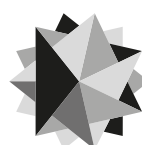


# Affin Hwang Aiiman Growth Fund

Annual Report  
31 August 2016

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



**AFFIN HWANG**  
CAPITAL

MANAGER  
Affin Hwang Asset Management Berhad (429786-T)

TRUSTEE  
HSBC (Malaysia) Trustee Berhad (1281-T)

# AFFIN HWANG AIIMAN GROWTH FUND

## Annual Reports and Audited Financial Statements For the Financial Year Ended 31 August 2016

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## MANAGER'S REPORT

### (1) MANAGER'S VIEW ON PORTFOLIO AND MARKET

#### Fund Type, Category, Objective, Distribution Policy, Benchmark

Fund Type	Growth
Category	Equity
Objective	The Fund seeks to achieve consistent capital appreciation over medium to long-term by investing mainly in listed equities and other approved investments which harmonize with Islamic philosophy and laws.
Distribution Policy	The Fund endeavours to distribute income, if any, on an annual basis. However, the amount of income available for distribution may fluctuate from year to year.
Benchmark	FTSE Bursa Malaysia Emas Shariah Index (FBMSHA)

#### Performance of the Fund (1 September 2015 to 31 August 2016)

For the period 1 September 2015 to 31 August 2016, the Fund registered a return of 8.19%. The Net Asset Value (NAV) per unit of the Fund as at 31 August 2016 was RM1.0114 while the NAV at 31 August 2015 was RM0.9442. The Benchmark for the period registered a return of 8.63%. The Fund underperformed the Benchmark by 0.44 percentage points (See Table 1 for performance of the Fund and Figure 1 for the movement of the Fund versus the Benchmark respectively).

Since its inception to 31 August 2016, the Fund has registered a return of 399.55%. Compared to the benchmark that rose 160.60% for the same period, the Fund outperformed the Benchmark by 238.95 percentage points. As such, the Fund will continue to be managed in a manner to fulfil its objective.

Table 1: Performance of the Fund

	1 Year (1/9/15 - 31/8/16)	3 Years (1/9/13 - 31/8/16)	5 Years (1/9/11 - 31/8/16)	Since Commencement (29/10/02 - 31/8/16)
<b>Fund</b>	<b>8.19%</b>	<b>12.56%</b>	<b>57.50%</b>	<b>399.55%</b>
<b>Benchmark</b>	<b>8.63%</b>	<b>3.18%</b>	<b>29.43%</b>	<b>160.60%</b>
<b>Outperformance</b>	<b>(0.44%)</b>	<b>9.38%</b>	<b>28.07%</b>	<b>238.95%</b>

Source of Benchmark: Bursa Malaysia

Table 2: Average Total Return

	1 Year (1/9/15 - 31/8/16)	3 Years (1/9/13 - 31/8/16)	5 Years (1/9/11 - 31/8/16)	Since Commencement (29/10/02 - 31/8/16)
<b>Fund</b>	<b>8.19%</b>	<b>4.02%</b>	<b>9.50%</b>	<b>12.31%</b>
<b>Benchmark</b>	<b>8.63%</b>	<b>1.05%</b>	<b>5.29%</b>	<b>7.16%</b>
<b>Outperformance</b>	<b>(0.44%)</b>	<b>2.97%</b>	<b>4.21%</b>	<b>5.15%</b>

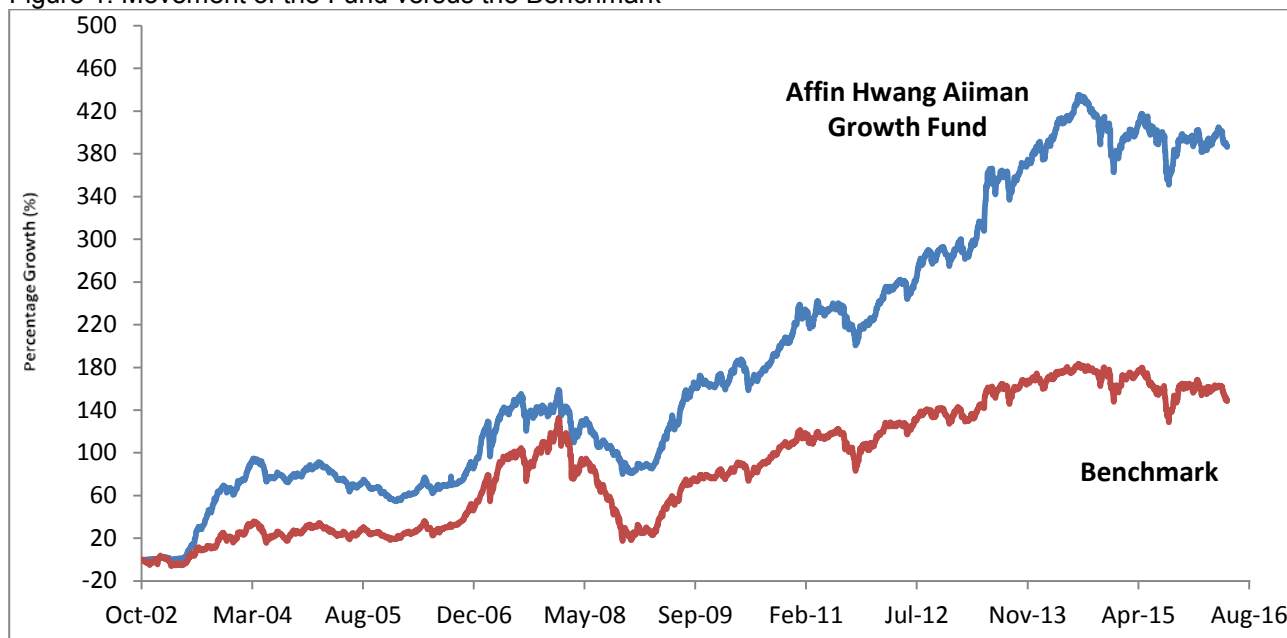
Source of Benchmark: Bursa Malaysia

Table 3: Annual Total Return

	FYE 2016 (01/9/15 - 31/8/16)	FYE 2015 (01/9/14 - 31/8/15)	FYE 2014 (01/9/13 - 31/8/14)	FYE 2013 (01/9/12 - 31/8/13)	FYE 2012 (01/9/11 - 31/8/12)
<b>Fund</b>	<b>8.19%</b>	<b>(11.27%)</b>	<b>17.26%</b>	<b>14.56%</b>	<b>22.14%</b>
<b>Benchmark</b>	<b>8.63%</b>	<b>(13.44%)</b>	<b>9.74%</b>	<b>5.88%</b>	<b>18.47%</b>
<b>Outperformance</b>	<b>(0.44%)</b>	<b>2.17%</b>	<b>7.52%</b>	<b>8.68%</b>	<b>3.67%</b>

Source of Benchmark: Bursa Malaysia

Figure 1: Movement of the Fund versus the Benchmark



*"This information is prepared by Affin Hwang Asset Management Berhad for information purposes only. Past earnings or the Fund's distribution record is not a guarantee or reflection of the Fund's future earnings/future distributions. Investors are advised that unit prices, distributions payable and investment returns may go down as well as up. Source of benchmark is from Bloomberg."*  
 Benchmark: FTSE Bursa Malaysia Emas Shariah Index

### **Strategies Employed (1 September 2015 to 31 August 2016)**

The Manager continued to adopt a bottom up stock picking strategy and focused on quality companies with sustainable earnings growth and cash flows.

The Manager had remained relatively cautious over the period under review on the back of a more challenging market environment. The portfolio however remained tilted towards income yielding investments given slower growth expectations. The Manager had also taken up a more active trading position, and took opportunities on event-driven stocks to drive the Fund's performance.

## **Assets Allocation**

As at 31 August 2016, the Shariah-compliant equities weighting in the portfolio stood at 81.68% of the Fund's NAV, with the balance in cash. For a snapshot of the Fund's asset mix during the year under review and sector allocation as at 31 August 2016, see Figure 2 below.

**Figure 2: Summary of Shariah-compliant Equity Sector Allocation**

<b>Shariah-compliant Equity Sector Allocation</b>	<b><u>31 Aug 2016</u></b>	<b><u>31 Aug 2015</u></b>	<b><u>31 Aug 2014</u></b>
Basic Materials	2.16%	-	-
Consumer Goods	11.20%	-	-
Consumer Services	0.84%	-	-
Construction	-	10.28%	8.02%
Consumer Products	-	2.95%	3.61%
Finance	14.27%	7.00%	2.60%
Health Care	3.68%	-	-
Industrial	21.38%	-	-
Industrial Products	-	4.33%	4.14%
Infrastructure	-	3.48%	4.68%
Oil & Gas	6.87%	-	7.53%
Properties	-	6.53%	10.14%
Plantation	-	6.82%	6.93%
Trading & Services	-	25.83%	28.01%
Warrants	-	0.04%	0.07%
Utilities	6.71%	-	-
Telecommunications	8.27%	-	-
Technology	6.30%	4.29%	0.52%
<b>Shariah-compliant Equity</b>	<b>81.68%</b>	<b>71.55%</b>	<b>76.25%</b>
<b>Cash</b>	<b>18.32%</b>	<b>28.45%</b>	<b>23.75%</b>
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

The Manager increase the exposure into equity market to 81.68% as the global market sentiment improved. The Manager had remained relatively cautious over the period under review on the back of a more challenging market environment. The portfolio however remained tilted towards income yielding investments given slower growth expectations.

## **Review of Market (1 September 2015 to 31 August 2016)**

The uncertainties that had continued to swirl around global financial markets had taken its toll on the domestic front. The start of the period under review so global financial markets recovering from a shock sell-down after a surprise Renminbi devaluation by the People's Republic of China. While financial markets continued its upward trend in October, concerns of the sustainability of China's economic growth remained in focus.

The long anticipated US rate hike that took place in December had failed to lift markets off in a big way as concerns of a prolonged oil price stole the headlines.

The FBM Emas Shariah Index rose 8.6% in Ringgit terms over the period under review, outperforming the broader KLCI index which rose 4.1% over the same period. The turbulent market conditions on the global front had continued to put pressure on the domestic equity market. Markets were also lacklustre for the better half of the period under review as corporate earnings growth remained sluggish, and the 1MDB scandal had continued to affect market sentiment. The suppressed oil prices had not helped with the already fragile situation.

The central bank's pre-emptive move to address the slowing pace of growth with a surprise decision to cut Overnight Policy Rates by 25 basis points in July was taken positive by investors. The Ringgit strengthened by more than 3% when it ended the period under review at RM4.05 to the US Dollar compared to RM4.19 at the end of February.

GDP for the second quarter eased marginally to 4.0% from its first quarter's reading of 4.2%, with strong government spending providing support. The slowing growth had kept markets speculating over the possibility of another rate cut as the government looks for ways to maintain economic growth. Export numbers rose 9% month-on-month in June, contributing to the expansion of trade surplus in the same month. The trade surplus expanded to USD1.4 billion from USD0.8 billion the previous month.

As the slow growth environment continued on the global front, loose monetary policies are expected to remain as a key driver for financial markets. Post-Brexit, the World Bank lowered its growth forecast for 2016 to 2.4% in July, from the initial 2.9% it forecasted in January. The decision was said to be attributed to the sluggish growth seen in the advanced economies, persistently low commodity prices, weaker global trades, as well as diminishing capital flows. These same concerns will likely see the US Federal Reserve delaying its rate hike move in the interim. The period under review also saw the Bank of Japan joining the negative interest rate policy club, whose members already include Denmark, the Euro area, Sweden, and Switzerland. Expectations are on the rise for global central banks to launch more fiscal stimulus as growth has failed to pick up despite record low interest rates.

Oil prices had remained suppressed after the oil producers' reluctance to consider reducing production, contributing further to the supply glut in the market. Oil price trended 9.1% lower in USD terms over the period under review and ended the month of August at USD44.70 per barrel. Recently there was renewed optimism that oil prices should stabilise after OPEC agreed to cap production between 32.5-33m barrels per day for 2017. However, the devil is in the details which will be discussed in November's meeting. It also remains to be seen how Iran, Russia, Libya and Nigeria will co-operate with OPEC to manage the oversupply situation.

### **Investment Outlook**

We expect the accommodative monetary policies being adopted by global central banks to continue to provide liquidity support for financial markets. While heightened market uncertainty will remain, we believe Emerging Markets will continue to benefit from investors' search for yields and growth.

Murmurs of an early general election, improving consumer sentiment and potential for Malaysia to play catch up to regional peers have encouraged the Manager to increase the portfolio's market exposure. The core holdings of the Fund will remain fundamentally strong companies with resilient earnings growth and cash flows.

The Manager intends to maintain a bias tilt into income yielding investments in the near term, while taking advantage of event driven opportunities. The Manager will also look out for earnings turnaround/restructuring stories which can provide alpha to portfolio returns.

## (2) SOFT COMMISSIONS RECEIVED FROM BROKERS

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

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

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

## (3) BREAKDOWN OF UNITHOLDERS BY SIZE AS AT 31 AUGUST 2016

Size of holdings (Units)	No. of Unitholders	No. of Units held* ('000)
5,000 and below	1,629	4,443
5,001 to 10,000	1,101	8,185
10,001 to 50,000	1,777	38,780
50,001 to 500,000	462	80,459
500,001 and above	24	237,731
<b>Total</b>	<b>4,993</b>	<b>369,598</b>

\*Note: Excluding Manager's Stock

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

## INCOME DISTRIBUTION

Affin Hwang Asset Management Berhad recently declared a net distribution of RM0.010 sen per unit for investors of Affin Hwang Aiman Growth Fund. All unitholders registered as at 6 June 2016 were eligible to receive this distribution.

The NAV per unit prior and subsequent to the distribution was as follows:-

<b>Cum Date</b>	<b>Ex-Date</b>	<b>Cum-distribution</b>	<b>Distribution per Unit (RM)</b>	<b>Ex-distribution</b>
29 August 2006	30 August 2006	0.6063	0.040	0.5730
22 August 2007	23 August 2007	0.7755	0.054	0.7347
22 August 2008	25 August 2008	0.6350	0.048	0.5869
21 August 2009	24 August 2009	0.7195	0.029	0.6956
23 August 2010	24 August 2010	0.7737	0.030	0.7445
23 August 2011	24 August 2011	0.8465	0.048	0.7919
20 June 2012	21 June 2012	0.8926	0.030	0.8622
10 June 2013	11 June 2013	1.1133	0.100	1.0038
11 June 2014	12 June 2014	1.1255	0.050	1.0753
<i>08 June 2015</i>	<i>09 June 2015</i>	<i>1.0461</i>	<i>0.015</i>	<i>1.0260</i>
<i>06 June 2016</i>	<i>07 June 2016</i>	<i>1.0042</i>	<i>0.010</i>	<i>0.9990</i>



## FUND PERFORMANCE DATA

Source: HSBC Trustee	As at 31 August 2016	As at 31 August 2015	As at 31 August 2014
Total NAV (RM'million)	373.941	348.572	504.840
NAV per Unit (RM)	1.0114	0.9442	1.0797
Units in Circulation (million)	369.730	369.189	467.587
Highest NAV	1.0323	1.0835	1.1255
Lowest NAV	0.9417	0.9224	0.9603
Return of the Fund (%) <sup>iii</sup>	8.19	-11.27	17.26
- Capital Return (%) <sup>i</sup>	7.12	-12.55	12.05
- Income Return (%) <sup>ii</sup>	1.001	1.462	4.65
Gross Distribution per Unit (sen)	1.00	1.50	5.00
Net Distribution per Unit (sen)	1.00	1.50	5.00
Management Expenses Ratio (%) <sup>1</sup>	1.68	1.57	1.58
Portfolio Turnover Ratio (times) <sup>2</sup>	0.32	0.65	0.75

### **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

$$\begin{aligned} \text{Capital Return}^i &= \{ \text{NAV per Unit @ 31/8/16} \div \text{NAV per Unit @ 31/8/15}^* - 1 \} \times 100 \\ &= \{ 1.0114 \div 0.9442 - 1 \} \times 100 \\ &= \underline{\underline{7.12\%}} \end{aligned}$$

$$\begin{aligned} \text{Total Income Return}^{ii} &= \{ \text{Income distribution per Unit} \div \text{NAV per unit @ 06/06/16} \} \times 100 \\ &= \{ 0.010 \div 0.9990 \} \times 100 \\ &= \underline{\underline{1.001\%}} \end{aligned}$$

$$\begin{aligned} \text{Return of the Fund}^{iii} &= [ \{ (1 + \text{Capital Return}) \times (1 + \text{Total Income Return}) \} - 1 ] \times 100 \\ &= [ \{ (1 + 7.12\%) \times (1 + 1.001\%) \} - 1 ] \times 100 \\ &= \underline{\underline{8.19\%}} \end{aligned}$$

\*Source: HSBC Trustee

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

<sup>1</sup> The MER increases due the decrease in average NAV of the Fund.

<sup>2</sup> The PTR was lower than the previous period due to lower portfolio trading activity.

## **TRUSTEE'S REPORT TO THE UNITHOLDERS OF AFFIN HWANG AIIMAN GROWTH FUND**

We have acted as Trustee of **Affin Hwang Aiiman Growth Fund** ("the Fund") for the financial year ended 31 August 2016. To the best of our knowledge, **Affin Hwang Asset Management Berhad** ("the Management Company"), has operated and managed the Fund in accordance with the following:

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

During this financial year, a total distribution of 1.00 sen per unit (gross) has been distributed to the unitholders of the Fund. We are of the view that the distribution is not inconsistent with the objective of the Fund.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie  
Head, Trustee Operations

Kuala Lumpur  
20 October 2016

## **SHARIAH ADVISER'S REPORT TO THE UNITHOLDERS OF AFFIN HWANG AIIMAN GROWTH FUND**

We have acted as the Shariah Adviser of Affin Hwang Aiiman Growth Fund. Our responsibility is to ensure that the procedures and processes employed by Affin Hwang Asset Management Berhad and the provisions of the Deed dated 3 October 2002, First Supplemental Deed dated 29 December 2005, Second Supplemental Deed dated 18 June 2007, Third supplemental Deed dated 23 September 2008, Fourth Supplemental Deed dated 20 November 2008, Fifth Supplemental Deed dated 18 January 2012 and Sixth Supplemental Deed dated 27 June 2014 are in accordance with Shariah principles.

In our opinion, Affin Hwang Asset Management Berhad has managed and administered Affin Hwang Aiiman Growth Fund in accordance with Shariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Shariah matters for the financial year ended 31 August 2016.

In addition, we also confirm that the investment portfolio of the Fund comprises securities which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission ("SACSC"). As for the securities which are not certified by the SACSC, we have reviewed the said securities and opine that these securities are designated as Shariah-compliant.

For **Amanie Advisors Sdn Bhd**

**DATUK DR MOHD DAUD BAKAR**  
Executive Chairman

Kuala Lumpur  
20 October 2016

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

	<u>Note</u>	<u>2016</u> RM	<u>2015</u> RM
<b>INVESTMENT INCOME/(LOSS)</b>			
Dividend income		7,419,972	9,146,023
Profit from short term Shariah-based deposits		2,850,707	3,716,040
Net gain/(loss) on financial assets at fair value through profit or loss	8	24,072,766	(54,053,641)
		<u>34,343,445</u>	<u>(41,191,578)</u>
<b>EXPENSES</b>			
Management fee	4	(5,305,907)	(6,970,593)
Trustee fee	5	(247,609)	(325,294)
Auditors' remuneration		(6,600)	(6,600)
Tax agent's fee		(3,550)	(3,950)
Transaction costs		(662,521)	(1,769,744)
Other expenses		(385,849)	(182,523)
		<u>(6,612,036)</u>	<u>(9,258,704)</u>
<b>NET PROFIT/(LOSS) BEFORE TAXATION</b>		27,731,409	(50,450,282)
<b>TAXATION</b>	6	(16,402)	(13,311)
<b>NET PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR</b>		<u>27,715,007</u>	<u>(50,463,593)</u>
Net profit/(loss) after taxation is made up of the following:			
Realised amount		(3,856,494)	12,561,139
Unrealised amount		31,571,501	(63,024,732)
		<u>27,715,007</u>	<u>(50,463,593)</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 AUGUST 2016**

	<u>Note</u>	<u>2016</u> RM	<u>2015</u> RM
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	8	305,437,161	249,418,709
Dividend receivables		590,536	438,437
Amount due from brokers		-	8,344,199
Tax recoverable		-	116,860
Cash and cash equivalents	9	69,310,295	92,068,451
<b>TOTAL ASSETS</b>		<u>375,337,992</u>	<u>350,386,656</u>
<b>LIABILITIES</b>			
Amount due to Manager			
- management fee		486,923	463,545
- cancellation of units		23,258	1,282,595
Amount due to Trustee		22,723	21,632
Amount due to brokers		818,157	-
Auditors' remuneration		6,600	6,600
Tax agent's fee		7,100	3,550
Other payables and accruals		32,071	36,541
<b>TOTAL LIABILITIES</b>		<u>1,396,832</u>	<u>1,814,463</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>373,941,160</u>	<u>348,572,193</u>
<b>EQUITY</b>			
Unitholders' capital		357,098,915	355,648,965
Retained earnings/(accumulated losses)		16,842,245	(7,076,772)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>373,941,160</u>	<u>348,572,193</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	11	<u>369,730,000</u>	<u>369,189,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u>1.0114</u>	<u>0.9442</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 FINANCIAL YEAR ENDED 31 AUGUST 2016**

	Unitholders' <u>capital</u> RM	(Accumulated losses) /retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 September 2015	355,648,965	(7,076,772)	348,572,193
Total comprehensive Income for the financial year	-	27,715,007	27,715,007
Distribution (Note 7)	-	(3,795,990)	(3,795,990)
Movement in unitholders' capital:			
Creation of units arising from applications	85,560,467	-	85,560,467
Creation of units arising from distributions	3,727,304	-	3,727,304
Cancellation of units	(87,837,821)	-	(87,837,821)
Balance as at 31 August 2016	<u>357,098,915</u>	<u>16,842,245</u>	<u>373,941,160</u>
Balance as at 1 September 2014	455,331,646	49,508,831	504,840,477
Total comprehensive loss for the financial year	-	(50,463,593)	(50,463,593)
Distribution (Note 7)	-	(6,122,010)	(6,122,010)
Movement in unitholders' capital:			
Creation of units arising from applications	68,871,786	-	68,871,786
Creation of units arising from distributions	6,019,035	-	6,019,035
Cancellation of units	(174,573,502)	-	(174,573,502)
Balance as at 31 August 2015	<u>355,648,965</u>	<u>(7,076,772)</u>	<u>348,572,193</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 FINANCIAL YEAR ENDED 31 AUGUST 2016**

	<u>Note</u>	<u>2016</u> RM	<u>2015</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of Shariah-compliant investments		102,919,996	339,288,370
Purchase of Shariah-compliant investments		(125,703,327)	(270,690,708)
Dividend received		7,368,331	8,910,508
Profit from short term Shariah-based deposits		2,850,707	3,716,040
Management fee paid		(5,282,529)	(7,138,273)
Trustee fee paid		(246,518)	(333,119)
Payment for other fees and expenses		(1,059,439)	(164,032)
Net cash (used in)/ generated from operating activities		<u>(19,152,779)</u>	<u>73,588,786</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from creation of units		89,287,771	75,474,078
Payments for cancellation of units		(89,097,158)	(173,290,907)
Payment for distributions		(3,795,990)	(102,975)
Net cash used in financing activities		<u>(3,605,377)</u>	<u>(97,919,804)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(22,758,156)	(24,331,018)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		92,068,451	116,399,469
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	9	<u><u>69,310,295</u></u>	<u><u>92,068,451</u></u>

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 FINANCIAL YEAR ENDED 31 AUGUST 2016**

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 revenues and expenses during the reported financial year. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. Although these estimates and judgment are based on the Manager's best knowledge of current events and actions, actual results may differ.

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

- (a) 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:
- (i) Financial year beginning on/after 1 September 2017
- Amendments to MFRS 107 "Statement of Cash Flows - Disclosure Initiative" (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.
- This Fund will apply this standard when effective. This standard is not expected to have a significant impact on the Fund's financial statements.
- (ii) Financial year beginning on/after 1 September 2018
- MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018) replaces MFRS 118 "Revenue" and MFRS 111 "Construction contracts" and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.
- Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)

### A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(a) 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)

(ii) Financial year beginning on/after 1 September 2018 (continued)

- 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).

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 will apply this standard when effective. This standard is not expected to have a significant impact on the Fund’s financial statements.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

### **B INCOME RECOGNITION**

Profit from short term Shariah-based deposits is recognised based on effective profit rate method on an accruals basis.

Dividend income from Shariah-compliant quoted investments is recognised on the ex-dividend date, when the right to receive the dividend has been established.

For Shariah-compliant quoted investments, realised gains and losses on sale of Shariah-compliant 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 for Shariah-compliant investments.

### **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 DISTRIBUTION**

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

### **E 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 year.

### **F FUNCTIONAL AND PRESENTATION CURRENCY**

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

### **G FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

#### **(i) Classification**

The Fund designates its investment in Shariah-compliant 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.

Financing 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 financing 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.

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.

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

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Fund commits to purchase or sell the asset. Shariah-compliant 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 derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Gain 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 financial year 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.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

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

#### (ii) Recognition and measurement (continued)

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.

Shariah-based deposits with licensed financial institutions are stated at cost plus accrued profit calculated on the effective profit method over the period from the date of placement to the date of maturity of the deposit.

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

#### (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 yield rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'financing and receivables' or a 'held-to-maturity investment' has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit 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.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

### **H CASH AND CASH EQUIVALENTS**

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances and short-term Shariah-based 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.

### **I 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.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective profit method, less provision for impairment for amounts due from brokers. A provision for impairment of amounts 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 re-organisation, 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, profit income is recognised using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective profit method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the profit income or loans expense over the relevant period. The effective profit 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 profit 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 profit rate, transaction costs and all other premiums or discounts.

### **J 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.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

### **J UNITHOLDERS' CAPITAL (CONTINUED)**

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 unit holders with the total number of outstanding units.

### **K 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.

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

The preparation of financial statements in conformity with the Malaysian Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on the Manager's best knowledge of current events and actions, actual results could differ from those estimates.

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 content of the estimates, certain key variables that are anticipated to have material impact 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.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016**

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

The Unit Trust Fund was constituted under the name HwangDBS Dana Izdihar (the "Fund") pursuant to the execution of a Deed dated 3 October 2002, First Supplemental Deed dated 29 December 2005, Second Supplemental Deed dated 18 June 2007 and Third Supplemental Deed dated 23 September 2008. The Fund has changed its name from HwangDBS Dana Izdihar to HwangDBS AIIMAN Growth Fund as amended by the Fourth Supplemental Deed dated 20 November 2008, from HwangDBS AIIMAN Growth Fund to Hwang AIIMAN Growth Fund as amended by the Fifth Supplemental Deed dated 18 January 2012 and from Hwang AIIMAN Growth Fund to Affin Hwang Aiiman Growth Fund as amended by the Sixth Supplemental Deed dated 27 June 2014 (the "Deeds") entered into between Affin Hwang Asset Management Berhad (the "Manager"), HSBC (Malaysia) Trustee Berhad (the "Trustee") and the registered unitholders of the Fund.

The Fund commenced operations on 8 October 2002 and will continue its operations until terminated by the Trustee as provided under Clause 4.2 of the Deed.

The Fund may invest in Shariah-compliant securities traded on the FTSE Bursa Malaysia Emas Syariah Index and/or other markets considered as eligible markets, Shariah-based collective investment schemes, unlisted Shariah-compliant securities, Islamic futures contracts and any other investments not otherwise prohibited by the SC's Shariah Advisory Council and/or the Shariah Adviser from time to time and provided they are designated as "Shariah-compliant". As our Shariah Adviser, Amanie Advisors Sdn Bhd will also be advising on the selection of investment tools to ensure compliance with Shariah requirements. All investments will be subjected to the SC's Guidelines on Unit Trust Funds, the Deeds and the objective of the Fund.

The main objective of the Fund is to achieve consistent capital appreciation over the medium to long term by investing mainly in listed equities and other approved investments which harmonise with Islamic philosophy and laws.

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 20 October 2016

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

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

Financial instruments are as follows:

<u>2016</u>	<u>Note</u>	<u>Financing and receivables</u> RM	<u>Financial assets at fair value through profit or loss</u> RM	<u>Total</u> RM
Shariah-compliant quoted equities	8	-	305,437,161	305,437,161
Cash and cash equivalents	9	69,310,295	-	69,310,295
Dividend receivables		590,536	-	590,536
<b>Total</b>		<b>69,900,831</b>	<b>305,437,161</b>	<b>375,337,992</b>
<u>2015</u>				
Shariah-compliant quoted equities	8	-	249,418,709	249,418,709
Cash and cash equivalents	9	92,068,451	-	92,068,451
Dividend receivables		438,437	-	438,437
Amount due from brokers		8,344,199	-	8,344,199
<b>Total</b>		<b>100,851,087</b>	<b>249,418,709</b>	<b>350,269,796</b>

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), liquidity risk, credit risk, capital risk and reclassification of Shariah status risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated by the SC's Guidelines on Unit Trust Funds.

Market risk

(a) Price risk

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (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>2016</u> RM	<u>2015</u> RM
<b>Shariah-compliant quoted investments</b>		
Shariah-compliant quoted equities designated at fair value through profit or loss	305,437,161	249,418,709
	<u>305,437,161</u>	<u>249,418,709</u>

The following table summarises the sensitivity of the Fund's profit after taxation and net asset value to price risk movement. 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 <u>tax/NAV</u> RM
<u>2016</u>		
-5%	290,165,303	(15,271,858)
0%	305,437,161	-
+5%	320,709,019	15,271,858
	<u>305,437,161</u>	<u>15,271,858</u>
<u>2015</u>		
-5%	236,947,774	(12,470,935)
0%	249,418,709	-
+5%	261,889,644	12,470,935
	<u>249,418,709</u>	<u>12,470,935</u>

(b) Interest rate risk

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

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

The Fund's exposure to interest rate risk associated with Shariah-based deposits with licensed financial institutions is not material as the deposits are held on a short term basis.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (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 Shariah-based liquid assets to meet anticipated payments and cancellation of units by unitholders. Shariah-based liquid assets comprise cash, Shariah-based 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>2016</u>			
Amount due to Manager			
- management fee	486,923	-	486,923
- cancellation of units	23,258	-	23,258
Amount due to Trustee	22,723	-	22,723
Amount due to brokers	818,157	-	818,157
Auditors' remuneration	-	6,600	6,600
Tax agent's fee	-	7,100	7,100
Other payables and accruals	30,579	1,492	32,071
	<u>1,381,640</u>	<u>15,192</u>	<u>1,396,832</u>
 <u>2015</u>			
Amount due to Manager			
- management fee	463,545	-	463,545
- cancellation of units	1,282,595	-	1,282,595
Amount due to Trustee	21,632	-	21,632
Auditors' remuneration	-	6,600	6,600
Tax agent's fee	-	3,550	3,550
Other payables and accruals	29,541	7,000	36,541
	<u>1,797,313</u>	<u>17,150</u>	<u>1,814,463</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

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

Credit risk

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

Credit risk arising from placements of Shariah-based 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 units' receivable from the Manager are governed by the Securities Commission's Guidelines on Unit Trust Funds.

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

	Cash and cash <u>equivalents</u> RM	Other <u>assets*</u> RM	<u>Total</u> RM
<u>2016</u>			
<u>Basic Materials</u>			
- NR	-	58,100	58,100
<u>Consumer Goods</u>			
- NR	-	80,074	80,074
<u>Financial</u>			
- AAA	24,075,107	-	24,075,107
- AA1	20,150,616	-	20,150,616
- AA3	25,084,572	-	25,084,572
- NR	-	146,566	146,566
<u>Oil &amp; Gas</u>			
- NR	-	138,800	138,800
<u>Technology</u>			
- NR	-	98,805	98,805
<u>Telecommunication</u>			
- NR	-	68,191	68,191
	<u>69,310,295</u>	<u>590,536</u>	<u>69,900,831</u>

2015

Consumer Goods

- NR - 501,294 501,294

Consumers Services

- NR - 969,912 969,912

Financial

- AAA 27,004 - 27,004

- AA1 26,954,587 - 26,954,587

- AA2 10,012,329 - 10,012,329

- A1 55,074,531 - 55,074,531

- NR - 2,938,387 2,938,387

Industrial

- NR - 916,423 916,423

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

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

Credit risk (continued)

<u>2015 (continued)</u>	Cash and cash equivalents RM	Other assets* RM	<u>Total</u> RM
<u>Oil &amp; Gas</u>			
- NR	-	841,170	841,170
<u>Technology</u>			
- NR	-	871,705	871,705
<u>Telecommunication</u>			
- NR	-	181,590	181,590
<u>Utilities</u>			
- NR	-	1,562,155	1,562,155
	<hr/>	<hr/>	<hr/>
	92,068,451	8,782,636	100,851,087
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

\* Other assets consist of dividend receivables and amount due from brokers.

The financial assets of the Funds are neither past due nor impaired.

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.

Reclassification of Shariah status risk

The risk refers to the risk that the currently held Shariah-compliant securities in the portfolio of Shariah-compliant funds may be reclassified to be Shariah non-compliant upon review of the securities by the Shariah Advisory Council of the Securities Commission performed twice yearly. If this occurs, the value of the Fund may be adversely affected where the Manager will take the necessary steps to dispose of such securities in accordance with the Shariah Advisory Council's advice.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)

### 3 FAIR VALUE ESTIMATION

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

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the 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 FINANCIAL YEAR ENDED 31 AUGUST 2016 (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>2016</u>				
Financial assets at fair value through profit or loss				
- Shariah-compliant quoted equities	305,437,161	-	-	305,437,161
	=====	=====	=====	=====
<u>2015</u>				
Financial assets at fair value through profit or loss				
- Shariah-compliant quoted equities	249,418,709	-	-	249,418,709
	=====	=====	=====	=====

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

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

For the financial year ended 31 August 2016, the management fee is recognised at a rate of 1.50% (2015: 1.50%) per annum on the NAV of the Fund calculated on a daily basis as stated in the Fund's prospectus.

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

### 5 TRUSTEE FEE

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.30% per annum on the NAV of the Fund, subject to a minimum fee of RM18,000 per annum.

For the financial year ended 31 August 2016, the Trustee fee is recognised at a rate of 0.07% (2015: 0.07%) per annum on the NAV of the Fund, calculated on a daily basis, inclusive of local custodian fee, subject to a minimum fee of RM18,000 per annum as stated in the Fund's prospectus.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

**6 TAXATION**

	<u>2016</u> RM	<u>2015</u> RM
Current Taxation – local	16,402	-
Under provision in prior financial year	-	13,311
	<u>16,402</u>	<u>13,311</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:

	<u>2016</u> RM	<u>2015</u> RM
Net profit/(loss) before taxation	27,731,409	(50,450,282)
Tax at Malaysian statutory rate of 24% (2015: 25%)	6,655,538	(12,612,571)
Tax effects of:		
(Investment income not subject to tax)/		
Investment loss exempt from tax	(8,203,061)	10,297,894
Expenses not deductible for tax purposes	311,887	567,443
Restrictions on tax deductible expenses for unit trust funds	1,235,636	1,747,234
Income subject to different tax rate	16,402	-
Under provision in prior financial year	-	13,311
Tax expense	<u>16,402</u>	<u>13,311</u>

**7 DISTRIBUTION**

	<u>2016</u> RM	<u>2015</u> RM
Distributions to unitholders is from the following sources:		
Dividend income	1,324,882	-
Profit from short term Shariah-based deposits	2,850,707	-
Prior year's realised income	-	6,305,670
	<u>4,175,589</u>	<u>6,305,670</u>
Less: Expenses	(379,599)	(183,660)
Net distribution amount	<u>3,795,990</u>	<u>6,122,010</u>
Gross and net distribution per unit (sen)	<u>1.00</u>	<u>1.50</u>
Ex-date	<u>07.06.2016</u>	<u>09.06.2015</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

**7 DISTRIBUTIONS (CONTINUED)**

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

There is no distribution made from previous year's realised income (2015: RM6,305,670).

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

	<u>2016</u> RM	<u>2015</u> RM
Designated at fair value through profit or loss at inception:		
- Shariah-compliant quoted equities – local	305,437,161	249,418,709
	<u>305,437,161</u>	<u>249,418,709</u>
Net gain/(loss) on financial assets at fair value through profit or loss		
- realised (loss)/gain on sale of investments	(7,498,736)	8,971,091
- unrealised gain/(loss)	31,571,501	(63,024,732)
	<u>24,072,765</u>	<u>(54,053,641)</u>

(a) Shariah-compliant quoted equities – local

(i) Shariah-compliant quoted equities – local as at 31 August 2016 are as follows:

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<b><u>BASIC MATERIALS</u></b>				
Petronas Chemicals Group Bhd	830,000	5,523,377	5,552,700	1.48
SKP Resources Bhd	2,147,400	2,046,942	2,555,406	0.68
	<u>2,977,400</u>	<u>7,570,319</u>	<u>8,108,106</u>	<u>2.16</u>
<b><u>CONSUMER GOODS</u></b>				
Fraser & Neave Holdings Bhd	165,000	3,040,020	4,026,000	1.08
Genting Plantations Bhd	1,047,000	10,731,047	10,993,500	2.94
IJM Plantations Bhd	1,057,000	3,791,818	3,477,530	0.93
Kuala Lumpur Kepong Bhd	429,100	10,114,547	10,118,178	2.70
QL Resources Bhd	1,884,100	6,419,936	8,176,994	2.19
Sarawak Oil Palms Bhd	1,384,100	8,195,690	5,107,329	1.36
	<u>5,966,300</u>	<u>42,293,058</u>	<u>41,899,531</u>	<u>11.20</u>
<b><u>CONSUMER SERVICES</u></b>				
Aeon Company (M) Bhd	1,147,200	4,208,422	3,131,856	0.84



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

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

(a) Shariah-compliant quoted equities – local (continued)

(i) Shariah-compliant quoted equities – local as at 31 August 2016 are as follows (continued):

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<b>FINANCE</b>				
BIMB Holdings Bhd	2,882,700	11,555,843	11,530,800	3.08
KLCC Property Holdings	1,825,000	13,344,465	13,870,000	3.71
KSL Holdings Bhd	1,242,964	2,729,019	1,379,690	0.37
Matrix Concepts Holdings Bhd	2,311,342	5,455,901	5,824,582	1.56
MKH Bhd	1,626,000	6,226,262	4,471,500	1.20
Syarikat Takaful Malaysia	3,923,900	9,534,245	16,284,185	4.35
	<u>13,811,906</u>	<u>48,845,735</u>	<u>53,360,757</u>	<u>14.27</u>
<b>HEALTH CARE</b>				
KPJ Healthcare Bhd	2,203,000	9,227,514	9,340,720	2.50
Pharmaniaga Bhd	790,000	4,878,250	4,431,900	1.18
	<u>2,993,000</u>	<u>14,105,764</u>	<u>13,772,620</u>	<u>3.68</u>
<b>INDUSTRIAL</b>				
Brahim's Holdings Bhd	3,322,000	3,376,783	2,757,260	0.74
Econpile Holdings Bhd	1,271,600	1,724,399	1,945,548	0.52
Ekovest Bhd	2,167,300	3,317,428	3,684,410	0.99
Evergreen Fibreboard Bhd	1,624,500	2,117,836	1,258,987	0.34
Gamuda Bhd	2,328,700	11,489,345	11,340,769	3.03
IJM Corporation Bhd	5,455,000	16,524,477	18,601,550	4.97
Kerjaya Prospek Group Bhd	1,247,800	2,287,810	2,882,418	0.77
Lingkar Trans Kota Hldgs Bhd	1,449,200	8,205,050	8,477,820	2.27
Mitrajaya Holdings Bhd	1,855,000	2,202,345	2,578,450	0.69
Scientex Bhd	1,537,000	9,298,364	9,590,880	2.56
Sime Darby Bhd	1,544,467	13,036,603	12,154,955	3.25
WCT Holdings Bhd	2,950,625	5,927,931	4,661,988	1.25
	<u>26,753,192</u>	<u>79,508,371</u>	<u>79,935,035</u>	<u>21.38</u>
<b>CONSUMER GOODS</b>				
Fraser & Neave Holdings Bhd	165,000	3,040,020	4,026,000	1.08
Genting Plantations Bhd	1,047,000	10,731,047	10,993,500	2.94
IJM Plantations Bhd	1,057,000	3,791,818	3,477,530	0.93
Kuala Lumpur Kepong Bhd	429,100	10,114,547	10,118,178	2.70
QL Resources Bhd	1,884,100	6,419,936	8,176,994	2.19
Sarawak Oil Palms Bhd	1,384,100	8,195,690	5,107,329	1.36
	<u>5,966,300</u>	<u>42,293,058</u>	<u>41,899,531</u>	<u>11.20</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

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

(a) Shariah-compliant quoted equities – local (continued)

(i) Shariah-compliant quoted equities – local as at 31 August 2016 are as follows (continued):

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>CONSUMER SERVICES</u>				
Aeon Company (M) Bhd	1,147,200	4,208,422	3,131,856	0.84
<u>OIL &amp; GAS</u>				
Bumi Armada Bhd	5,000,000	5,212,815	3,700,000	0.99
Dayang Enterprise Hldgs Bhd	1,355,000	4,052,833	1,355,000	0.36
Dialog Group Bhd	3,096,000	5,037,782	4,736,880	1.27
Gas Malaysia Bhd	1,685,000	3,907,552	4,549,500	1.22
Petronas Gas Bhd	510,000	11,467,012	11,311,800	3.03
	<u>11,646,000</u>	<u>29,677,994</u>	<u>25,653,180</u>	<u>6.87</u>
<u>TECHNOLOGY</u>				
Globetronics Technology Bhd	500,000	2,589,290	1,465,000	0.39
Inari Amertron Bhd	3,063,275	7,065,557	9,679,949	2.59
Prestariang Bhd	2,247,400	3,276,560	4,989,228	1.33
Unisem (M) Bhd	2,823,000	6,139,386	7,424,490	1.99
	<u>8,633,675</u>	<u>19,070,793</u>	<u>23,558,667</u>	<u>6.30</u>
<u>TELECOMMUNICATIONS</u>				
Axiata Group Bhd	1,983,969	12,989,952	10,891,990	2.91
Digi.Com Bhd	1,262,800	6,687,763	6,339,256	1.70
Telekom Malaysia Bhd	2,003,404	12,638,381	13,703,283	3.66
	<u>5,250,173</u>	<u>32,316,096</u>	<u>30,934,529</u>	<u>8.27</u>
<u>UTILITIES</u>				
Tenaga Nasional Bhd	1,704,000	21,797,523	25,082,880	6.71
Total Shariah-compliant quoted equities – local	<u>80,882,846</u>	<u>299,394,075</u>	<u>305,437,161</u>	<u>81.68</u>
Shariah-compliant quoted equities – local		<u>6,043,086</u>		
Total Shariah-compliant quoted equities – local		<u>305,437,161</u>		

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

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

(a) Shariah-compliant quoted equities – local (continued)

(ii) Shariah-compliant quoted equities – local as at 31 August 2015 are as follows:

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<b><u>CONSTRUCTION</u></b>				
Gamuda Bhd	2,328,700	11,489,345	10,106,558	2.90
IJM Corporation Bhd	2,439,000	14,139,138	15,316,920	4.39
WCT Holdings Bhd	9,073,887	18,412,121	10,434,970	2.99
	<u>13,841,587</u>	<u>44,040,604</u>	<u>35,858,448</u>	<u>10.28</u>
<b><u>CONSUMER PRODUCTS</u></b>				
QL Resources Bhd	2,674,100	9,111,804	10,295,285	2.95
<b><u>FINANCE</u></b>				
BIMB Holdings Bhd	2,782,600	11,216,654	11,102,574	3.19
Syarikat Takaful Malaysia	3,623,900	8,365,805	13,263,474	3.81
	<u>6,406,500</u>	<u>19,582,459</u>	<u>24,366,048</u>	<u>7.00</u>
<b><u>INDUSTRIAL</u></b>				
SKP Resources Bhd	2,615,000	2,198,038	3,321,050	0.95
V.S. Industry Bhd	520,900	2,736,428	2,844,114	0.82
Petronas Gas Bhd	420,000	9,549,859	8,937,600	2.56
	<u>3,555,900</u>	<u>14,484,325</u>	<u>15,102,764</u>	<u>4.33</u>
<b><u>INFRASTRUCTURE PROJECT COMPANIES</u></b>				
Digi.Com Bhd	2,322,800	12,301,501	12,125,016	3.48
<b><u>PROPERTIES</u></b>				
Eastern & Oriental Bhd	2,409,100	4,596,587	3,613,650	1.04
Eco World Development Grp Bhd	522,900	847,098	669,312	0.19
KSL Holdings Bhd	2,568,015	5,668,032	3,672,261	1.05
Matrix Concepts Holdings Bhd	2,311,342	5,455,902	5,292,973	1.52
MKH Bhd	2,100,000	8,041,298	4,263,000	1.22
Sunway Bhd	1,550,000	4,813,725	5,254,500	1.51
	<u>11,461,357</u>	<u>29,422,642</u>	<u>22,765,696</u>	<u>6.53</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

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

(a) Shariah-compliant quoted equities – local (continued)

(i) Shariah-compliant quoted equities – local as at 31 August 2015 are as follows (continued):

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<b><u>PLANTATIONS</u></b>				
Genting Plantations Bhd	1,143,000	11,714,983	11,109,960	3.19
IJM Plantations Bhd	1,057,000	3,791,818	3,276,700	0.94
Sarawak Oil Palms Bhd	2,502,700	14,819,271	9,360,098	2.69
	<u>4,702,700</u>	<u>30,326,072</u>	<u>23,746,758</u>	<u>6.82</u>
<b><u>TECHNOLOGY</u></b>				
Globetronics Technology Bhd	500,000	2,589,290	2,875,000	0.82
Inari Amertron Bhd	2,291,500	6,454,503	7,103,650	2.04
Unisem (M) Bhd	2,823,000	6,139,386	4,996,710	1.43
	<u>5,614,500</u>	<u>15,183,179</u>	<u>14,975,360</u>	<u>4.29</u>
<b><u>TRADING/SERVICES</u></b>				
Aeon Company (M) Bhd	3,154,000	11,570,227	8,768,120	2.51
KPJ Healthcare Bhd	1,800,000	7,494,530	7,560,000	2.17
Pharmaniaga Bhd	790,000	4,878,250	4,945,400	1.42
MISC Bhd	1,125,300	7,295,011	9,103,677	2.61
Sime Darby Bhd	1,250,767	11,810,310	9,293,199	2.67
Dayang Enterprise Hldgs Bhd	4,268,000	12,765,677	6,700,760	1.92
Dialog Group Bhd	996,000	1,645,292	1,553,760	0.45
Prestariang Bhd	3,712,000	5,411,849	6,458,880	1.85
Axiata Group Bhd	2,110,969	14,064,483	12,940,240	3.71
Telekom Malaysia Bhd	2,003,404	12,638,381	12,962,024	3.72
Tenaga Nasional Bhd	873,600	10,920,528	9,766,848	2.80
	<u>22,084,040</u>	<u>100,494,538</u>	<u>90,052,908</u>	<u>25.83</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

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

(a) Shariah-compliant quoted equities – local (continued)

(ii) Shariah-compliant quoted equities – local as at 31 August 2015 are as follows (continued):

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<b>WARRANTS</b>				
Matrix Concepts Holdings Warrants 21 Dec 2099	330,192	-	130,426	0.04
WCT Holdings Bhd Warrants 27 Aug 2020	1,814,777	-	-	-
	<u>2,144,969</u>	<u>-</u>	<u>130,426</u>	<u>0.04</u>
Total Shariah-compliant quoted equities – local	<u>74,808,453</u>	<u>274,947,124</u>	<u>249,418,709</u>	<u>71.55</u>
Accumulated unrealised loss on Shariah-compliant quoted equities – local		<u>(25,528,415)</u>		
Total Shariah-compliant quoted equities – local		<u>249,418,709</u>		

**9 CASH AND CASH EQUIVALENTS**

	<u>2016</u> RM	<u>2015</u> RM
Cash and bank balances	23,148	27,004
Short term Shariah-based deposits with licensed financial institutions	69,287,147	92,041,447
	<u>69,310,295</u>	<u>92,068,451</u>

Weighted average effective profit rates per annum and weighted average maturity of Shariah-based deposits with licensed financial institutions are as follows:

	<u>2016</u> %	<u>2015</u> %
Shariah-based deposits with licensed financial institutions	<u>3.23</u>	<u>3.47</u>

Shariah-based deposits with licensed financial institutions have an average maturity of 14 days (2015: 6 days).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

**10 SHARIAH INFORMATION OF THE FUND**

The Shariah Adviser confirmed that the investment portfolio of the Fund is Shariah-compliant, which comprises:

- (a) Equity securities listed in Bursa Malaysia which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission; and
- (b) Cash placements and liquid assets in local market, which are placed in Shariah-compliant investments and/or instruments.

**11 NUMBER OF UNITS IN CIRCULATION**

	<u>2016</u>	<u>2015</u>
	No. of units	No. of units
At the beginning of the financial year	369,189,000	467,587,000
Creation of units arising from applications during the financial year	84,564,723	65,604,209
Creation of units arising from distributions during the financial year	3,733,277	5,835,791
Cancellation of units during the financial year	(87,757,000)	(169,838,000)
At the end of the financial year	<u><u>369,730,000</u></u>	<u><u>369,189,000</u></u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

**12 TRANSACTIONS WITH BROKERS AND DEALERS AND FINANCIAL INSTITUTIONS**

(i) Details of sale & purchase transactions with the top 10 brokers and dealers for the financial year ended 31 August 2016 are as follows:

<u>Name of brokers/dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage</u> %
Affin Investment Bank Bhd	62,643,268	28.38	156,940	28.90
Malayan Banking Bhd (Maybank)	24,482,713	11.09	61,066	11.25
CIMB Investment Bank Bhd	22,048,983	9.99	55,019	10.13
UOB Kay Hian Secs (M) Sdn Bhd	18,619,872	8.44	46,463	8.56
RHB Investment Bank Bhd	18,090,813	8.20	45,237	8.33
CLSA Sec Malaysia Sdn Bhd	13,871,094	6.29	34,670	6.39
JP Morgan SEC (Malaysia) Sdn Bhd	11,432,047	5.18	28,592	5.27
Credit Suisse SECS (M) Sdn Bhd	9,979,641	4.52	24,949	4.60
Kenanga Investment Bank Bhd	8,166,585	3.70	20,351	3.75
HLG Securities Sendirian Bhd	6,269,852	2.84	15,659	2.88
Others	25,088,319	11.37	53,977	9.94
	<u>220,693,187</u>	<u>100.00</u>	<u>542,923</u>	<u>100.00</u>

Details of transactions, primarily cash placements with financial institutions for the financial year ended 31 August 2016 are as follows:

<u>Name of financial institutions</u>	<u>Value of placements</u> RM	<u>Percentage of total placements</u> %
CIMB Islamic Bank Bhd	205,500,000	21.42
Bank Islam Malaysia Bhd	204,280,000	21.30
RHB Islamic Bank Bhd	200,006,000	20.85
Hong Leong Islamic Bank Bhd	168,870,000	17.61
Public Islamic Bank Bhd	140,540,000	14.65
Alliance Islamic Bank Bhd	25,000,000	2.61
AMIslamic Bank (M) Bhd	10,000,000	1.04
Maybank Islamic Bhd	5,000,000	0.52
	<u>959,196,000</u>	<u>100.00</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

**12 TRANSACTIONS WITH BROKERS AND DEALERS AND FINANCIAL INSTITUTIONS (CONTINUED)**

(ii) Details of transactions with the top 10 brokers and dealers for the financial year ended 31 August 2015 are as follows:

<u>Name of brokers/dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage</u> %
Affin Hwang Investment Bank Bhd	272,768,608	29.89	623,452	40.29
Bank Islam Malaysia Bhd	100,000,000	10.96	-	-
Malayan Banking Group*	77,692,947	8.51	119,232	7.71
RHB Group*	63,587,185	6.97	185,370	11.98
Public Islamic Bank Bhd	59,610,000	6.53	-	-
Alliance Islamic Bank Bhd	55,000,000	6.03	-	-
Hong Leong Group*	54,213,313	5.94	37,783	2.44
UOB Kay Hian Securities (Malaysia) Sdn Bhd	39,656,636	4.35	99,142	6.41
CIMB Investment Bank Bhd	38,147,075	4.18	96,276	6.22
MIDF Amanah Investment Bank Bhd	36,227,793	3.97	82,501	5.33
Others	115,611,165	12.67	303,643	19.62
	<u>912,514,722</u>	<u>100.00</u>	<u>1,547,399</u>	<u>100.00</u>

Note: \*Group wide

Included in transactions with brokers and dealers are trades in the stockbroking industry with Affin Hwang Investment Bank Berhad, a company related to the Manager amounting to RM62,643,268 (2015: RM272,768,608). The Manager is of the opinion that all transactions with the related company have been entered into in the normal course of business at agreed terms between related parties.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

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

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

<u>Related parties</u>	<u>Relationships</u>
Affin Hwang Asset Management Berhad	The Manager
Affin Hwang Investment Bank Berhad (formerly	Holding company of the Manager
Affin Holdings Berhad ("AHB")	Ultimate holding company of the Manager
Subsidiaries and associates of AHB 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>2016</u>		<u>2015</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	131,835	133,338	660,739	623,870
Director of Affin Hwang Asset Management Berhad - Teng Chee Wai	350,041	354,031	346,570	327,231

The units are held beneficially by the Manager for booking purposes. Other than the above, there were no other units held by the Directors or parties related to the Manager.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

**14 MANAGEMENT EXPENSE RATIO (“MER”)**

	<u>2016</u> %	<u>2015</u> %
MER	<u>1.68</u>	<u>1.57</u>

MER is derived from the following calculation:

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

- A = Management fee
- B = Trustee fee
- C = Auditors' remuneration
- D = Tax agent's fee
- E = Other expenses, excluding goods and services tax on transaction costs
- F = Average NAV of the Fund calculated on a daily basis

The average NAV of the Fund for the financial year calculated on a daily basis is RM352,755,350 (2015: RM464,908,844).

**15 PORTFOLIO TURNOVER RATIO (“PTR”)**

	<u>2016</u>	<u>2015</u>
PTR (times)	<u>0.32</u>	<u>0.65</u>

PTR is derived from the following calculation:

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

where: total acquisition for the financial year = RM126,521,484 (2015: RM267,957,993)  
total disposal for the financial year = RM102,074,533 (2015: RM338,661,478)

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2016 (CONTINUED)**

### **16 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 year.

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.

## **AFFIN HWANG AIIAN GROWTH FUND**

### **STATEMENT BY THE MANAGER**

I, Teng Chee Wai, as the Director of **Affin Hwang Asset Management Berhad**, do hereby state that in my opinion as the Manager, the financial statements set out on pages 11 to 42 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 August 2016 and of its financial performance, changes in equity and cash flows for the financial year ended 31 August 2016 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

Kuala Lumpur  
20 October 2016

# **INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG AIIMAN GROWTH FUND**

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of Affin Hwang Aiiman Growth Fund on pages 11 to 42 which comprise the statement of financial position as at 31 August 2016 of the Fund, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Fund for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 16.

### Manager's Responsibility for the Financial Statements

The Manager of the Fund is responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Manager's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

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

# **INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG AII MAN GROWTH FUND (CONTINUED)**

## **REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)**

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as of 31 August 2016 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

### **OTHER MATTERS**

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

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

Kuala Lumpur  
20 October 2016

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