

# Affin Hwang

## Select Opportunity Fund

Interim Report  
31 January 2017

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



**AFFIN HWANG**  
CAPITAL

MANAGER  
Affin Hwang Asset Management Berhad (429786-T)

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

# AFFIN HWANG SELECT OPPORTUNITY FUND

## Interim Report and Unaudited Financial Statements For the 6 Months Financial Period Ended 31 January 2017

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## MANAGER'S REPORT

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

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

Fund Type	Growth
Category	Equity
Objective	To achieve consistent capital appreciation over medium to long-term by investing mainly in listed Malaysian companies with good growth prospects
Distribution Policy	The Fund endeavours to distribute income, if any, on an annual basis. However, the amount of income available for distribution may fluctuate from year to year
Benchmark	FTSE Bursa Malaysian Top 100 Index ("FBM 100")

#### Performance of the Fund (1 August 2016 – 31 January 2017)

For the period 1 August 2016 to 31 January 2017, the Fund registered a return of 7.15%, outperforming the Benchmark return of 1.39% by 5.76 percentage points. The Net Asset Value (NAV) per unit of the Fund 31 January 2017 was RM0.9975 while the NAV per unit as at 31 July 2016 was RM0.9309.

Since commencement, the Fund has gained 684.73%, compared to the benchmark that rose 185.54%. The Fund outperformed the Benchmark by 499.19 percentage points. The Fund has declared a total gross income distribution of RM1.031 per unit to date. As such, the Manager believes that the Fund's objective of achieving consistent capital appreciation over the long term has been met.

Table 1: Performance of the Fund

	<b>6 Months (1/8/16 - 31/1/17)</b>	<b>1 Year (1/2/16 - 31/1/17)</b>	<b>3 Years (1/2/14 - 31/1/17)</b>	<b>5 Years (1/2/12 - 31/1/17)</b>	<b>Since Commencement (28/9/01 - 31/1/17)</b>
<b>Fund</b>	7.15%	16.77%	22.14%	70.16%	684.73%
<b>Benchmark</b>	1.39%	1.43%	(6.04%)	10.35%	185.54%
<b>Outperformance / (Underperformance)</b>	5.76%	15.34%	28.18%	59.81%	499.19%

Source of Benchmark: Bursa Malaysia

Table 2: Average Total Return

	<b>1 Year (1/2/16 - 31/1/17)</b>	<b>3 Years (1/2/14 - 31/1/17)</b>	<b>5 Years (1/2/12 - 31/1/17)</b>	<b>Since Commencement (28/9/01 - 31/1/17)</b>
<b>Fund</b>	16.77%	6.89%	11.20%	14.36%
<b>Benchmark</b>	1.43%	(2.05%)	1.99%	7.07%
<b>Outperformance / (Underperformance)</b>	15.34%	8.94%	9.21%	7.29%

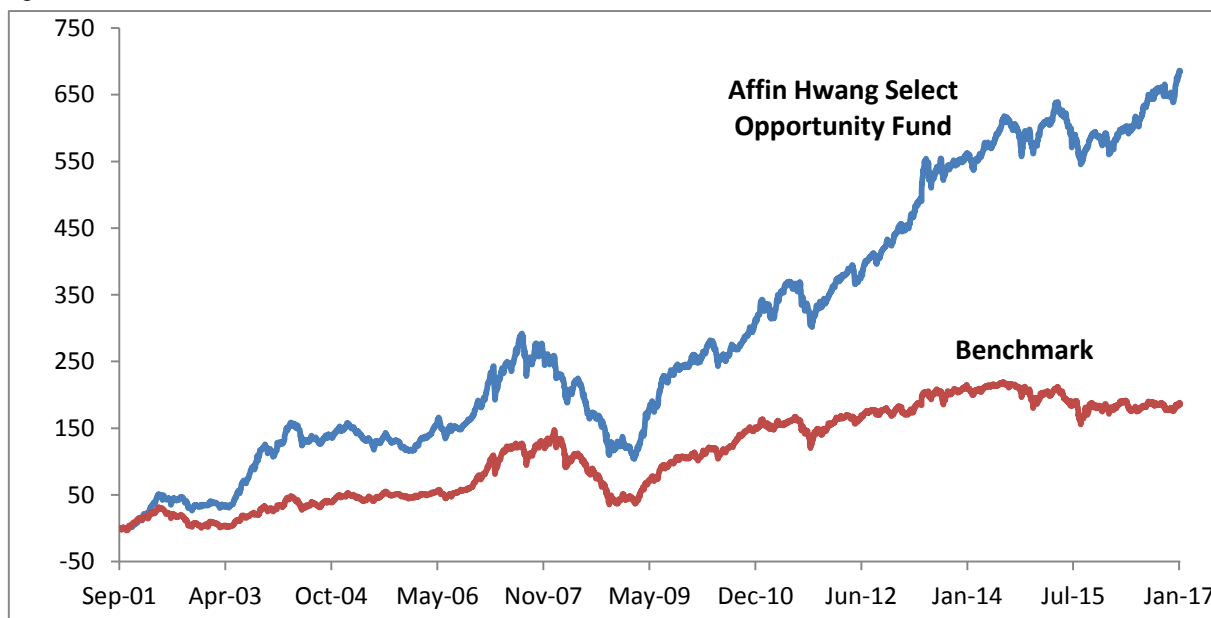
Source of Benchmark: Bursa Malaysia

Table 3: Annual Total Return

	FYE 2016 (01/8/15 - 31/7/16)	FYE 2015 (01/8/14 - 31/7/15)	FYE 2014 (01/8/13 - 31/7/14)	FYE 2013 (01/8/12 - 31/7/13)	FYE 2012 (01/8/11 - 31/7/12)
<b>Fund</b>	<b>7.13%</b>	<b>(4.49%)</b>	<b>12.75%</b>	<b>25.59%</b>	<b>8.23%</b>
<b>Benchmark</b>	<b>(2.47%)</b>	<b>(8.55%)</b>	<b>4.69%</b>	<b>9.94%</b>	<b>5.09%</b>
<b>Outperformance / (Underperformance)</b>	<b>9.60%</b>	<b>4.06%</b>	<b>8.06%</b>	<b>15.65%</b>	<b>3.14%</b>

Source of Benchmark: Bursa Malaysia

Figure 1: Movement of Fund versus Benchmark



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

Benchmark: FTSE Bursa Malaysia Top 100 Index

### **Strategies Employed (1 August 2016 – 31 January 2017)**

The Manager had maintained a nimble stance over the period under review – reducing its market exposure in the fourth quarter ahead of the US Presidential elections due to the lack of clarity. However, towards the end of the period under review, the Manager took on the opportunity to increase the Fund's market exposure through opportunities in names that had suffered from a sell-off.

## **Asset Allocation**

As at 31 January 2017, the equities weighting in the portfolio stood at 97.11% of NAV and the balance in cash. For a snapshot of the Fund's significant changes in the asset allocation, see Figure 2 below.

Figure 2: Summary of Asset Allocation

<b>Equity Sector Allocation</b>	<b><u>31 January 2017 (%)</u></b>	<b><u>31 January 2016 (%)</u></b>	<b><u>31 January 2015 (%)</u></b>
<b><i>Equities – Local</i></b>			
Construction	9.16	-	-
Consumer Products	4.48	22.71	-
Financials	16.68	16.65	18.91
Industrial Products	4.94	5.56	6.26
Plantations	6.76	-	-
Oil and Gas	-	5.87	1.94
Properties	0.91	-	-
Technology	2.14	0.89	-
Trading & Services	15.31	-	-
REITS	7.76	-	-
Warrants	-	-	1.20
Healthcare	-	2.44	0.71
Consumer Services	-	-	7.76
Consumer Goods	-	-	3.97
Real Estate Investment Trust	-	6.39	0.82
Telecommunications	-	3.87	4.83
Utilities	-	7.78	4.09
Preference Shares	2.92	2.81	-
<b><i>Equities - Foreign Investment</i></b>			
Finance / Financials	5.95	7.74	12.53
Industrials	2.28	0.90	5.84
Consumer Goods / Products	0.68	3.12	3.15
Technology	3.96	3.04	2.89
Consumer Services	0.52	-	2.87
Healthcare	-	-	1.54
Telecommunications	3.72	2.21	0.83
REITs	2.87	1.14	-
Oil and Gas	0.86	-	-
Utilities	2.20	-	-
Basic Materials	3.01	-	-
<b>Equity</b>	<b>97.11</b>	<b>93.12</b>	<b>80.14</b>
<b>Cash and cash equivalents</b>	<b>2.89</b>	<b>6.88</b>	<b>19.86</b>
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Over the period under review, the Fund's foreign exposure had increased to 26.05% from previous level of 18.15% while the domestic exposure level were maintained at approximately 70.00% over the same period. Overall, the Fund's equities exposure had increased by 3.99% whereas the cash level for the Fund had reduced to a low level of 2.89% due to the purchase of securities.

## **Review of Market (1 August 2016 – 31 January 2017)**

While market sentiment had improved at the start of the period under review, sentiment for global financial markets had largely relied on news flows on central bank policies, and politics. The improving economic conditions in the US had kept markets guessing as to the timeline of the US Federal Reserve's next rate hike – which finally took place in December. However, the move was largely overshadowed by the political environment in the US. While polls had remained divided, the surprise win by Donald Trump in the US Presidential race took markets by surprise. Expectations of higher inflation, and signs that the US economy

was back on its growth track had boosted market sentiment. The S&P 500 rose 4.8% in local currency terms over the period under review.

The shift of focus back to the US had led to US Dollar strength against most regional currencies. The Ringgit was not spared, and hit a rate of RM4.43 to the US Dollar, depreciating close to 9% over the period under review.

Optimism that the OPEC and non-OPEC countries would follow through with its agreement to curb oil production had pushed oil prices back into the USD50 per barrel range, and provided support for the domestic oil and gas sector.

The domestic economy had also seen support from strong fiscal spending with the roll-out of infrastructure projects as regional growth remained sluggish. A RM55 billion East Coast Rail Line is expected to kick-off this year. The project is said to be spread over 3-phases, and is expected to span over the course of 5-years. Domestic demand is expected to remain well supported, with the recent 2017 budget showing signs of support through the assistance for the lower income group. The government had increased its BR1M payout, and offered rebates for purchases of national automobiles.

A surprise overnight policy rate (OPR) cut by the central bank in July, while shocking to market, was taken in positive light by investors. Despite concerns surrounding the 1MDB debacle which had continued to cloud over domestic market sentiment coupled with the weakness of the Ringgit against the US Dollar, support by domestic investors and the improved oil price had kept the KLCI afloat. The FTSE Bursa Malaysia KLCI managed a marginal 1.1% return in local currency terms over the period under review.

### **Investment Outlook**

We expect politics and policies to remain a key focal point for global markets. The lack of clarity from the Trump administration on their trade and foreign policies, as well as the uncertainties surrounding the upcoming European elections will likely keep global markets challenging.

Economic growth will likely be propped up by fiscal spending into the infrastructure sector. We expect the infrastructure theme to remain prevalent across the region as growth remains moderate. The Manager will continue to participate in larger market cap companies, participating in income yielders, tactical themes, and secular growth opportunities.

We will maintain a nimble stance, keeping a close watch on the development from global markets as news unfolds.

## (2) SOFT COMMISSIONS RECEIVED FROM BROKERS

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

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

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

## (3) BREAKDOWN OF UNITHOLDERS BY SIZE AS AT 31 JANUARY 2017

Size of holdings (units)	No. of unitholders	No. of units held * (‘000)
5,000 and below	2,504	6,698
5,001 to 10,000	2,005	14,213
10,001 to 50,000	4,122	91,272
50,001 to 500,000	1,222	146,658
500,001 and above	57	296,983
<b>Total</b>	<b>9,910</b>	<b>555,824</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.

## FUND PERFORMANCE DATA

Source: HSBC Trustee	As at 31 Jan 2017	As at 31 Jan 2016	As at 31 Jan 2015
Total NAV (RM'million)	555.103	542.220	767.968
NAV per Unit (RM)	0.9975	0.8824	0.9718
Units in Circulation (million)	556.503	614.483	790.280
Highest NAV	0.9992	0.9120	0.9873
Lowest NAV	0.9294	0.8475	0.9096
Return of the Fund (%) <sup>iii</sup>	7.15	-1.69	-1.82
- Capital Return (%) <sup>i</sup>	7.15	-1.69	-1.82
- Income Distribution (%) <sup>ii</sup>	Nil	Nil	Nil
Gross Distribution per Unit (sen)	Nil	Nil	Nil
Net Distribution per Unit (sen)	Nil	Nil	Nil
Management Expense Ratio (%) <sup>1</sup>	0.85	0.85	0.81
Portfolio Turnover Ratio (times) <sup>2</sup>	0.47	0.69	0.78

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

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

An illustration of the above would be as follow:-

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

$$\begin{aligned}
 \text{i Capital Return} &= \{ \text{NAV per Unit @ 31/1/17} \div \text{NAV per Unit @ 31/7/16}^* - 1 \} \times 100 \\
 &= (0.9975 \div 0.9309 - 1) \times 100 \\
 &= \underline{\underline{7.15\%}}
 \end{aligned}$$

$$\begin{aligned}
 \text{ii Income Return} &= \{ \text{Income distribution per unit} \div \text{NAV per Unit on ex-date} \} \times 100 \\
 &= \underline{\underline{\text{Nil}}}
 \end{aligned}$$

$$\begin{aligned}
 \text{iii Return of the Fund} &= \{ (1 + \text{Capital Return}) \times (1 + \text{Income Return}) \} - 1 \} \times 100 \\
 &= \{ (1 + 7.15\%) \times (1 + 0.00\%) \} - 1 \} \times 100 \\
 &= \underline{\underline{7.15\%}}
 \end{aligned}$$

\* Source: HSBC Trustee

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

<sup>1</sup> The Fund's MER remained the same over the period under review.

<sup>2</sup> The Fund's PTR decreased from previous period under review as the portfolio's trading activities had reduced over the period under review.



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

We have acted as Trustee of **Affin Hwang Select Opportunity Fund** ("the Fund") for the financial period ended 31 January 2017. To the best of our knowledge, **Affin Hwang Asset Management Berhad** ("the Management Company"), has operated and managed the Fund in accordance with the following:-

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

For HSBC (Malaysia) Trustee Berhad

**Tan Bee Nie**  
Head, Trustee Operations

Kuala Lumpur  
20 March 2017

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017**

	Note	6 months financial period ended 31.1.2017 RM	6 months financial period ended 31.1.2016 RM
<b>INVESTMENT INCOME/ (LOSS)</b>			
Dividend income		6,858,523	4,068,612
Interest income from short term deposits		113,184	1,594,703
Net foreign currency exchange gain		428,717	5,865,933
Net gain/ (loss) on financial assets at fair value through profit or loss	7	37,502,460	(14,930,732)
		<u>44,902,884</u>	<u>(3,401,484)</u>
<b>EXPENSES</b>			
Management fee	4	(4,111,557)	(4,399,584)
Trustee fee	5	(193,359)	(205,314)
Auditors' remuneration		(4,033)	(4,033)
Tax agent's fee		(1,865)	(1,790))
Transaction cost		(1,646,243)	(2,183,181)
Other expenses		(422,763)	(463,860)
		<u>(6,379,820)</u>	<u>(7,257,762)</u>
<b>NET PROFIT/ (LOSS) BEFORE TAXATION</b>		38,523,064	(10,659,246)
<b>TAXATION</b>	6	(131,482)	(88,963)
<b>NET PROFIT/ (LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE FINANCIAL PERIOD</b>		<u>38,391,582</u>	<u>(10,748,209)</u>
Net profit/ (loss) after taxation is made up of the following:			
Realised amount		9,005,255	(4,819,045)
Unrealised amount		29,386,327	(5,929,164)
		<u>38,391,582</u>	<u>(10,748,209)</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  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017**

	<u>Note</u>	<u>2017</u> RM	<u>2016</u> RM
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	7	539,084,722	504,911,543
Cash and cash equivalents	8	13,681,174	36,095,045
Dividend receivables		747,387	421,873
Amount due from Manager - creation of units		1,413,577	-
Amounts due from brokers		13,678,983	7,111,533
<b>TOTAL ASSETS</b>		<u>568,605,843</u>	<u>548,539,994</u>
<b>LIABILITIES</b>			
Amount due to Manager - management fee		700,594	702,326
- cancellation of units		-	433,409
Amount due to Trustee		32,694	32,775
Amount due to brokers		12,692,398	5,072,606
Auditor's remuneration		4,033	12,033
Tax agent's fee		8,965	5,340
Other payables and accruals		63,646	61,408
<b>TOTAL LIABILITIES</b>		<u>13,502,330</u>	<u>6,319,897</u>
<b>NET ASSET VALUE OF THE FUND</b>		<u>555,103,513</u>	<u>542,220,097</u>
<b>EQUITY</b>			
Unitholders' capital		438,424,453	493,697,933
Retained earnings		116,679,060	48,522,164
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>555,103,513</u>	<u>542,220,097</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>	9	<u>556,503,000</u>	<u>614,483,000</u>
<b>NET ASSET VALUE PER UNIT(RM)</b>		<u>0.9975</u>	<u>0.8824</u>

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017**

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 August 2016	487,812,991	78,287,478	566,100,469
Total comprehensive income for the financial period	-	38,391,582	38,391,582
Movement in unitholders' capital:			
Creation of units	17,259,122	-	17,259,122
Cancellation of units	(66,647,660)	-	(66,647,660)
Balance as at 31 January 2017	<u>438,424,453</u>	<u>116,679,060</u>	<u>555,103,513</u>
Balance as at 1 August 2015	575,072,599	59,270,373	634,342,972
Total comprehensive loss for the financial period	-	(10,748,209)	(10,748,209)
Movement in unitholders' capital:			
Creation of units	4,392,205	-	4,392,205
Cancellation of units	(85,766,871)	-	(85,766,871)
Balance as at 31 January 2016	<u>493,697,933</u>	<u>48,522,164</u>	<u>542,220,097</u>

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

**STATEMENT OF CASH FLOWS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017**

	<u>Note</u>	6 months financial period ended <u>31.1.2017</u> RM	6 months financial period ended <u>31.1.2016</u> RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investments		282,527,671	405,575,562
Purchase of investments		(233,769,033)	(387,752,411)
Dividends received		6,239,015	3,880,606
Interest received		113,184	1,594,703
Management fee paid		(4,132,048)	(4,520,143)
Trustee fee paid		(194,316)	(210,940)
Payment for other fees and expenses		(2,077,006)	(476,319)
Net realised foreign currency exchange gains		2,145,961	12,838,225
		<hr/>	<hr/>
Net cash generated from operating activities		50,853,428	30,929,283
		<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from creation of units		15,894,092	4,392,205
Payments for cancellation of units		(67,217,845)	(86,630,172)
		<hr/>	<hr/>
Net cash used in financing activities		(51,323,753)	(82,237,967)
		<hr/>	<hr/>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(470,325)	(51,308,684)
<b>EFFECTS OF FOREIGN CURRENCY EXCHANGE</b>		716,269	5,915,746
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>		13,435,230	81,487,983
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	8	<u>13,681,174</u>	<u>36,095,045</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 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017**

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

### **A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

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

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

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

(a) Standards, amendments to published standards and interpretations that are effective

The Fund has applied the following amendments for the first time for the financial year beginning on 1 August 2016:

- Amendments to MFRS 101 'Presentation of financial statements' - Disclosure initiative.
- Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

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

(i) Financial year beginning on/after 1 August 2017

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative (effective from 1 February 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.

(ii) Financial year beginning on/after 1 August 2018

- MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018) replaces MFRS 118 "Revenue" and MFRS 111 "Construction contracts" and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)

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

(a) The new standards and amendments to published standards that are applicable to the Fund but not yet effective and have not been early adopted are as follows (continued):

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

- Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
- MFRS 9 “Financial Instruments” (effective from 1 January 2018) will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.

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

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

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

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

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

### **B INCOME RECOGNITION**

Interest income from short term deposits with licensed financial institutions 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 quoted investments, 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 a weighted average cost basis.

### **C TRANSACTION COSTS**

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

### **D TAXATION**

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

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

### **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 TRANSLATIONS**

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



## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

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

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

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

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

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

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

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

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

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

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

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

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income when the Fund's right to receive payments is established.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

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

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

If a valuation based on the market price does not represent the fair value of the securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the securities are valued as determined in good faith by the Manager, based on the methods or basis approved by the Trustee after appropriate technical consultation.

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

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

#### **(iii) Impairment**

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

### **H 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.

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

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

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

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

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

### **J UNITHOLDERS' CAPITAL**

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

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

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

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

### **K SEGMENT REPORTING**

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017

### 1 INFORMATION ON THE FUND

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

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

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

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

The Manager is a company incorporated in Malaysia. The principal activities of the Manager are establishment and management of unit trust funds and private retirement schemes as well as providing fund management services to private clients.

The financial statements were authorised for issue by the Manager on 20 March 2017.

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

Financial instruments are as follows:

	<u>Note</u>	<u>Loans and receivables</u> RM	<u>Financial assets at fair value through profit or loss</u> RM	<u>Total</u> RM
<u>2017</u>				
Quoted equities	7	-	539,084,722	539,084,722
Cash and cash equivalents	8	13,681,174	-	13,681,174
Dividend receivables		747,387	-	747,387
Amount due from brokers		13,678,983	-	13,678,983
Amount due from managers - creation of units		1,413,577	-	1,413,577
Total		<u>29,521,121</u>	<u>539,084,722</u>	<u>568,605,843</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

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

Financial instruments are as follows (continued):

	<u>Note</u>	<u>Loans and receivables</u> RM	<u>Financial assets at fair value through profit or loss</u> RM	<u>Total</u> RM
<u>2016</u>				
Quoted equities	7	-	504,911,543	504,911,543
Cash and cash equivalents	8	36,095,045	-	36,095,045
Dividend receivables		421,873	-	421,873
Amount due from brokers		7,111,533	-	7,111,533
Total		<u>43,628,451</u>	<u>504,911,543</u>	<u>548,539,994</u>

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

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

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

Market risk

(a) Price risk

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

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

	<u>2017</u> RM	<u>2016</u> RM
<b>Quoted investments</b>		
Quoted equities designated at fair value through profit or loss	539,084,722	504,911,543

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

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

Market risk (continued)

(a) Price risk (continued)

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

<u>% Change in price</u>	<u>Market value</u>	<u>Impact on</u>
RM	RM	<u>profit after</u>
		<u>tax/NAV</u>
		RM
<u>2017</u>		
-5%	512,130,486	(26,954,236)
0%	539,084,722	-
+5%	566,038,958	26,954,236
<u>2016</u>		
-5%	479,665,966	(25,245,577)
0%	504,911,543	-
+5%	530,157,120	25,245,577

(b) Interest rate risk

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (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 an unfavourable movement against Ringgit Malaysia, the investments will face currency losses in addition to the capital gain/(loss). The Manager will evaluate the likely directions of a foreign currency versus Ringgit Malaysia based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels, and technical chart considerations.

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

	<u>Quoted equities</u>		<u>Cash and cash equivalents</u>	<u>Other assets*/ (payables**)</u>	<u>Total</u>
	RM	RM	RM	RM	
<u>2017</u>					
Hong Kong Dollar	73,747,830		6,297,148	(3,050,119)	76,994,859
Indonesia Rupiah	17,825,698		-	-	17,825,698
Korean Won	16,711,259		-	13,082	16,724,341
Singapore Dollar	25,186,110		7,073	37,200	25,230,383
Thailand Baht	8,242,080		-	-	8,242,080
United States Dollar	2,897,470		58,548	-	2,956,018
	<u>144,610,447</u>		<u>6,362,769</u>	<u>(3,783,528)</u>	<u>147,973,379</u>
<u>2016</u>					
Australian Dollar	-		3,373,253	-	3,373,253
Hong Kong Dollar	29,248,069		16,890,797	5,105,922	51,244,788
Indonesia Rupiah	22,648,866		-	-	22,648,866
Korean Won	5,675,219		-	133	5,675,352
Philippines Peso	6,664,229		-	-	6,664,229
Singapore Dollar	34,186,533		421,973	-	34,608,506
United States Dollar	-		8,820,824	-	8,820,824
	<u>98,422,916</u>		<u>29,506,847</u>	<u>5,106,055</u>	<u>133,035,818</u>

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

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

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

Market risk (continued)

(c) Currency risk (continued)

The table below summarises the sensitivity of the Fund's profit after taxation and net asset value to foreign exchange movement. The analysis is based on the assumption that the foreign exchange rate changes by 5%, with all other variables remain constants. 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>2017</u>		
Hong Kong Dollar	+/- 5	+/- 3,849,743
Indonesia Rupiah	+/- 5	+/- 891,285
Korean Won	+/- 5	+/- 836,217
Singapore Dollar	+/- 5	+/- 1,261,519
Thailand Baht	+/- 5	+/- 412,104
United States Dollar	+/- 5	+/- 147,801
<hr/>		
<u>2016</u>		
Australian Dollar	+/- 5	+/- 168,663
Hong Kong Dollar	+/- 5	+/- 2,562,239
Indonesia Rupiah	+/- 5	+/- 1,132,443
Korean Won	+/- 5	+/- 283,768
Philippines Peso	+/- 5	+/- 333,211
Singapore Dollar	+/- 5	+/- 1,730,425
United States Dollar	+/- 5	+/- 441,041
<hr/>		

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 exchanges.

Credit risk arising from placements on 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 and redemption of units payable to the Manager are governed by the Securities Commission's Guidelines on Unit Trust Funds.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

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

Credit risk (continued)

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

	<u>Cash and cash equivalents</u> RM	<u>Other assets*</u> RM	<u>Total</u> RM
<u>2017</u>			
Financials			
- AAA	13,681,174	2,593,084	16,274,258
Consumer Products			
- NR	-	183,885	183,885
Construction			
- NR	-	281,619	281,619
Others			
- NR	-	1,413,577	1,413,577
Basic Material			
- NR	-	13,082	13,082
Utilities			
- NR	-	2,463,338	2,463,338
Trading /Services			
- NR	-	4,011,678	4,011,678
REITS			
- NR	-	4,711,587	4,711,587
Preference Share			
- NR	-	168,097	168,097
	<u>13,681,174</u>	<u>15,839,947</u>	<u>29,521,121</u>
<u>2016</u>			
Financials			
- AAA	36,095,045	-	36,095,045
Consumer Products			
- NR	-	2,005,784	2,005,784
Industrials			
- NR	-	5,527,622	5,572,622
	<u>36,095,045</u>	<u>7,533,406</u>	<u>43,628,451</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

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

Liquidity risk

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

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

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

	<u>Within one month</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>2017</u>			
Amount due to Manager			
- management fee	700,594	-	700,594
Amount due to Trustee	32,694	-	32,694
Amount due to brokers	12,692,398	-	12,692,398
Auditors' remuneration	-	4,033	4,033
Tax agent's fee	-	8,965	8,965
Other payables and accruals	50,820	12,826	63,646
	<u>13,476,506</u>	<u>25,824</u>	<u>13,502,330</u>
<u>2016</u>			
Amount due to Manager			
- management fee	702,326	-	702,326
- cancellation of units	433,409	-	433,409
Amount due to Trustee	32,775	-	32,775
Amount due to brokers	5,072,606	-	5,072,606
Auditors' remuneration	-	12,033	12,033
Tax agent's fee	-	5,340	5,340
Other payables and accruals	56,023	5,385	61,408
	<u>6,297,139</u>	<u>22,758</u>	<u>6,319,897</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)

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

#### Capital risk

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

### 3 FAIR VALUE ESTIMATION

Financial instruments comprises 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 financial period 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

**3 FAIR VALUE ESTIMATION (CONTINUED)**

(i) Fair value hierarchy (continued)

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.

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>2017</u>				
Financial assets at fair value through profit or loss				
- quoted equities	539,084,722	-	-	539,084,722
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>2016</u>				
Financial assets at fair value through profit or loss				
- quoted equities	504,911,543	-	-	504,911,543
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

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

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

**4 MANAGEMENT FEE**

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

For the financial period ended 31 January 2017, the management fee is recognised at a rate of 1.50% (2016: 1.50%) per annum on the NAV of the Fund calculated on daily basis.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

**5 TRUSTEE FEE**

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

For the financial period ended 31 January 2017, the Trustee fee is recognised at a rate of 0.07% (2016: 0.07%) per annum on the NAV of the Fund, subject to a minimum fee of RM18,000 per annum, inclusive of local custodian fee but exclusive of foreign sub-custodian fee calculated on daily basis.

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

**6 TAXATION**

	6 months financial period ended <u>31.1.2017</u> RM	6 months financial period ended <u>31.1.2016</u> RM
Current taxation – foreign	131,482	88,963

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

Net gain/ (loss) before taxation	38,523,064	(10,659,247)
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	9,245,535	(2,558,219)
Tax effects of:		
(Investment income not subject to tax)/ Investment loss exempt from tax	(10,776,692)	816,355
Expenses not deductible for tax purposes	537,279	683,060
Restrictions on tax deductible expenses for Unit Trust Funds	993,878	1,058,804
Foreign income subject to foreign tax rate	131,482	88,963
Tax expense	131,482	88,963

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

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

	<u>2017</u> RM	<u>2016</u> RM
Designated at fair value through profit or loss at inception		
- quoted equities – local	394,474,275	406,488,627
- quoted equities – foreign	144,610,447	98,422,916
	<u>539,084,722</u>	<u>504,911,543</u>
Net gain/ (loss) on assets at fair value through profit or loss		
- realised gain/ (loss) on sale of investments	8,832,402	(3,085,821)
- unrealised gain/ (loss)	28,670,058	(11,844,911)
	<u>37,502,460</u>	<u>(14,930,732)</u>

(a) Quoted equities - local

(i) Quoted equities - local as at 31 January 2017 are as follows:

	<u>Quantity</u> RM	<u>Aggregate cost</u> RM	<u>Fair value</u> %	<u>Percentage of NAV</u>
<b>CONSTRUCTION</b>				
Ekovest Bhd	9,387,300	12,023,171	24,876,345	4.48
Gamuda Bhd	2,469,800	12,187,137	11,879,738	2.14
WCT Holdings Bhd	7,757,800	14,242,870	14,119,196	2.54
	<u>19,614,900</u>	<u>38,453,178</u>	<u>50,875,279</u>	<u>9.16</u>
<b>CONSUMER PRODUCTS</b>				
Fraser & Neave Holdings Bhd	677,100	12,846,420	15,857,682	2.86
QL Resources Berhad	2,055,020	6,984,339	9,000,987	1.62
	<u>2,732,120</u>	<u>19,830,759</u>	<u>24,858,669</u>	<u>4.48</u>
<b>FINANCIALS</b>				
Allianz Malaysia Bhd	705,600	7,310,682	7,564,032	1.36
Bursa Malaysia Bhd	3,054,000	26,386,090	27,058,440	4.88
CIMB Group Holdings Bhd	7,203,186	32,961,530	35,799,834	6.45
Malayan Banking Bhd	2,696,118	22,218,792	22,162,090	3.99
	<u>13,658,904</u>	<u>88,877,094</u>	<u>92,584,396</u>	<u>16.68</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

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

(a) Quoted equities - local (continued)

(i) Quoted equities - local as at 31 January 2017 are as follows (continued):

	<u>Quantity</u> RM	<u>Aggregate cost</u> RM	<u>Fair value</u> %	<u>Percentage of NAV</u>
<b><u>INDUSTRIALS</u></b>				
Petronas Chemicals Group Bhd	953,000	6,655,773	6,794,890	1.22
Press Metal Bhd	10,120,880	10,551,926	20,646,595	3.72
	<u>11,073,880</u>	<u>17,207,699</u>	<u>27,441,485</u>	<u>4.94</u>
<b><u>PLANTATION</u></b>				
Genting Plantations Bhd	1,503,300	16,221,463	16,385,970	2.95
Kuala Lumpur Kepong Bhd	877,000	20,616,926	21,135,700	3.81
	<u>2,380,300</u>	<u>36,838,389</u>	<u>37,521,670</u>	<u>6.76</u>
<b><u>PREFERENCE SHARE</u></b>				
Allianz Malaysia Bhd	1,556,458	6,898,365	16,218,292	2.92
<b><u>PROPERTIES</u></b>				
Iskandar Waterfront City Bhd	5,642,000	5,158,162	5,049,590	0.91
<b><u>REITS</u></b>				
IGB REIT	10,702,500	14,207,494	18,622,350	3.36
MRCB-QUILL REIT	4,226,800	5,072,160	5,621,644	1.01
Sunway REIT	5,634,900	8,728,520	9,973,773	1.80
YTL Hospitality REIT	7,301,600	7,751,971	8,834,936	1.59
	<u>27,865,800</u>	<u>35,760,145</u>	<u>43,052,703</u>	<u>7.76</u>
<b><u>TECHNOLOGY</u></b>				
Inari Amertron Bhd	6,726,000	10,292,849	11,905,020	2.14
<b><u>TRADING/SERVICES</u></b>				
Axiata Group Bhd	2,528,523	15,345,829	11,959,914	2.16
Barakah Offshore Petroleum Bhd	1,916,500	1,315,711	1,236,143	0.22
Bison Consolidated Bhd	7,427,200	10,497,281	13,146,144	2.37
Dialog Group Bhd	10,521,100	16,136,432	16,097,283	2.90
Malaysia Airports Holdings Bhd	694,303	4,108,134	4,290,793	0.77
Sime Darby Bhd	2,811,593	21,637,479	25,051,294	4.51
Tenaga Nasional Bhd	984,000	13,026,377	13,185,600	2.38
	<u>26,883,219</u>	<u>82,067,243</u>	<u>84,967,171</u>	<u>15.31</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

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

(a) Quoted equities - local (continued)

(i) Quoted equities - local as at 31 January 2017 are as follows (continued):

	<u>Quantity</u> RM	<u>Aggregate</u> <u>cost</u> RM	<u>Fair</u> <u>value</u> %	<u>Percentage</u> <u>of NAV</u>
Total quoted equities – local	118,133,581	341,383,883	394,474,275	71.06
Accumulated unrealised gain on quoted equities – local		53,090,392		
Total quoted equities – local		394,474,275		

(ii) Quoted equities - local as at 31 January 2016 are as follows:

**CONSTRUCTION**

Gamuda Bhd	2,880,000	14,374,290	13,104,000	2.42
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**CONSUMER PRODUCTS**

Carlsberg Berewery Malaysia Bhd	46,900	587,814	547,792	0.10
Fraser & Neave Holdings Bhd	1,188,000	21,460,475	21,740,400	4.01
Genting Plantations Bhd	2,888,000	31,196,226	32,230,080	5.94
Oriental Holdings Bhd	1,619,300	11,495,500	10,654,994	1.97
QL Resources Bhd	5,123,720	17,000,372	23,159,214	4.27
	10,865,920	81,740,387	88,332,480	16.29

**FINANCIALS**

Allianz Malaysia Bhd	735,000	8,855,427	7,291,200	1.34
Bursa Malaysia Bhd	368,700	3,060,150	3,074,958	0.57
CIMB Group Holdings Bhd	4,300,000	20,438,080	17,802,000	3.28
Hong Leong Bank Bhd	869,511	10,106,443	11,981,862	2.21
Malayan Banking Bhd	2,472,300	20,656,686	21,039,273	3.88
Tune Protect Group Bhd	8,968,418	15,379,722	10,403,365	1.92
	17,713,929	78,496,508	71,592,658	13.2

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

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

(a) Quoted equities - local (continued)

(ii) Quoted equities - local as at 31 January 2016 are as follows (continued):

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<b><u>PREFERENCE SHARE</u></b>				
Allianz Malaysia Bhd	1,556,458	6,898,365	15,253,288	2.81
<b><u>PROPERTIES</u></b>				
Eco World Development Group Bhd	3,064,400	4,964,328	3,953,076	0.73
<b><u>REITS</u></b>				
IGB REIT	13,677,000	18,156,122	19,558,110	3.61
Sunway REIT	10,238,300	15,859,236	15,050,301	2.78
	23,915,300	34,015,358	34,608,411	6.39
<b><u>SPAC</u></b>				
Red Sena Bhd	10,740,200	5,370,100	4,081,276	0.75
Sona Petroleum Bhd	24,026,100	10,259,560	10,691,615	1.97
CLIQ Energy Bhd	2,872,200	1,852,590	1,981,818	0.37
Reach Energy Bhd	24,000,000	15,762,312	15,120,000	2.79
	61,638,500	33,244,562	31,874,709	5.88
<b><u>TECHNOLOGY</u></b>				
Unisem (Malaysia) Bhd	2,474,100	5,057,143	4,849,236	0.89
<b><u>TRADING/ SERVICES</u></b>				
Axiata Group Bhd	3,750,000	23,283,404	21,000,000	3.87
7-Eleven Malaysia Holdings Bhd	4,981,600	7,939,712	7,472,400	1.38
Berjaya Food Bhd	5,351,500	15,025,816	10,970,575	2.02
Boustead Holdings Bhd	4,210,000	16,840,000	16,376,900	3.02
Pharmaniaga Bhd	2,150,000	13,308,500	13,222,500	2.44
DKSH Holdings Malaysia Bhd	1,686,700	10,496,604	6,831,135	1.26
Malaysia Airports Holdings Bhd	1,754,503	9,824,745	10,176,117	1.88
Bumi Armada Bhd	14,270,200	15,311,716	14,698,306	2.71
YTL Corporation Bhd	5,721,200	8,879,585	8,925,072	1.65
Tenaga Nasional Bhd	2,451,900	30,939,984	33,247,764	6.13
	46,327,603	151,850,066	142,920,769	26.36

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

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

(a) Quoted equities - local (continued)

(ii) Quoted equities - local as at 31 January 2016 are as follows (continued):

Total quoted equities – local	170,436,210	410,641,007	406,488,627	74.97
	<u>                    </u>		<u>                    </u>	<u>                    </u>
Accumulated unrealised loss on quoted equities – local		(4,152,380)		
Total quoted equities – local		<u>406,488,627</u>		

(b) Quoted equities – foreign

(i) Quoted equities - foreign as at 31 January 2017 are as follows:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<b><u>HONG KONG</u></b>				
<b><u>FINANCIALS</u></b>				
AIA Group Ltd	136,400	3,263,897	3,755,290	0.68
China Life Insurance Co. Ltd	1,331,680	15,326,602	16,374,910	2.95
	<u>1,468,080</u>	<u>18,590,499</u>	<u>20,130,200</u>	<u>3.63</u>
<b><u>OIL &amp; GAS</u></b>				
China Petroleum & Chemical	1,346,000	3,943,463	4,769,451	0.86
<b><u>TECHNOLOGY</u></b>				
HKBN Ltd	2,452,000	11,225,519	13,207,610	2.38
Tencent Holdings Ltd	75,400	4,190,436	8,793,950	1.58
	<u>2,527,400</u>	<u>15,415,955</u>	<u>22,001,560</u>	<u>3.96</u>
<b><u>TELECOMMUNICATIONS</u></b>				
China Mobile Ltd	181,500	8,444,503	9,098,089	1.64
China Telecom Corp Ltd	2,632,000	5,504,396	5,541,713	1.00
	<u>2,813,500</u>	<u>13,948,899</u>	<u>14,639,802</u>	<u>2.64</u>
<b><u>UTILITIES</u></b>				
Guangdong Investment Ltd	1,004,000	5,477,919	5,528,315	1.00
Power Assets Holdings Ltd	157,000	6,203,489	6,678,502	1.20
	<u>1,161,000</u>	<u>11,681,408</u>	<u>12,206,817</u>	<u>2.20</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

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

(b) Quoted equities – foreign

(i) Quoted equities - foreign as at 31 January 2017 are as follows:

	<u>Quantity</u>	Aggregate cost RM	Fair value RM	Percentage of NAV %
<u>INDONESIA</u>				
<u>FINANCIALS</u>				
Puradelta Lestari Tbk PT	62,416,900	4,759,289	4,669,159	0.84
<u>INDUSTRIALS</u>				
Pembangunan Perumahan Persero	6,088,687	7,128,280	7,174,665	1.29
<u>TELECOMMUNICATIONS</u>				
Telekomunikasi Indonesia	4,669,800	4,885,761	5,981,874	1.08
<u>SOUTH KOREA</u>				
<u>BASIC MATERIALS</u>				
LG Chem Ltd	5,478	5,703,347	5,471,120	0.99
NAVER Corp	3,890	9,812,105	11,240,139	2.02
	9,368	15,515,452	16,711,259	3.01
<u>SINGAPORE</u>				
<u>CONSUMER GOODS</u>				
Bumitama Agri Ltd	1,511,100	3,588,456	3,769,530	0.68
<u>FINANCIALS</u>				
Singapore Exchange Limited	238,600	5,553,042	5,520,499	0.99
<u>REITS</u>				
Frasers Logistic & Indus Trust	2,929,400	7,661,838	8,540,715	1.54
Mapletree Greater China	2,470,000	6,873,676	7,355,366	1.33
	5,399,400	14,535,514	15,896,081	2.87

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities - foreign as at 31 January 2017 are as follows (continued):

	<u>Quantity</u>	Aggregate cost RM	Fair value RM	Percentage of NAV %
<u>THAILAND</u>				
<u>FINANCIALS</u>				
Central Pattana PCL	330,000	2,244,978	2,340,694	0.42
Kasikornbank Public Co Ltd	249,600	5,004,180	5,901,386	1.06
	<hr/> 579,600	<hr/> 7,249,158	<hr/> 8,242,080	<hr/> 1.48
<u>UNITED STATES</u>				
<u>CONSUMER SERVICES</u>				
Alibaba Group Holding Ltd	6,459	2,903,707	2,897,470	0.52
	<hr/> 90,235,894	<hr/> 129,698,883	<hr/> 144,610,447	<hr/> 26.05
Total quoted equities – foreign				
Accumulated unrealised gain on quoted equities –foreign		<hr/> 14,911,564		
Total quoted equities – foreign		<hr/> <hr/> 144,610,447		

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities - foreign as at 31 January 2016 are as follows:

	<u>Quantity</u>	Aggregate cost RM	Fair value RM	Percentage of NAV %
<u>HONG KONG</u>				
<u>FINANCIALS</u>				
AIA Group Ltd	343,000	8,207,601	7,837,049	1.45
<u>INDUSTRIALS</u>				
CT Environment Group Ltd	4,112,000	5,911,613	4,883,814	0.90
<u>TECHNOLOGY</u>				
HKBN Ltd	961,000	4,151,982	5,067,103	0.93
Tencent Holdings Ltd	148,600	8,258,606	11,460,103	2.11
	1,109,600	12,410,588	16,527,206	3.04
<u>PHILLIPINES</u>				
<u>CONSUMER PRODUCTS</u>				
Robinsons Retail Holdings Incorporation	1,301,700	8,291,682	6,664,229	1.23
<u>SINGAPORE</u>				
<u>CONSUMER PRODUCTS</u>				
Bumitama Agri Ltd	2,265,000	5,378,766	4,549,769	0.84
<u>FINANCIALS</u>				
Capitaland Ltd	1,567,200	14,280,568	13,961,044	2.57
UOL Group Ltd	584,000	11,163,354	9,503,787	1.75
	2,151,200	25,443,922	23,464,831	4.32

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities - foreign as at 31 January 2016 are as follows: (continued)

	<u>Quantity</u>	Aggregate cost RM	Fair value RM	Percentage of NAV %
<u>REITS</u>				
Mapletree Greater China Commercial Trust Reit	2,539,000	7,264,854	6,171,933	1.14
<u>SOUTH KOREA</u>				
<u>CONSUMER PRODUCTS</u>				
Kangwon Land Incorporation	40,150	5,816,344	5,675,219	1.05
<u>INDONESIA</u>				
<u>FINANCIALS</u>				
Bank Mandiri Persero Tbk PT	3,733,200	10,883,740	10,675,086	1.97
<u>TELECOMMUNICATIONS</u>				
Telekomunikasi Indonesia	12,000,000	10,399,773	11,973,780	2.21
Total quoted equities – foreign	<u>29,594,850</u>	100,008,883	<u>98,422,916</u>	<u>18.15</u>
Accumulated unrealised loss on quoted equities –foreign		<u>(1,585,967)</u>		
Total quoted equities – foreign		<u>98,422,916</u>		

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

**8 CASH AND CASH EQUIVALENTS**

	<u>2017</u> RM	<u>2016</u> RM
Cash and bank balances	6,377,262	29,700,162
Deposits with a licensed financial institution	7,303,912	6,394,883
	<u>13,681,174</u>	<u>36,095,045</u>

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

	<u>2017</u> %	<u>2016</u> %
Deposits with a licensed financial institution	<u>3.07</u>	<u>3.35</u>

The deposits have an average maturity of 2 days (2016: 2 days).

**9 NUMBER OF UNITS IN CIRCULATION**

	<u>2017</u> No. of units	<u>2016</u> No. of units
At beginning of the financial period	608,107,000	706,695,000
Creation of units	17,982,000	4,932,000
Cancellation of units	(69,586,000)	(97,144,000)
At the end of the financial period	<u>556,503,000</u>	<u>614,483,000</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

**10 TRANSACTIONS WITH BROKERS/ DEALERS/ FINANCIAL INSTITUTIONS**

(i) Details of transactions with the top 10 brokers and dealers for the financial period ended 31 January 2017 are as follows:

<u>Name of brokers/dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage</u> %
Affin Hwang Investment Bank Bhd	111,883,675	21.66	279,709	21.78
Maybank Group*	68,792,887	13.32	168,367	13.11
RHB Investment Bank Bhd	29,620,252	5.73	74,051	5.77
CLSA Group*	29,575,166	5.73	79,936	6.22
CIMB Group*	29,346,800	5.68	79,829	6.22
CCB International Securities Ltd	26,820,949	5.19	67,052	5.22
JP Morgan Group*	26,186,095	5.07	54,775	4.27
Macquarie Group*	22,624,665	4.38	56,562	4.40
HLG Securities Sendirian Bhd	21,499,589	4.16	53,749	4.19
Seagroatt And Campbell Sdn Bhd	19,084,576	3.69	47,711	3.71
Others	131,168,999	25.39	316,351	25.11
	<u>516,603,653</u>	<u>100.00</u>	<u>1,284,176</u>	<u>100.00</u>

(ii) Details of transactions with the top 10 brokers and dealers for the financial period ended 31 January 2016 are as follows:

<u>Name of brokers/dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage</u> %
Affin Hwang Investment Bank Bhd	140,001,056	19.57	311,709	17.46
Credit Suisse Securities (M) Sdn Bhd	79,827,310	11.16	200,655	11.24
CLSA Securities (M) Sdn Bhd	65,714,422	9.19	155,225	8.70
CCB International Securities Ltd	64,366,294	9.00	160,916	9.02
JPMorgan Securities (M) Sdn Bhd	49,916,197	6.98	147,487	8.26
CIMB Investment Bank Bhd	34,597,134	4.84	126,769	7.10
Malayan Banking Berhad	31,060,946	4.34	71,590	4.01
UOB Kay Hian Securities (M) Sdn Bhd	27,583,419	3.86	68,959	3.86
Morgan Stanley and Co International Plc	27,070,557	3.78	54,141	3.03
PT CIMB Securities Indonesia	21,822,205	3.05	59,537	3.34
Others	173,279,311	24.23	427,955	23.98
	<u>715,238,851</u>	<u>100.00</u>	<u>1,784,943</u>	<u>100.00</u>

Note: \*Group wide

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

**10 TRANSACTIONS WITH BROKERS/ DEALERS/ FINANCIAL INSTITUTIONS (CONTINUED)**

- (i) Details of transactions, primary cash placements with top 10 financial institutions for the financial period ended 31 January 2017:

<u>Financial institutions</u>	<u>Value of placements</u> RM	<u>Percentage of total placements</u> %
Affin Group*	104,230,000	73.40
CIMB Bank Bhd	23,965,000	16.88
Public Bank Bhd	13,800,000	9.72
	141,995,000	100.00

- (ii) Details of transactions, primary cash placements with top 10 financial institutions for the financial period ended 31 January 2016:

<u>Financial institutions</u>	<u>Value of placements</u> RM	<u>Percentage of total placements</u> %
Public Bank Bhd	441,997,813	59.24
Affin Hwang Investment Bank Bhd	109,190,000	14.63
Hong Leong Group*	105,000,000	14.07
Bank Islam Malaysia Bhd	40,000,000	5.36
KAF Investment Bank Bhd	40,000,000	5.36
Alliance Bank Bhd	10,000,000	1.34
	746,187,813	100.00

Note: \*Group wide

Included in transactions with broker and dealers are trades with Affin Group, a company related to the Manager amounting RM216,113,675 (2016: RM249,191,056). The Manager is of the opinion that all transactions with the related company were carried out at arm's length.

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

<u>Name of broker/dealer</u>	<u>2017</u> RM	<u>2016</u> RM
Affin Hwang Investment Bank	2,709,220	-

The cross trades amounting to RM2,709,220 are conducted between the Funds and private mandates managed by the manager.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

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

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

<u>Related parties</u>	<u>Relationship</u>
Affin Hwang Asset Management Berhad	The Manager
Affin Hwang Investment Bank Berhad	Holdings company of the Manager
Affin Holdings Berhad ("AHB")	Ultimate holding company of the Manager
Subsidiaries and associates of Affin Holding Berhad as disclosed in its financial statements	Subsidiaries and associates of the holding company of the Manager
Director of Affin Hwang Asset Management Berhad	Director of the Manager
Non-Executive Chairman of Affin Holding Berhad	Non-Executive Chairman of the Ultimate holdings company of the Manager

	<u>2017</u>		<u>2016</u>	
	<u>No. of Units</u>	<u>RM</u>	<u>No. of Unit</u>	<u>RM</u>
<u>The Manager:</u>				
Affin Hwang Asset Management Berhad (The unit are held legally for booking purposes)	678,585	676,889	1,268,806	1,119,594
<u>Parties related to the Manager:</u>				
Director of Affin Hwang Asset Management Berhad (The units are held beneficially)	363,076	362,168	351,511	310,173

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

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

	6 months financial period ended <u>31.1.2017</u> %	6 months financial period ended <u>31.1.2016</u> %
MER	<u>0.85</u>	<u>0.85</u>

MER is derived from the following calculation:

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

A = Management fee

B = Trustee’s fees

C = Auditors’ remuneration

D = Tax agent’s fee

E = Other expenses, excluding goods and services tax on transaction costs

F = Average net asset value of Fund calculated on a daily basis

The average net asset value of the Fund for the financial period calculated on a daily basis is RM548,045,874(2016:RM582,369,207).

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

	6 months financial period ended <u>31.1.2017</u>	6 months financial period ended <u>31.1.2016</u>
PTR (times)	<u>0.47</u>	<u>0.69</u>

PTR is derived from the following calculation:

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

where: total acquisition for the financial period =RM245,056,947 (2016: RM381,461,903)

total disposal for the financial period = RM266,485,292 (2016: RM425,257,428)

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2017 (CONTINUED)**

### **14 SEGMENT INFORMATION**

The strategic asset allocation committee of the Investment Manager makes the strategic resource allocations on behalf of the fund. The Fund has determined the operating segments based on the reports reviewed by this committee 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 derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of interest, dividends and gains on the appreciation in the value of investments and are derived from quoted equities in Malaysia, Hong Kong, Indonesia, South Korea, Singapore, Thailand & 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 and IFRS.

## **AFFIN HWANG SELECT OPPORTUNITY FUND**

### **STATEMENT BY THE MANAGER**

I, Teng Chee Wai, as the Director of **Affin Hwang Asset Management Berhad** do hereby state that in my opinion as the Manager, the financial statements set out on pages 9 to 44 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 January 2017 and of its financial performance, changes in equity and cash flows for the financial period ended 31 January 2017 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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

**TENG CHEE WAI**  
**EXECUTIVE DIRECTOR**

Kuala Lumpur  
20 March 2017

## **DIRECTORY OF SALES OFFICE**

### **HEAD OFFICE**

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

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Affin Hwang Asset Management Berhad (429786-T)