

# Affin Hwang Equity Fund

Interim Report  
31 October 2019

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



**AFFIN HWANG**  
CAPITAL

**MANAGER**  
Affin Hwang Asset Management Berhad  
199701014290 (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 2019

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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 2019

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	80,895	83,001
5,001 to 10,000	2,240	15,626
10,001 to 50,000	476	7,829
50,001 to 500,000	44	5,148
500,001 and above	0	0
<b>Total</b>	<b>83,655</b>	<b>111,604</b>

\* Note: Excluding Manager's stock

## FUND PERFORMANCE DATA

Category	As at 31 Oct 2019 (%)	As at 31 Oct 2018 (%)	As at 31 Oct 2017 (%)
Portfolio composition			
<b>Quoted equities – local</b>			
- Construction	2.02	-	15.53
- Consumer products & services	9.06	10.25	3.86
- Energy	13.08	3.49	-
- Financial services	10.76	22.86	21.29
- ICULS	-	-	0.59
- Industrial products & services	13.07	12.63	15.41
- Plantation	2.90	0.96	3.41
- Properties	2.21	3.80	9.75
- REITs	6.13	4.71	4.87
- Technology	13.58	4.76	4.87
- Telecommunication & media	6.22	4.12	-
- Trading / services	-	-	14.95
- Healthcare	1.94	-	-
- Utilities	6.70	6.14	-
- Warrant	-	0.05	0.41
<b>Total quoted equities – local</b>	<b>87.67</b>	<b>73.77</b>	<b>94.94</b>
<b>Cash &amp; cash equivalent</b>	<b>12.33</b>	<b>26.23</b>	<b>5.06</b>
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Total NAV (RM'million)	59.751	67.961	83.269
NAV per Unit (RM)	0.5354	0.5255	0.5573
Unit in Circulation (million)	111.607	129.327	149.416
Highest NAV	0.5439	0.5553	0.5583
Lowest NAV	0.5091	0.5159	0.5254
Return of the Fund (%) <sup>iii</sup>	0.92	-5.37	5.17
- Capital Growth (%) <sup>i</sup>	0.92	-5.37	5.17
- Income Distribution (%) <sup>ii</sup>	Nil	Nil	Nil
Gross Distribution per Unit (sen)	Nil	Nil	Nil
Net Distribution per Unit (sen)	Nil	Nil	Nil
Management Expense Ratio (%) <sup>1</sup>	0.85	0.83	0.86
Portfolio Turnover Ratio (times) <sup>2</sup>	0.48	0.39	0.33

### **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

<sup>1</sup>The MER of the Fund remained relatively unchanged during the period under review, albeit marginally higher than previous period under review.

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

**Capital Return<sup>i</sup>** = (NAV per Unit @ 31/10/19 ÷ NAV per Unit @ 30/4/19\* - 1) x 100  
= (0.5354 ÷ 0.5305 - 1) x 100  
= 0.92%

**Total Income Return<sup>ii</sup>** = Nil

**Return of the Fund<sup>iii</sup>** = [(1 + Capital Return) x (1 + Income Return)] - 1 x 100  
= [(1 + 0.92%) x (1 + 0.00%)] - 1 x 100  
= 0.92%

\* Source – MaybankTrustees Berhad

Table 1: Performance of the Fund

	<b>6 Months</b> (1/5/19 - 31/10/19)	<b>1 Year</b> (1/11/18 - 31/10/19)	<b>3 Years</b> (1/11/16 - 31/10/19)	<b>5 Years</b> (1/11/14 - 31/10/19)	<b>Since Commencement</b> (30/4/93 - 31/10/19)
<b>Fund</b>	<b>0.92%</b>	<b>1.88%</b>	<b>12.34%</b>	<b>11.33%</b>	<b>53.86%</b>
<b>Benchmark</b>	<b>(2.70%)</b>	<b>(6.51%)</b>	<b>(4.45%)</b>	<b>(13.86%)</b>	<b>126.66%</b>
<b>Outperformance / (Underperformance)</b>	<b>3.62%</b>	<b>8.39%</b>	<b>16.79%</b>	<b>25.19%</b>	<b>(72.80%)</b>

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	<b>1 Year</b> (1/11/18 - 31/10/19)	<b>3 Years</b> (1/11/16 - 31/10/19)	<b>5 Years</b> (1/11/14 - 31/10/19)	<b>Since Commencement</b> (30/4/93 - 31/10/19)
<b>Fund</b>	<b>1.88%</b>	<b>3.95%</b>	<b>2.17%</b>	<b>1.64%</b>
<b>Benchmark</b>	<b>(6.51%)</b>	<b>(1.51%)</b>	<b>(2.94%)</b>	<b>3.13%</b>
<b>Outperformance / (Underperformance)</b>	<b>8.39%</b>	<b>5.46%</b>	<b>5.11%</b>	<b>(1.49%)</b>

Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	<b>FYE 2019</b> (01/5/18 - 30/4/19)	<b>FYE 2018</b> (01/5/17 - 30/4/18)	<b>FYE 2017</b> (01/5/16 - 30/4/17)	<b>FYE 2016</b> (01/5/15 - 30/4/16)	<b>FYE 2015</b> (01/5/14 - 30/4/15)
<b>Fund</b>	<b>(4.47%)</b>	<b>4.79%</b>	<b>16.31%</b>	<b>(3.84%)</b>	<b>(4.84%)</b>
<b>Benchmark</b>	<b>(12.19%)</b>	<b>5.79%</b>	<b>5.70%</b>	<b>(8.00%)</b>	<b>(2.85%)</b>
<b>Outperformance / (Underperformance)</b>	<b>7.72%</b>	<b>(1.00%)</b>	<b>10.61%</b>	<b>4.16%</b>	<b>(1.99%)</b>

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.**

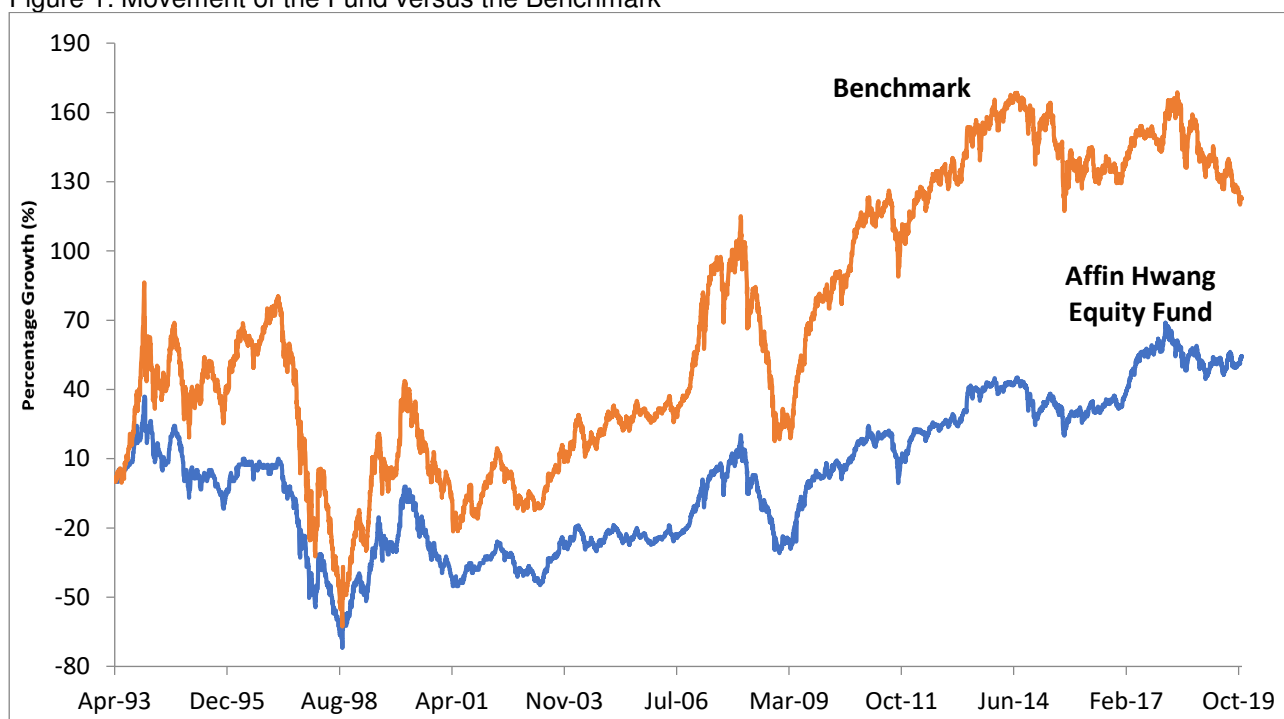
## MANAGER'S REPORT

### Performance Review

For the period 1 May 2019 – 31 October 2019 the Fund registered a 0.92% return. The Net Asset Value (NAV) per unit of the Fund as at 31 October 2019 was RM0.5354 while the NAV per unit as at 30 April 2019 was RM0.5305. The benchmark return for the period under review was -2.70%. The Fund thus outperformed the Benchmark by 3.62%. (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

Since commencement, the Fund has registered a return of 53.86% versus the benchmark of 126.66% which translates to an underperformance of 72.80%.

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 2019.

## **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

	<b><u>31 Oct 2019</u></b>	<b><u>31 Oct 2018</u></b>	<b><u>31 Oct 2017</u></b>
	(%)	(%)	(%)
Quoted equities – local	87.67	73.77	94.94
Cash & cash equivalent	12.33	26.23	5.06
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

As at 31 October 2019, the asset allocation of the Fund stood at 87.67% in equities while the balance was held in cash and cash equivalent.

During the period under review, the Manager has reduced its cash level to half of last year on the back of perceived market opportunities. The Fund's equity exposures were increased to 87.67% from 73.77% a year ago, 13.90 percentage points higher than previous period under review. Sector allocation wise, the Manager had added exposures into sectors like construction and healthcare, while stripped off warrants from the portfolio over the same period.

## **Strategies Employed**

Over the period under review, the Manager continued to focus on domestic-driven sectors that are less directly impacted from trade tariffs. As the sell-down accelerated, we took a view that the correction was overdone and a recession was not imminent, where we then deployed into the market with a focus on quality.

## **Market Review**

"Sell in May and go away" has again proven to be a recurring theme this year after deteriorating trade relations between US and China wreaked further havoc across global financial markets in May. Trump raised the tariff on some US\$200 billion worth of Chinese imports to 25.0% from 10.0% earlier that month in an extreme bid to speed up trade negotiations. While the tariff hike was initially downplayed, things took a swift turn on when Trump banned Huawei with a national security order; thus prompting US companies to sever all business ties with the Chinese smartphone and telecommunications giant.

For the first time in more than a decade, the US Federal Reserve ("Fed") reduced interest rates by 25bps in July; effectively lowering the benchmark rate to a new range of 2.00-2.25%. However, the Fed delivered another widely expected 25bps rate cut at its policy meeting in September and October before Fed Chair Jerome Powell stopped short from guiding expectations of further easing indicating that 'monetary policy was in a good place'. The FOMC also dropped the use of the phrase 'act as appropriate' which markets took as a signal that the Fed would likely stay on hold for now.

Asian markets retreated in August as trade tensions flared up again after a surprise tariff announcement from US President Donald Trump. The Hong Kong Hang Seng index fell 7.4%, whilst the broader MSCI Asia ex-Japan index closed 4.6% lower as the prolonged trade row takes another turn for the worse. However things took a turn in October as markets were buoyed by positive trade developments and synchronised monetary easing by global central banks.

Meanwhile, Hong Kong continues to be plagued by protests which are starting to hurt businesses and dent economic growth. The unrest in Hong Kong started since early June when protesters took to the streets to oppose an extradition bill proposal. The demonstrations have shifted into a movement calling for more autonomy, full democracy and the ousting of Hong Kong's embattled leader Carrie Lam.

On a side note, BNM cut the Overnight Policy Rate by 25 bps to 3.00% on 7 May – likely a pre-emptive measure against a weakening external environment as well as slowing domestic growth. The announcement was largely priced in by investors, which saw the MGS market rallied strongly in the few weeks prior to the announcement, though the buying subsequently eased up amid the addition of risks on the global trade front.

## **Investment Outlook**

The global economy is poised to continue to grow at an even keel albeit at a slower pace. We do not see major economic imbalances that would lead to a recession in the immediate term. That said, as we head into a late cycle, we are mindful that uncertainty will stay high from economic, policy and politics perspective.

Whilst the partial trade deal helped provide a lift in sentiment, the temporary trade truce could be easily upended as seen before. Structural issues and more challenging areas in negotiations such as intellectual property and technology transfer has not been addressed yet. The last mile negotiations in the trade talks would be the most critical to look out for. The overall macro environment remains weak as global economies are still showing weak data.

Going forward, we believe there is limited room for further monetary policy easing given already low interest rates. Central banks are more inclined to “save some bullets” for future, i.e. in the event whereby a recession materialises, as well as adopting a “wait-and-see” approach to assess impact post recent rate cuts. Therefore, expectations are that global interest rates are close to bottoming out in the near term. Having said that, we do not foresee central banks reverting to an interest rate hike cycle anytime soon. The biggest risks (both upside and downside) to my view would be ongoing trade negotiations and US inflation.

The Budget 2020 placed a lot more emphasis on job creation and shifted away from the outright disbursement of large cash handouts and subsidies as seen in prior budgets before. In terms of impact, the budget was market-neutral with no immediate catalysts that could drive Bursa higher for now.

However, the absence of any pump-priming measures or announcement of mega infrastructure projects came as a disappointment to the construction sector. The consumer sector could benefit incrementally over time as the trickle-down effects of job creation, allocation for subsidies and social subsidies to address high cost of living and low income levels spur consumption.

## **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 2019. 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)

**THIRUMALAR NAIKKAR A/P SUBRAMANIAM**  
Alternate Head, Operations

Kuala Lumpur, Malaysia  
10 December 2019

## AFFIN HWANG EQUITY FUND

### UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019

	<u>Note</u>	6 months financial period ended <u>31.10.2019</u> RM	6 months financial period ended <u>31.10.2018</u> RM
<b>INVESTMENT INCOME/ (LOSS)</b>			
Dividend income		989,735	1,082,744
Interest income from financial assets at amortised cost		103,691	224,503
Net gain/(loss) on financial assets at fair value through profit or loss	7	145,487	(4,546,609)
		<u>1,238,913</u>	<u>(3,239,362)</u>
<b>EXPENSES</b>			
Management fee	4	(458,347)	(541,948)
Trustee fee	5	(24,512)	(29,129)
Auditors' remuneration		(3,770)	(3,781)
Tax agent's fee		(3,067)	(3,166)
Transaction costs		(190,669)	(181,356)
Other expenses		(32,766)	(18,475)
		<u>(713,131)</u>	<u>(777,855)</u>
<b>NET PROFIT/(LOSS) BEFORE TAXATION</b>		525,782	(4,017,217)
<b>TAXATION</b>	6	(10,950)	(6,418)
<b>NET PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD</b>		<u>514,832</u>	<u>(4,023,635)</u>
Net profit/(loss) after taxation is made up of the following:			
Realised amount		197,379	1,706,808
Unrealised amount		317,453	(5,730,443)
		<u>514,832</u>	<u>(4,023,635)</u>

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

## AFFIN HWANG EQUITY FUND

### UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2019

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
<b>ASSETS</b>			
Cash and cash equivalents	8	6,638,062	17,891,269
Dividend receivables		59,131	41,030
Amount due from brokers		791,467	54,332
Financial assets at fair value through profit or loss	7	52,383,272	50,131,403
Tax recoverable		-	10,950
<b>TOTAL ASSETS</b>		<u>59,871,932</u>	<u>68,128,984</u>
<b>LIABILITIES</b>			
Amount due to Manager			
- management fee		76,006	88,995
- cancellation of units		21,857	57,167
Amount due to Trustee		4,054	4,747
Auditors' remuneration		3,771	3,781
Tax agent's fee		15,047	13,246
Other payable and accruals		246	214
<b>TOTAL LIABILITIES</b>		<u>120,981</u>	<u>168,150</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>59,750,951</u>	<u>67,960,834</u>
<b>EQUITY</b>			
Unitholders' capital		94,257,233	103,562,850
Accumulated losses		(34,506,282)	(35,602,016)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>59,750,951</u>	<u>67,960,834</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	9	<u>111,607,000</u>	<u>129,327,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>0.5354</u>	<u>0.5255</u>

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

## AFFIN HWANG EQUITY FUND

### UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019

	Unitholders' <u>capital</u> RM	Accumulated <u>losses</u> RM	<u>Total</u> RM
Balance as at 1 May 2019	98,410,538	(35,021,114)	63,389,424
Total comprehensive income for the financial period	-	514,832	514,832
Movement in unitholders' capital:			
Cancellation of units	(4,153,305)	-	(4,153,305)
Balance as at 31 October 2019	<u>94,257,233</u>	<u>(34,506,282)</u>	<u>59,750,951</u>
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 arising from 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>

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

## AFFIN HWANG EQUITY FUND

### UNAUDITED INTERIM STATEMENT OF CASH FLOWS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019

	<u>Note</u>	6 months financial period ended <u>31.10.2019</u> RM	6 months financial period ended <u>31.10.2018</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		32,110,851	35,978,191
Purchase of investments		(26,977,530)	(22,336,513)
Interest received		103,691	218,085
Dividend received		930,604	1,041,714
Management fee paid		(461,166)	(548,649)
Trustee fee paid		(24,662)	(29,486)
Payment for other fees and expenses		(230,937)	(213,356)
		<hr/>	<hr/>
Net cash generated from operating activities		5,450,851	14,109,986
		<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from creation of units		-	3,200
Payments for cancellation of units		(4,165,317)	(5,397,605)
		<hr/>	<hr/>
Net cash used in financing activities		(4,165,317)	(5,394,405)
		<hr/>	<hr/>
<b>NET INCREASE IN CASH AND CASH CASH EQUIVALENTS</b>		1,285,534	8,715,581
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>		5,352,528	9,175,688
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	8	<u>6,638,062</u>	<u>17,891,269</u>

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

## AFFIN HWANG EQUITY FUND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019

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) New standards, amendments and interpretations effective after 1 May 2019 and have not been early adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 May 2019 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

#### **B INCOME RECOGNITION**

##### Dividend Income

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

##### Interest income

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 investments, realised gain and losses on sale of investment 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 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.

## AFFIN HWANG EQUITY FUND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

#### C TRANSACTION COSTS (CONTINUED)

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 classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or 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 and amount due from dealers 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 dealers, amount due to Manager, amount due to Trustee, auditors' remuneration, tax agent's fee and other payables and accruals as financial liabilities measured at amortised cost.**

## AFFIN HWANG EQUITY FUND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (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 up to 31 October 2018 and MFRS 9 from 1 November 2018, 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.

##### (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.



## AFFIN HWANG EQUITY FUND

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

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

(iii) Impairment (continued)

##### Significant increase in credit risk

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

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

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

##### 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 impairment gains. There are no write-offs/recoveries during the financial year.

#### 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.

#### H AMOUNTS 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.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

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

## **AFFIN HWANG EQUITY FUND**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)**

#### **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.

#### **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.

# AFFIN HWANG EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019

### 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, Second Supplemental Deed dated 31 May 2002, Third Supplemental Deed dated 23 August 2007, Forth Supplemental Deed dated 13 October 2008, Fifth supplemental Deed dated 22 July 2014, Sixth Supplemental Deed dated 27 July 2015 and Seventh Supplemental Deed dated 5 October 2018 (the "Deeds"). 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 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, 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 10 December 2019.

## AFFIN HWANG EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

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

Financial instruments of the Fund are as follows:

	Note	Financial asset at amortised <u>cost</u> RM	Financial assets at fair value through <u>profit or loss</u> RM	<u>Total</u> RM
<u>2019</u>				
Quoted equities	7	-	52,383,272	52,383,272
Cash and cash equivalents	8	6,638,062	-	6,638,062
Dividend receivables		59,131	-	59,131
Amount due from brokers		791,467	-	791,467
Total		<u>7,488,660</u>	<u>52,383,272</u>	<u>59,871,932</u>
<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>

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.

## AFFIN HWANG EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (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>2019</u> RM	<u>2018</u> RM
<b>Quoted investments</b>		
Quoted equities	52,383,272	50,131,403

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	<u>Impact on profit after tax/ NAV</u> RM
<u>2019</u>		
-5%	49,764,108	(2,619,164)
0%	52,383,272	-
+5%	55,002,436	2,619,164
<u>2018</u>		
-5%	47,624,833	(2,506,570)
0%	50,131,403	-
+5%	52,637,973	2,506,570

##### (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.

## AFFIN HWANG EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (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>2019</u>				
Finance				
- AAA	4,047,010	-	-	4,047,010
- AA3	1,446,082	-	-	1,446,082
- NR	1,144,970	50,409	-	1,195,379
Consumer product & services				
- NR	-	-	343,206	343,206
Energy				
- NR	-	-	40,631	40,631
Healthcare				
- NR	-	8,722	-	8,722
Technology				
- NR	-	-	407,630	407,630
	<u>6,638,062</u>	<u>59,131</u>	<u>791,467</u>	<u>7,488,660</u>
<u>2018</u>				
Finance				
- AAA	13,358,259	-	-	13,358,259
- NR	4,533,010	41,030	-	4,574,040
Energy				
- NR	-	-	54,332	54,332
	<u>17,891,269</u>	<u>41,030</u>	<u>54,332</u>	<u>17,986,631</u>

## AFFIN HWANG EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (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>2019</u>			
Amount due to Manager			
- management fee	76,006	-	76,006
- cancellation of units	21,857	-	21,857
Amount due to Trustee	4,054	-	4,054
Auditors' remuneration	-	3,771	3,771
Tax agent's fee	-	15,047	15,047
Other payables and accruals	-	246	246
	<u>101,917</u>	<u>19,064</u>	<u>120,981</u>
<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>

## AFFIN HWANG EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (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.



## AFFIN HWANG EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (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>2019</u>				
Financial assets at fair value through profit or loss - quoted equities	52,383,272	-	-	52,383,272
<u>2018</u>				
Financial assets at fair value through profit or loss - quoted equities	50,131,403	-	-	50,131,403

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 AND MANAGEMENT FEE REBATE

	<u>2019</u> RM	<u>2018</u> RM
Gross management fee	459,598	546,172
Management fee rebate	(1,251)	(4,224)
Net management fee	458,347	541,948

In accordance with the Deeds, 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 2019, the management fee is recognised at a rate of 1.50% (2018: 1.50%) per annum based on the NAV of the Fund calculated on a daily basis.

The interest income earned by the Manager from the Fund's trust collection account maintained by the Manager is netted off against the gross management fee charged by the manager.

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

## AFFIN HWANG EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

#### 5 TRUSTEE FEE

In accordance with the Deeds, 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 2019, the Trustee fee is recognised at a rate of 0.08% (2018: 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.

#### 6 TAXATION

	6 months financial period ended 31.10.2019 RM	6 months financial period ended 31.10.2018 RM
Current taxation - local	-	6,418
Over provision of tax in prior years	10,950	-
	<u>10,950</u>	<u>6,418</u>

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

	6 months financial period ended 31.10.2019	6 months financial period ended 31.10.2018
Net profit/(loss) before taxation	<u>533,990</u>	<u>(4,017,216)</u>
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	128,158	(964,132)
Tax effect of:		
(Investment loss not deductible for tax purposes)/		
Investment income not subject to tax	(297,339)	777,447
Expenses not deductible for tax purposes	55,809	53,724
Restrictions on tax deductible expenses for Unit Trust Funds	113,372	132,961
Income subject to different tax rate	-	6,418
Over provision of tax in prior years	10,950	-
Tax expense	<u>10,950</u>	<u>6,418</u>

## AFFIN HWANG EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

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

	<u>2019</u> RM	<u>2018</u> RM
Designated at fair value through profit or loss at inception:		
- quoted equities – local	52,383,272	50,131,403
Net gain/(loss) on financial assets at fair value through profit or loss		
- realised (loss)/gain on sale of investments	(171,966)	1,183,834
- unrealised gain/(loss) on changes in fair value	317,453	(5,730,443)
	<u>145,487</u>	<u>(4,546,609)</u>

(a) Quoted equities – local

(i) Quoted equities – local as at 31 October 2019 are as follows:

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>Consumer Products &amp; Services</u>				
Guan Chong Bhd	395,300	1,420,297	1,933,017	3.24
Hong Leong Industries Bhd	252,900	1,799,573	2,711,088	4.54
Mynews Holdings Bhd	196,100	294,150	258,852	0.43
Petronas Dagangan Bhd	21,700	545,049	510,384	0.85
	<u>866,000</u>	<u>4,059,069</u>	<u>5,413,341</u>	<u>9.06</u>
<u>Energy</u>				
Dayang Enterprise Holdings Bhd	345,400	545,596	670,076	1.12
Dialog Group Bhd	806,500	2,513,505	2,798,555	4.69
Hibiscus Petroleum Bhd	880,800	889,230	823,548	1.38
KNM Group Bhd	3,104,100	939,680	1,412,366	2.36
Veleso Energy Bhd	3,337,300	999,666	1,184,742	1.98
Yinson Holdings Bhd	133,900	775,280	923,910	1.55
	<u>8,608,000</u>	<u>6,662,957</u>	<u>7,813,197</u>	<u>13.08</u>
<u>Construction</u>				
IJM Corporation Bhd	299,400	551,947	643,710	1.08
WCT Holdings Bhd	629,600	711,904	563,492	0.94
	<u>929,000</u>	<u>1,263,851</u>	<u>1,207,202</u>	<u>2.02</u>

## AFFIN HWANG EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

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

(b) Quoted equities – local (continued)

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

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Financial Services</u>				
Aeon Credit Service M Bhd	73,705	726,889	1,126,212	1.88
Allianz Malaysia Bhd	46,800	671,036	645,840	1.08
CIMB Group Holdings Bhd	242,930	1,394,010	1,270,524	2.13
Hong Leong Bank Bhd	36,300	596,271	625,086	1.05
Malayan Banking Bhd	210,461	2,001,370	1,807,860	3.03
RHB Bank Bhd	165,500	889,351	949,970	1.59
	<u>775,696</u>	<u>6,278,927</u>	<u>6,425,492</u>	<u>10.76</u>
<u>Industrial Products &amp; Services</u>				
ATA IMS Bhd	734,600	1,249,648	1,123,938	1.88
Kelington Group Bhd	962,600	1,325,821	1,309,136	2.19
Scientex Bhd	217,500	947,665	2,001,000	3.35
Sunway Bhd	1,199,092	1,915,521	2,026,465	3.39
V.S. Industry Bhd	973,300	1,077,572	1,352,887	2.26
	<u>4,087,092</u>	<u>6,516,227</u>	<u>7,813,426</u>	<u>13.07</u>
<u>Utilities</u>				
Tenaga Nasional Bhd	289,100	3,887,760	4,001,144	6.70
<u>Healthcare</u>				
Duopharma Biotech Bhd	872,173	1,192,313	1,159,990	1.94
<u>Plantation</u>				
Kuala Lumpur Kepong Bhd	23,300	489,300	504,212	0.84
Sime Darby Plantation Bhd	251,800	1,197,398	1,231,302	2.06
	<u>275,100</u>	<u>1,686,698</u>	<u>1,735,514</u>	<u>2.90</u>
<u>Properties</u>				
Matrix Concepts Holdings Bhd	179,575	354,220	339,397	0.57
Paramount Corporation Bhd	776,160	1,254,987	977,962	1.64
	<u>955,735</u>	<u>1,609,207</u>	<u>1,317,359</u>	<u>2.21</u>

## AFFIN HWANG EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (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 2019 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Reits</u>				
IGB REIT	1,279,600	2,098,030	2,444,036	4.09
Sunway REIT	673,400	1,162,186	1,218,854	2.04
	<u>1,953,000</u>	<u>3,260,216</u>	<u>3,662,890</u>	<u>6.13</u>
<u>Telecommunications &amp; Media</u>				
Astro Malaysia Holdings Bhd	860,300	1,340,817	1,152,802	1.93
Digi.Com Bhd	267,600	1,267,440	1,257,720	2.10
OCC Group Bhd	173,900	104,340	108,687	0.18
TIME dotCom Bhd	131,900	1,186,680	1,200,290	2.01
	<u>1,433,700</u>	<u>3,899,277</u>	<u>3,719,499</u>	<u>6.22</u>
<u>Technology</u>				
GHIL Systems Bhd	903,100	1,244,219	1,291,433	2.16
Inari Amertron Bhd	608,800	1,160,834	1,193,248	2.00
Malaysian Pac Industries Bhd	133,200	1,331,406	1,422,576	2.38
My EG Services Bhd	1,650,700	2,504,446	1,865,291	3.12
Pentamaster Corporation Bhd	228,800	1,065,174	1,054,768	1.77
Revenue Group Bhd	770,600	1,194,430	1,286,902	2.15
	<u>4,295,200</u>	<u>8,500,509</u>	<u>8,114,218</u>	<u>13.58</u>
Total quoted equities – local	<u>25,339,796</u>	<u>48,817,011</u>	<u>52,383,272</u>	<u>87.67</u>
Accumulated unrealised gain on quoted equities – local		<u>3,566,261</u>		
Total quoted equities – local		<u>52,383,272</u>		

## AFFIN HWANG EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (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:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Consumer Products &amp; 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 Services</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 Bhd	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 &amp; 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 Bhd	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>

## AFFIN HWANG EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (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 2018 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<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 &amp; 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
Total quoted equities – local	<u>16,891,476</u>	<u>48,229,401</u>	<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>		

## AFFIN HWANG EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

#### 8 CASH AND CASH EQUIVALENTS

	<u>2019</u> RM	<u>2018</u> RM
Cash and bank balances	28,793	18,457
Deposits with licensed financial institutions	6,609,269	17,872,812
	<u>6,638,062</u>	<u>17,891,269</u>

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

	<u>2019</u> %	<u>2018</u> %
Deposits with licensed financial institutions	<u>3.02</u>	<u>3.38</u>

Deposits with licensed financial institutions have an average maturity period of 3 days (2018: 3 days).

#### 9 NUMBER OF UNITS IN CIRCULATION

	<u>2019</u> No. of unit	<u>2018</u> No. of unit
At beginning of the financial period	119,484,000	139,393,000
Creation of units arising from applications	-	6,000
Cancellation of units	<u>(7,877,000)</u>	<u>(10,072,000)</u>
At end of the financial period	<u>111,607,000</u>	<u>129,327,000</u>



## AFFIN HWANG EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

#### 10 TRANSACTIONS WITH BROKERS

(i) Details of transactions with the top 10 brokers for the financial period ended 31 October 2019 are as follows:

<u>Name of brokers</u>	<u>Value of trade</u> RM	Percentage of total <u>trade</u> %	<u>Brokerage</u> <u>fees</u> RM	Percentage of total <u>brokerage</u> %
Affin Hwang Investment Bank Bhd*	19,792,162	33.65	65,242	34.21
CLSA Securities Malaysia Sdn. Bhd	5,085,162	8.65	14,852	7.79
Kenanga Investment Bank Bhd	4,832,401	8.22	15,890	8.33
UOB Kay Hian Securities (M) Sdn Bhd	3,751,472	6.38	11,909	6.25
Hong Leong Investment Bank Bhd	3,526,936	6.00	11,684	6.13
Alliance Investment Bank Bhd	3,058,500	5.20	10,193	5.35
KAF Seagroatt & Campbell Securities Sdn Bhd	2,913,073	4.95	9,697	5.09
RHB Investment Bank Bhd	2,764,580	4.70	9,049	4.75
Public Investment Bank Bhd	2,365,831	4.02	8,074	4.23
Malayan Banking Bhd	1,994,576	3.39	5,945	3.12
Others	8,723,120	14.84	28,134	14.75
	<u>58,807,813</u>	<u>100.00</u>	<u>190,669</u>	<u>100.00</u>

(ii) 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 <u>trade</u> %	<u>Brokerage</u> <u>fees</u> RM	Percentage of total <u>brokerage</u> %
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>

## AFFIN HWANG EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (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 RM19,792,162 (2018: RM22,042,903). 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
Director of Affin Hwang Asset Management Berhad	Director of the Manager

	<u>2019</u>		<u>2018</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)	<u>2,639</u>	<u>1,413</u>	<u>2,408</u>	<u>1,265</u>
<u>Director of the Manager:</u>				
Director of Affin Hwang Asset Management Berhad (The units are held beneficially)	<u>51,104</u>	<u>27,361</u>	<u>196,028</u>	<u>103,013</u>

## AFFIN HWANG EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (CONTINUED)

#### 12 MANAGEMENT EXPENSE RATIO (“MER”)

	6 months financial period ended <u>31.10.2019</u> %	6 months financial period ended <u>31.10.2018</u> %
MER	<u>0.85</u>	<u>0.82</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 and withholding tax
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 RM 60,941,345 (2018: RM72,222,524).

#### 13 PORTFOLIO TURNOVER RATIO (“PTR”)

	6 months financial period ended <u>31.10.2019</u>	6 months financial period ended <u>31.10.2018</u>
PTR (times)	<u>0.48</u>	<u>0.39</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 = RM26,812,040 (2018: RM22,236,723)  
total disposal for the financial period = RM32,167,739 (2018: RM34,731,745)

## **AFFIN HWANG EQUITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 OCTOBER 2019 (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 35 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 2019 and of its financial performance, changes in equity and cash flows for the financial period ended 31 October 2019 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  
10 December 2019

## **DIRECTORY OF SALES OFFICE**

### **HEAD OFFICE**

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