645,872	4.69	557,263	9.55
UOB Kay Hian Secs (M) Sdn Bhd	129,424,418	4.68	314,161	5.38
CLSA Sec Malaysia Sdn Bhd	119,331,803	4.32	218,728	3.75
Masterlink Secs Co Ltd Taipei	118,766,664	4.29	296,916	5.09
CIMB Investment Bank Bhd	100,151,190	3.61	208,569	3.57
Credit Suisse Secs (M) Sdn Bhd	94,045,964	3.40	235,115	4.03
Maybank Investment Bank Bhd	91,399,152	3.31	228,498	3.91
Others	1,083,010,810	39.16	2,013,260	34.50
	<u>2,765,266,237</u>	<u>100.00</u>	<u>5,836,739</u>	<u>100.00</u>

(b) Details of transactions with the top 10 brokers for the financial year ended 31 July 2019 are as follows:

<u>Name of brokers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage</u> %
Affin Hwang Investment Bank Bhd#	218,362,579	12.56	545,907	15.92
China International Capital Hong Kong Securities Ltd	164,298,870	9.45	151,706	4.42
CLSA Ltd	135,162,584	7.77	90,433	2.64
Macquarie Bank Ltd Hong Kong	132,053,990	7.59	242,121	7.06
CLSA Sec Malaysia Sdn Bhd	125,433,386	7.21	232,744	6.79
Citigroup Global Markets Ltd London	112,409,148	6.46	224,818	6.55
UOB Kay Hian Secs (M) Sdn Bhd	85,058,913	4.89	212,647	6.20
CCB International Securities Ltd	72,817,051	4.19	182,043	5.31
Maybank Investment Bank Bhd	72,374,868	4.16	119,258	3.48
CIMB Investment Bank Bhd	62,032,910	3.57	145,647	4.25
Others	558,998,032	32.15	1,282,023	37.38
	<u>1,739,002,331</u>	<u>100.00</u>	<u>3,429,347</u>	<u>100.00</u>

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

#### 12 TRANSACTIONS WITH BROKERS (CONTINUED)

# Included in transactions with brokers are trades in the stockbroking industry with Affin Hwang Investment Bank Bhd, a company related to the Manager amounting to RM547,716,427 (2019: RM218,362,579). The Manager is of the opinion that all transactions with the related company has been entered into in the normal course of business at agreed terms between the related parties.

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

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

<u>Related parties</u>	<u>Relationships</u>
Affin Hwang Asset Management Berhad	The Manager
Affin Hwang Investment Bank Berhad	Holding company of the Manager
Affin Bank Berhad ("ABB")	Ultimate holding company of the Manager
Subsidiaries and associated companies of ABB as disclosed in its financial statements	Subsidiaries and associated companies of the ultimate holding company of the Manager as disclosed in its financial statements
Directors of Affin Hwang Asset Management Berhad	Directors of the Manager

The units held by the Manager and party related to the Manager as at the end of the financial year are as follows:

	<u>2020</u>		<u>2019</u>	
	No. of units	RM	No. of units	RM
<u>The Manager:</u>				
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)	201,147	193,704	711,511	694,008
<u>Directors of the Manager:</u>				
Director of Affin Hwang Asset Management Berhad (The units are held beneficially)	-	-	406,383	396,386
<u>Subsidiary and associated companies of the ultimate holding company of the Manager:</u>				
AXA Affin Life Insurance Bhd (The units are held beneficially)	957,163	921,748	-	-

## AFFIN HWANG SELECT OPPORTUNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)

#### 14 MANAGEMENT EXPENSE RATIO ("MER")

	<u>2020</u> %	<u>2019</u> %
MER	<u>1.59</u>	<u>1.59</u>

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 fees
- C = Auditors' remuneration
- D = Tax agent's fee
- E = Other expenses, excluding sales and service tax on transaction costs and withholding tax
- F = Average NAV of Fund calculated on a daily basis

The average NAV of the Fund for the financial year calculated on a daily basis is RM838,175,297 (2019: RM1,018,875,949).

#### 15 PORTFOLIO TURNOVER RATIO ("PTR")

	<u>2020</u>	<u>2019</u>
PTR (times)	<u>1.74</u>	<u>0.86</u>

PTR is derived from the following calculation:

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

where: total acquisition for the financial year = RM1,301,717,472 (2019: RM953,297,697)  
total disposal for the financial year = RM1,607,128,056 (2019: RM789,861,598)

## **AFFIN HWANG SELECT OPPORTUNITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONTINUED)**

#### **16 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

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

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

## **AFFIN HWANG SELECT OPPORTUNITY FUND**

### **STATEMENT BY THE MANAGER**

I, 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 38 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 July 2020 and of its financial performance, changes in equity and cash flows for the financial year ended 31 July 2020 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards

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

**TENG CHEE WAI**  
**EXECUTIVE DIRECTOR/ MANAGING DIRECTOR**

Kuala Lumpur  
17 September 2020

## INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG SELECT OPPORTUNITY FUND

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Our opinion

In our opinion, the financial statements of Affin Hwang Select Opportunity Fund (“the Fund”) give a true and fair view of the financial position of the Fund as at 31 July 2020, and of its financial performance and its cash flows for the financial year ended 31 July 2020 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 July 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 38.

#### 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 SELECT OPPORTUNITY 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.

#### 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 SELECT OPPORTUNITY 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 SELECT OPPORTUNITY 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  
17 September 2020

## **DIRECTORY OF SALES OFFICE**

### **HEAD OFFICE**

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

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

### **PENANG**

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

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

### **PERAK**

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

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

### **MELAKA**

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

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

### **JOHOR**

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

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

### **SABAH**

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

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

## **DIRECTORY OF SALES OFFICE (CONTINUED)**

### **SARAWAK**

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

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

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

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

[www.affinhwangam.com](http://www.affinhwangam.com)

Affin Hwang Asset Management Berhad  
199701014290 (429786-T)