

# Affin Hwang Select Bond Fund

Interim Report  
30 September 2015

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 BOND FUND

## Interim Report and Unaudited Financial Statements For the 3 Months Financial Period Ended 30 September 2015

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## MANAGER'S REPORT

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

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

Affin Hwang Select Bond Fund (the "Fund") is an income fund, categorized under bond that provides investors an affordable access into a diversified investment portfolio of fixed income securities. The objective of the Fund is to provide investors with a steady income stream in the form of distribution through investments primarily in bonds and other fixed income securities.

The Fund endeavours to distribute income, if any, on a quarterly basis. However, the amount of income available for distribution may fluctuate from year to year.

#### Benchmark

The benchmark used by the Manager in measuring the performance of the Fund was JP Morgan Asia Credit Investment Grade Index. As at 17 July 2015, the benchmark was replaced by 12-month Maybank Fixed Deposit rate.

#### Performance of the Fund

##### RM Class (1 July 2015 – 30 September 2015)

For the period under review, the Fund has registered a return of 1.30% which underperformed the benchmark return of 2.26% by 0.96%. The NAV per unit of the Fund on 30 September 2015 was RM0.6489 while the NAV per unit on 30 June 2015 was RM0.6455. The Fund has declared a gross income distribution of RM0.005 per unit for the period. (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

Since commencement, the Fund has gained 99.95% versus the Benchmark of 86.47%, which translates to an outperformance of 13.48%. The Fund has declared a total gross income distribution of RM0.2475 per unit to date. As such, the objective of providing investors with a steady income stream in the form of distribution has been met.

##### USD Hedged Class (1 July 2015 – 30 September 2015)

As for the USD Hedge class, the Fund registered a return of -0.32% compared to the benchmark that rose 0.45% during the performance under review. The Fund thus underperformed the Benchmark by 0.76%. The Net Asset Value ("NAV") per unit as at 30 September 2015 was USD0.5057 compared to the NAV per unit as 30 Jun 2015 was USD0.5098. Fund has declared a total gross income distribution of USD0.0025 per unit to date.

Table 1: Performance of the Fund – RM Class

	<b>For The Period (1/7/15 - 30/9/15)</b>	<b>1 Year (1/10/14 - 30/9/15)</b>	<b>3 Years (1/10/12 - 30/9/15)</b>	<b>5 Years (1/10/10 - 30/9/15)</b>	<b>Since Commencement (18/8/03 - 30/9/15)</b>
<b>Fund</b>	<b>1.30%</b>	<b>7.32%</b>	<b>18.91%</b>	<b>37.05%</b>	<b>99.95%</b>
<b>Benchmark</b>	<b>2.26%</b>	<b>20.55%</b>	<b>37.41%</b>	<b>45.96%</b>	<b>86.47%</b>
<b>Outperformance / (Underperformance)</b>	<b>(0.96%)</b>	<b>(13.23%)</b>	<b>(18.50%)</b>	<b>(8.91%)</b>	<b>13.48%</b>

Source of Benchmark: Maybank

Table 1: Performance of the Fund – USD Hedge Class

	<b>For The Period (1/7/15 - 30/9/15)</b>	<b>1 Year (1/10/14 - 30/9/15)</b>	<b>Since Commencement (18/7/13 - 30/9/15)</b>
<b>Fund</b>	<b>(0.32%)</b>	<b>1.93%</b>	<b>4.16%</b>
<b>Benchmark</b>	<b>0.45%</b>	<b>3.77%</b>	<b>12.16%</b>
<b>Outperformance / (Underperformance)</b>	<b>(0.76%)</b>	<b>(1.84%)</b>	<b>(8.00%)</b>

Source of Benchmark: Maybank

Table 2: Average Total Return – RM Class

	<b>1 Year (1/10/14 - 30/9/15)</b>	<b>3 Years (1/10/12 - 30/9/15)</b>	<b>5 Years (1/10/10 - 30/9/15)</b>	<b>Since Commencement (18/8/03 - 30/9/15)</b>
<b>Fund</b>	<b>7.32%</b>	<b>5.94%</b>	<b>6.50%</b>	<b>5.88%</b>
<b>Benchmark</b>	<b>20.55%</b>	<b>11.18%</b>	<b>7.85%</b>	<b>5.27%</b>
<b>Outperformance / (Underperformance)</b>	<b>(13.23%)</b>	<b>(5.24%)</b>	<b>(1.35%)</b>	<b>0.61%</b>

Source of Benchmark: Maybank

Table 2: Average Total Return – USD Hedge Class

	<b>1 Year (1/10/14 - 30/9/15)</b>	<b>Since Commencement (18/7/13 - 30/9/15)</b>
<b>Fund</b>	<b>1.93%</b>	<b>1.87%</b>
<b>Benchmark</b>	<b>3.77%</b>	<b>5.34%</b>
<b>Outperformance / (Underperformance)</b>	<b>(1.84%)</b>	<b>(3.47%)</b>

Source of Benchmark: Maybank

Table 3: Annual Total Return – RM Class

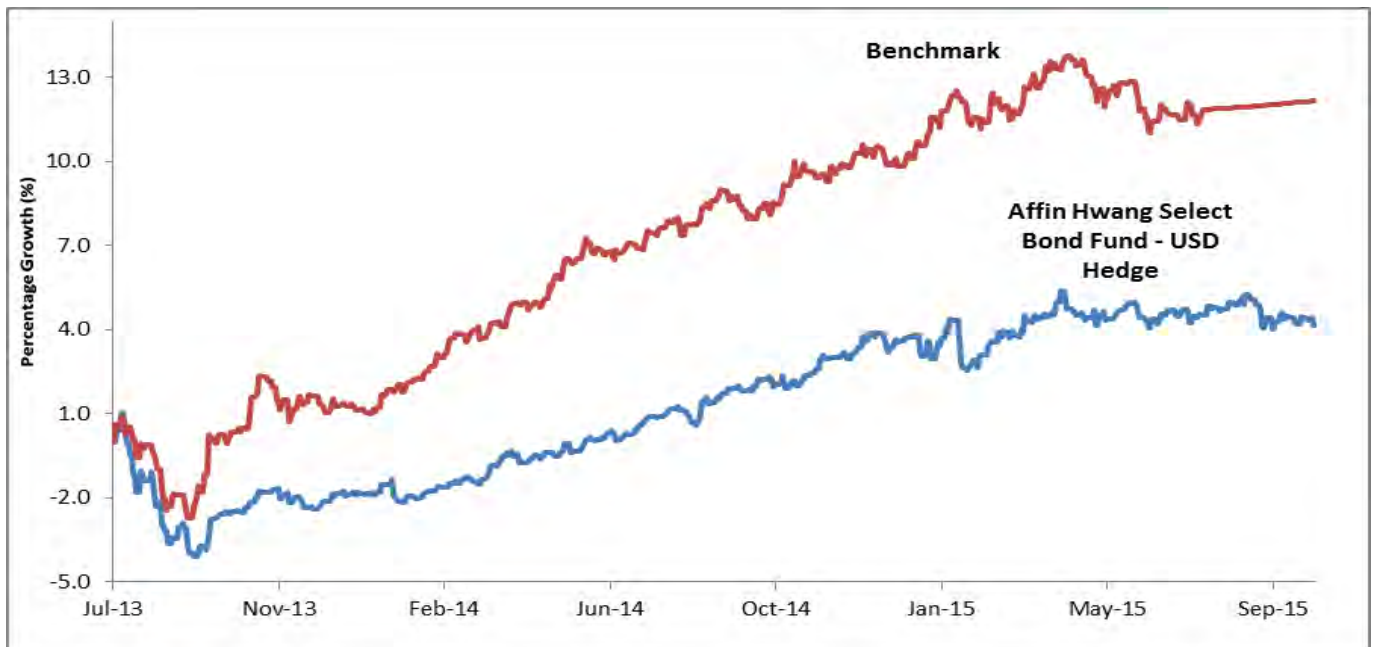
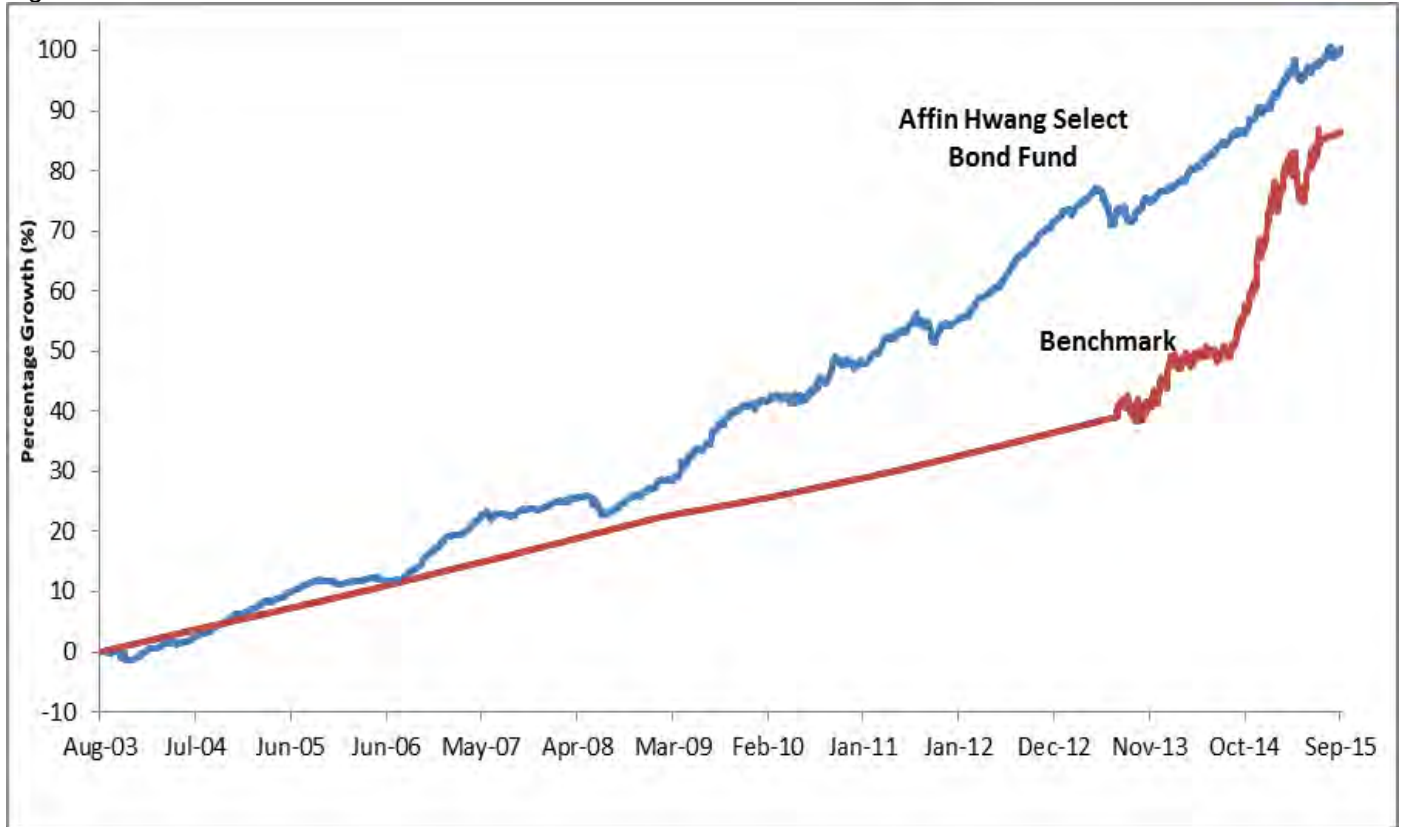
	<b>FYE 2015 (1/7/14 - 30/6/15)</b>	<b>FYE 2014 (1/7/13 - 30/6/14)</b>	<b>FYE 2013 (1/7/12 - 30/6/13)</b>	<b>FYE 2012 (1/7/11 - 30/6/12)</b>	<b>FYE 2011 (1/7/10 - 30/6/11)</b>
<b>Fund</b>	<b>7.81%</b>	<b>6.81%</b>	<b>4.98%</b>	<b>6.27%</b>	<b>8.23%</b>
<b>Benchmark</b>	<b>21.67%</b>	<b>7.91%</b>	<b>3.15%</b>	<b>3.77%</b>	<b>2.89%</b>
<b>Outperformance / (Underperformance)</b>	<b>(13.85%)</b>	<b>(1.10%)</b>	<b>1.83%</b>	<b>2.50%</b>	<b>5.34%</b>

Source of Benchmark: Maybank

Table 3: Annual Total Return – USD Hedge Class

	<b>FYE 2015 (01/7/14 - 30/6/15)</b>	<b>FYE 2014 (18/7/13 - 30/6/14)</b>
<b>Fund</b>	<b>4.16%</b>	<b>0.32%</b>
<b>Benchmark</b>	<b>4.29%</b>	<b>7.07%</b>
<b>Outperformance / (Underperformance)</b>	<b>(0.13%)</b>	<b>(6.75%)</b>

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: JP Morgan Asia Credit Investment Grade Index

## **Strategies Employed (1 July 2015 – 30 September 2015)**

The Fund raised cash levels in early July-August as global financial markets became quite volatile. The fund redeployed back into the markets in the month of September as asset prices became more attractive. As at end September, the Fund remained highly invested as investors hunt for yields bode well for the credit market.

In general, the Manager preferred investment grade (IG) credits over high yield (HY). The Manager was active in the primary market with bottom-up credit selection remaining key to portfolio construction.

## **Asset Allocation**

As at 30 September 2015, the asset allocation of the Fund stood at 96.48% in fixed income instruments and the balance of 3.52% in cash. For a snapshot of the Fund's asset mix during the period under review, refer to Figure 2.

**Figure 2: Summary of asset allocation**

<b>Asset Allocation</b>	<b><u>30 Sept 2015</u></b>	<b><u>31 Dec 2014</u></b>	<b><u>31 Dec 2013</u></b>
Fixed Income Instruments	90.29%	72.84%	89.42%
Credit Linked Investment	3.38%	3.76%	3.68%
Collective Investment Schemes	2.81%	-	
Cash	3.52%	23.40%	6.90%
<b>Total</b>	<b><u>100.00%</u></b>	<b><u>100.00%</u></b>	<b><u>100.00%</u></b>

The Fund raised its fixed income exposure during the period under review as the Portfolio Manager has a generally constructive and positive view on Asia fixed income. The Fund's cash levels were negative due to monies not yet received from sales of investments.

## **Review of Market (1 July 2015 – 30 September 2015)**

As Greece took a backseat, the key event for the quarter was the People's Bank of China's (PBoC) announcement of an adjustment towards the USDCNY reference rate in August which would see the currency become more market-driven. The central bank persistently drew up upon its FX reserves to net off capital outflows in order to maintain the stability of the spot currency was the case for more than a year. This kept the currency insulated from moving with the rest of its Asian peers as some devalued by almost half against the dollar during the same period. Speculation immediately ensued as to the reasoning behind the PBoC's move with some suggesting an aggressive change in stance towards currency wars, whilst others viewed it more politically driven towards the inclusion of the currency into IMF's Special Drawing Rights (SDR) basket.

Meanwhile in the US, all eyes were on the FOMC meeting at which despite the financial markets not pricing in a rate hike, many were hopeful that the Fed would start to normalize interest rates. Unfortunately, the market was right with the FOMC keeping rates on hold. The tone at the meeting was also somewhat dovish, lowering rate projections across the curve, and citing international developments as a concern together with lower inflation. Moving in the opposite direction, Fed chair Yellen however noted in her speech later on that it would still be appropriate to raise interest rates sometime this year; once again leaving market participants without much clarity towards the Fed's policy intentions. Relating back to the Fed's concerns on international developments, other economies saw further concerns in their respective outlooks. Brazil was downgraded by S&P to below investment grade as the country continues to struggle with its policy tightening amidst a political scandal that is undermining real activity and the currency while boosting inflation. Whilst China's slowing growth together with potential further devaluation in the RMB has plagued risk sentiment in general and only continued to weigh on it further. Against this backdrop of events, many central banks have been in a tight spot unable to manoeuvre their policy stances significantly. The uncertainty and risk-off sentiment in the global financial market has thus provided for strong demand for safe-haven assets which have kept US Treasury yields well anchored throughout the month of September. After spiking to as high as 2.30%, the 10-year US Treasury yield came back down to touch a low of 2.08%.

In Malaysia, in line with expectations and as noted regarding the lack of policy flexibility, BNM kept the OPR unchanged during their September meeting. The statement had a hint of dovishness noting downside risks to

growth whilst inflation has not been an issue for a while now. Separately it would also seem that there has been a lack of foreign exchange intervention by BNM which has put a halt towards dwindling reserves over the quarter. Instead, there have been modest increases in the level of reserves as foreign fund outflows have abated and GLC fund repatriation may have picked up as well. Despite these factors however, the broad negative sentiment towards risk and more idiosyncratic risks towards Malaysia's fundamentals and political landscape has caused the Ringgit to continue to be volatile. After a tough last few months, with the Ringgit sliding against the USD, the beginning of September marked a recovery in the local fixed income market as yields moved significantly lower. The 10-year MGS yield edged briefly below 4.15% after having reached a high of 4.45% in August. Similarly, initially the PDS market saw buying interest in the government guaranteed (GG) and AAA space given the correction in yields had already taken place for much of August and credit spreads had widened back out to historical norms.

### **Investment Outlook**

After having rallied significantly since the end of September, we expect some renewed volatility for global bonds on the back of uncertainty over the timing of the US Fed rate hike. However, major central banks such as ECB and PBOC talk of further stimulus and interest rate cuts in October. This is supportive of risky assets such as equities, Asia credits and emerging market bonds. Traditionally, liquidity tends to dry up towards the last two months of the year. These factors should continue to cause more volatility in the financial market on the back of thin liquidity.

Looking at the domestic bond market, there have not been many issuances as of late. This has helped to keep demand for local bond papers well-supported. In the 4<sup>th</sup> quarter, we expect the pipeline for new PDS to pick up as there will be more refinancing needs to be met. We are also more bullish on Australian govovies, amidst the continued expectations that the RBA might cut rates on the back of a slowing economy.

## **(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 RM CLASS AS AT 30 SEPTEMBER 2015**

<b>Size of holdings (Units)</b>	<b>No. of Unitholders</b>	<b>No. of Units held * ('000)</b>
5,000 and below	42	102
5,001 to 10,000	38	289
10,001 to 50,000	87	2,054
50,001 to 500,000	129	25,519
500,001 and above	93	761,311
<b>Total</b>	<b>389</b>	<b>789,275</b>

*\* Note: Excluding Manager's Stock*

**BREAKDOWN OF UNITHOLDERS BY SIZE USD HEDGED-CLASS AS AT 30 SEPTEMBER 2015**

<b>Size of holdings (Units)</b>	<b>No. of Unitholders</b>	<b>No. of Units held * ('000)</b>
5,000 and below	2	5
5,001 to 10,000	1	7
10,001 to 50,000	2	68
50,001 to 500,000	4	844
500,001 and above	6	11,263
<b>Total</b>	<b>15</b>	<b>12,187</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 RM0.0050 per unit (for RM Class) and USD0.00250 per unit (for USD Hedged-Class) to investors of Affin Hwang Select Bond Fund. All unitholders registered as at 7 September 2015 would be eligible to receive this distribution

The NAV per Unit prior and subsequent to the distributions are as follow:

### RM Class

Cum Date	Ex-Date	Cum-distribution	Distribution per Unit (RM)	Ex-distribution
19 Jan 2011	21 Jan 2011	0.5806	0.0050	0.5741
26 Apr 2011	27 Apr 2011	0.5918	0.0050	0.5863
21 Jun 2011	22 Jun 2011	0.5900	0.0050	0.5850
23 Sept 2011	26 Sept 2011	0.5737	0.0050	0.5790
16 Dec 2011	19 Dec 2011	0.5854	0.0050	0.5806
13 Mar 2012	14 Mar 2011	0.5959	0.0050	0.5919
20 Jun 2012	21 Jun 2012	0.6045	0.0050	0.6000
21 Sept 2012	24 Sept 2012	0.6185	0.0050	0.6140
7 Dec 2012	10 Dec 2012	0.6276	0.0100	0.6182
25 Mar 2013	26 Mar 2013	0.6301	0.0050	0.6251
10 Jun 2013	11 Jun 2013	0.6241	0.0050	0.6167
29 Sept 2013	24 Sept 2013	0.6134	0.0050	0.6084
9 Dec 2013	10 Dec 2013	0.6176	0.0100	0.6082
17 Mar 2014	18 Mar 2014	0.6170	0.0050	0.6119
11 Jun 2014	12 Jun 2014	0.6247	0.0050	0.6197
12 Sept 2014	15 Sept 2014	0.6327	0.0050	0.6276
15 Dec 2014	16 Dec 2014	0.6422	0.0100	0.6308
23 Mar 2015	24 Mar 2015	0.6515	0.0050	0.6450
08 Jun 2015	09 Jun 2015	0.6491	0.0050	0.6436
07 Sept 2015	08 Sept 2015	0.6538	0.0050	0.6493

### USD Hedged-Class

Cum Date	Ex-Date	Cum-distribution	Distribution per Unit (USD)	Ex-distribution
11 Jun 2014	12 Jun 2014	0.5007	0.0025	0.4983
15 Dec 2014	16 Dec 2014	0.5161	0.0050	0.5101
23 Mar 2015	24 Mar 2015	0.5140	0.0025	0.5110
08 Jun 2015	09 Jun 2015	0.5116	0.0025	0.5090
07 Sept 2015	08 Sept 2015	0.5100	0.0025	0.5078

## FUND PERFORMANCE DATA

Source: HSBC Trustee	<u>As at</u> <b>30 September 2015</b>		<u>As at</u> <b>31 December 2014</b>		<u>As at</u> <b>31 December 2013</b>	
	<u>RM</u> <u>Class</u>	<u>USD</u> <u>Hedged-</u> <u>Class</u>	<u>RM</u> <u>Class</u>	<u>USD</u> <u>Hedged-</u> <u>Class</u>	<u>RM</u> <u>Class</u>	<u>USD</u> <u>Hedged-</u> <u>Class</u>
	Total NAV (RM <sup>1</sup> million)	512.157	27.076	474.229	6.254	488.134
NAV per Unit (RM)	0.6489	0.5057	0.6333	0.5112	0.6104	0.4908
Unit in Circulation (million)	789.278	12.190	748.815	3.499	799.695	3.956
Highest NAV	0.6567	0.5134	0.6430	0.5169	0.6176	0.5053
Lowest NAV	0.6451	0.5057	0.6224	0.4990	0.6058	0.4795
Return of the Fund (%) <sup>iii</sup>	1.30	-0.32	4.15	3.43	0.73	-1.84
- Capital Return (%) <sup>i</sup>	0.53	-0.804	1.72	2.42	-1.71	-1.84
- Income Return (%) <sup>ii</sup>	0.77	0.49	2.39	0.98	2.48	Nil
Gross Distribution per Unit (sen)	0.5	0.25	1.50	0.5	1.50	Nil
Net Distribution per Unit (sen)	0.5	0.25	1.50	0.5	1.50	Nil
Management Expenses Ratio (%) <sup>1</sup>		0.29		0.55		0.55
Portfolio Turnover Ratio (times) <sup>2</sup>		0.20		0.69		0.46

### **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

### **RM Class**

**Capital Return<sup>i</sup>** = {NAV per Unit @ 30/09/15 ÷ NAV per Unit @ 30/06/15\* - 1} x 100  
= {0.6489 ÷ 0.6455 - 1} x 100  
= **0.53%**

**Income Return @ ex-date** = {Income distribution per unit ÷ NAV per unit on ex-date} + 1  
= {0.0050 ÷ 0.6493 @ 8/09/15} + 1 = 1.0077

**Total Income Return<sup>ii</sup>** = {Income Return @ ex-date x Income Return @ ex-date} – 1 x 100  
= {1.0077} – 1 x 100  
= **0.77%**

**Return of the Fund<sup>iii</sup>** = [{(1 + Capital Return) x (1 + Total Income Return)} – 1] x 100  
= [{(1 + 0.53%) x (1 + 0.77%)} – 1] x 100  
= **1.30%**

<sup>1</sup> MER was lower during the period under review. This reflects the Fund's higher NAV, and lower expenses.

<sup>2</sup> PTR was lower during the period under review due to the lower portfolio trading activity, alongside an increase in the Fund's NAV.

## FUND PERFORMANCE DATA (CONTINUED)

### USD Hedged-class

**Capital Return<sup>i</sup>** = {NAV per Unit @ 30/09/15 ÷ NAV per Unit @ 30/06/15\* - 1} x 100  
= {0.5057 ÷ 0.5098 - 1} x 100  
= **-0.804%**

**Income Return @ ex-date** = {Income distribution per unit ÷ NAV per unit on ex-date} + 1  
= {0.0025 ÷ 0.5078 @ 08/09/15} + 1 = 1.0049

**Total Income Return<sup>ii</sup>** = {Income Return @ ex-date x Income Return @ ex-date} - 1 x 100  
= {1.0049} - 1 x 100  
= **0.49%**

**Return of the Fund<sup>iii</sup>** = [(1 + Capital return) x (1 + Total Income Return)] - 1 x 100  
= [(1 + (0.804%) x (1 + 0.49%)] - 1 x 100  
= **-0.32%**

\*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.***

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

We have acted as Trustee of **Affin Hwang Select Bond Fund** ("the Fund") for the financial period ended 30 September 2015. 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 period ended, a total distribution of 0.50 sen per unit (gross) for MYR Class and 0.25 sen per unit (gross) for USD Class has been distributed to the unitholders of the Fund respectively. 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  
Date: 20 November 2015

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015**

	<u>Note</u>	3 months financial period ended <u>30.09.2015</u> RM	6 months financial period ended <u>31.12.2014</u> RM
<b>INVESTMENT INCOME</b>			
Dividend income		116,530	-
Interest income	4	7,731,620	9,667,392
Net foreign currency exchange loss		(4,762,609)	(979,704)
Net loss on forward foreign currency contracts at fair value through profit or loss		(37,901,872)	(9,018,118)
Net (loss)/gain on interest rate swap at fair value through profit or loss		(1,363,149)	283,842
Net gain on financial assets at fair value through profit or loss	9	47,677,433	18,536,525
		<u>11,497,953</u>	<u>18,489,937</u>
<b>EXPENSES</b>			
Management fee	5	(1,318,578)	(1,953,222)
Trustee fee	6	(94,978)	(136,726)
Auditors' remuneration		(1,714)	(3,428)
Tax agent's fee		(895)	(1,765)
Other expenses		(119,538)	(54,652)
		<u>(1,535,703)</u>	<u>(2,149,793)</u>
<b>NET PROFIT BEFORE FINANCE COST AND TAXATION</b>		9,962,250	16,340,144
Finance cost	8	(4,216,952)	(9,246,818)
<b>NET INCOME BEFORE TAXATION</b>		5,745,298	7,093,326
<b>TAXATION</b>	7	(17,299)	(112,844)
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>5,727,999</u>	<u>6,980,482</u>
Net profit after taxation and total comprehensive income Comprises the following:			
Realised amount		(21,722,381)	3,705,316
Unrealised amount		27,450,380	3,275,166
		<u>5,727,999</u>	<u>6,980,482</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 30 SEPTEMBER 2015**

<b>ASSETS</b>	Note	<u>2015</u> RM	<u>2014</u> RM
Financial assets at fair value through profit or loss	9	560,433,632	372,924,599
Cash and cash equivalents	10	18,977,764	145,371,454
Amount due from Manager			
- creation of units		504,780	787,418
Amount due from brokers		870,000	-
Interest rate swap at fair value through profit or loss	12	-	53,139
<b>TOTAL ASSETS</b>		<u>580,786,176</u>	<u>519,136,610</u>
<b>LIABILITIES</b>			
Forward foreign currency contract at fair value through profit or loss	11	38,046,929	6,065,426
Interest rate swap at fair value through profit or loss	12	1,889,777	-
Amount due to Manager			
- management fee		433,189	354,352
- cancellation of units		-	720,013
Amount due to Trustee		31,195	24,805
Amount due to broker		1,107,300	31,478,552
Auditor's remuneration		8,514	3,428
Tax agent's fee		4,445	5,281
Other payables and accruals		31,561	2,699
<b>LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>		<u>41,552,910</u>	<u>38,654,556</u>
 <b>NET ASSET VALUE OF THE FUND</b>		 <u>539,233,266</u>	 <u>480,482,054</u>
 <b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		 <u>539,233,266</u>	 <u>480,482,054</u>

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2015 (CONTINUED)**

	Note	<u>2015</u> RM	<u>2014</u> RM
<b>REPRESENTED BY</b>			
<b>FAIR VALUE OF OUTSTANDING UNITS</b>			
- RM CLASS		512,156,737	474,228,544
- USD CLASS		27,076,529	6,253,510
		<hr/>	<hr/>
		539,233,266	480,482,054
		<hr/> <hr/>	<hr/> <hr/>
<b>NUMBER OF UNITS IN CIRCULATION</b>			
- RM CLASS	13	789,278,000	748,815,000
- USD CLASS	13	12,190,000	3,499,000
		<hr/>	<hr/>
		801,468,000	752,314,000
		<hr/> <hr/>	<hr/> <hr/>
<b>NAV PER UNIT (RM CLASS)</b>		0.64890.6333	
<b>NAV PER UNIT (USD CLASS)</b>		2.22121.7872	
		<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.

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015**

	<u>2015</u> RM	<u>2014</u> RM
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	519,942,618	393,135,006
Movement due to units created and cancelled during the financial period:		
<u>RM class</u>		
Creation of units arising from applications	42,752,968	138,810,159
Creation of units arising from distribution	3,951,170	8,838,339
Cancellation of units	(41,462,848)	(66,038,735)
	<u>5,241,290</u>	<u>81,609,763</u>
<u>USD class</u>		
Creation of units arising from applications	10,311,773	5,098,532
Creation of units arising from distribution	123,264	59,828
Cancellation of units	(2,113,678)	(6,401,557)
	<u>8,321,359</u>	<u>(1,243,197)</u>
Net increase in net assets attributable to unitholders during the financial period:		
Net profit after taxation	<u>5,727,999</u>	<u>6,980,482</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD</b>	<u><u>539,233,266</u></u>	<u><u>480,482,054</u></u>



**STATEMENT OF CASH FLOWS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015**

	<u>Note</u>	3 months financial period ended <u>31.12.2015</u> RM	6 months financial period ended <u>31.12.2014</u> RM
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Proceeds from sale of investments		94,665,184	269,490,319
Purchase of investments		(127,767,781)	(248,198,400)
Dividend received		116,530	-
Interest received		4,422,452	9,922,425
Management fee paid		(1,292,017)	(1,922,261)
Trustee fee paid		(93,167)	(134,558)
Payment for other fees and expenses		(116,927)	(62,287)
Realised loss on forward foreign currency contracts		(37,803,612)	(510,431)
Realised gain/(loss) on interest rate swap		27,866,487	(59,766)
Net realised foreign currency exchange gain		10,678,520	3,392,524
Net cash (used in)/generated from operating activities		<u>(29,324,331)</u>	<u>31,917,565</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from creation of units		57,379,926	143,503,641
Payments for cancellation of units		(43,576,526)	(71,962,393)
Payments for distribution		(141,804)	(348,651)
Net cash generated from/(used in) financing activities		<u>13,661,596</u>	<u>71,192,597</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(15,662,735)	103,110,162
<b>EFFECTS OF FOREIGN CURRENCY EXCHANGE</b>		(4,986,769)	(999,054)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>		<u>39,627,268</u>	<u>43,260,346</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	10	<u><u>18,977,764</u></u>	<u><u>145,371,454</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 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015**

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 and liabilities (including derivatives) 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 period. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. Although these estimates and judgment are based on the Manager's best knowledge of current events and actions, actual results may differ.

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

(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 April 2018

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2017) 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 standard replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

This standard is not expected to have a significant impact on the Fund's financial statements.

(ii) Financial year beginning on/after 1 April 2019

- MFRS 9 "Financial Instruments" (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

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 contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading).

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (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 April 2019 (continued)

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

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

There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

This standard is not expected to have a significant impact on the Fund's financial statements.

### **B INCOME RECOGNITION**

Interest income from short term deposits with licensed financial institutions, unquoted fixed income securities and unquoted credit linked investment contracts are recognised based on effective interest rate method on an accruals basis.

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

For unquoted fixed income securities, realised gains and losses on sale of investments are accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on cost adjusted for accretion of discount or amortisation of premium on investments.

For unquoted credit linked investment contracts, realised gains and losses on sale of investments are accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on cost.

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

### **C DIVIDEND 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 TAXATION**

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

Tax on interest income from foreign unquoted fixed income securities is based on the tax regime of the respective countries that the Fund invests in.

### **E FUNCTIONAL AND PRESENTATION CURRENCY**

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

### **F FOREIGN CURRENCY TRANSLATION**

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 profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

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

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

The Fund designates its investment in unquoted fixed income securities, unquoted credit linked investment contract and collective investment schemes 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.

Derivatives are financial assets/liabilities at fair value through profit or loss categorised as held for trading unless they are designated hedges (Note M).

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 and amount due from broker.

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

#### (ii) Recognition and measurement

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

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

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 expires.

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 currency transaction are presented in the statement of comprehensive income within 'net gain/(loss) on financial assets at fair value through profit and loss' in the financial 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.

Unquoted fixed income securities denominated in Ringgit Malaysia are revalued on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with the SC as per the SC Guidelines on Unit Trust Funds. Where such quotations are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income security differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- (i) Records its basis for using a non-BPA price;
- (ii) Obtains necessary internal approvals to use the non-BPA price; and
- (iii) Keeps an audit trail of all decisions and basis for adopting the market yield.

Unquoted fixed income securities denominated in foreign currencies are revalued at least twice a week by reference to the mid-price quoted in Bloomberg. We use the Composite Bloomberg Bond Trader "CBBT" which is a weighted average bid and ask of price contributions submitted by Bloomberg Dealers. However if such quotations are not available, the fair value shall be determined by reference to the bid and offer prices quoted by independent and reputable financial institutions.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

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

Valuation of the investment in unquoted credit linked investment contracts is based on amount as stated in the contract between issuers and the Manager. Valuation provided by issuers is then compared against the Manager's valuation determined by using a valuation model, which is based on independently sourced observable or implied market data, mainly interest rate yield curves, recent market transactions, foreign exchange rates and market volatility.

Investments in collective investment schemes are valued at the last published NAV per unit at the date of the statement of financial position.

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

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

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 period, 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 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

### **H AMOUNTS DUE FROM/(TO) BROKERS**

Amounts due from and to dealers 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 dealers. A provision for impairment of amounts due from dealers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant dealer.

Significant financial difficulties of the dealer, probability that the dealer will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from dealers 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.

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

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

### **J CREATION AND CANCELLATION OF UNITS**

The Fund issues cancellable units, in two classes of units, known respectively as the RM class and USD class, which are cancelled at the unitholder's option and do not have identical features. The units are classified as financial liabilities. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value ("NAV") of respective classes. The outstanding units are carried at the redemption amount that is payable at the statement of financial position if the unitholder exercises the right to put back the unit to the Fund.

Units are created and cancelled at the unitholder's option at prices based on the Fund's NAV per unit of respective classes at the close of business on the relevant dealing day. The Fund's NAV per unit of respective classes is calculated by dividing the net assets attributable to unitholders of respective classes with the total number of outstanding units of respective classes.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

### **K INCREASE/DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

### **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 DERIVATIVE FINANCIAL INSTRUMENTS**

A derivative financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavorable.

The Fund's derivative financial instruments comprise forward currency contracts and interest rate swap. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the date of statements of financial position, with the resulting value discounted back to present value.

The fair value of interest rate swap is calculated as the present value of the estimated future cash flow based on observable yield curves.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held-for-trading and accounted for in accordance with the accounting policy set out in Note G.



**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

**N CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS 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 at the date of the financial statements and the reported amounts of revenues and expenses during the financial period. 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 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

### 1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name HwangDBS Select Bond Fund (the "Fund") pursuant to the execution of a Deed dated 1 July 2003, First Supplemental Deed dated 29 December 2005, Second Supplemental Deed dated 18 June 2007 and Third Supplemental Deed dated 15 October 2008. The Fund has changed its name from HwangDBS Select Bond Fund to Hwang Select Bond Fund as amended by its Fourth Supplemental Deed dated 18 January 2012. The Fund then issued a new class of units in United States Dollar ("USD") as amended by its Fifth Supplemental Deed dated 3 May 2013. The Fund changed its name from Hwang Select Bond Fund to Affin Hwang Select Bond Fund as amended by 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 was launched on 28 July 2003 and will continue its operations until terminated by the Trustee as provided under Clause 3.1 of the Deed.

The Fund may invest in any of the following investments, including but not limited to:

- (a) Securities of companies listed on Bursa Malaysia or any other stock exchanges recognised or approved by the SC;
- (b) Unlisted securities including, without limitation, securities that have been approved by the relevant regulatory authorities for the listing or and quotation for such securities;
- (c) Cash at hand, fixed deposit and money market deposits with commercial banks and investment banks;
- (d) Other money market instruments such as negotiable certificates of deposits and bankers acceptance;
- (e) Government bonds, treasury bills and other government approved or guaranteed bonds;;
- (f) Debentures including private debt securities and bonds;
- (g) Financial derivatives, for the purpose of hedging only;
- (h) Structured product;
- (i) Warrants;
- (j) Units/shares in collective investment schemes, both local and foreign;
- (k) Securities in foreign markets where the SC has approved the foreign markets for investment from time to time; and
- (l) Other investments approved by the relevant authorities 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 provide investors with a steady income stream in a form of distribution through investments primarily in bonds and other fixed income securities.

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 November 2015.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

Financial instruments are as follows:

	Note	Loans and receivables RM	Financial assets/ (liabilities) at fair value through profit or loss RM	Total RM
<u>2015</u>				
Unquoted fixed income securities	9	-	527,072,659	527,072,659
Unquoted credit linked investment contracts	9	-	18,202,635	18,202,635
Collective investment scheme	9	-	15,158,338	15,158,338
Cash and cash equivalents	10	18,977,764	-	18,977,764
Foreign forward currency contracts	11	-	(38,046,929)	(38,046,929)
Interest rate swap	12	-	(1,889,777)	(1,889,777)
Amount due from Manager				
- creation of units		504,780	-	504,780
Amount due from brokers		870,000	-	870,000
Total		<u>20,352,544</u>	<u>520,496,926</u>	<u>540,849,470</u>
<u>2014</u>				
Unquoted fixed income securities	9	-	354,847,963	354,847,963
Unquoted credit linked investment contracts	9	-	18,076,636	18,076,636
Cash and cash equivalents	10	145,371,454	-	145,371,454
Foreign forward currency contracts	11	-	(6,065,426)	(6,065,426)
Interest rate swap	12	-	53,139	53,139
Other receivables		787,418	-	787,418
Total		<u>146,158,872</u>	<u>366,912,312</u>	<u>513,071,184</u>

All current liabilities, other than forward foreign currency contracts and interest rate swaps, 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

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 exposed to price risk was as follow:

	<u>2015</u> RM	<u>2014</u> RM
<b>Unquoted investment *</b>		
Unquoted fixed income securities designated at fair value through profit or loss	527,072,659	354,847,963
Unquoted credit linked investment contracts designated at fair value through profit or loss	18,202,635	18,076,636
	<u>545,275,294</u>	<u>372,924,599</u>
 <b>Quoted investments</b>		
Collective investment schemes designated at fair value through profit or loss	<u>15,158,338</u>	<u>-</u>

\* Include interest receivable of RM8,190,936 (2014: RM3,885,183)

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 unquoted investments, having regard to the historical volatility of the prices.

	<u>% change in price</u>	<u>Market value</u> RM	<u>Impact on</u> profit after <u>tax/NAV</u> RM
	<u>2015</u>		
	-5%	524,630,561	(27,612,135)
	0%	552,242,696	-
	+5%	579,854,831	27,612,135
		<u>                                </u>	<u>                                </u>
	<u>2014</u>		
	-5%	350,587,445	(18,451,971)
	0%	369,039,416	
	+5%	387,491,387	18,451,971
		<u>                                </u>	<u>                                </u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

Market risk (continued)

(b) Interest rate risk

In general, when interest rates rise, unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund hold an unquoted fixed income securities till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

This risk is crucial in an unquoted fixed income securities fund since unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of unquoted fixed income securities move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted fixed income securities decrease and vice versa. Furthermore, unquoted fixed income securities with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Investors should note that unquoted fixed income securities and money market instruments are subject to interest rate fluctuations. Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The table below summarises the sensitivity of the Fund's profit after taxation and net asset value to movements in prices of unquoted fixed income securities held by the Fund as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate increased and decreased by 1% (100 basis points) with all other variables held constant.

<u>% movement in interest rate</u>	<u>Impact on profit after tax/NAV</u>	
	<u>2015</u> RM	<u>2014</u> RM
+ 1%		
- 1%	(1,001,866)	(663,602)
	<u>1,010,530</u>	<u>665,491</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

**2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE 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 movements against Ringgit Malaysia, the investments will face currency losses in addition to the capital gain/(loss). The Manager will evaluate the likely directions of the foreign currency versus Ringgit Malaysia based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels and technical chart considerations.

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

	Unquoted fixed income securities RM	Forward foreign currency contracts RM	Interest rate swaps RM	Cash and cash equivalents RM	Other assets*/ (payables)** RM	Total RM
<u>2015</u>						
Australian Dollar	45,008,483	(2,536,781)	-	144,696	-	42,616,398
Chinese Yuan	6,913,209	-	-	-	-	6,913,209
European Euro	4,427,245	(188,068)	-	-	-	4,239,177
Hong Kong Dollar	-	-	-	32	-	32
Indonesian Rupiah	15,193,032	-	-	-	-	15,193,032
Singapore Dollar	33,282,646	(1,904,610)	-	574,055	-	31,952,091
United States Dollar	368,015,423	(33,417,470)	(1,889,777)	943,757	(533,383)	333,118,550
	<u>472,840,038</u>	<u>(38,046,929)</u>	<u>(1,889,777)</u>	<u>1,662,540</u>	<u>(533,383)</u>	<u>434,032,489</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

Market risk (continued)

(c) Currency risk (continued)

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

	Unquoted fixed income securities RM	Forward foreign currency contracts RM	Interest rate swaps RM	Cash and cash equivalents RM	Other assets*/ (payables)** RM	Total RM
<u>2014</u>						
Australian Dollar	31,801,356	523,082	-	14	-	32,324,452
Hong Kong Dollar	-	-	-	25	-	25
Indonesian Rupiah	14,703,818	-	-	-	-	14,703,818
Singapore Dollar	27,826,150	227,101	-	2,638,814	-	30,692,065
United States Dollar	224,069,827	(7,140,669)	53,140	24,091,590	-	241,073,888
	<u>298,401,151</u>	<u>(6,390,486)</u>	<u>53,140</u>	<u>26,730,443</u>	<u>-</u>	<u>318,794,248</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

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>2015</u>		
Australia Dollar	5	2,130,820
Chinese Yuan	5	345,660
European Euro	5	211,959
Hong Kong Dollar	5	2
Indonesia Rupiah	5	759,652
Singapore Dollar	5	1,597,604
United States Dollar	5	16,655,927
		<hr style="border-top: 1px solid black;"/>
		21,701,624
		<hr style="border-top: 3px double black;"/>
<u>2014</u>		
Australia Dollar	5	1,616,222
Hong Kong Dollar	5	1
Indonesia Rupiah	5	735,191
Singapore Dollar	5	1,534,603
United States Dollar	5	12,053,694
		<hr style="border-top: 1px solid black;"/>
		15,939,711
		<hr style="border-top: 3px double black;"/>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

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.

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

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

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

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

		Unquoted fixed income <u>securities</u> RM	Unquoted credit linked investment <u>contracts</u> RM	Forward foreign currency <u>contracts</u> RM	Interest <u>rate swap</u>	Cash and cash <u>equivalents</u> RM	Other <u>assets</u> RM	<u>Total</u> RM
<u>2015</u>								
AAA	33,306,252	-	(16,717,430)	(1,889,777)	18,977,764	-	33,676,809	
AA+is	5,012,546	-	-	-	-	-	5,012,546	
AA1		8,607,626	-	(5,517,195)	-	-	-	3,090,431
AA2		23,163,518	-	(3,261,328)	-	-	-	19,902,190
Aa3		19,990,831	-	(4,056,863)	-	-	-	15,933,968
A1		25,321,569	-	-	-	-	-	25,321,569
A2		4,427,245	-	-	-	-	-	4,427,245
A3		19,078,397	-	-	-	-	-	19,078,397
A-		6,529,933	-	-	-	-	-	6,529,933
Baa2	15,498,305	-	-	-	-	-	15,498,305	
Baa3	81,717,020	-	-	-	-	-	81,717,020	
BBB+	26,322,227	-	-	-	-	-	26,322,227	
BBB-	13,597,545	-	-	-	-	-	13,597,545	
Ba1		8,463,639	-	-	-	-	-	8,463,639
Ba2		36,015,272	-	-	-	-	-	36,015,272
Ba3		48,581,499	-	-	-	-	-	48,581,499
B+		6,743,732	-	-	-	-	-	6,743,732
B		4,926,592	-	-	-	-	-	4,926,592
B1		23,416,406	-	-	-	-	-	23,416,406
BB-		4,871,392	-	-	-	-	-	4,871,392
NA		111,481,113	18,202,635	(8,494,113)	-	-	-	121,189,635
Others	-	-	-	-	-	1,374,780	1,374,780	
		<u>527,072,659</u>	<u>18,202,635</u>	<u>(38,046,929)</u>	<u>(1,889,777)</u>	<u>18,977,764</u>	<u>1,374,780</u>	<u>525,691,122</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

Credit risk (continued)

		Unquoted fixed income <u>securities</u> RM	Unquoted credit linked investment <u>contracts</u> RM	Forward foreign currency <u>contracts</u> RM	Interest rate swap	Cash and cash <u>equivalents</u> RM	Other <u>assets</u> RM	<u>Total</u> RM
<u>2014</u>								
AAA	4,916,682	-	(1,494,762)	53,139	51,762,301	-	55,237,360	
AA-is	2,939,712	-	-	-	-	-	2,939,712	
AA1		9,990,581	-	(988,084)	-	-	-	9,002,497
AA2		15,214,868	-	(1,751,629)	-	-	-	13,463,239
Aa3		14,905,299	-	(1,769,836)	-	-	-	13,135,463
A1		20,704,986	-	-	-	60,088,445	-	80,793,431
A2		2,958,451	-	-	-	-	-	2,958,451
A3		22,470,059	-	-	-	-	-	22,470,059
A-		5,971,673	-	-	-	-	-	5,971,673
A		10,095,424	-	-	-	-	-	10,095,424
A+		10,050,807	-	-	-	-	-	10,050,807
B+		8,949,954	-	-	-	-	-	8,949,954
Ba1		10,801,061	-	-	-	-	-	10,801,061
Ba2		30,696,919	-	-	-	-	-	30,696,919
Ba3		33,740,026	-	-	-	-	-	33,740,026
Baa3	72,439,562	-	-	-	-	-	72,439,562	
BBB+	10,651,802	-	-	-	-	-	10,651,802	
BBB-	12,406,758	-	-	-	-	-	12,406,758	
BB-		6,630,776	-	-	-	-	-	6,630,776
Others	48,312,563	18,076,636	(61,115)	-	33,520,708	787,418	100,636,210	
		<u>354,847,963</u>	<u>18,076,636</u>	<u>(6,065,426)</u>	<u>53,139</u>	<u>145,371,454</u>	<u>787,418</u>	<u>513,071,100</u>

All financial assets of the funds as at the end of financial period are neither past due nor impaired.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

Liquidity risk

Liquidity risk is the risk that the investments cannot be readily sold at or near its actual value without taking a significant discount. This will result in lower NAV of the Fund. The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellations of units by Unitholders. The 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>2015</u>	<u>Within one month RM</u>	<u>Between one month to one year RM</u>	<u>Total RM</u>
Amount due to Manager			
- management fee	433,189	-	433,189
Amount due to Trustee	31,195	-	31,195
Amount due to brokers	1,107,300	-	1,107,300
Auditor's remuneration	-	8,514	8,514
Tax agent's fee	-	4,445	4,445
Other payables and accruals	27,812	3,749	31,561
Forward foreign currency contracts at fair value through profit or loss	10,886,453	27,160,476	38,046,929
Interest rate swaps	1,324,051	565,726	1,889,777
	<u>13,810,000</u>	<u>27,742,910</u>	<u>41,552,910</u>

2014

Amount due to Manager			
- management fee	354,352	-	354,352
- cancellation of units	720,013	-	720,013
Amount due to Trustee	24,805	-	24,805
Amount due to brokers	31,478,552	-	31,478,552
Auditor's remuneration	-	3,428	3,428
Forward foreign currency contracts at fair value through profit or loss	-	6,065,426	6,065,426
Tax agent's fee	-	5,281	5,281
Other payables and accruals	-	2,699	2,699
	<u>32,577,722</u>	<u>6,076,834</u>	<u>38,654,556</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

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

#### Capital risk

The capital of the Fund is represented by equity consisting of unitholders' capital and retained earnings. The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

### 3 FAIR VALUE ESTIMATION

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

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the year end date.

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 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (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>2015</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	527,072,659	-	527,072,659
- unquoted credit linked investment contracts	-	-	18,202,635	18,202,635
- collective investment schemes	15,158,338	-	-	15,158,338
	<u>15,158,338</u>	<u>527,072,659</u>	<u>18,202,635</u>	<u>560,433,632</u>
Financial liabilities at fair value through profit or loss				
- forward foreign currency contracts	-	38,046,929	-	38,046,929
- interest rate swap	-	1,889,777	-	1,889,777
		<u>39,936,706</u>	<u>-</u>	<u>39,936,706</u>
<u>2014</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	354,847,963	-	354,847,963
- unquoted credit linked investment contracts	-	-	18,076,636	18,076,636
	<u>-</u>	<u>354,847,963</u>	<u>18,076,636</u>	<u>372,924,599</u>
Financial liabilities at fair value through profit or loss				
- forward foreign currency contracts	-	6,065,426	-	6,065,426
- interest rate swap	-	53,139	-	53,139
	<u>-</u>	<u>6,118,565</u>	<u>-</u>	<u>6,118,565</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

### 3 FAIR VALUE ESTIMATION (CONTINUED)

#### (i) Fair value hierarchy (continued)

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

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include investment-grade corporate bonds, floating rate notes, commercial papers, forward foreign currency contracts and interest rate swaps. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include credit linked investment contracts. As observable prices are not available for these securities, the Fund has used valuation techniques to derive the fair value.

There are two methods the issuers use to determine valuations for unquoted credit linked investments that the Fund invests in. Issuers who originate unquoted credit linked investments directly by themselves, would utilise risk management models based on probability testing. Such models utilise market observable input factors such as interest rate levels, remaining time to maturity and underlying credit spread or Credit Default Swap spread against benchmark treasury yields, historical volatility; and combine them with the issuer's own assumptions such as expected future level of correlation between the price movements of the various underlying factors. These market observable quantitative inputs and in-house assumptions are then typically put through a random process and simulated multiple times to create a sufficiently large sample size whereby the issuer is able to arrive at a meaningful average level which is used as the mark to market valuation for the unquoted credit linked investments. Such risk management models are audited by the respective issuer's internal audits and are approved by their respective risk committees. The models themselves are maintained by a separate team from the issuer's structures and traders of the unquoted credit-linked investment contracts in order to ensure fairness and accuracy in valuations.

The Fund also invests in unquoted credit linked investments that are issued by issuers who do not originate them directly but repackage the underlying investments and reissue out. For such issuers, valuation of unquoted credit linked investments are determined by attempting to obtain bid quotes from issuers that originate such investments directly themselves. These quotes will be based on similar terms as the contract in regards to the underlying reference entity, notional amounts, credit event characteristics, coupon frequency, coupon amounts and maturity dates. Once the Issuer has received these quotes, it will determine a notional price on the basis of weighted average of such quotes.

As a counter-check to either method of valuations, the Manager monitors the movement of the market observable quantitative factors generally used. By this, the Manager is able to better determine the degree of change in any particular factor (some which are likely to affect the mark to market valuation of the unquoted credit linked investment contracts more than other factors, such as the change in underlying credit spread or Credit Default Swap spread against benchmark treasury) and extrapolate it against the mark to market valuations provided by the Issuer to determine fairness.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

**3 FAIR VALUE ESTIMATION (CONTINUED)**

(i) Fair value hierarchy (continued)

The sensitivity of fair value valuations for unquoted credit linked investments to non-market observable factors are not static and can vary substantially depending on the issuers assumptions. As such, the relative change in valuations of such unquoted credit linked investments can vary substantially higher or lower as compared to relative movements of market observable factors. In order to better estimate and monitor factors that are non-market observable, the Manager uses proxy factors, that are market observable, to determine rates of change in values. For example, in terms of implied future correlation level of underlying foreign exchange exposures, a proxy factor such as historical correlation levels would be used to give a closer indication of changes in those assumptions used by the issuer.

	<u>2015</u> RM	<u>2014</u> RM
Opening balance	18,163,800	18,151,200
Net change in fair value reserve on financial assets at fair value through profit or loss	38,835	(74,564)
	<u>18,202,635</u>	<u>18,076,636</u>

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

**4 INTEREST INCOME**

	3 months financial period ended <u>30.09.2015</u> RM	6 months Financial Period ended <u>31.12.2014</u> RM
Interest income from:		
- short term deposits	211,034	351,694
- unquoted fixed income securities	7,259,710	8,796,780
- unquoted credit linked investment	260,876	518,918
	<u>7,731,620</u>	<u>9,667,392</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 of the NAV of the Fund calculated on a daily basis.

For the financial period ended 30 September 2015, the management fee is recognised at a rate of 1.00% (2014: 1.00%) per annum of the NAV of the Fund calculated on a daily basis.

As the Fund invest in Affin Hwang Aiiman Income Plus Fund and Affin Hwang Bond Fund, any management fee charged to collective investment scheme are fully refunded to this Fund. Accordingly, there is no double charging of management fee.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

**5 MANAGEMENT FEE (CONTINUED)**

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

**6 TRUSTEE FEE**

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

For the financial period ended 30 September 2015, the Trustee fee is recognised at a rate of 0.07% (2014: 0.07%) per annum of the NAV of the Fund inclusive of local custodian fee, but exclusive of foreign sub-custodian fee, calculated on a daily basis.

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

**7 TAXATION**

	3 months financial period ended <u>30.09.2015</u> RM	6 months financial period ended <u>31.12.2014</u> RM
Current taxation - foreign	17,299	112,844

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

	3 months financial period ended <u>30.09.2015</u> RM	6 months financial period ended <u>31.12.2014</u> RM
Net profit before taxation	9,962,250	16,340,144
Tax at Malaysian statutory rate of 25% (2014: 25%)	2,490,563	4,085,036
Tax effects of:		
Investment income not subject to tax	(2,934,241)	(4,622,485)
Expenses not deductible for tax purposes	113,227	47,411
Restriction on tax deductible expenses for unit trust funds	330,451	490,038
Foreign income subject to foreign tax rate	17,299	112,844
Tax expense	17,299	112,844



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

**8 FINANCE COST**

	3 months financial period ended <u>30.09.2015</u> RM	6 months Financial period ended <u>31.12.2014</u> RM
Distribution to unitholders is from the following sources:		
Realised capital gain	-	10,123,411
Previous financial period's realised income	4,638,647	-
	<u>4,638,647</u>	<u>-</u>
Gross realised income	4,638,647	10,123,411
Less: Expenses	(421,695)	(876,593)
	<u>4,216,952</u>	<u>9,246,818</u>

Gross/net distribution per unit (sen)

	<u>RM Class</u> RM	<u>USD Class</u> USD
<u>2015</u>		
08.09.2015	0.50	0.25
	<u>0.50</u>	<u>0.25</u>
<u>2014</u>		
15.09.2014	0.50	-
16.12.2014	1.00	0.50
	<u>1.50</u>	<u>0.50</u>

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 distribution for the financial period is an amount of RM4,638,647 (2014 : RMNil) made from previous financial year's realised income.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

	<u>2015</u> RM	<u>2014</u> RM
Designated at fair value through profit or loss		
- unquoted fixed income securities – local	54,232,621	53,208,074
- unquoted fixed income securities – foreign	472,840,038	301,639,889
- unquoted credit linked investment contract - local	18,202,635	18,076,636
- collective investment schemes – local	15,158,338	-
	<u>560,433,632</u>	<u>372,924,599</u>
Net gain on assets at fair value through profit or loss		
- realised gain on sale of investment	5,335,190	5,205,360
- unrealised gain	42,342,243	13,331,165
	<u>47,677,433</u>	<u>18,536,525</u>

(a) Unquoted fixed income securities - local

(i) Unquoted fixed income securities - local as at 30 September 2015 are as follows:

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Adjusted cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<b><u>BONDS</u></b>				
5.69% UniTapah Sdn Bhd 12.12.2025 (AA2)	5,000,000	5,086,498	5,137,669	0.96
5.10% Krung Thai Bank PLC Call: 06.07.2020 (AA2)	10,000,000	10,121,562	10,039,562	1.86
7.50% Public Finance Berhad Call: 05.06.2019 (AA2)	4,500,000	5,023,256	4,967,804	0.92
6.80% Mah Sing Group Bhd Call: 31.03.2020 (NA)	8,250,000	8,251,444	8,162,767	1.51
4.30% ADCB Finance Cayman Ltd 03.05.2017 (AAA)	10,000,000	10,206,686	10,161,834	1.88
4.70% Tan Chong Motor Holdings Bhd 24.11.2021 (AA2)	3,000,000	3,056,656	3,018,483	0.56
4.55% Sabah Development Bank Bhd 08.08.2022 (AA1)	5,000,000	5,032,411	4,873,361	0.91
4.55% Kapar Energy Ventures Sdn Bhd 05.07.2021 (AA+is)	5,000,000	5,098,092	5,012,546	0.93
0.00% RGB International Bhd 14.12.2015 (NA)	2,900,000	2,858,596	2,858,595	0.53

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

(a) Unquoted fixed income securities – local (continued)

(i) Unquoted fixed income securities - local as at 30 September 2015 are as follows (continued):

<u>Name of issuer</u>	Nominal <u>value</u> RM	Adjusted <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
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**BONDS (CONTINUED)**

Total unquoted fixed income securities – local	53,650,000	54,735,201	54,232,621	10.06
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Unrealised loss on unquoted fixed income securities – local		(502,580)		
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Total unquoted fixed income securities – local		54,232,621		
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(ii) Unquoted fixed income securities - local as at 31 December 2014 are as follows:

<u>Name of issuer</u>	Nominal <u>value</u> RM	Adjusted <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
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**BONDS**

4.30% ADCB Finance Cayman Ltd 03.05.2017 (A+)	10,000,000	10,114,304	10,050,807	2.09
4.42% Genting Capital Bhd 08.06.2022 (AAA)	5,000,000	5,014,532	4,916,682	1.02
4.75% Konsortium Lebuhraya Utara Timur KL Sdn Bhd 02.12.2025 (AA-)	3,000,000	2,922,056	2,939,712	0.61
4.048% Malaysia Government 30.09.2021 (A)	10,000,000	9,997,043	10,095,424	2.10
7.50% Public Finance Bhd 03.08.2017 (AA1)	4,500,000	5,013,544	5,050,431	1.05
4.28% Public Bank Bhd 06.05.2019 (AA2)	5,000,000	5,093,290	5,093,290	1.06
4.55% Sabah Development Bank 08.08.2022 (AA1)	5,000,000	5,091,000	4,940,150	1.03
5.69% Unitapah Sdn Bhd 12.12.2025 (AA2)	10,000,000	10,031,786	10,121,578	2.11

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

(a) Unquoted fixed income securities – local (continued)

(i) Unquoted fixed income securities - local as at 30 September 2014 are as follows (continued):

Total unquoted fixed income securities – local	52,500,000	53,277,555	53,208,074	11.07
	<u>52,500,000</u>		<u>53,208,074</u>	
Unrealised loss on unquoted fixed income securities – local		(69,481)		
		<u>(69,481)</u>		
Total unquoted fixed income securities – local		53,208,074		
		<u>53,208,074</u>		

(b) Unquoted fixed income securities - foreign

(i) Unquoted fixed income securities - foreign as at 30 September 2015 are as follows:

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Adjusted cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<b><u>BONDS</u></b>				
6.00% Queensland Treasury Corporation 21.07.2022 (Aa1)	3,089,900	3,492,543	3,734,265	0.69
6.00% DBNGP Finance Company Pty Ltd 11.10.2019 (BBB-)	12,359,600	12,948,682	13,597,545	2.52
5.00% GPT Wholesale Shopping Centre 13.11.2017 (A-)	6,179,800	6,455,087	6,529,933	1.21
5.00% National Bank of Abu Dhabi 07.03.2018 (Aa3)	4,634,850	4,794,768	4,835,987	0.90
3.25% Australian Government 21.04.2025 (Aaa0)	4,634,850	4,521,648	4,948,973	0.92
3.75% Australian Government 21.04.2037 (Aaa)	4,634,850	4,723,042	5,084,434	0.94
4.00% Optus Finance Pty Ltd 17.06.2022 (A1)	6,179,800	5,755,154	6,277,346	1.16
6.75% Longfor Properties Co. Ltd 28.05.2018 (NA)	6,913,200	6,292,325	6,913,209	1.28
2.241% Allianz SE Call: 07.07.2025 (A2)	4,930,500	4,081,540	4,427,245	0.82
7.00% Bank OCBC Misp Tbk PT 18.04.2016 (NA)	8,991,000	9,470,860	9,102,200	1.69
11.40% Ciputra Residence PT 02.04.2017 (NA)	2,397,600	2,371,712	2,439,712	0.45
8.60% Bank UOB Indonesia PT 11.04.2016 (NA)	3,596,400	3,445,920	3,651,120	0.68

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

(b) Unquoted fixed income securities – foreign (continued)

(i) Unquoted fixed income securities - foreign as at 30 September 2015 are as follows (continued):

<u>Name of issuer</u>	Nominal <u>value</u> RM	Adjusted <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<b><u>BONDS (CONTNUED)</u></b>				
5.125% Genting Singapore PLC Call: 12.09.2017 (Baa3)	21,606,200	18,032,583	20,892,500	3.87
2.75% Bank of China Ltd 30.06.2019 (A1)	6,173,200	5,629,855	6,191,145	1.15
4.00% Westpac Banking Corporation Call: 12.08.2022 (A3)	6,173,200	5,630,826	6,199,001	1.15
2.00% United States Treasury 15.08.2025 (Aaa)	13,177,500	12,485,065	13,111,011	2.43
6.62% SBB Capital Corporation Call: 02.11.2015 (Ba2)	13,177,500	10,016,539	13,555,687	2.51
10.25% Sino-Ocean Land Holdings Ltd Call: 13.05.2016 (NA)	8,785,000	7,914,098	9,439,409	1.75
3.25% Malayan Banking Bhd Call: 20.09.2017 (BBB+)	17,570,000	13,784,716	17,606,775	3.26
12.50% Sunac China Holdings Ltd Call: 16.10.2015 (B)	4,392,500	4,864,867	4,926,592	0.91
4.25% LS Finance Ltd 16.10.2022 (Baa3)	16,252,250	11,573,448	16,474,567	3.06
6.125% Theta Capital Pte Ltd Call: 14.11.2016 (Ba3)	13,177,500	9,749,167	12,245,970	2.27
5.00% MCE Finance Ltd Call: 15.02.2016 (Ba3)	6,588,750	4,689,845	5,724,233	1.06
3.40% CNPC General Capital Ltd 16.04.2023 (A1)	8,785,000	6,245,383	8,709,303	1.62
4.50% Parkson Retail Group Ltd 03.05.2018 (Ba3)	13,177,500	9,301,162	12,108,805	2.25
5.00% Sinochem Global Capital Co. Ltd Call: 02.11.2018 (Baa2)	6,369,125	5,665,396	6,567,169	1.22
10.75% Rolta LLC (Call: 16.05.2016 (BB-))	8,785,000	7,952,478	4,871,392	0.90
8.125% Shimao Property Holdings Ltd Call: 22.01.2018 (Ba3)	17,570,000	15,083,671	18,502,491	3.43
9.00% Moon Wise Global Ltd Call: 28.01.2019 (NA)	4,392,500	4,165,373	4,694,485	0.87
5.75% Franshion Brilliant Ltd 19.03.2019 (Baa3)	13,177,500	9,885,769	13,752,259	2.55
4.45% HLP Finance Ltd 16.04.2021 (NA)	10,981,250	8,236,263	11,633,491	2.16

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

(b) Unquoted fixed income securities – foreign (continued)

(i) Unquoted fixed income securities - foreign as at 30 September 2015 are as follows (continued):

<u>Name of issuer</u>	Nominal <u>value</u> RM	Adjusted <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<b><u>BONDS (CONTINUED)</u></b>				
4.875% PTT Exploration & Production PLC Call: 18.06.2019 (Baa3)	21,962,500	17,899,390	21,809,815	4.04
5.20% Krung Thai Bank PLC Call: 26.12.2019 (B+)	6,588,750	4,917,090	6,743,732	1.25
5.375% New World China Land Ltd 06.11.2019 (NA)	8,785,000	6,750,098	9,203,599	1.71
2.70% CNPC General Capital Ltd 25.11.2019 (Aa3)	6,588,750	5,064,526	6,658,920	1.23
4.50% Alibaba Group Holding Ltd Call: 30.05.2034 (A1)	4,392,500	3,646,746	4,143,775	0.77
6.00% Indust & Comm Bank of China Call: 10.12.2019 (Ba2)	4,392,500	3,759,058	4,778,601	0.89
6.25% Royal Capital B.V. Call: 05.05.2019 (NA)	16,691,500	14,048,658	17,139,620	3.18
3.00% BOC Aviation Pte Ltd 30.03.2020 (BBB+)	8,785,000	7,352,702	8,715,452	1.62
6.50% Standard Chartered PLC Call: 02.04.2020 (Ba1)	8,785,000	7,740,792	8,463,639	1.57
3.50% Cnooc Finance Ltd 05.05.2025 (Aa3)	8,785,000	7,172,178	8,495,924	1.58
7.75% CIFI Holdings Group Co. Ltd Call: 05.06.2018 (B1)	24,158,750	20,511,772	23,416,406	4.34
Woori Bank Co Ltd 5.00% Call: 10.06.2020 (Ba2)	17,570,000	15,008,871	17,680,984	3.28
4.00% China Life Insurance Co. Ltd 03.07.2075 (A3)	13,177,500	11,395,347	12,879,396	2.39
3.50% Adani Ports&Spec Eco Zone Ltd 29.07.2020 (Baa3)	8,785,000	7,600,763	8,787,879	1.63
3.625% Shanghai Electric Power Co Ltd 11.08.2020 (Baa3)	8,785,000	7,711,083	8,931,136	1.66
5.50% Royal Capital B.V. ( CALL: 05.05.2021 (NA)	4,392,500	4,102,988	4,254,783	0.79
7.00% Yinson TMC Sdn Bhd Call: 25.09.2020 (NA)	21,962,500	20,998,123	21,988,123	4.08

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

(b) Unquoted fixed income securities – foreign (continued)

(i) Unquoted fixed income securities - foreign as at 30 September 2015 are as follows (continued):

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Adjusted cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<b><u>BONDS (CONTINUED)</u></b>				
Total unquoted fixed income securities – foreign	473,441,575	404,939,970	472,840,038	87.69
Unrealised gain on unquoted fixed income securities – foreign		67,900,068		
Total unquoted fixed income securities – foreign		472,840,038		

(ii) Unquoted fixed income securities - foreign as at 31 December 2014 are as follows:

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Adjusted cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<b><u>BONDS</u></b>				
6.00% DBNGP Finance Co Property Ltd 11.10.2019 (BBB-)	11,456,800	12,738,681	12,406,758	2.58
5.00% GPT Fund Management Ltd 13.11.2017 (A-)	5,728,400	6,374,626	5,971,673	1.24
6.00% Lend Lease Finance Ltd 13.05.2020 (Baa3)	5,728,400	6,284,382	6,237,205	1.30
4.945% National Australia Bank Ltd 28.11.2017 (A2)	2,864,200	3,198,149	2,958,451	0.62
5.00% National Bank of Abu Dhabi 07.03.2018 (Aa3)	4,296,300	4,856,608	4,549,447	0.95
7.00% Bank OCBC Nisp Tbk 18.04.2016 (NA)	8,460,000	9,445,709	8,556,068	0.78
11.40% Ciputra Residence PT 02.04.2017 (NA)	2,256,000	2,368,465	2,315,889	0.48
7.875% Indonesia Government 15.04.2019 (Baa3)	3,948,000	3,987,315	4,032,092	0.84
4.75% G8 Education Ltd 19.05.2017 (NA)	3,968,550	3,906,891	4,016,156	0.84
5.125% Genting Bhd 12.09.2017 (Baa3)	13,228,500	12,599,851	13,190,110	2.75

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

(b) Unquoted fixed income securities – foreign (continued)

(ii) Unquoted fixed income securities - foreign as at 31 December 2014 are as follows (continued):

<u>Name of issuer</u>	Nominal <u>value</u> RM	Adjusted <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<b><u>BONDS (CONTINUED)</u></b>				
5.125% Mapletree Investment Pte Ltd 25.07.2017 (NA)	2,645,700	2,568,279	2,781,599	0.58
4.40% Standard Chartered Pcl 23.01.2021 (A3)	7,937,100	7,914,211	8,282,592	1.72
2.50% Alibaba Group Holdings Ltd 28.09.2021 (A1)	6,992,000	6,709,741	6,911,533	1.44
3.125% Alibaba Group 28.10.2019 (A1)	6,992,000	6,709,576	6,936,515	1.44
9.00% Banco Do Brasil 18.06.2024 (Ba2)	3,496,000	3,214,862	3,272,780	0.71
4.25% CLP Power HK Financing 07.11.2019 (A3)	10,488,000	9,824,008	10,635,618	2.22
2.70% CNPC General Capital Ltd 25.11.2019 (Aa3)	10,488,000	10,022,650	10,355,852	2.16
3.40% CNPC General Capital Ltd 16.04.2023 (A1)	6,992,000	6,157,556	6,856,938	1.43
4.05% Dianjian Haixing 21.10.2019 (A3)	3,496,000	3,287,531	3,551,849	0.74
4.50% FPC Treasury Ltd 16.04.2023 (NA)	6,992,000	6,115,550	6,846,392	1.42
5.75% Franshion Brilliant Ltd 19.03.2019 (Baa3)	13,984,000	13,419,570	14,782,370	3.08
4.625% Golden Eagle Retail Group 21.05.2023 (Baa3)	8,740,000	7,465,095	8,144,272	1.69
4.45% HLP Finance Ltd 16.04.2021 (NA)	8,740,000	8,082,364	9,110,321	1.90
6.00% Ind & Comm Bank of China 10.12.2019 (Ba2)	6,992,000	7,144,511	7,139,298	1.48
4.50% Korea Reinsurance Co 21.10.2019 (Ba2)	10,488,000	10,041,273	10,521,037	2.19
5.20% Krung Thai Bank Pcl 26.12.2019 (B+)	8,740,000	8,057,840	8,949,954	1.91
4.25% LS Finance 16.10.2022 (Baa3)	12,935,200	11,366,774	13,140,276	2.73
3.25% Malayan Banking Bhd 20.09.2017 (BBB+)	10,488,000	9,502,264	10,651,802	2.22
5.00% MCE Finance Ltd 15.02.2016 (Ba3)	5,244,000	4,746,803	4,970,205	1.03



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

(b) Unquoted fixed income securities – foreign (continued)

(ii) Unquoted fixed income securities - foreign as at 31 December 2014 are as follows (continued):

<u>Name of issuer</u>	Nominal <u>value</u> RM	Adjusted <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<b><u>BONDS (CONTINUED)</u></b>				
5.375% New World China Land 06.11.2019 (NA)	6,992,000	6,613,180	7,205,339	1.50
4.50% Parkson Retail Group 03.05.2018 (Ba2)	10,488,000	9,154,112	9,763,804	2.03
7.50% Petron Corporation 06.08.2018 (NA)	6,992,000	6,476,266	7,480,799	1.56
4.875% PTT Exploration & Product Services 18.06.2019 (Baa3)	12,935,200	12,934,485	12,913,237	2.68
10.75% Rolta LLC 16.05.2016 (BB-)	6,992,000	7,067,462	6,630,776	1.38
6.62% SBB Capital Corporation 02.11.2015 (Ba1)	10,488,000	9,608,779	10,801,061	2.25
8.125% Shimao Property Holdings Ltd 22.01.2018 (Ba3)	13,984,000	14,040,062	14,713,152	3.04
6.125% Theta Capital Pte Ltd 14.11.2016 (Ba3)	13,984,000	12,743,916	14,056,669	2.86
Total unquoted fixed income securities – foreign	<u>297,660,350</u>	<u>286,749,397</u>	<u>301,639,889</u>	<u>61.77</u>
Unrealised gain on unquoted fixed income securities – foreign		<u>14,890,492</u>		
Total unquoted fixed income securities – foreign		<u>301,639,889</u>		

(c) Unquoted credit linked investment contract - local

(i) Unquoted credit linked investment contract – local as at 30 September 2015 are as follows:

<u>Name of issuer</u>	Nominal <u>value</u> RM	Adjusted <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
5.75% Deutsche Bank Bhd (19.10.2015) (NA)	<u>18,000,000</u>	18,209,835	<u>18,202,635</u>	<u>3.38</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

(c) Unquoted credit linked investment contract – local (continued)

(i) Unquoted credit linked investment contract – local as at 30 September 2015 are as follows:

<u>Name of issuer</u>	Nominal <u>value</u> RM	Adjusted <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
Unrealised loss on unquoted credit linked Investments contracts – local		(7,200)		
Total unquoted credit linked investments contract – local		<u>18,202,635</u>		

(ii) Unquoted credit linked investment contract - local as at 31 December 2014 are as follows:

<u>Name of issuer</u>	Nominal <u>value</u> RM	Adjusted <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
5.75% Deutsche Bank Bhd (19.10.2015) (NA)	<u>18,000,000</u>	18,209,836	<u>18,076,636</u>	<u>3.76</u>
Unrealised loss on unquoted credit linked Investments contracts – local		(133,200)		
Total unquoted credit linked investments contract – local		<u>18,076,636</u>		

(d) Collective investment schemes – local

(i) Collective investment schemes – local as at 30 September 2015 are as follows:

<u>Name of issuer</u>	Percentage <u>value</u> RM	Nominal <u>cost</u> RM	Adjusted <u>value</u> RM	Fair <u>of NAV</u> %
Affin Hwang Aiiman Income Plus Fund	18,142,574	10,161,523	10,125,370	1.88
Affin Hwang Bond Fund	8,974,622	5,044,476	5,032,968	0.93

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

(d) Collective investment schemes – local (continued)

(i) Collective investment schemes – local as at 30 September 2015 are as follows (continued):

<u>Name of issuer</u>	Percentage <u>value</u> RM	Nominal <u>cost</u> RM	Adjusted <u>value</u> RM	Fair <u>of NAV</u> %
Total collective investment schemes – local	27,117,196	15,205,999	15,158,338	2.81
Unrealised loss on collective investment schemes – local		(47,661)		
Total collective investment schemes – local		15,518,338		

**10 CASH AND CASH EQUIVALENTS**

	<u>2015</u> RM	<u>2014</u> RM
Bank balances	1,965,355	26,737,726
Deposits with licensed financial institutions	17,012,409	118,633,728
	<u>18,977,764</u>	<u>145,371,454</u>

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

	<u>2015</u> %	<u>2014</u> %
Deposits with licensed financial institutions	<u>3.35</u>	<u>4.56</u>

Deposits with licensed financial institutions have an average maturity of 1 day (2014: 9 days).

**11 FORWARD FOREIGN CURRENCY CONTRACTS**

As at the date of the financial position, there are forty (2014: sixteen) forward currency contracts outstanding. The notional principal amount of the outstanding forward currency contracts amounted to RM378,525,485 (2014 : RM212,748,480). The forward currency contracts entered into during the financial period were for hedging against the currency exposure arising from the investment in the foreign unquoted fixed income securities denominated in Australian Dollar, European Euro, Singapore Dollar and United States Dollar. As the Fund has not adopted hedge accounting during the financial period, the change in the fair value of the forward currency contract is recognised immediately in the statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

**12 INTEREST RATE SWAP**

As at the date of statement of financial position, there are three (2014: three) interest rate swap outstanding. The notional principal amount of the outstanding interest rate swap amounted to USD30,000,000 (2014: USD30,000,000). As the Fund has not designated the interest rate swap as part of a hedging relationship for hedge accounting purpose, the change in the fair value of the interest rate swap is recognised immediately in the statement of comprehensive income.

**13 NUMBER OF UNITS IN CIRCULATION**

(a) RM CLASS UNITS IN CIRCULATION

	<u>2015</u>	<u>2014</u>
	No. of units	No. of units
At the beginning of the financial period	781,310,000	620,521,000
Creation of units arising from applications during the financial period	67,858,373	219,053,936
Creation of units arising from distributions during the financial period	3,951,170	14,061,604
Cancellation of units during the financial period	<u>(63,841,543)</u>	<u>(104,821,540)</u>
At the end of the financial period	<u><u>789,278,000</u></u>	<u><u>748,815,000</u></u>

(b) USD CLASS UNITS IN CIRCULATION

	<u>2015</u>	<u>2014</u>
	No. of units	No. of units
At the beginning of the financial period	8,101,000	4,239,000
Creation of units arising from applications during the financial period	5,032,000	3,131,273
Creation of units arising from distributions during the financial period	56,397	33,727
Cancellation of units during the financial period	<u>(999,397)</u>	<u>(3,905,000)</u>
At the end of the financial period	<u><u>12,190,000</u></u>	<u><u>3,499,000</u></u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

**14 TRANSACTIONS WITH BROKERS**

- (i) Details of transactions with the top 10 brokers for the financial period ended 30 September 2015 are as follows:

<u>Name of brokers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
Public Bank Berhad	109,370,000	32.07
CIMB Bank Berhad	49,799,610	14.60
Citibank Berhad	40,985,682	12.02
HSBC Bank Malaysia Berhad	32,062,983	9.40
Commonwealth Bank of Australia	15,517,696	4.55
KAF Investment Bank Berhad	15,000,000	4.40
Nomura Singapore Ltd #	12,927,942	3.79
Morgan Stanley Asia Ltd	12,414,588	3.64
Merrill Lynch International Bank Ltd	9,765,888	2.86
Barclays Capital	9,711,064	2.85
Others	33,507,039	9.82
	<u>341,062,492</u>	<u>100.00</u>

- (ii) Details of transactions with the top 10 brokers for the financial period ended 31 December 2014 are as follows:

<u>Name of brokers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
Merrill Lynch Group*	83,514,831	15.59
HSBC Group*	59,915,157	11.19
Standard Chartered Bank Group*	50,638,126	9.45
Nomura Group*#	42,037,122	7.85
United Bank of Switzerland Group*	41,029,594	7.66
RHB Group*#	38,471,460	7.18
Barclays Group*	35,727,482	6.67
Citibank Group*	32,697,848	6.10
Australia and New Zealand Banking Group*	20,895,503	3.90
CIMB Group*	20,445,301	3.82
Others	110,264,553	20.59
	<u>535,636,977</u>	<u>100.00</u>

Note: \*Group wide

There is no brokerage fee paid to the brokers.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

**14 TRANSACTIONS WITH BROKERS (CONTINUED)**

Included in transactions with brokers and dealers are trades in the stockbroking industry with Affin Hwang Investment Bank Bhd, a company related to the Manager amounting to RM3,078,954 (2014: RM 10,001,000). The Manager is of the opinion that all transactions with the related companies have been entered into at agreed terms between the related parties

# Included in the transactions with brokers and dealers are cross trades conducted between the Fund and other funds; and private mandates managed by the Manager amounting to:

	<u>2015</u> RM	<u>2014</u> RM
<u>Brokers</u>		
Nomura Group*	1,988,000	67,354,298
RHB Group*	-	59,262,095
	<u>1,988,000</u>	<u>126,616,393</u>

The cross trades are conducted between the Funds and other funds; and a private mandate managed by the Manager as follows:

	<u>2015</u> RM	<u>2014</u> RM
Affin Hwang Fixed Maturity Income Fund 5	-	5,424,342
Affin Hwang Fixed Maturity Income Fund 6	1,988,000	-
Affin Hwang Fixed Maturity Income Fund 8	-	13,907,801
Affin Hwang Fixed Maturity Income Fund 9	-	6,935,760
Affin Hwang Fixed Maturity Income Fund 12	-	47,386,425
Affin Hwang Absolute Return Fund 1	-	678,292
Affin Hwang Select Balanced Fund	-	2,034,875
Private mandates managed by the Manager	-	50,248,898
	<u>1,988,000</u>	<u>126,616,393</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

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

<u>Related parties</u>	<u>Relationships</u>
Affin Hwang Asset Management Berhad	The Manager
Affin Hwang Investment Bank Berhad	Holding company of the Manager
Affin 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 AHB	Non-Executive Chairman of the ultimate holding company of the Manager

	<u>2015</u>		<u>2014</u>	
	No. of units	RM	No. of units	RM
<u>The Manager:</u>				
Affin Hwang Asset Management Berhad				
- MYR Class	2,582	1,675	2,798	1,772
- USD Class	2,932	6,513	2,118	3,785

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

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

	<u>2015</u> %	<u>2014</u> %
MER	0.29	0.55

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's expenses
- F = Average NAV of Fund calculated on a daily basis

The average NAV of the Fund for the current financial period calculated on a daily basis is RM537,639,739 (2014: RM387,365,862)

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

	<u>2015</u>	<u>2014</u>
PTR (times)	0.20	0.69

PTR is derived from the following calculation:

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

where: total acquisitions for the financial period = RM111,736,317 (2014: RM273,049,294)  
total disposals for the financial period = RM100,654,354 (2014: RM264,252,432)



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE 3 MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)**

### **18 SEGMENT INFORMATION (CONTINUED)**

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 segments derive their income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of interest and gains on the appreciation in the value of investments and are derived from unquoted fixed income securities, unquoted credit linked investment contract and collective investment schemes from Malaysia, Australia, Euro, Singapore and United States.

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

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

### **19 CHANGE FINANCIAL YEAR END OF THE FUND**

The Fund has changed its financial year end from 30 June 2016 to 31 March 2016.

## **AFFIN HWANG SELECT BOND FUND**

### **STATEMENT BY THE MANAGER**

We, Maimoonah Binti Mohamed Hussain and Teng Chee Wai, as the Directors of **Affin Hwang Asset Management Berhad**, do hereby state that in our opinion as the Manager, the financial statements set out on pages 12 to 56 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 30 September 2015 and of its financial performance, changes in equity and cash flows for the financial period ended 30 September 2015 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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

**MAIMOONAH BINTI MOHAMED HUSSAIN**  
DIRECTOR

**TENG CHEE WAI**  
EXECUTIVE DIRECTOR

Kuala Lumpur

20 November 2015

## **DIRECTORY OF SALES OFFICE**

### **HEAD OFFICE**

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