

# Affin Hwang

## Select Opportunity Fund

Annual Report  
31 July 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 SELECT OPPORTUNITY FUND

## Annual Report and Audited Financial Statements For the Financial Year Ended 31 July 2016

<b>Contents</b>	<b>Page</b>
MANAGER'S REPORT .....	2
FUND PERFORMANCE DATA.....	8
TRUSTEE'S REPORT .....	9
STATEMENT OF COMPREHENSIVE INCOME .....	10
STATEMENT OF FINANCIAL POSITION .....	11
STATEMENT OF CHANGES IN EQUITY .....	12
STATEMENT OF CASH FLOWS.....	13
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	14
NOTES TO THE FINANCIAL STATEMENTS .....	21
STATEMENT BY THE MANAGER .....	47
AUDITORS' REPORT .....	48
DIRECTORY OF SALES OFFICE .....	50

## MANAGER'S REPORT

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

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

Fund Type	Growth
Category	Equity
Objective	To achieve consistent capital appreciation over medium to long-term by investing mainly in listed Malaysian companies with good growth prospects.
Distribution Policy	Annually
Benchmark	FTSE Bursa Malaysian Top 100 Index (FBM 100)

#### Performance of the Fund (1 August 2015 – 31 July 2016)

For the period 1 August 2015 to 31 July 2016, the Fund registered a return of 7.13% outperforming the Benchmark return of -2.47% by 9.60 percentage points. The Net Asset Value (NAV) per unit of the Fund 31 July 2016 was RM0.9309 while the NAV per unit as at 31 July 2015 was RM0.8976. The Fund has declared a total gross income distribution of RM0.03 per unit to date (See Table 1 for performance of the Fund and Figure 1 for the movement of the Fund versus the Benchmark).

Since commencement, the Fund has gained 632.33%, compared to the benchmark that rose 181.63%. The Fund outperformed the Benchmark by 450.70 percentage points. The Fund has declared a total gross income distribution of RM1.031 per unit to date. As such, the Manager believes that the Fund's objective of achieving consistent capital appreciation over the long term has been met.

Table 1: Performance of the Fund

	<b>1 Year (1/8/15 - 31/7/16)</b>	<b>3 Years (1/8/13 - 31/7/16)</b>	<b>5 Years (1/8/11 - 31/7/16)</b>	<b>Since Commencement (28/9/01 - 31/7/16)</b>
<b>Fund</b>	<b>7.13%</b>	<b>15.37%</b>	<b>56.81%</b>	<b>632.33%</b>
<b>Benchmark</b>	<b>(2.47%)</b>	<b>(6.63%)</b>	<b>7.88%</b>	<b>181.63%</b>
<b>Outperformance</b>	<b>9.60%</b>	<b>22.00%</b>	<b>48.93%</b>	<b>450.70%</b>

Source of Benchmark: Bursa Malaysia

Table 2: Average Total Return

	<b>1 Year (1/8/15 - 31/7/16)</b>	<b>3 Years (1/8/13 - 31/7/16)</b>	<b>5 Years (1/8/11 - 31/7/16)</b>	<b>Since Commencement (28/9/01 - 31/7/16)</b>
<b>Fund</b>	<b>7.13%</b>	<b>4.88%</b>	<b>9.40%</b>	<b>14.35%</b>
<b>Benchmark</b>	<b>(2.47%)</b>	<b>(2.26%)</b>	<b>1.53%</b>	<b>7.22%</b>
<b>Outperformance</b>	<b>9.60%</b>	<b>7.14%</b>	<b>7.87%</b>	<b>7.13%</b>

Source of Benchmark: Bursa Malaysia

Table 3: Annual Total Return

	FYE 2016 (01/8/15 - 31/7/16)	FYE 2015 (01/8/14 - 31/7/15)	FYE 2014 (01/8/13 - 31/7/14)	FYE 2013 (01/8/12 - 31/7/13)	FYE 2012 (01/8/11 - 31/7/12)
<b>Fund</b>	<b>7.13%</b>	<b>(4.49%)</b>	<b>12.75%</b>	<b>25.59%</b>	<b>8.23%</b>
<b>Benchmark</b>	<b>(2.47%)</b>	<b>(8.55%)</b>	<b>4.69%</b>	<b>9.94%</b>	<b>5.09%</b>
<b>Outperformance</b>	<b>9.60%</b>	<b>4.07%</b>	<b>8.06%</b>	<b>15.65%</b>	<b>3.14%</b>

Source of Benchmark: Bursa Malaysia

Figure 1: Movement of Fund versus 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 Top 100 Index

### **Strategies Employed (1 August 2015 – 31 July 2016)**

The Manager continued to adopt a bottom up stock picking strategy and focused on quality companies that are able to provide stability given the shorter and sharper market cycles that we are seeing.

Despite challenging marketing conditions over the course of the period under review, the Manager increased the Fund's exposure towards the end of the period on the back of improved market sentiment. Given the slower growth expectations, the portfolio had remained tilted towards income yielding investments with growth potential. The Manager had also taken up a more active trading position, and took opportunities on event-driven stocks to drive the Fund's performance on the back of the sharper market cycles.

## **Asset Allocation**

As at 31 July 2016, the equities weighting in the portfolio stood at 93.95% of NAV and the balance in cash. For a snapshot of the Fund's significant changes in the asset mix, see Figure 2 below.

Figure 2: A 3 year Summary of Equity Sector Allocation

<b>Equity Sector Allocation</b>	<b><u>31 July 2016</u></b>	<b><u>31 July 2015</u></b>	<b><u>31 July 2014</u></b>
Basic Materials	2.91%	-	-
Construction	-	5.64%	2.49%
Finance	16.12%	8.81%	10.01%
Foreign Investment	24.02%	22.62%	28.71%
Industrials	9.22%	-	-
Industrial Products	-	-	5.48%
Infrastructure	-	3.32%	2.18%
Properties	-	3.54%	7.16%
Technology	3.53%	-	-
Telecommunications	5.62%	-	-
Trading & Services	-	16.64%	25.10%
Consumer Goods	8.73%	12.53%	3.40%
Consumer Services	2.44%	-	-
Oil & Gas	3.60%	-	-
REITs	7.80%	4.19%	-
Utilities	7.28%	-	-
Warrants	-	1.18%	1.32%
Preference Share	2.68%	2.48%	2.42%
Healthcare	-	-	-
Plantations	-	3.81%	3.01%
Special Purpose Acquisition Companies	-	3.95%	-
<b>Equity</b>	<b>93.95%</b>	<b>88.71%</b>	<b>91.28%</b>
<b>Cash</b>	<b>6.05%</b>	<b>11.29%</b>	<b>8.72%</b>
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

The Fund's cash levels had reduced from the previous period under review to allocate higher equity exposure into the market. Over the period under review, the Fund had increased its exposure in finance, telco, consumer goods, O&G and utilities sector while the Fund's exposure in infrastructure, properties, trading & services and plantations sector were substantially reduced.

## **Review of Market (1 August 2015 – 31 July 2016)**

A surprise devaluation of the Renminbi by the People's Bank of China at the start of the period under review left investors scrambling. Fresh from a heavy sell-down, global markets remained relatively fragile over the course of September, before bouncing back in October. Market strength was largely supported by the anticipated monetary policy easing measures expected to be taken by the European Central Bank (ECB), and the additional easing measures taken by the People's Bank of China in an attempt to address its easing growth concerns.

The US Federal Reserve finally raised its interest rates with a 0.25% hike in December after a lengthy anticipation process. While the policy move had removed some market uncertainty, financial markets failed to lift off in a big way. This was largely due to the concerns surrounding the sustainability of China's economic growth, coupled with the prolonged low oil price environment.

Investors' expectations for an encouraging start to 2016 was however, crushed after January 2016 was dubbed to be one of the worst starts for equity markets. The Shanghai Composite Index tumbled 7% in a single trading day, leading to the trigger of the circuit breaker. The circuit breaker was triggered twice in a span of 1 week, and soon led to the People's Bank of China (PBoC) scrapping the initiative after it was seen to be triggering a panic in the market as opposed to maintaining stability. The pick-up in economic data in

March 2016 that suggested the economy may be back on track provided investors with a boost in confidence for the China equity market. While growth seems to have stabilised, there were concerns that it could slow again in the second half of the year as policy effects wane.

ASEAN has remained one of the more resilient markets this year despite the surprise Brexit referendum that shook global financial markets. Indonesia, Philippines and Thailand all trended higher, recording a gain of 8.6%, 5.5%, and 9.5% in local currency terms respectively over the period under review when most of its peers were in the red. The broader Asian equities as gauged by the MSCI Asia ex Japan Index slid 3.9% lower.

On the domestic front, the FBM KLCI slid 4.1% lower over the period under review as pressures continued to impact market performance. The 1MDB scandal had continued to affect market sentiment over the course of the year, along with suppressed oil prices. 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 manufacturing PMI had remained in a contraction stage, staying below 50 for the 15th consecutive month in June 2016. The Index trended lower from 47.2 in May to 47.1 in June.

As the slow growth environment continues 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 saw little reprieves and had remained suppressed after the oil producers' reluctance to consider reducing production, contributing further to the supply glut in the market. Over the period under review, oil prices slid 11.7% lower to end July at USD41.6 per barrel. While prices may have seen some stability in recent months, its prices have remained below the USD50.0 per barrel market.

### **Investment Outlook**

We expect the accommodative monetary policies being adopted by global central banks to continue to provide support for global financial markets with its continued flood of liquidity into the system. While turbulence is expected to continue on the back of the on-going market uncertainty, we believe Emerging Markets have been benefitting from investors search for yields.

Murmurs of an up-coming election, and resilient domestic consumption has encouraged the Manager to increase the portfolio's market exposure. The core holdings of the Fund will remain on fundamentally strong companies that will be able to provide more resilience under the current unpredictable market.

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 be taking on opportunities within the infrastructure sector given the higher government spending.

## (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 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.

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

Size of holdings (Units)	No. of Unitholders	No. of Units held* ('000)
5,000 and below	2,452	6,575
5,001 to 10,000	1,956	13,858
10,001 to 50,000	3,965	87,508
50,001 to 500,000	1,197	144,900
500,001 and above	54	354,361
<b>Total</b>	<b>9,624</b>	<b>607,202</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 period under review.

## INCOME DISTRIBUTION

Affin Hwang Asset Management Berhad recently declared a gross distribution of RM0.0300 per Unit for investors of the Affin Hwang Select Opportunity Fund over the period under review.

The Net Asset Value 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>
28 July 2006	31 July 2006	0.7614	0.0780	0.6831
27 July 2007	30 July 2007	1.0445	0.1140	0.9267
18 July 2008	21 July 2008	0.6396	0.0970	0.5457
21 July 2009	22 July 2009	0.6190	0.0199	0.5963
19 July 2010	20 July 2010	0.7047	0.0470	0.6588
15 July 2011	18 July 2011	0.8356	0.0480	0.7808
20 July 2012	23 July 2012	0.8600	0.0500	0.8058
10 June 2013	24 July 2013	1.0457	0.1000	0.9332
11 June 2014	12 June 2014	1.0073	0.0500	0.9559
08 June 2015	09 June 2015	0.9988	0.0500	0.9389
06 June 2016	07 June 2016	0.9377	0.0300	0.9102



## FUND PERFORMANCE DATA

Source: HSBC Trustee	As at 31 July 2016	As at 31 July 2015	As at 31 July 2014
Total NAV (RM'million)	566.100	634.342	749.999
NAV per Unit (RM)	0.9309	0.8976	0.9898
Units in Circulation (million)	608.107	706.695	757.723
Highest NAV	0.9377	1.0225	1.0074
Lowest NAV	0.8475	0.8808	0.9054
Return of the Fund (%) <sup>iii</sup>	7.13	-4.49	12.75
- Capital Return (%) <sup>i</sup>	3.710	-9.315	7.144
- Income Return (%) <sup>ii</sup>	3.296	5.325	5.231
Gross Distribution per Unit (sen)	3.0	5.0	5.0
Net Distribution per Unit (sen)	3.0	5.0	5.0
Management Expense Ratio (%) <sup>1</sup>	1.69	1.62	1.59
Portfolio Turnover Ratio (times) <sup>2</sup>	1.22	1.36	1.27

### **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

$$\begin{aligned} \text{Capital Return}^i &= \{ \text{NAV per Unit @ 31/7/16} \div \text{NAV per Unit @ 31/7/15}^* - 1 \} \times 100 \\ &= (0.9309 \div 0.8976 - 1) \times 100 \\ &= \underline{\underline{3.710\%}} \end{aligned}$$

$$\begin{aligned} \text{Income Return}^{ii} &= \{ \text{Income distribution per Unit} \div \text{NAV per Unit on ex-date @ 07/06/15} \} \times 100 \\ &= \{ 0.0300 \div 0.9102 \} \times 100 \\ &= \underline{\underline{3.296\%}} \end{aligned}$$

$$\begin{aligned} \text{Total Return of the Fund}^{iii} &= \{ (1 + \text{Capital Return} \times (1 + \text{Income Return})) - 1 \} \times 100 \\ &= \{ (1 + 3.710\%) \times (1 + 3.296\%) \} - 1 \} \times 100 \\ &= \underline{\underline{7.13\%}} \end{aligned}$$

\* 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> MER is higher during the period under review as the average net asset value for the period has decreased.

<sup>2</sup> PTR was lower during the period under review due to the less portfolio action.

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

We have acted as Trustee of **Affin Hwang Select Opportunity Fund** ("the Fund") for the financial period ended 31 July 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.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie  
Head, Trustee Operations

Kuala Lumpur  
21 September 2016

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

	<u>Note</u>	<u>2016</u> RM	<u>2015</u> RM
<b>INVESTMENT INCOME</b>			
Dividend income		11,516,423	13,317,718
Interest income	4	1,967,519	3,824,062
Net gain on foreign currency exchange		5,628,215	2,807,368
Net gain/(loss) on financial assets at fair value through profit or loss	9	32,279,649	(30,371,011)
		<u>51,391,806</u>	<u>(10,421,863)</u>
<b>EXPENSES</b>			
Management fee	5	(8,559,463)	(11,012,752)
Trustee fee	6	(399,442)	(513,928)
Auditors' remuneration		(8,000)	(8,000)
Tax agent's fee		(3,550)	(3,550)
Transaction cost		(4,085,889)	(5,632,661)
Other expenses		(886,961)	(414,730)
		<u>(13,943,305)</u>	<u>(17,585,621)</u>
<b>NET PROFIT/ (LOSS) BEFORE TAXATION</b>		37,448,501	(28,007,484)
<b>TAXATION</b>	7	(301,796)	(267,947)
<b>NET PROFIT/ (LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE FINANCIAL YEAR</b>		<u><u>37,146,705</u></u>	<u><u>(28,275,431)</u></u>
Net profit/ (loss) after taxation is made up of the following:			
Realised amount		(2,025,198)	46,690,446
Unrealised amount		39,171,903	(74,965,877)
		<u><u>37,146,705</u></u>	<u><u>(28,275,431)</u></u>

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

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 JULY 2016**

	<u>Note</u>	<u>2016</u> RM	<u>2015</u> RM
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	9	531,842,999	562,735,159
Cash and cash equivalents	10	13,435,230	81,487,983
Amount due from Manager - creation of units		48,547	-
Amount due from brokers		23,322,473	3,403,527
Dividend receivable		271,662	322,830
<b>TOTAL ASSETS</b>		<u><u>568,920,911</u></u>	<u><u>647,949,499</u></u>
<b>LIABILITIES</b>			
Amount due to Manager - management fee		721,085	822,885
- cancellation of units		570,185	1,296,710
Amount due to Trustee		33,651	38,401
Amount due to brokers		1,404,474	11,363,114
Auditors' remuneration		8,000	8,000
Tax agent's fee		7,100	3,550
Other payables and accruals		75,947	73,867
<b>TOTAL LIABILITIES</b>		<u><u>2,820,442</u></u>	<u><u>13,606,527</u></u>
<b>NET ASSET VALUE OF THE FUND</b>		<u><u>566,100,469</u></u>	<u><u>634,342,972</u></u>
<b>EQUITY</b>			
Unitholders' capital		487,812,991	575,072,599
Retained earnings		78,287,478	59,270,373
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u><u>566,100,469</u></u>	<u><u>634,342,972</u></u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	11	<u><u>608,107,000</u></u>	<u><u>706,695,000</u></u>
<b>NET ASSET VALUE PER UNIT (RM)</b>		<u><u>0.9309</u></u>	<u><u>0.8976</u></u>

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016**

	<u>Unitholders' capital</u> RM	<u>Retained earnings</u> RM	<u>Total</u> RM
Balance as at 1 August 2015	575,072,599	59,270,373	634,342,972
Total comprehensive income for the financial year	-	37,146,705	37,146,705
Distribution (Note 8)	-	(18,129,600)	(18,129,600)
Movement in unitholders' capital:			
Creation of units arising from applications	17,812,877	-	17,812,877
Creation of units arising from distribution	17,886,712	-	17,886,712
Cancellation of units	(122,959,197)	-	(122,959,197)
Balance as at 31 July 2016	<u>487,812,991</u>	<u>78,287,478</u>	<u>566,100,469</u>
Balance as at 1 August 2014	628,496,194	121,503,004	749,999,198
Total comprehensive loss for the financial year	-	(28,275,431)	(28,275,431)
Distribution (Note 8)	-	(33,957,200)	(33,957,200)
Movement in unitholders' capital:			
Creation of units arising from applications	92,635,546	-	92,635,546
Creation of units arising from distribution	33,112,504	-	33,112,504
Cancellation of units	(179,171,645)	-	(179,171,645)
Balance as at 31 July 2015	<u>575,072,599</u>	<u>59,270,373</u>	<u>634,342,972</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 JULY 2016**

	<u>Note</u>	<u>2016</u> RM	<u>2015</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		687,296,403	1,069,676,676
Purchase of investments		(675,356,033)	(986,172,141)
Dividends received		11,265,795	14,022,505
Interest received		1,967,519	3,770,375
Management fee paid		(8,661,263)	(11,141,573)
Trustee fee paid		(404,192)	(519,940)
Payment for other fees and expenses		(892,881)	(360,413)
Net realised foreign currency exchange gain/(loss)		16,949,611	(270,200)
		<hr/>	<hr/>
Net cash generated from operating activities		32,164,959	89,005,289
		<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from creation of units		17,764,330	97,547,933
Payments for cancellation of units		(123,685,722)	(189,534,483)
Payment for distribution		(242,888)	(844,696)
		<hr/>	<hr/>
Net cash used in financing activities		(106,164,280)	(92,831,246)
		<hr/>	<hr/>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(73,999,321)	(3,825,957)
<b>EFFECTS OF FOREIGN CURRENCY EXCHANGE</b>		5,946,568	3,077,568
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		81,487,983	82,236,372
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	10	13,435,230	81,487,983
		<hr/> <hr/>	<hr/> <hr/>

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 JULY 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 in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), as modified by financial assets at fair value through profit or loss.

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 August 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 August 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 JULY 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 August 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.

### **B INCOME RECOGNITION**

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

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

For quoted investments, realised 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.



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

### **C DISTRIBUTION**

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

### **D TRANSACTION COSTS**

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

### **E TAXATION**

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

Tax on investment income from foreign investments is based on the tax regime of the respective countries that the Fund invests in.

### **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.

### **G FOREIGN CURRENCY TRANSLATIONS**

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

### **H FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

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

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

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

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

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

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

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

Financial liabilities are classified according to the substance of the contractual arrangements extend 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. 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.

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

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.

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

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

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

Deposits with a licensed financial institution 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 deposit.

Loans and receivables and other financial liabilities are subsequently carried at amortised cost using the effective interest 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 interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

If, in a subsequent financial 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.

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

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

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

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

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

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

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

### **K UNITHOLDERS' CAPITAL**

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

- the units entitle the holder to a proportionate share of the Fund's net 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 year if unitholder exercises the right to put the unit back to the Fund.

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

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

### **L 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.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

## 1 INFORMATION ON THE FUND

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

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

The Fund may invest in securities traded on Bursa Malaysia and other markets considered as eligible markets, collective investment schemes, unlisted securities, futures contracts and any other investments not otherwise prohibited by the Security Commission from time to time. All investments will be subjected to the SC's Guidelines on Unit Trust Funds, the Deeds and the objective of the Fund.

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

The Manager is a company incorporated in Malaysia. The principal activities of the Manager are establishment and management of unit trust funds 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 21 September 2016.

## 2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE AND POLICIES

Financial instruments are as follows:

	<u>Note</u>	<u>Loans and receivables</u> RM	<u>Financial asset at fair value through profit or loss</u> RM	<u>Total</u> RM
<u>2016</u>				
Quoted equities	9	-	531,842,999	531,842,999
Cash and cash equivalents	10	13,435,230	-	13,435,230
Amount due from Manager				
- creation of units		48,547	-	48,547
Amount due from brokers		23,322,473	-	23,322,473
Dividends receivables		271,662	-	271,662
Total		<u>37,077,912</u>	<u>531,842,999</u>	<u>568,920,911</u>

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

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

Financial instruments are as follows (continued):

	<u>Note</u>	<u>Loans and receivables</u> RM	<u>Financial asset at fair value through profit or loss</u> RM	<u>Total</u> RM
<u>2015</u>				
Quoted equities	9	-	562,735,159	562,735,159
Cash and cash equivalents	10	81,487,983	-	81,487,983
Amount due from brokers		3,403,527	-	3,403,527
Dividends receivables		322,830	-	322,830
Total		<u>85,214,340</u>	<u>562,735,159</u>	<u>647,949,499</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, interest rate risk and currency risk), liquidity risk, credit risk and capital risk.

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

Market risk

(a) Price risk

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

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

	<u>2016</u> RM	<u>2015</u> RM
<b>Quoted investments</b>		
Quoted equities designated at at fair value through profit or loss	<u>531,842,999</u>	<u>562,735,159</u>

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

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

Market risk (continued)

(a) Price risk (continued)

The following table summarises the sensitivity of the Fund's profit after taxation and net asset value 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</u> <u>profit after</u> <u>tax/NAV</u> RM
<u>2016</u>		
-5%	505,250,849	(26,592,150)
0%	531,842,999	-
+5%	558,435,149	26,592,150
<u>2015</u>		
-5%	534,598,401	(28,136,758)
0%	562,735,159	-
+5%	590,871,917	28,136,758

(b) Interest rate risk

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

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

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



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

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

Market risk (continued)

(c) Currency risk

Currency risk is associated with investments denominated in foreign currencies. When the foreign currencies fluctuate in unfavourable movement against Ringgit Malaysia, the investments will face currency losses in addition to the capital gain/(loss). The Manager will evaluate the likely directions of a foreign currency versus Ringgit Malaysia based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels and technical chart considerations.

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

	<u>Quoted equities</u> RM	<u>Cash and cash equivalents</u> RM	<u>Other assets*</u> RM	<u>Other payables**</u> RM	<u>Total</u> RM
<u>2016</u>					
Australia Dollar	-	1,371	-	-	1,371
Hong Kong Dollar	55,974,454	9,258	14,541,197	-	70,524,909
Indonesia Rupiah	25,013,337	-	-	-	25,013,337
Korea Won	6,285,147	-	-	-	6,285,147
Philippine Peso	6,283,855	-	-	-	6,283,855
Singapore Dollar	30,193,499	4,272,132	-	(602,057)	33,863,574
Thailand Baht	7,975,256	-	-	-	7,975,256
United States Dollar	4,241,714	7,960,969	-	-	12,202,683
	<u>135,967,262</u>	<u>12,243,730</u>	<u>14,541,197</u>	<u>(602,057)</u>	<u>162,150,132</u>
<u>2015</u>					
Hong Kong Dollar	72,998,087	9,453,003	76,104	-	82,527,194
Philippine Peso	15,435,021	-	-	-	15,435,021
Singapore Dollar	42,810,981	112,828	-	-	42,923,809
United States Dollar	12,258,759	25,044,063	-	-	37,302,822
	<u>143,502,848</u>	<u>34,609,894</u>	<u>76,104</u>	<u>-</u>	<u>178,188,846</u>

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

\*\* Other payables consist of amount due to brokers.

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

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

Market risk (continued)

(c) Currency risk (continued)

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

	Change in <u>price</u> %	Impact on profit after tax/ <u>NAV</u> RM
<u>2016</u>		
Australia Dollar		+/- 69
Hong Kong Dollar	+/- 5	+/- 3,526,245
Indonesia Rupiah	+/- 5	+/- 1,250,667
Korea Won	+/- 5	+/- 314,257
Philippine Peso	+/- 5	+/- 314,193
Singapore Dollar	+/- 5	+/- 1,693,179
Thailand Baht	+/- 5	+/- 398,763
United States Dollar	+/- 5	+/- 610,134
<u>2015</u>		
Hong Kong Dollar	+/- 5	+/- 4,126,360
Philippine Peso	+/- 5	+/- 771,751
Singapore Dollar	+/- 5	+/- 2,146,190
United States Dollar	+/- 5	+/- 1,865,141

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 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 liquid assets to meet anticipated payments and cancellations of units by unitholders. Liquid assets comprise cash, 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	721,085	-	721,085
- cancellation of units	570,185	-	570,185
Amount due to Trustee	33,651	-	33,651
Amount due to brokers	1,404,474	-	1,404,474
Auditors' remuneration	-	8,000	8,000
Tax agent's fee	-	7,100	7,100
Other payables and accruals	46,905	29,042	75,947
	<u>2,776,300</u>	<u>44,142</u>	<u>2,820,442</u>
<u>2015</u>			
Amount due to Manager			
- management fee	822,885	-	822,885
- cancellation of units	1,296,710	-	1,296,710
Amount due to Trustee	38,401	-	38,401
Amount due to brokers	11,363,114	-	11,363,114
Auditors' remuneration	-	8,000	8,000
Tax agent's fee	-	3,550	3,550
Other payables and accruals	64,455	9,412	73,867
	<u>13,585,565</u>	<u>20,962</u>	<u>13,606,527</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 JULY 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 interest, principals and proceeds from realisation of investments. The Manager manages the credit risk by undertaking credit evaluation to minimise such risk.

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

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

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

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

	<u>Cash and cash equivalents</u> RM	<u>Other assets*</u> RM	<u>Total</u> RM
<u>2016</u>			
Basic Materials			
- NR	-	1,826,534	1,826,534
Consumer Goods			
- NR	-	598,583	598,583
Finance			
- AAA	12,374,367	-	12,374,367
- AA3	1,060,863	-	1,060,863
- NR	-	14,632,239	14,632,239
Industrials			
- NR	-	5,037,338	5,037,338
REITS			
- NR	-	1,357,826	1,357,826
Oil & Gas			
- NR	-	141,615	141,615
Others			
- NR	-	48,547	48,547
	<u>13,435,230</u>	<u>23,642,682</u>	<u>37,077,912</u>

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

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

Credit risk (continued)

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

	<u>Cash and cash equivalents</u> RM	<u>Other assets*</u> RM	<u>Total</u> RM
<u>2015</u>			
Consumer Goods			
- NR	-	86,490	86,490
Finance			
- AAA	81,487,983	-	81,487,983
- NR	-	76,104	76,104
Industrials			
- NR	-	1,356,714	1,356,714
Telecommunications			
- NR	-	2,207,049	2,207,049
	<u>81,487,983</u>	<u>3,726,357</u>	<u>85,214,340</u>

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

The financial assets of the Fund 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 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 period end date. The Fund utilizes the current bid price for financial assets which fall within the bid-ask spread.

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

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

(i) Fair value hierarchy

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

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

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

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 JULY 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				
- quoted equities	531,842,999	-	-	531,842,999
	<u>531,842,999</u>	<u>                    </u>	<u>                    </u>	<u>531,842,999</u>
<u>2015</u>				
Financial assets at fair value through profit or loss				
- quoted equities	562,735,159	-	-	562,735,159
	<u>562,735,159</u>	<u>                    </u>	<u>                    </u>	<u>562,735,159</u>

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

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

**4 INTEREST INCOME**

	<u>2016</u> RM	<u>2015</u> RM
Interest income		
- short term deposits	1,911,304	3,824,062
- unquoted fixed income securities	56,215	-
	<u>1,967,519</u>	<u>3,824,062</u>

**5 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 July 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.

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

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

**6 TRUSTEE FEE**

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.3% per annum on the NAV of the Fund, subject to a minimum fee of RM35,000 per annum.

For the financial year ended 31 July 2016, the Trustee fee is recognised at a rate of 0.07% (2015: 0.07%) per annum on the NAV of the Fund, subject to a minimum fee of RM18,000 per annum, inclusive of local custodian fee but exclusive of foreign sub-custodian fee calculated on daily basis.

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

**7 TAXATION**

	<u>2016</u> RM	<u>2015</u> RM
Current taxation		
– local	156,650	35,550
– foreign	145,236	217,121
Under/(over) provision in prior financial year	-	15,276
	<u>301,796</u>	<u>267,947</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	<u>37,448,501</u>	<u>(28,007,484)</u>
Tax at Malaysian statutory rate of 24% (2015: 25%)	8,987,640	(7,001,871)
Tax effects of:		
(Investment income not subject to tax)/Investment loss exempt from tax	(11,958,290)	2,690,786
Expenses not deductible for tax purposes	1,290,202	1,634,351
Restrictions on tax deductible expenses for unit trust fund	2,056,192	2,762,054
Foreign investment income subject to foreign tax rate	145,236	217,121
Under provision in prior financial year	-	15,276
Income subject to different tax rate	(219,184)	(49,770)
Tax expense	<u>301,796</u>	<u>267,947</u>



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

**8 DISTRIBUTION**

	<u>2016</u> RM	<u>2015</u> RM
Distribution to unitholders is from the following sources:		
Dividend income	6,432,613	1,585,504
Interest income	-	3,824,062
Previous year's realised income	11,696,987	31,943,354
	<hr/>	<hr/>
Gross realised income	18,129,600	37,352,920
Less: Expenses	-	(3,395,720)
	<hr/>	<hr/>
	18,129,600	33,957,200
	<hr/> <hr/>	<hr/> <hr/>
Gross/net distribution per unit (sen)	3.00	5.00
	<hr/> <hr/>	<hr/> <hr/>
Ex-date	7.6.2016	9.6.2015
	<hr/> <hr/>	<hr/> <hr/>

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

Included in distributions for the financial year is an amount of RM11,696,987 (2015: RM31,943,354) made from previous year's realised income.

**9 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		
- quoted equities – local	395,875,737	419,232,311
- quoted equities – foreign	135,967,262	143,502,848
	<hr/>	<hr/>
	531,842,999	562,735,159
	<hr/> <hr/>	<hr/> <hr/>
Net gain/ (loss) on financial assets at fair value through profit or loss		
- realised (loss)/ gain on sale of investments	(945,686)	47,672,434
- unrealised gain/ (loss)	33,225,335	(78,043,445)
	<hr/>	<hr/>
	32,279,649	(30,371,011)
	<hr/> <hr/>	<hr/> <hr/>

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

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

(a) Quoted equities – local

(i) Quoted equities – local as at 31 July 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>				
Press Metal Bhd	3,964,600	11,573,664	16,453,090	2.91
<b><u>CONSUMER SERVICES</u></b>				
Berjaya Food Bhd	1,851,500	5,198,598	3,110,520	0.55
Bison Consolidated Bhd	7,427,200	10,497,281	10,695,168	1.89
	<u>9,278,700</u>	<u>15,695,879</u>	<u>13,805,688</u>	<u>2.44</u>
<b><u>CONSUMER GOODS</u></b>				
QL Resources Bhd	1,889,520	6,269,379	8,238,307	1.45
Genting Plantations Bhd	1,699,100	18,353,708	17,908,514	3.16
Fraser & Neave Holdings Bhd	914,400	16,518,063	23,317,200	4.12
	<u>4,503,020</u>	<u>41,141,150</u>	<u>49,464,021</u>	<u>8.73</u>
<b><u>FINANCIALS</u></b>				
Malayan Banking Bhd	2,927,177	24,486,009	23,475,960	4.15
Allianz Malaysia Bhd	635,000	7,650,607	6,311,900	1.11
Tune Protect Group Bhd	6,968,418	11,949,971	11,428,206	2.02
CIMB Group Holdings Bhd	5,053,658	23,030,630	22,135,022	3.91
Bursa Malaysia Bhd	2,258,200	19,438,910	19,443,102	3.43
Hong Leong Financial Group Bhd	563,511	6,549,764	8,497,746	1.50
	<u>18,405,964</u>	<u>93,105,891</u>	<u>91,291,936</u>	<u>16.12</u>
<b><u>INDUSTRIALS</u></b>				
Gamuda Bhd	1,750,000	8,734,377	8,435,000	1.49
Malaysia Airports Holdings Bhd	1,754,503	9,824,746	10,439,293	1.84
Ekovest Bhd	11,779,200	15,086,695	18,493,344	3.27
Iskandar Waterfront City Bhd	10,750,300	9,675,270	10,212,785	1.80
Sime Darby Bhd	624,400	4,775,165	4,633,048	0.82
	<u>26,658,403</u>	<u>48,096,253</u>	<u>52,213,470</u>	<u>9.22</u>

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

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

(a) Quoted equities – local (continued)

(i) Quoted equities – local as at 31 July 2016 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>OIL &amp; GAS</u>				
Barakah Offshore Petroleum Bhd	3,592,000	2,465,972	2,388,680	0.42
Reach Energy Bhd	7,624,500	5,007,489	5,184,660	0.92
Bumi Armada Bhd	17,270,200	17,688,616	12,779,948	2.26
	<u>28,486,700</u>	<u>25,162,077</u>	<u>20,353,288</u>	<u>3.60</u>
<u>TECHNOLOGY</u>				
Unisem (M) Bhd	3,671,600	7,745,235	9,876,604	1.74
Inari Amertron Bhd	3,265,100	9,743,108	10,121,810	1.79
	<u>6,936,700</u>	<u>17,488,343</u>	<u>19,998,414</u>	<u>3.53</u>
<u>TELECOMMUNICATIONS</u>				
Axiata Group Bhd	5,599,661	34,063,658	31,806,074	5.62
<u>UTILITIES</u>				
YTL Corp Bhd	7,608,600	11,930,531	12,554,190	2.22
Tenaga Nasional Bhd	1,996,300	26,111,896	28,626,942	5.06
	<u>9,604,900</u>	<u>38,042,427</u>	<u>41,181,132</u>	<u>7.28</u>
<u>REITS</u>				
IGB REIT	13,528,400	17,958,856	22,051,292	3.90
CapitaLand Malaysia Mall Trust	3,300,600	4,843,067	4,983,906	0.88
Sunway REIT	10,238,300	15,859,236	17,097,961	3.02
	<u>27,067,300</u>	<u>38,661,159</u>	<u>44,133,159</u>	<u>7.80</u>
<u>PREFERENCE SHARES</u>				
Allianz Malaysia Bhd	1,556,458	6,898,365	15,175,465	2.68
Total quoted equities – local	<u>142,062,406</u>	<u>369,928,866</u>	<u>395,875,737</u>	<u>69.93</u>
Accumulated unrealised gain on quoted equities – local		<u>25,946,871</u>		
Total quoted equities – local		<u>395,875,737</u>		

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

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

(a) Quoted equities – local (continued)

(ii) Quoted equities – local as at 31 July 2015 are as follows:

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<b><u>CONSUMER PRODUCTS</u></b>				
Carlsberg Brewery Malaysia Bhd	230,000	2,883,769	2,875,000	0.45
Dutch Lady Milk Industries Bhd	156,400	7,474,238	7,307,008	1.15
Fraser & Neave Holdings Bhd	1,000,000	18,008,437	18,200,000	2.87
Guinness Anchor Bhd	350,000	5,172,311	4,970,000	0.79
Nestle Malaysia Bhd	50,000	3,765,270	3,600,000	0.57
Oriental Holdings Bhd	1,978,800	14,047,610	14,346,300	2.26
QL Resources Bhd	6,661,420	20,096,066	28,177,807	4.44
	<u>10,426,620</u>	<u>71,447,701</u>	<u>79,476,115</u>	<u>12.53</u>
<b><u>CONSTRUCTIONS</u></b>				
Gamuda Bhd	5,545,000	27,675,498	26,616,000	4.20
WCT Holdings Bhd	6,606,372	9,973,023	9,116,793	1.44
	<u>12,151,372</u>	<u>37,648,521</u>	<u>35,732,793</u>	<u>5.64</u>
<b><u>FINANCE</u></b>				
Aeon Credit Service (M) Bhd	1,167,920	13,690,283	16,047,221	2.53
Allianz Malaysia Bhd	735,000	8,855,427	8,320,200	1.31
Hong Leong Bank Bhd	1,250,100	17,366,939	16,926,354	2.67
Tune Insurance Holdings Bhd	9,611,018	16,705,798	14,608,747	2.30
	<u>12,764,038</u>	<u>56,618,447</u>	<u>55,902,522</u>	<u>8.81</u>
<b><u>INFRASTRUCTURE PROJECT COMPANIES</u></b>				
Digi.Com Bhd	3,902,500	22,377,760	21,073,500	3.32
<b><u>PLANTATION</u></b>				
IOI Corporation Bhd	1,954,400	8,309,678	8,247,568	1.30
Kuala Lumpur Kepong Bhd	726,600	16,310,252	15,927,072	2.51
	<u>2,681,000</u>	<u>24,619,930</u>	<u>24,174,640</u>	<u>3.81</u>
<b><u>PROPERTIES</u></b>				
Eastern & Oriental Bhd	8,766,100	16,715,442	15,428,336	2.43
Eco World Development Group Bhd	4,564,400	7,394,328	7,029,176	1.11
	<u>13,330,500</u>	<u>24,109,770</u>	<u>22,457,512</u>	<u>3.54</u>

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

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

(a) Quoted equities – local (continued)

(ii) Quoted equities – local as at 31 July 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>SPECIAL PURPOSE ACQUISITION COMPANIES</u></b>				
Reach Energy Bhd	22,000,000	14,495,428	13,420,000	2.12
Sona Petroleum Bhd	27,026,100	11,540,611	11,621,223	1.83
	<u>49,026,100</u>	<u>26,036,039</u>	<u>25,041,223</u>	<u>3.95</u>
<b><u>TRADING/SERVICES</u></b>				
7-Eleven Malaysia Holdings Bhd	12,662,600	20,181,749	20,513,412	3.23
Axiata Group Bhd	2,780,390	18,976,109	17,572,065	2.77
Berjaya Food Bhd	7,773,100	21,825,128	18,111,323	2.86
Boustead Holdings Bhd	3,325,400	14,964,300	13,401,362	2.11
British American Tobacco Malaysia Bhd	145,000	9,067,429	9,758,500	1.54
CLIQ Energy Bhd	2,872,200	1,852,590	1,895,652	0.30
DKSH Holdings Malaysia Bhd	1,686,700	10,496,604	8,045,559	1.27
Malaysia Airports Holdings Bhd	2,754,503	15,424,477	16,251,568	2.56
	<u>33,999,893</u>	<u>112,788,386</u>	<u>105,549,441</u>	<u>16.64</u>
<b><u>REITS</u></b>				
IGB Real Estate Investment Scheme	8,000,000	10,794,284	10,720,000	1.69
Sunway Real Estate Investment Scheme	10,238,300	15,859,236	15,869,365	2.50
	<u>18,238,300</u>	<u>26,653,520</u>	<u>26,589,365</u>	<u>4.19</u>
<b><u>PREFERENCE SHARES</u></b>				
Allianz Malaysia Bhd	1,405,000	5,368,639	15,736,000	2.48
<b><u>WARRANTS</u></b>				
Genting Plantations Bhd 17.6.2019	3,488,000	10,645,436	7,499,200	1.18
Total quoted equities – local	<u>161,413,323</u>	<u>418,314,149</u>	<u>419,232,311</u>	<u>66.09</u>
Accumulated unrealised gain on quoted equities – local		<u>918,162</u>		
Total quoted equities – local		<u>419,232,311</u>		

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

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

(b) Quoted equities – foreign

(i) Quoted equities – foreign as at 31 July 2016 are as follows:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<b><u>HONG KONG</u></b>				
<b><u>TECHNOLOGY</u></b>				
HKBN Ltd	2,452,000	11,225,519	11,905,995	2.10
Tencent Holdings Ltd	75,400	4,190,436	7,365,728	1.30
	<u>2,527,400</u>	<u>15,415,955</u>	<u>19,271,723</u>	<u>3.40</u>
<b><u>FINANCIALS</u></b>				
AIA Group Ltd	308,800	7,389,234	7,755,886	1.37
<b><u>INDUSTRIALS</u></b>				
Anhui Conch Cement Co Ltd	268,000	2,818,808	2,849,681	0.50
CT Environment Group Ltd	4,112,000	5,911,613	5,061,584	0.90
	<u>4,380,000</u>	<u>8,730,421</u>	<u>7,911,265</u>	<u>1.40</u>
<b><u>TELECOMMUNICATIONS</u></b>				
China Mobile Ltd	181,500	8,444,503	9,093,417	1.61
<b><u>UTILITIES</u></b>				
Guangdong Investment Ltd	1,004,000	5,477,919	6,237,117	1.10
Power Assets Holdings Ltd	143,500	5,633,248	5,705,046	1.01
	<u>1,147,500</u>	<u>11,111,167</u>	<u>11,942,163</u>	<u>2.11</u>
<b><u>INDONESIA</u></b>				
<b><u>FINANCIALS</u></b>				
Bumi Serpong Damai PT	8,184,100	4,481,607	5,277,108	0.93
Bank Mandiri Persero Tbk PT	1,929,800	5,688,635	6,042,204	1.07
	<u>10,113,900</u>	<u>10,170,242</u>	<u>11,319,312</u>	<u>2.00</u>
<b><u>INDUSTRIALS</u></b>				
Pembangunan Perumahan Persero	7,005,900	8,383,408	8,383,260	1.48

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

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 July 2016 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>INDONESIA (CONTINUED)</u>				
<u>TELECOMMUNICATIONS</u>				
Telekomunikasi Indonesia	4,050,000	3,509,923	5,310,765	0.94
<u>KOREA</u>				
<u>TECHNOLOGY</u>				
NAVER Corp	2,440	5,599,646	6,285,147	1.11
<u>PHILIPPINES</u>				
<u>CONSUMER SERVICES</u>				
Robinsons Retail Holdings Incorporation	849,630	5,126,688	6,283,855	1.11
<u>SINGAPORE</u>				
<u>CONSUMER GOODS</u>				
Bumitama Agri Ltd	2,265,000	5,378,766	4,710,899	0.83
<u>FINANCIALS</u>				
Mapletree Greater China	4,004,500	11,263,452	12,915,718	2.28
Frasers Logistic & Indus Trust	4,211,200	11,246,902	12,566,882	2.22
	8,215,700	22,510,354	25,482,600	4.50
<u>THAILAND</u>				
<u>CONSUMER SERVICES</u>				
Major Cineplex Group PCL	350,000	1,190,771	1,399,864	0.25
<u>FINANCIALS</u>				
Kasikornbank Public Co Ltd	285,100	5,715,913	6,575,392	1.16

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

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 July 2016 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>UNITED STATES</u>				
<u>CONSUMER SERVICES</u>				
Alibaba Group Holding Ltd	5,383	1,626,445	1,804,381	0.32
<u>FINANCIALS</u>				
Manulife US REIT	705,400	2,278,799	2,437,333	0.43
Total quoted equities – foreign	<u>42,393,653</u>	<u>122,582,235</u>	<u>135,967,262</u>	<u>24.02</u>
Accumulated unrealised gain on quoted equities – foreign		<u>13,385,027</u>		
Total quoted equities – foreign		<u><u>135,967,262</u></u>		

(b) Quoted equities – foreign

(ii) Quoted equities – foreign as at 31 July 2015 are as follows:

CHINA

HEALTHCARE

IKang Healthcare Group Incorporation	191,735	11,648,680	12,258,759	1.93
--------------------------------------	---------	------------	------------	------

HONG KONG

CONSUMER PRODUCTS

China Mengniu Dairy Company Ltd	450,000	8,519,888	7,801,150	1.23
---------------------------------	---------	-----------	-----------	------

FINANCE

Bank of China Ltd	5,100,000	9928,693	10,654,905	1.68
-------------------	-----------	----------	------------	------

China Overseas Land & Investment Ltd	250,000	3,506,771	3,012,790	0.47
---	---------	-----------	-----------	------

	<u>5,350,000</u>	<u>13,435,464</u>	<u>13,667,695</u>	<u>2.15</u>
--	------------------	-------------------	-------------------	-------------



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

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 July 2015 are as follows (continued):

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>CHINA (CONITNUED)</u>				
<u>PROPERTIES &amp; CONSTRUCTION</u>				
PICC Property & Casualty Co Ltd	670,000	5,830,547	5,307,845	0.84
<u>SERVICES</u>				
Kerry Logistics Network Ltd	2,434,500	13,236,737	14,428,795	2.27
<u>TECHNOLOGY</u>				
HKBN Ltd	2,011,000	8,688,488	8,263,698	1.30
Tencent Holdings Ltd	329,910	18,335,104	23,528,904	3.71
	<u>2,340,910</u>	<u>27,023,592</u>	<u>31,792,602</u>	<u>5.01</u>
<u>PHILIPPINES</u>				
<u>CONSUMER SERVICES</u>				
Robinsons Retail Holdings Incorporation	1,631,010	10,516,691	10,238,665	1.61
<u>FINANCE</u>				
Metropolitan Bank & Trust Company	702,695	4,899,487	5,196,356	0.82
<u>SINGAPORE</u>				
<u>AGRICULTURE</u>				
Bumitama Agri Ltd	2,265,000	5,378,767	5,827,590	0.92
Wilmar International Ltd	1,465,000	13,350,980	13,039,672	2.06
	<u>3,730,000</u>	<u>18,729,747</u>	<u>18,867,262</u>	<u>2.98</u>
<u>PROPERTIES</u>				
Capitaland Ltd	1,458,200	13,310,260	13,060,266	2.06
UOL Group Ltd	584,000	11,163,354	10,883,453	1.72
	<u>2,042,200</u>	<u>24,473,614</u>	<u>23,943,719</u>	<u>3.78</u>

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

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 July 2015 are as follows (continued):

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
Total quoted equities – foreign	19,543,050	138,314,447	143,502,848	22.62
Accumulated unrealised gain on quoted equities – foreign		5,188,401		
Total quoted equities – foreign		143,502,848		

**10 CASH AND CASH EQUIVALENTS**

	<u>2016</u> RM	<u>2015</u> RM
Cash and bank balances	12,374,367	34,625,934
Deposits with licensed financial institutions	1,060,863	46,862,049
	<u>13,435,230</u>	<u>81,487,983</u>

Weighted average effective interest rates per annum and weighted average maturity of deposit with a licensed financial institution is as follows:

	<u>2016</u> %	<u>2015</u> %
Deposits with licensed financial institutions	<u>3.00</u>	<u>3.30</u>

Deposits with licensed financial institutions have an average maturity of 1 day (2015: 3 days).

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

**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	706,695,000	757,723,000
Creation of units arising from applications during the financial year	19,715,000	97,148,307
Creation of units arising from distribution during the financial year	19,616,925	35,543,693
Cancellation of units during the financial year	(137,919,925)	(183,720,000)
At the end of the financial year	<u>608,107,000</u>	<u>706,695,000</u>

**12 TRANSACTIONS WITH BROKERS AND DEALERS**

(i) Details of transactions with the top 10 brokers and dealers for the financial year ended 31 July 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> %
Public Bank Berhad	494,647,813	23.70	-	-
Affin Hwang Capital Group*	461,694,954	22.12	591,834	19.72
Hong Leong Investment Bank Berhad	119,160,163	5.71	35,403	1.18
Credit Suisse Securities (M) Sdn Bhd	98,159,990	4.70	245,401	8.18
CLSA Securities Malaysia Sdn Bhd	97,568,572	4.68	241,871	8.06
CIMB Group*	79,384,676	3.80	198,951	6.63
Maybank Group*	70,075,362	3.36	149,062	4.97
JP Morgan Securities Malaysia Berhad	63,866,939	3.06	185,433	6.18
UOB kay Hian Securities Malaysia Sbn Bhd	62,962,207	3.02	157,406	5.25
RHB Group*	48,609,143	2.33	95,468	3.18
Others	490,710,319	23.52	1,099,783	36.65
	<u>2,086,840,138</u>	<u>100.00</u>	<u>3,000,612</u>	<u>100.00</u>

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

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

(ii) Details of transactions with the top 10 brokers and dealers for the financial year ended 31 July 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> %
Public Bank Berhad	791,406,329	25.36	-	-
Affin Hwang Capital Group*	408,141,370	13.08	610,437	17.06
Bank Islam Malaysia Berhad	328,580,000	10.53	-	-
Kenanga Investment Bank Berhad	183,384,012	5.88	448,614	12.54
KAF Investment Bank Berhad	174,020,000	5.58	-	-
China International Capital Corporation Hong Kong Securities Limited	152,187,284	4.88	182,181	5.09
Credit Suisse Securities (M) Sdn Berhad	142,701,532	4.57	356,754	9.97
Hong Leong Bank Berhad	137,467,520	4.41	20,244	0.57
Maybank Group*	109,840,716	3.52	293,998	8.22
CLSA Securities Malaysia Sdn Bhd	90,630,832	2.90	234,425	6.55
Others	601,946,476	19.29	1,430,872	40.00
	<u>3,120,306,071</u>	<u>100.00</u>	<u>3,577,525</u>	<u>100.00</u>

Note: \*Group wide

Included in transactions with brokers and dealers are trades in the stockbroking industry with Affin Hwang Capital Group, a company related to the Manager amounting to RM461,694,954 (2015: RM408,141,370).

The Manager is of the opinion that all transactions with the related company has been entered into at agreed terms between the related parties.

# Included in the transactions with brokers and dealers is cross trade conducted between the Fund and other fund; and private mandates managed by the Manager amounting to:

	<u>2016</u> RM	<u>2015</u> RM
<u>Brokers and dealers</u>		
Affin Hwang Investment Bank Berhad	10,644,530	-
Malayan Banking Berhad	8,025,600	-
	<u>18,670,130</u>	<u>-</u>

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

**12 TRANSACTIONS WITH BROKERS AND DEARLERS (CONTINUED)**

The cross trades are conducted between the Funds and other fund; and private mandates managed by the Manager as follows:

	<u>2016</u> RM	<u>2015</u> RM
Affin Hwang Enhanced Income Fund	8,025,600	-
Private mandates managed by the Manager	10,644,530	-
	<u>18,670,130</u>	<u>-</u>

**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	Holdings 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
Non-Executive Chairman of Affin Holdings Berhad	Non-Executive Chairman of the ultimate holding company of the Manager

	<u>2016</u>	<u>2015</u>
<u>The Manager:</u>	No. of units	No. of units
Affin Hwang Asset Management Berhad	904,997	2,677,522
	<u>842,462</u>	<u>2,403,344</u>
	<u>363,076</u>	<u>315,516</u>

  

	<u>2016</u>	<u>2015</u>
<u>Parties related to the Manager</u>	No. of units	No. of units
Director of Affin Hwang Asset Management Berhad	363,076	351,511
Teng Chee Wai	<u>337,987</u>	<u>315,516</u>

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

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

	<u>2016</u> %	<u>2015</u> %
MER	1.69	1.62

MER is derived from the following calculation:

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

A = Management fee

B = Trustee fees

C = Auditors' remuneration

D = Tax agent's fee

E = Other expenses, excluding goods and service 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 RM569,255,394 (2015: RM734,256,723).

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

	<u>2016</u>	<u>2015</u>
PTR (times)	1.22	1.36

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 = RM665,397,393 (2015: RM978,834,575)

total disposal for the financial year = RM727,423,128 (2015: RM1,022,684,048)

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 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 interest, dividends and gains on the appreciation in the value of investments and are derived from quoted equities in Malaysia, China, Singapore, Hong Kong, Indonesia, Korea, Philippines and Thailand.

There were no changes in the reportable segments 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 SELECT OPPORTUNITY 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 10 to 46 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 July 2016 and of its financial performance, changes in equity and cash flows for the financial year ended 31 July 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  
21 September 2016



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

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Affin Hwang Select Opportunity Fund in pages 10 to 46, which comprise the statement of financial position as at 31 July 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Fund for the financial year then ended and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 16.

### Manager's and Trustee's Responsibility for the Financial Statements

The Manager of the Fund is responsible for the preparation 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 determine is 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 SELECT OPPORTUNITY FUND (CONTINUED)

REPORT ON THE FINANCIAL STATEMENTS

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as of 31 July 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  
21 September 2016

## **DIRECTORY OF SALES OFFICE**

### **HEAD OFFICE**

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

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

### **SELANGOR**

Affin Hwang Asset Management Berhad  
A-7-G Jaya One  
No. 72A, Jalan Universiti  
46200 Petaling Jaya  
Selangor

Tel: 03-7620 1290  
Fax: 03-7620 1298

### **PENANG**

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

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

### **PERAK**

Affin Hwang Asset Management Berhad  
13A Persiaran Greentown 7  
Greentown Business Centre  
30450 Ipoh Perak

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

### **MELAKA**

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

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

### **JOHOR**

Affin Hwang Asset Management Berhad  
1<sup>st</sup> Floor, Lot 93  
Jalan Molek 1/29, Taman Molek  
81100 Johor Bahru  
Johor

Tel : 07 – 351 5977  
Fax : 07 – 351 5377

### **SABAH**

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

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

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

### **SARAWAK**

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

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

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

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

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

Affin Hwang Asset Management Berhad (429786-T)