

Affin Hwang Equity Fund

Interim Report
31 October 2018

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



AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad (429786-T)

TRUSTEE
Maybank Trustees Berhad (5004-P)

AFFIN HWANG EQUITY FUND

Interim Report and Unaudited Financial Statements For the 6 Months Financial Period Ended 31 October 2018

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FUND INFORMATION

Fund Name	Affin Hwang Equity Fund
Fund Type	Income & Growth
Fund Category	Equity
Investment Objective	To reward the Unit Holders with a reasonable rate of return on income and to realise capital growth
Benchmark	FTSE Bursa Malaysia KLCI
Distribution Policy	Distribution (if any) will be subject to the availability of income

BREAKDOWN OF UNITHOLDERS BY SIZE RM CLASS AS AT 31 OCTOBER 2018

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	87,076	94,696
5,001 to 10,000	2,870	19,623
10,001 to 50,000	551	9,130
50,001 to 500,000	46	5,375
500,001 and above	1	500
Total	90,544	129,324

* Note: Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 31 Oct 2018 (%)	As at 31 Oct 2017 (%)	As at 31 Oct 2016 (%)
Portfolio composition			
Quoted equities – local			
- Construction	-	15.53	6.31
- Consumer products & services	10.25	-	-
- Consumer products	-	3.86	8.53
- Energy	3.49	-	-
- Finance	-	21.29	22.73
- Financial institution	22.86	-	-
- ICULS	-	0.59	-
- Industrial products	-	15.41	8.97
- Industrial products & services	12.63	-	-
- Infrastructure project company	-	-	2.80
- Plantation	0.96	3.41	3.19
- Properties	3.80	9.75	4.91
- REITs	4.71	4.87	1.78
- Technology	4.76	4.87	6.03
- Telecommunication & media	4.12	-	-
- Trading / services	-	14.95	30.48
- Utilities	6.14	-	-
- Warrant	0.05	0.41	0.22
Total quoted equities – local	73.77	94.94	95.95
Cash & cash equivalent	26.23	5.06	4.05
Total	100.00	100.00	100.00
Total NAV (RM'million)	67.961	83.269	89.085
NAV per Unit (RM)	0.5255	0.5573	0.4766
Unit in Circulation (million)	129.327	149.416	186.931
Highest NAV	0.5553	0.5583	0.4777
Lowest NAV	0.5159	0.5254	0.4519
Return of the Fund (%) ⁱⁱⁱ	-5.37	5.17	4.61
- Capital Growth (%) ⁱ	-5.37	5.17	4.61
- Income Distribution (%) ⁱⁱ	Nil	Nil	Nil
Gross Distribution per Unit (sen)	Nil	Nil	Nil
Net Distribution per Unit (sen)	Nil	Nil	Nil
Management Expense Ratio (%) ¹	0.83	0.86	0.86
Portfolio Turnover Ratio (times) ²	0.39	0.33	0.37

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

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

An illustration of the above would be as follow:-

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

¹The MER of the Fund remained relatively unchanged during the period under review, albeit marginally lower than previous period under review.

²The increased in the Fund's PTR over the period under review was due to lower average NAV for the financial period.

Capital Returnⁱ = (NAV per Unit @ 31/10/18 ÷ NAV per Unit @ 30/4/18* - 1) x 100
= (0.5255 ÷ 0.5553 - 1) x 100
= **-5.37%**

Total Income Returnⁱⁱ = **Nil**

Return of the Fundⁱⁱⁱ = [(1 + Capital Return) x (1 + Income Return)] - 1 x 100
= [(1 + (-5.37%)) x (1 + 0.00%)] - 1 x 100
= **-5.37%**

* Source – Maybank Trustees Berhad

Table 1: Performance of the Fund

	6 Months (1/5/18 - 31/10/18)	1 Year (1/11/17 - 31/10/18)	3 Years (1/11/15 - 31/10/18)	5 Years (1/11/13 - 31/10/18)	Since Commencement (30/4/93 - 31/10/18)
Fund	(5.37%)	(5.71%)	16.83%	6.16%	51.01%
Benchmark	(8.61%)	(2.21%)	2.62%	(5.40%)	142.45%
Outperformance / (Underperformance)	3.26%	(3.50%)	14.21%	11.56%	(91.44%)

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	1 Year (1/11/17 - 31/10/18)	3 Years (1/11/15 - 31/10/18)	5 Years (1/11/13 - 31/10/18)	Since Commencement (30/4/93 - 31/10/18)
Fund	(5.71%)	5.32%	1.20%	1.63%
Benchmark	(2.21%)	0.86%	(1.10%)	3.53%
Outperformance / (Underperformance)	(3.50%)	4.46%	2.30%	(1.90%)

Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	FYE 2018 (01/5/17 - 30/4/18)	FYE 2017 (01/5/16 - 30/4/17)	FYE 2016 (01/5/15 - 30/4/16)	FYE 2015 (01/5/14 - 30/4/15)	FYE 2014 (01/5/13 - 30/4/14)
Fund	4.79%	16.31%	(3.84%)	(4.84%)	8.75%
Benchmark	5.79%	5.70%	(8.00%)	(2.85%)	8.96%
Outperformance / (Underperformance)	(1.00%)	10.61%	4.16%	(1.99%)	(0.21%)

Source of Benchmark: Bloomberg

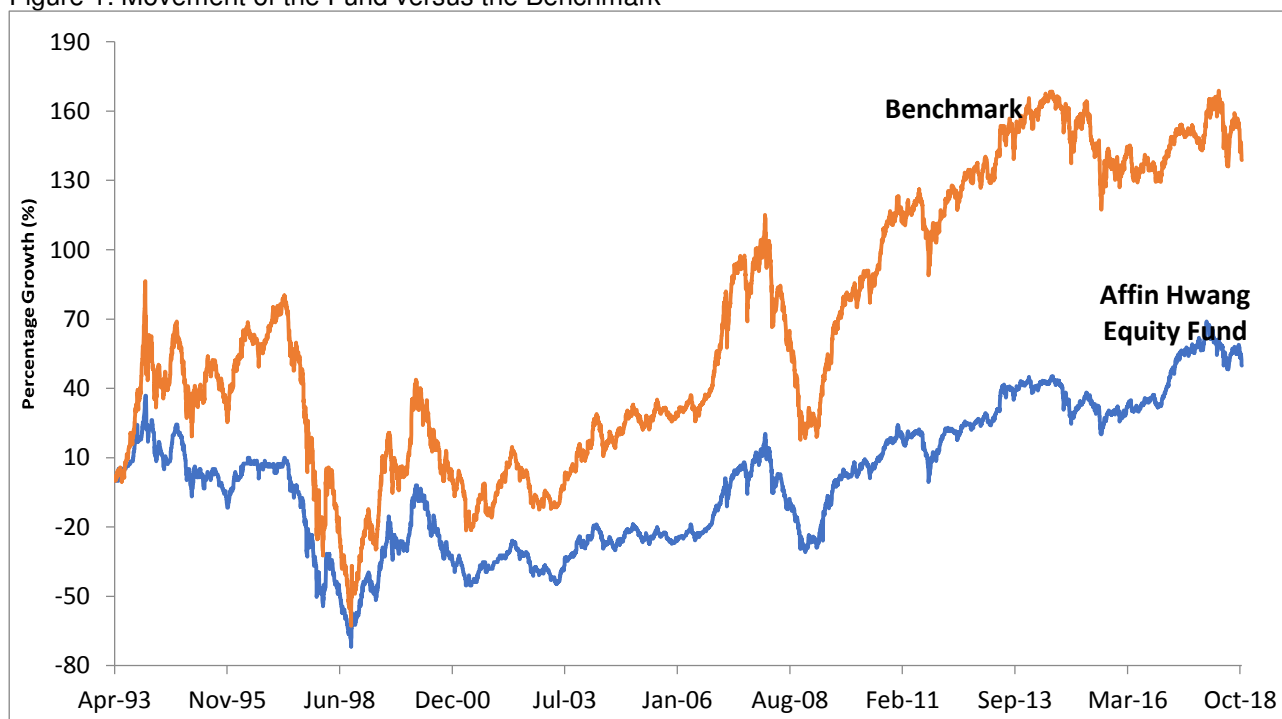
Past performance is not necessarily indicative of future performance and that Unit prices and investment returns may go down, as well as up.

MANAGER'S REPORT

Performance Review

For the period 1 May 2018 to 31 October 2018 the Fund registered a -5.37% return. The Net Asset Value (NAV) per unit of the Fund as at 31 October 2018 was RM0.5255 while the NAV per unit as at 30 April 2018 was RM0.5553. The benchmark return for the period under review was -8.61%. The Fund thus outperformed the Benchmark by 3.26%. (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

Figure 1: Movement of the Fund versus the Benchmark



"This information is prepared by Affin Hwang Asset Management Berhad (AFFINHWANGAM) for information purposes only. Past earnings or the fund's distribution record is not a guarantee or reflection of the fund's future earnings/future distributions. Investors are advised that unit prices, distributions payable and investment returns may go down as well as up."
Benchmark: FTSE Bursa Malaysia KLCI

Income Distribution / Unit Split

No income distribution or unit splits were declared for the financial period ended 31 October 2018.

Asset Allocation

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

Figure 2: Asset allocation of the Fund

	<u>31 Oct 2018</u>	<u>31 Oct 2017</u>	<u>31 Oct 2016</u>
	(%)	(%)	(%)
Quoted equities – local	73.77	94.94	95.95
Cash & cash equivalent	26.23	5.06	4.05
Total	100.00	100.00	100.00

As at 31 October 2018, the asset allocation of the Fund stood at 73.77% in equities while the balance was held in cash and cash equivalent.

During the period under review, the Manager has raised its cash level substantially on the back of volatile market environment. The Fund's equity exposures were reduced to 73.77% from 94.94% a year ago, 21.17 percentage points lower than previous period under review. Sector allocation wise, the Manager had ceased exposures into sectors like construction, consumer products, finance, industrial products and trading/services over the same period.

Strategies Employed

With the return of volatility in markets, we are gradually raising our cash holdings and will stay more defensive in our allocation with capital protection taking precedence. We are deploying into domestic-driven sectors that are less directly impacted from trade tariffs as well as defensive high yields sectors.

Market Review

Emerging markets are seeing a "tantrum-like" sell-off, where investors' appetite for risk-assets have tapered off significantly on the back of fractious developments within Turkey and Argentina that have sent both their currencies into free fall. Investors are ploughing back money into the US on signs of quicker growth, rising interest rates and a stronger greenback that has undermined the attraction of riskier EM assets.

A brutal rout in October tested investor's resolve as a violent surge in Treasury yields and expectations of higher rates led to a global selloff across emerging markets amidst a repricing of risk assets. It was one of the largest broad-based market pullback in the last 15 years caused by a spike in yields. Regionally, the MSCI Asia ex-Japan Index was weighed down by external risk plunging 18.99% in the period under review.

Risk of a contagion effect to the rest of EMs have investors trading cautiously even though economic linkages between the two countries and the rest of Asia isn't apparent. The market sell-off was exacerbated further by outflows from global EM funds who were de-risking portfolios. Global fund managers have posited similar characteristics from Turkey & Argentina to other economies that might share some of these symptoms such as a high current account deficit and reliance on foreign debt.

Trade remained a key overhang of markets following a fresh round of tariffs, where the Trump administration announced 10.0% duties on USD200 billion worth of Chinese imports which took effect on 24 September 2018. Washington had previously toyed with imposing a 25.0% tariff rate that was subsequently postponed to next year. China swiftly retaliated by imposing tariffs of their own on USD60 billion worth of US goods ranging between 5.0-10.0%. The two global powerhouses have already slapped tariffs on USD50 billion worth of goods throughout its trade skirmish, before the new wave of tariffs in September.

Tensions also escalated following allegations of the use of spy-chips by China including espionage, election meddling, and the arrest of a Chinese intelligence officer that compounded fears in markets resulting in a risk-off mode. These chips were allegedly inserted at factories operated by Supermicro's subcontractors in China and reportedly ended up in almost 30 US companies including tech giants like Apple and Amazon which purportedly sent data signals back to China.

A sharp depreciation of the Chinese yuan also dragged down the rest of EMs, as a high correlation between markets led to further pain within other Asian currencies. The yuan has shed over 5% of its value YTD, when trade tensions started to brew. Due to concerns over trade-frictions with the US and possible second-order

impacts on the Chinese economy that could manifest into slower investment and softer consumption, Beijing has shifted slightly towards a more neutral tone that leaves more room for China to loosen its grip on deleveraging and policy easing.

Added to the mix are escalating frictions between US and Saudi Arabia over the alleged disappearance of journalist Jamal Khashoggi. Turkish investigators believe he was murdered and body removed from the building.

On the local front, the 14th General Election (GE14) concluded with jaw-dropping results that stunned political pundits and pollsters. In a watershed election, the opposition won GE14 by wresting traditionally held strongholds from the incumbent by taking over states such as Johor, Kedah, and Melaka. Tun Dr. Mahathir aged 93 returns to parliament with a second stint as Prime Minister pledging institutional and fiscal reforms for the country. The benchmark KLCI fell 8.61% in the period under review tracking regional losses. The market also saw some softness owing to concerns surrounding deeper than expected reforms and cutbacks in infrastructure spending to consolidate its fiscal position which lead to a sell-off in construction stocks.

Investment Outlook

The recent market correction will likely presage a new era of higher volatility in markets. We expect volatility to pick-up in the year, as markets adjust to a reversal of a rate-cut cycle, with global central banks expected to gradually lift interest rates and embark on their balance-sheet unwinding. The gradual withdrawal of monetary stimulus would be a key focal point in markets, as markets adjust to tighter liquidity conditions. Inflation data may be a key-data point to monitor in coming quarters, especially if inflation picks up more than market's expectation, which would lead to an acceleration in rate hikes.

Domestically, markets will look to further clarity from the new government on policy direction of its fiscal and debt management. We expect reform policies to generate a return of monetary and human capital that would drive back capital flows. Whilst, markets could be volatile in the short-term as a result of regulatory uncertainty and kitchen-sinking exercises undertaken by the new government, we expect such concerns to ease as the government clarifies its position and sets policy direction.

State of Affairs of the Fund

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

Soft Commissions received from Brokers

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

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

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

TRUSTEE'S REPORT

TO THE UNIT HOLDERS OF AFFIN HWANG EQUITY FUND

We have acted as Trustee of AFFIN HWANG EQUITY FUND ("the Fund") for the financial period ended 31 October 2018. To the best of our knowledge, AFFIN HWANG ASSET MANGEMENT BERHAD ("the Manager") has managed the Fund in the financial period under review in accordance with the following:

1. limitations imposed on the investment powers of the Manager under the deeds, securities laws and Guidelines of Unit Trust Funds;
2. valuation and pricing of the Fund are carried out in accordance with the deeds and any regulatory requirements; and
3. creation and cancellation of units are carried out in accordance with the deeds and any regulatory requirements.

For **Maybank Trustees Berhad**
(Company No.: 5004-P)

BERNICE K M LAU
Head, Operations

Kuala Lumpur, Malaysia
13 December 2018

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018**

	<u>Note</u>	6 months financial period ended <u>31.10.2018</u> RM	6 months financial period ended <u>31.10.2017</u> RM
INVESTMENT (LOSS)/ INCOME			
Dividend income		1,082,744	1,506,042
Interest income		224,503	68,008
Net (loss)/gain on financial assets at fair value through profit or loss	7	<u>(4,546,609)</u>	<u>3,652,881</u>
		<u>(3,239,362)</u>	<u>5,226,931</u>
EXPENSES			
Management fee	4	(541,948)	(639,687)
Trustee fee	5	(29,129)	(34,255)
Auditors' remuneration		(3,781)	(4,275)
Tax agent's fee		(3,166)	(3,166)
Transaction costs		(181,356)	(195,851)
Other expenses		(18,475)	(61,091)
		<u>(777,855)</u>	<u>(938,325)</u>
NET (LOSS)/PROFIT BEFORE TAXATION		(4,017,217)	4,288,606
TAXATION	6	<u>(6,418)</u>	<u>(7,834)</u>
NET (LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE FINANCIAL PERIOD		<u><u>(4,023,635)</u></u>	<u><u>4,280,772</u></u>
Net (loss)/profit after taxation is made up of the following:			
Realised amount		1,706,808	4,907,380
Unrealised amount		<u>(5,730,443)</u>	<u>(626,608)</u>
		<u><u>(4,023,635)</u></u>	<u><u>4,280,772</u></u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2018**

	<u>Note</u>	<u>2018</u> RM	<u>2017</u> RM
ASSETS			
Financial assets at fair value through profit or loss	7	50,131,403	79,056,601
Cash and cash equivalents	8	17,891,269	3,919,728
Dividend receivables		41,030	288,948
Amount due from brokers		54,332	191,385
Tax recoverable		10,950	10,950
TOTAL ASSETS		<u>68,128,984</u>	<u>83,467,612</u>
LIABILITIES			
Amount due to Manager			
- management fee		88,995	105,521
- cancellation of units		57,167	29,032
Amount due to Trustee		4,747	5,628
Amount due to brokers		-	26,897
Auditors' remuneration		3,781	12,755
Tax agent's fee		13,246	11,346
Other payable and accruals		214	7,493
TOTAL LIABILITIES		<u>168,150</u>	<u>198,672</u>
NET ASSET VALUE OF THE FUND		<u>67,960,834</u>	<u>83,268,940</u>
EQUITY			
Unitholders' capital		103,562,850	114,609,111
Accumulated losses		(35,602,016)	(31,340,171)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>67,960,834</u>	<u>83,268,940</u>
NUMBER OF UNITS IN CIRCULATION	9	<u>129,327,000</u>	<u>149,416,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.5255</u>	<u>0.5573</u>

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018**

	Unitholders' <u>capital</u> RM	Accumulated <u>losses</u> RM	<u>Total</u> RM
Balance as at 1 May 2018	108,977,831	(31,578,381)	77,399,450
Total comprehensive loss for the financial period	-	(4,023,635)	(4,023,635)
Movement in unitholders' capital:			
Creation of units through applications	3,200	-	3,200
Cancellation of units	(5,418,181)	-	(5,418,181)
Balance as at 31 October 2018	<u>103,562,850</u>	<u>(35,602,016)</u>	<u>67,960,834</u>
Balance as at 1 May 2017	122,649,289	(35,620,943)	87,028,346
Total comprehensive income for the financial period	-	4,280,772	4,280,772
Movement in unitholders' capital:			
Cancellation of units	(8,040,178)	-	(8,040,178)
Balance as at 31 October 2017	<u>114,609,111</u>	<u>(31,340,171)</u>	<u>83,268,940</u>

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

**STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018**

	<u>Note</u>	6 months financial period ended <u>31.10.2018</u> RM	6 months financial period ended <u>31.10.2017</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		35,978,191	34,224,942
Purchase of investments		(22,336,513)	(26,936,152)
Interest received		218,085	68,008
Dividend received		1,041,714	1,273,361
Management fee paid		(548,649)	(640,045)
Trustee fee paid		(29,486)	(35,085)
Payment for other fees and expenses		(213,356)	(64,039)
		<hr/>	<hr/>
Net cash generated from operating activities		14,109,986	7,890,990
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from creation of units		3,200	-
Payments for cancellation of units		(5,397,605)	(8,107,406)
		<hr/>	<hr/>
Net cash used in financing activities		(5,394,405)	(8,107,406)
		<hr/>	<hr/>
NET INCREASE/DECREASE IN CASH AND CASH CASH EQUIVALENTS		8,715,581	(216,416)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD		9,175,688	4,136,144
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	8	17,891,269	3,919,728
		<hr/> <hr/>	<hr/> <hr/>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018

The following accounting policies have been used in dealing with items which are considered material in relation to the financial statements.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention, except as disclosed in the summary of significant accounting policies and comply with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported financial period. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. Although these estimates and judgment are based on the Manager's best knowledge of current events and actions, actual results may differ.

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

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

The Fund has applied the following amendments for the first time for the financial year beginning on 1 May 2018:

- Amendments to MFRS 107 'Statement of Cash Flows' – Disclosure initiative

The adoption of these amendments did not have any impact on the current year and is not likely to affect future years.

(b) The new standard and amendments to the published standard that is applicable to the Fund but not yet effective and has not been early adopted are as follows:

(i) Financial year beginning on/after 1 May 2019

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading).

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018
(CONTINUED)**

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

- (b) The new standards and amendments to published standards that are applicable to the Fund but not yet effective and have not been early adopted are as follows: (continued)
- (i) Financial year beginning on/after 1 May 2018 (continued)

- A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Fund has reviewed its financial assets and liabilities and does not expect any impact from the adoption of the new standard on 1 May 2018.

There will be no impact on the Fund's accounting for financial assets as the Fund's equity investments currently measured at fair value through profit or loss will continue to be measured on the same basis under MFRS 9.

There will be no impact on the Fund's accounting for financial liabilities as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Fund does not have any such liabilities.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost. Based on the assessments undertaken to date, the Fund does not expect any loss allowance to be recognised upon adoption of MFRS 9.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018 (CONTINUED)

B INCOME RECOGNITION

Dividend income is recognised on the ex-dividend date, when the right to receive the dividend has been established.

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

For quoted investments, realised gains and losses on sales of investments are accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

C 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.

D TAXATION

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

E FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Fund's functional and presentation currency.

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

The Fund designates its investment in quoted equities as financial assets at fair value through profit or loss at inception.

Financial assets are designated at fair value through profit or loss when they are managed and their performance evaluated on a fair value basis.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets. The Fund's loans and receivables comprise cash and cash equivalents, dividend receivables and amount due from brokers.

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement

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 other financial liabilities.

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 139, 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 is presented in the statement of comprehensive income within "net gain/(loss) on financial assets at fair value through profit or loss" in the period which they arise.

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 when the Fund's right to receive payments is established.

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.

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest method over the period from the date of placement to the date of maturity of the deposits.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment

For assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

G 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018 (CONTINUED)

H AMOUNTS DUE FROM/(TO) BROKERS

Amount 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.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers. A provision for impairment of amount due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker.

Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or loans expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

I UNITHOLDERS' CAPITAL

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

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

The outstanding units are carried at the redemption amount that is payable at each financial period if unitholder exercises the right to put the unit back to the Fund.

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

J SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic asset allocation committee of the Manager that makes strategic decisions.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018
(CONTINUED)**

K CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018

1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name of Amanah Saham PHB (the "Fund") pursuant to the execution of a Principal Deed dated 15 April 1993, a First Supplemental deed dated 4 May 1994, a Second Supplemental deed dated 1 October 1996, a Third Supplemental deed dated 1 October 1996, a Supplemental Deed dated 18 November 1998, Third Supplemental Deed dated 23 August 2007, Forth Supplemental Deed dated 13 October 2008 and Sixth Supplemental Deed dated 27 July 2015. The Fund, under a Second Supplemental Deed dated 31 May 2002, was later renamed to Affin Equity Fund, changed its pricing policy to forward pricing and replaced units certificates with statements. The Fund later changed its name from Affin Equity Fund to Affin Hwang Equity Fund as amended by the Fifth Supplemental Deed dated 22 July 2014 (the "Deeds") entered into between Affin Hwang Asset Management Berhad (the "Manager") and Maybank Trustees Berhad (the "Trustee").

The Fund commenced operations on 29 April 1993 and will continue its operations until terminated by the Trustee as provided under Clause 23 of the Supplemental Deed.

The Fund may invest in the following permitted investments subject to the following restrictions imposed or as may be amended from time to time by the Securities Commission ("SC") and/or the relevant authorities and/or the Deed:

- (i) Listed securities;
- (ii) Unlisted securities including, without limitation, securities that have been approved by relevant authorities for the listing of and quotation for such securities;
- (iii) Fixed deposits with financial institutions;
- (iv) Money market instruments;
- (v) Government bonds, treasury bills and other Government approved or guaranteed bonds;
- (vi) Debentures including private debt securities and bonds;
- (vii) Units/shares in collective investment schemes, both local and foreign;
- (viii) Equity linked instruments; and
- (ix) Any other form of investments as may be permitted by the Securities Commissions from time to time that is in line with the Trust's objectives.

The objective of the Fund is to reward the unitholders with a reasonable rate of return on income and to realise capital growth.

The Manager is a company incorporated in Malaysia. The principal activities of the Manager are establishment and management of unit trust 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 13 December 2018.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018
(CONTINUED)**

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	<u>Note</u>	<u>Loan and receivables</u> RM	<u>Financial assets at fair value through profit or loss</u> RM	<u>Total</u> RM
<u>2018</u>				
Quoted equities	7	-	50,131,403	50,131,403
Cash and cash equivalents	8	17,891,269	-	17,891,269
Dividend receivables		41,030	-	41,030
Amount due from brokers		54,332	-	54,332
Total		<u>17,986,631</u>	<u>50,131,403</u>	<u>68,118,034</u>
<u>2017</u>				
Quoted equities	7	-	79,056,601	79,056,601
Cash and cash equivalents	8	3,919,728	-	3,919,728
Dividend receivables		288,948	-	288,948
Amount due from brokers		191,385	-	191,385
Total		<u>4,400,061</u>	<u>79,056,601</u>	<u>83,456,662</u>

All current liabilities are financial liabilities which are carried at amortised cost.

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

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated by 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018
(CONTINUED)**

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

Market risk (continued)

(a) Price risk (continued)

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

	<u>2018</u> RM	<u>2017</u> RM
Quoted investments		
Quoted equities designated at fair value through profit or loss	50,131,403	79,056,601

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

<u>% Change in price</u>	<u>Market value</u> RM	Impact on profit after tax/ <u>NAV</u> RM
<u>2018</u>		
-5%	47,624,833	(2,506,570)
0%	50,131,403	-
+5%	52,637,973	2,506,570
	<u> </u>	<u> </u>
<u>2017</u>		
-5%	75,103,771	(3,952,830)
0%	79,056,601	-
+5%	83,009,431	3,952,830
	<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 cash flows.

The Fund's exposure to the interest rate risk is mainly confined to short term deposit placements with licensed financial institutions. The Manager overcomes this exposure by way of maintaining deposits on short term basis.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018
(CONTINUED)**

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

Credit risk

Credit risk refers to the ability of any 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.

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

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

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

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

	<u>Cash and cash equivalents</u> RM	<u>Dividend receivables</u> RM	<u>Amount due from brokers</u> RM	<u>Total</u> RM
<u>2018</u>				
Finance				
- AAA	6,196,233	-	-	6,196,233
- AA	7,162,026	-	-	7,162,026
- AA-	4,533,010	-	-	4,533,010
- NR	-	41,030	-	41,030
Energy				
- AAA	-	-	54,332	54,332
	<u>17,891,269</u>	<u>41,030</u>	<u>54,332</u>	<u>17,986,631</u>
<u>2017</u>				
Finance				
- AAA	3,919,728	-	-	3,919,728
- NR	-	277,569	26,893	304,462
Properties				
- NR	-	11,379	164,492	175,871
	<u>3,919,728</u>	<u>288,948</u>	<u>191,385</u>	<u>4,400,061</u>

The Fund's financial assets are neither past due nor impaired.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018
(CONTINUED)**

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

Liquidity risk

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

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

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

	<u>Within one month</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>2018</u>			
Amount due to Manager			
- management fee	88,995	-	88,995
- cancellation of units	57,167	-	57,167
Amount due to Trustee	4,747	-	4,747
Auditors' remuneration	-	3,781	3,781
Tax agent's fee	-	13,246	13,246
Other payables and accruals	-	214	214
	<u>150,909</u>	<u>17,241</u>	<u>168,150</u>
<u>2017</u>			
Amount due to Manager			
- management fee	105,521	-	105,521
- cancellation of units	29,032	-	29,032
Amount due to Trustee	5,628	-	5,628
Amount due to brokers	26,897	-	26,897
Auditors' remuneration	-	12,755	12,755
Tax agent's fee	-	11,346	11,346
Other payables and accruals	6,669	824	7,493
	<u>173,747</u>	<u>24,925</u>	<u>198,672</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018 (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 ESTIMATIONS

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 year end date. The Fund utilises the current bid price for financial assets which falls within the bid-ask spread.

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

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

(i) Fair value hierarchy

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

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018
(CONTINUED)**

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>2018</u>				
Financial assets at fair value through profit or loss				
- quoted equities	50,131,403	-	-	50,131,403
	<u>50,131,403</u>	<u>-</u>	<u>-</u>	<u>50,131,403</u>
<u>2017</u>				
Financial assets at fair value through profit or loss				
- quoted equities	79,056,601	-	-	79,056,601
	<u>79,056,601</u>	<u>-</u>	<u>-</u>	<u>79,056,601</u>

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

- (ii) The carrying values of cash and cash equivalents, dividend receivables, amount due from brokers and all current liabilities are a reasonable approximation of the fair values due to their short term nature.

4 MANAGEMENT FEE

In accordance with the Prospectus, the Manager is entitled to a management fee at a rate not exceeding 1.50% per annum of the NAV of the Fund calculated on a daily basis.

For the financial period ended 31 October 2018, the management fee is recognised at a rate of 1.50% (2017: 1.50%) per annum based on the NAV of the Fund calculated on a daily basis.

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 Prospectus, the Trustee is entitled to an annual fee at a rate not exceeding 0.08% per annum on the NAV of the Fund.

For the financial period ended 31 October 2018, the Trustee fee is recognised at a rate of 0.08% (2017: 0.08%) per annum based on the NAV of the Fund calculated on a daily basis.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018
(CONTINUED)**

6 TAXATION

	6 months financial period ended <u>31.10.2018</u> RM	6 months financial period ended <u>31.10.2017</u> RM
Current taxation - local	6,418	7,834

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

	6 months financial period ended <u>31.10.2018</u>	6 months financial period ended <u>31.10.2017</u>
Net (loss)/profit before taxation	(4,017,216)	4,288,606
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	(964,132)	1,029,265
Tax effect of:		
(Investment loss not deductible for tax purposes)/ Investment income not subject to tax	777,447	(1,254,463)
Expenses not deductible for tax purposes	53,724	68,661
Restrictions on tax deductible expenses for unit trust funds	132,961	156,537
Income subject to different tax rate	6,418	7,834
Tax expense	<u>6,418</u>	<u>7,834</u>

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2018</u> RM	<u>2017</u> RM
Designated at fair value through profit or loss at inception: - quoted equities – local	50,131,403	79,056,601
Net (loss)/ gain on financial assets at fair value through profit or loss		
- realised gain/(loss) on sale of investments	1,183,834	4,279,489
- unrealised loss on changes in fair value	(5,730,443)	(626,608)
	<u>(4,546,609)</u>	<u>3,652,881</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018
(CONTINUED)**

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

(a) Quoted equities – local

(i) Quoted equities – local as at 31 October 2018 are as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>CONSUMER PRODUCTS & SERVICES</u>				
Fraser & Neave Holdings Bhd	35,900	943,820	1,206,240	1.77
Hong Leong Industries Bhd	203,400	1,308,137	2,147,904	3.16
Petronas Dagangan Bhd	139,300	3,571,772	3,616,228	5.32
	<u>378,600</u>	<u>5,823,729</u>	<u>6,970,372</u>	<u>10.25</u>
<u>FINANCIAL INSTITUTION</u>				
Aeon Credit Service M Bhd	184,405	1,818,627	2,777,139	4.09
Alliance Bank Malaysia Bhd	356,000	1,517,469	1,406,200	2.07
Allianz Malaysia Berhad	118,000	1,691,929	1,437,240	2.11
CIMB Group Holdings Bhd	491,310	2,952,718	2,810,293	4.14
Malayan Banking Bhd	377,945	3,603,971	3,586,698	5.28
Public Bank Bhd	86,100	2,006,187	2,114,616	3.11
RHB Bank Bhd	269,000	1,420,177	1,401,490	2.06
	<u>1,882,760</u>	<u>15,011,078</u>	<u>15,533,676</u>	<u>22.86</u>
<u>INDUSTRIAL PRODUCTS & SERVICES</u>				
Petronas Chemicals Group Bhd	305,200	2,523,135	2,850,568	4.19
Scientex Bhd	346,900	1,468,169	2,979,871	4.39
Sunway Berhad	1,009,266	1,637,784	1,372,602	2.02
V.S. Industry Bhd	862,025	1,010,685	1,379,240	2.03
	<u>2,523,391</u>	<u>6,639,773</u>	<u>8,582,281</u>	<u>12.63</u>
<u>UTILITIES</u>				
Tenaga Nasional Bhd	284,200	4,246,963	4,172,056	6.14
<u>PLANTATIONS</u>				
Genting Plantations Bhd	67,800	675,586	652,914	0.96
<u>PROPERTIES</u>				
Malaysian Resources Corp Bhd	1,760,400	1,345,984	1,285,092	1.89
Matrix Concepts Holdings Bhd	700,375	1,381,521	1,295,694	1.91
	<u>2,460,775</u>	<u>2,727,505</u>	<u>2,580,786</u>	<u>3.80</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018
(CONTINUED)**

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

(a) Quoted equities – local (continued)

(i) Quoted equities – local as at 31 October 2018 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>REITS</u>				
IGB REIT	1,516,200	2,485,959	2,547,216	3.75
Sunway REIT	390,500	667,192	656,040	0.96
	<u>1,906,700</u>	<u>3,153,151</u>	<u>3,203,256</u>	<u>4.71</u>
<u>TELECOMMUNICATION & MEDIA</u>				
Astro Malaysia Holdings Bhd	783,700	1,368,089	1,026,647	1.51
Digi.Com Bhd	125,100	575,426	524,169	0.77
OCC Group Bhd	2,604,750	1,998,663	1,250,280	1.84
	<u>3,513,550</u>	<u>3,942,178</u>	<u>2,801,096</u>	<u>4.12</u>
<u>TECHNOLOGY</u>				
Inari Amertron Bhd	793,100	1,771,375	1,546,545	2.28
Malaysian Pacific Industries Bhd	92,200	913,780	992,072	1.46
Unisem (M) Bhd	238,900	599,154	690,421	1.02
	<u>1,124,200</u>	<u>3,284,309</u>	<u>3,229,038</u>	<u>4.76</u>
<u>ENERGY</u>				
Dayang Enterprise Holdings Bhd	759,100	572,128	406,119	0.60
Hibiscus Petroleum Bhd	863,900	834,790	967,568	1.42
Uzma Bhd	847,600	1,318,211	1,000,168	1.47
	<u>2,470,600</u>	<u>2,725,129</u>	<u>2,373,855</u>	<u>3.49</u>
<u>WARRANTS</u>				
Econpile Holding - 02.01.2023	278,900	-	32,073	0.05

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018
(CONTINUED)**

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

(a) Quoted equities – local (continued)

(i) Quoted equities – local as at 31 October 2018 are as follows: (continued)

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
Total quoted equities – local	<u>16,891,476</u>	48,229,401	<u>50,131,403</u>	<u>73.77</u>
Accumulated unrealised gain on quoted equities – local		<u>1,902,002</u>		
Total quoted equities – local		<u>50,131,403</u>		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018
(CONTINUED)**

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

(a) Quoted equities – local (continued)

(ii) Quoted equities – local as at 31 October 2017 are as follows:

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>CONSTRUCTIONS</u>				
Ahmad Zaki Resources Bhd	766,400	816,293	881,360	1.06
Econpile Holdings Bhd	758,800	848,416	2,359,868	2.83
Gabungan AQRS Bhd	406,700	692,270	797,132	0.96
Gamuda Bhd	476,700	2,329,346	2,497,908	3.00
IJM Corporation Bhd	681,100	2,205,507	2,165,898	2.60
Malaysian Resources Corporation Bhd	1,810,000	1,693,074	1,900,500	2.28
Pesona Metro Holdings Bhd	1,533,300	890,185	850,982	1.02
WCT Holdings Bhd	891,168	1,593,262	1,479,338	1.78
	<u>7,324,168</u>	<u>11,068,353</u>	<u>12,932,986</u>	<u>15.53</u>
<u>CONSUMER PRODUCTS</u>				
Hong Leong Industries Bhd	182,400	1,079,237	1,738,272	2.09
Malayan Flour Mills Bhd	766,600	1,648,421	1,471,872	1.77
	<u>949,000</u>	<u>2,727,658</u>	<u>3,210,144</u>	<u>3.86</u>
<u>FINANCE</u>				
Aeon Credit Service M Bhd	196,200	1,784,878	2,719,332	3.27
Allianz Malaysia Bhd	89,700	1,284,413	1,239,654	1.49
BIMB Holdings Bhd	267,700	1,091,664	1,175,203	1.41
Bursa Malaysia Bhd	226,400	1,948,138	2,257,208	2.71
CIMB Group Holdings Bhd	924,173	5,220,676	5,674,422	6.81
Malayan Banking Bhd	504,215	4,472,132	4,663,989	5.60
	<u>2,208,388</u>	<u>15,801,901</u>	<u>17,729,808</u>	<u>21.29</u>
<u>INDUSTRIAL PRODUCTS</u>				
Press Metal Aluminium Holdings Bhd	272,400	972,117	1,206,732	1.45
Scientex Bhd	467,600	1,957,952	4,119,556	4.95
SKP Resources Bhd	1,738,000	2,278,601	3,058,880	3.67
Top Glove Corporation Bhd	298,100	1,648,093	1,892,935	2.27
V.S. Industry Bhd	831,300	1,218,327	2,552,091	3.07
	<u>3,607,400</u>	<u>8,075,090</u>	<u>12,830,194</u>	<u>15.41</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018
(CONTINUED)**

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

(a) Quoted equities – local (continued)

(ii) Quoted equities – local as at 31 October 2017 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>PLANTATION</u>				
Genting Plantations Bhd	266,300	2,653,517	2,838,758	3.41
<u>PROPERTIES</u>				
IGB Corporation Bhd	670,500	1,800,804	1,877,400	2.25
Matrix Concepts Holdings Bhd	1,143,375	2,255,358	2,549,726	3.06
Sunway Bhd	1,221,666	1,982,455	2,089,049	2.51
UOA Development Bhd	629,400	1,616,968	1,604,970	1.93
	<u>3,664,941</u>	<u>7,655,585</u>	<u>8,121,145</u>	<u>9.75</u>
<u>TECHNOLOGY</u>				
Inari Amertron Bhd	778,200	1,040,248	2,186,742	2.62
Unisem M Bhd	467,600	1,078,375	1,870,400	2.25
	<u>1,245,800</u>	<u>2,118,623</u>	<u>4,057,142</u>	<u>4.87</u>
<u>TRADING/SERVICES</u>				
Chin Hin Group Bhd	1,248,800	1,169,503	1,623,440	1.95
Destini Bhd	474,100	355,821	227,568	0.27
Dialog Group Bhd	1,844,300	3,253,676	4,149,675	4.99
OCK Group Bhd	3,539,150	2,715,642	3,132,148	3.76
Tenaga Nasional Bhd	175,900	2,398,104	2,631,464	3.16
Uzma Bhd	486,000	826,200	685,260	0.82
	<u>7,768,250</u>	<u>10,718,946</u>	<u>12,449,555</u>	<u>14.95</u>
<u>REITS</u>				
IGB REIT	1,302,900	2,122,639	2,136,756	2.57
MRCB-QUILL REIT	866,600	1,050,890	1,100,582	1.32
Sunway REIT	478,600	818,292	818,406	0.98
	<u>2,648,100</u>	<u>3,991,821</u>	<u>4,055,744</u>	<u>4.87</u>
<u>WARRANTS</u>				
Gamuda Bhd – 06.03.2021	272,500	385,272	340,625	0.41

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018
(CONTINUED)**

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

(a) Quoted equities – local (continued)

(ii) Quoted equities – local as at 31 October 2017 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>RIGHTS</u>				
Malaysian Resources Corporation Bhd	362,000	-	-	-
<u>ICULS</u>				
Aeon Credit Service M Bhd	392,400	392,400	490,500	0.59
Total quoted equities – local	<u>30,709,247</u>	<u>65,589,166</u>	<u>79,056,601</u>	<u>94.94</u>
Accumulated unrealised gain on quoted equities – local		<u>13,467,435</u>		
Total quoted equities – local		<u>79,056,601</u>		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018
(CONTINUED)**

8 CASH AND CASH EQUIVALENTS

	<u>2018</u> RM	<u>2017</u> RM
Cash and bank balances	18,457	59,822
Deposits with licensed financial institutions	17,872,812	3,859,906
	<u>17,891,269</u>	<u>3,919,728</u>

Weighted average interest rates per annum and weighted average maturity of deposits with licensed financial institutions are as follows:

	<u>2018</u> %	<u>2017</u> %
Deposits with licensed financial institutions	<u>3.38</u>	<u>3.05</u>

Deposits with licensed financial institutions have an average maturity period of 3 days (2017: 1 day).

9 NUMBER OF UNITS IN CIRCULATION

	<u>2018</u> No. of unit	<u>2017</u> No. of unit
At beginning of the financial period	139,393,000	164,245,000
Creation of units arising from applications	6,000	-
Cancellation of units	(10,072,000)	(14,829,000)
At end of the financial period	<u>129,327,000</u>	<u>149,416,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018
(CONTINUED)**

10 TRANSACTIONS WITH BROKERS

(i) Details of transactions with the top 10 brokers for the financial period ended 31 October 2018 are as follows:

<u>Name of brokers</u>	<u>Value of trade</u> RM	Percentage of total trade %	Brokerage fees RM	Percentage of total brokerage %
Affin Hwang Investment Bank Bhd	22,042,903	37.91	65,581	36.72
Malayan Banking Bhd	6,589,182	11.33	20,899	11.70
Kenanga Investment Bank Bhd	6,400,618	11.01	20,198	11.31
CIMB Investment Bank Bhd	5,461,463	9.39	15,924	8.92
RHB Investment Bank Bhd	2,841,192	4.89	9,478	5.31
Hong Leong Investment Bank Bhd	2,529,500	4.35	7,514	4.21
KAF Seagroatt & Campbell Securities Sdn Bhd	2,176,307	3.74	6,188	3.46
Public Investment Bank Bhd	2,101,923	3.61	7,016	3.93
TA Securities Bhd	1,691,282	2.91	5,292	2.96
Alliance Investment Bank Bhd	1,526,081	2.62	5,132	2.87
Others	4,791,852	8.24	15,379	8.61
	<u>58,152,303</u>	<u>100.00</u>	<u>178,601</u>	<u>100.00</u>

(ii) Details of transactions with the top 10 brokers for the financial period ended 31 October 2017 are as follows:

<u>Name of brokers</u>	<u>Value of trade</u> RM	Percentage of total trade %	Brokerage fees RM	Percentage of total brokerage %
Affin Hwang Investment Bank Bhd	21,882,625	37.65	72,312	36.92
Hong Leong Investment Bank Bhd	7,232,103	12.44	23,075	11.78
Kenanga Investment Bank Bhd	5,925,392	10.19	19,094	9.75
Malayan Banking Bhd	4,237,835	7.29	13,795	7.04
CIMB Investment Bank Bhd	3,649,026	6.28	9,262	4.73
RHB Investment Bank Bhd	2,825,374	4.86	8,342	4.26
UOB Kay Hian Securities (M) Sdn Bhd	2,389,731	4.11	8,128	4.15
Credit Suisse Securities (M) Sdn Bhd	2,174,482	3.74	6,806	3.48
KAF Seagroatt & Campbell Securities Sdn Bhd	1,929,267	3.32	6,598	3.37
Macquarie Capital Securities (M) Sdn Bhd	1,707,421	2.94	5,776	2.95
Others	4,175,028	7.18	22,663	11.57
	<u>58,128,284</u>	<u>100.00</u>	<u>195,851</u>	<u>100.00</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018
(CONTINUED)**

10 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 RM22,042,903 (2017: RM21,882,625). The Manager is of the opinion that all transactions with the related company have been entered into at agreed terms between the related parties.

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

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

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

	<u>2018</u>		<u>2017</u>	
	<u>No. of units</u>	<u>RM</u>	<u>No. of units</u>	<u>RM</u>
<u>The Manager:</u>				
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)	2,408	1,265	2,899	1,616
<u>Parties related to the Manager:</u>				
Director of Affin Hwang Asset Management Berhad (The units are held beneficially)	196,028	103,013	51,104	28,480

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018
(CONTINUED)**

12 MANAGEMENT EXPENSE RATIO (“MER”)

	6 months financial period ended <u>31.10.2018</u>	6 months financial period ended <u>31.10.2017</u>
MER	<u>0.83</u>	<u>0.86</u>

MER is derived from the following calculation:

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

A	=	Management fee
B	=	Trustee’s and custodian fees
C	=	Auditors’ remuneration
D	=	Tax agent’s fee
E	=	Other expenses, excluding goods and service tax on transaction cost
F	=	Average NAV of Fund calculated on daily basis

The average NAV of the Fund for the financial period calculated on a daily basis is RM72,222,524 (2017: RM84,930,134).

13 PORTFOLIO TURNOVER RATIO (“PTR”)

	6 months financial period ended <u>31.10.2018</u>	6 months financial period ended <u>31.10.2017</u>
PTR (times)	<u>0.39</u>	<u>0.33</u>

PTR is derived from the following calculation:

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

where: total acquisition for the financial period = RM22,236,723 (2017: RM26,468,856)
total disposal for the financial period = RM34,731,745 (2017: RM29,351,749)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2018
(CONTINUED)**

14 SEGMENT INFORMATION

The strategic asset allocation committee of the Investment Manager makes the strategic resource allocations on behalf of the Fund. The Fund has determined the operating segments based on the reports reviewed by the Manager that are used to make strategic decisions.

The committee is responsible for the Fund's entire portfolio and considers the business to have a single operating segment. The committee's asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. These returns consist of dividends, income and gains on the appreciation in the value of investments and are derived from quoted equities in Malaysia.

There were no changes in the reportable segment during the financial period.

The internal reporting provided to the committee for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and IFRS.

AFFIN HWANG EQUITY FUND

STATEMENT BY THE MANAGER

I, Teng Chee Wai, as the Director of **Affin Hwang Asset Management**, do hereby state that, in my opinion as the Manager, the financial statements set out on pages 9 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 October 2018 and of its financial performance, changes in equity and cash flows for the financial period ended 31 October 2018 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
13 December 2018

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