

Affin Hwang

Select Opportunity Fund

Interim Report
31 January 2018

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 2018

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FUND INFORMATION

Fund Name	Affin Hwang Select Opportunity Fund
Fund Type	Growth
Fund Category	Equity
Investment Objective	To achieve consistent capital appreciation over the medium to long-term by investing mainly in listed Malaysian companies with good growth prospects.
Benchmark	The benchmark to be used by the Manager in measuring the performance of the Funds will be the FTSE Bursa Malaysian Top 100 Index ("FBM 100")
Distribution Policy	The Fund endeavours to distribute income, if any, on an annual basis. However, the amount of income available for distributon may fluctuate from year to year.

BREAKDOWN OF UNITHOLDERS BY SIZE RM CLASS AS AT 31 JANUARY 2018

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	3,097	8,367
5,001 to 10,000	2,448	17,871
10,001 to 50,000	4,958	112,014
50,001 to 500,000	1,491	178,698
500,001 and above	70	643,657
Total	12,064	960,607

* Note: Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 31 Jan 2018 (%)	As at 31 Jan 2017 (%)	As at 31 Jan 2016 (%)
Portfolio composition			
Quoted equities – local			
- Construction	4.07	9.16	2.42
- Consumer goods	5.38	4.48	16.29
- Financials	26.25	16.68	13.20
- Industrial products	0.03	4.94	-
- Infrastructure	0.96	-	-
- Plantation	1.82	6.76	-
- Preference share	1.74	2.92	2.81
- Properties	5.99	0.91	0.73
- REITs	3.13	7.76	6.39
- Technology	0.73	2.14	0.89
- Trading / services	18.79	15.31	26.36
Total quoted equities – local	68.89	71.06	74.97
Quoted equities – foreign			
- Basic materials	-	3.01	-
- Consumer goods	1.59	0.68	3.12
- Consumer services	2.44	0.52	-
- Financials	16.35	6.94	7.74
- Industrial products	2.50	1.29	0.90
- Oil & gas	1.04	0.86	-
- REITs	-	2.87	1.14
- Technology	2.54	3.96	3.04
- Telecommunications	-	3.72	2.21
- Utilities	-	2.20	-
Total quoted equities – foreign	26.46	26.05	18.15
Cash & cash equivalent	4.65	2.89	6.88
Total	100.00	100.00	100.00
Total NAV (RM'million)	1,106.032	555.103	542.220
NAV per Unit (RM)	1.1494	0.9975	0.8824
Unit in Circulation (million)	962.272	556.503	614.483
Highest NAV	1.1557	0.9992	0.9120
Lowest NAV	1.0511	0.9294	0.8475
Return of the Fund (%) ⁱⁱⁱ	4.89	7.15	-1.69
- Capital Growth (%) ⁱ	4.89	7.15	-1.69
- Income Distribution (%) ⁱⁱ	Nil	Nil	Nil
Gross Distribution per Unit (sen)	Nil	Nil	Nil
Net Distribution per Unit (sen)	Nil	Nil	Nil
Management Expense Ratio (%) ¹	0.84	0.85	0.85
Portfolio Turnover Ratio (times) ²	0.51	0.47	0.69

¹The MER of the Fund remained relatively unchanged, albeit marginally lower than previous period under review.

²The increase in the Fund's PTR over the period under review was due to higher average NAV of the Fund for the financial period.

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

Capital Returnⁱ = (NAV per Unit @ 31/01/18 ÷ NAV per Unit @ 31/7/17* - 1) x 100
= (1.1494 ÷ 1.0958 - 1) x 100
= **4.89%**

Total Income Returnⁱⁱ = **Nil**

Return of the Fundⁱⁱⁱ = [{"(1 + Capital Return) x (1 + Income Return)} - 1] x 100
= [{"(1 + 1.22%) x (1 + 0.53%)} - 1] x 100
= **1.75%**

* Source – HSBC Trustee

Table 1: Performance of the Fund

	6 Months (1/8/17 - 31/1/18)	1 Year (1/2/17 - 31/1/18)	3 Years (1/2/15 - 31/1/18)	5 Years (1/2/13 - 31/1/18)	Since Commencement (28/9/01 - 31/1/18)
Fund	4.89%	20.52%	34.60%	72.13%	845.79%
Benchmark	7.12%	14.18%	9.06%	19.61%	226.04%
Outperformance / (Underperformance)	(2.23%)	6.34%	25.54%	52.52%	619.75%

Source of Benchmark: Bursa Malaysia

Table 2: Average Total Return

	1 Year (1/2/17 - 31/1/18)	3 Years (1/2/15 - 31/1/18)	5 Years (1/2/13 - 31/1/18)	Since Commencement (28/9/01 - 31/1/18)
Fund	20.52%	10.40%	11.47%	14.73%
Benchmark	14.18%	2.93%	3.64%	7.49%
Outperformance / (Underperformance)	6.34%	7.47%	7.83%	7.24%

Source of Benchmark: Bursa Malaysia

Table 3: Annual Total Return

	FYE 2017 (01/8/16 - 31/7/17)	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)
Fund	23.13%	7.13%	(4.49%)	12.75%	25.59%
Benchmark	8.08%	(2.47%)	(8.55%)	4.69%	9.94%
Outperformance / (Underperformance)	15.05%	9.60%	4.06%	8.06%	15.65%

Source of Benchmark: Bursa Malaysia

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

MANAGER'S REPORT

Performance Review

For the period 1 August 2017 to 31 January 2018, the Fund registered a return of 4.89%, underperforming the Benchmark return of 7.12% by 2.23 percentage points. The Net Asset Value (NAV) per unit of the Fund as at 31 January 2018 was RM1.1494 while the NAV per unit as at 31 July 2017 was RM1.0958.

Since commencement, the Fund has gained 845.79%, compared to the benchmark that rose 226.04%. The Fund outperformed the Benchmark by 619.75 percentage points. The Fund has declared a total gross income distribution of RM1.081 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.

Figure 1: Movement of the Fund versus the Benchmark



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

Benchmark: FTSE Bursa Malaysian Top 100 Index ("FBM 100")

Income Distribution / Unit Split

No income distribution or unit split was declared for the financial year ended 31 January 2018.

Asset Allocation

For a snapshot of the Fund's asset mix during the period under review, please refer to Figure 2.

Figure 2: Asset allocation of the Fund

	<u>31 Oct 2017</u>	<u>31 Oct 2016</u>	<u>31 Oct 2015</u>
	(%)	(%)	(%)
Quoted equities – local	68.89	71.06	74.97
Quoted equities – foreign	26.46	26.05	18.15
Cash & cash equivalent	4.65	2.89	6.88
Total	100.00	100.00	100.00

As at 31 January 2018, the Fund's equities weighting stood at 95.35% while the balance was held in cash and cash equivalent. During the period under review, the Fund's allocation into foreign equities remained relatively unchanged at 26.46%, not much different from 26.05% a year ago. The Manager had increased its exposure into the Financials sector whereas basic materials, REITs, telecommunications and utilities were stripped off from the Fund's portfolio. Meanwhile, within the domestic equity space, the Manager had added some infrastructure names into the portfolio. Overall, cash level was maintained at a moderate level of 4.65% over the same period.

Strategies Employed

The performance came from our positioning done since 2016 and early 2017 into banks, REITs, restructuring plays and various bottom up ideas. We were early buyers of large cap banks as we thought the selling was overdone, there was tremendous value and that broad economic activity should improve. We took the view that the abundance of domestic liquidity in Malaysia would force a buying of REITs and other dividend stocks, hence the portfolio had high exposure into this space.

We are shifting the portfolio towards a rising inflation environment, which should mean stronger growth, higher rates and better commodity performance. We would express this view in our portfolios through the banks & insurance companies, which are geared towards economic growth and rising rates, large cap oil & gas stocks and net cash companies.

We are also in the late stages of a long economic run since 2009 with massive liquidity in the system. Markets tend to give the sweetest performance at late stage rallies. We want to capture some of these returns but careful also not to overstay.

Market Review

With the return of growth, the year 2017 has seen an economic upswing that has lifted both global and regional markets in terms of asset returns and earnings recovery. Accelerating growth, but benign inflation has kept policy tightening at bay, creating the right conditions for risk-assets to perform well under a 'Goldilocks' environment.

Global benchmarks including the S&P 500 and tech-heavy Nasdaq Composite Index vaulted by over 25% (local currency terms), repeatedly notching all-time highs in the period under review. Supportive macroeconomic data, improving fundamentals and a positive earnings revision cycle have whet investors' appetite leading to a boost in sentiment. In Europe, growth has become more entrenched as its economy expanded at its fastest pace in a decade, growing by 2.5% in 2017. Tightening labour conditions, a strong cyclical momentum and broad improvement in business sentiment indicators point to healthy expansion, despite uncertainties surrounding ongoing Brexit negotiations and political risks arising from elections in France, Germany and Netherlands.

Marked by global reflation, as well as a recovery in trade and manufacturing PMI – Asia scored top marks and emerged as one the best performers last year. The MSCI Asia ex-Japan Index advanced +38.7%, compared to the MSCI AC World Index which had gained +20.1% (as at 31 Dec 2017). The MSCI Asia ex-Japan performance being primarily driven by North Asia, with tech emerging as the key outperformer, across China, Korea and Taiwan.

In China, an acceleration in public-private partnership (PPP) projects drove infrastructure spending demand, whilst supply-side and SOE capacity reforms helped reflate raw material and commodity prices which spurred restocking activities. Rising household consumption and increased urbanisation through strong wage increases will place the planks for a long growth runway for its new economy sectors.

South Korea's Kospi rallied by 21.8% in 2017, as prospects of improved capital repayment following chaebol reforms in the country could potentially unlock value for shareholders. Possibility of a long-drawn-out conflict with its belligerent northern neighbour, including outward displays of military force and continued sabre-rattling did little to sour the market's rally, having little or any significant long-term impact.

In Singapore, an uplift seen in external demand and trade provided a boost to growth in the state-island. A rebound in the property sector on the back of improvements in volumes, surge in en-block deals and falling inventory levels will aid price recovery. Property prices rose 1% compared to a -3.1% decline in 2016, reinforcing signs that its property sector is rebounding from a four-year slump.

On the domestic-front, the benchmark FBMKLCI climbed 9.5% to close at 1,796.81 points in 2017. Fuelled by exports growth and the strengthening Ringgit, the local market staged a strong performance last year, though still lagged behind other Asian markets. Overall, the local market reached an inflection point with earnings growing by 7% in 2017 as opposed to negative growth recorded from 2014-2016, for 3 consecutive years.

The entry of a new management into Permodalan Nasional Berhad (PNB) which subsequently led to a series of strategic corporate and restructuring exercises within its stable of companies proved effective as well in helping unlock value within its investee companies and became a major investment theme in 2017.

Investment Outlook

Against a backdrop of synchronised growth and benign inflation, we expect a continuation of developments for 2018 with growth now seen broadening-out across countries and sectors.

Volatility could pick-up in the year, as markets adjust to a reversal of a rate-cut cycle, with global central banks expected to gradually lift interest rates and embark on their balance-sheet unwinding. The gradual withdrawal of monetary stimulus would be a key focal point in markets, where markets are seen underpricing the impact of rate hikes by the US Federal Reserve, and tighter liquidity conditions. Inflation data may be a key-data point to monitor in coming quarters, especially if inflation picks up more than market's expectation, which would lead to an acceleration in rate hikes.

In the domestic market, we expect growth to spread as positive spillover effects from exports are starting to trickle down into domestic demand, which would be supportive of growth. With also less selling pressure going into 2018 and with potentially better micro support for the GDP number, we think market prospects for the KLCI should be more vibrant. Markets will look to better earnings growth as catalyst next year, where we expect the positive momentum will carry through into 2018 as strong GDP data and Ringgit strength will support consensus forecast of 5-7% growth this year. Though markets could turn more volatile, in the lead up to the 14th General Election (GE14) which is due by August 18.

State of Affairs of the Fund

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

Soft Commissions received from Brokers

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

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

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

TRUSTEE'S REPORT TO THE 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 2018. 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
15 March 2018

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018**

	<u>Note</u>	6 months financial period ended <u>31.1.2018</u> RM	6 months financial period ended <u>31.1.2017</u> RM
INVESTMENT INCOME			
Dividend income		14,729,064	6,858,523
Interest income with licensed financial institution		359,758	113,184
Net (loss)/gain on foreign currency exchange		(3,394,670)	428,717
Net gain on forward foreign currency contracts at fair value through profit or loss		14,320,676	-
Net gain on financial assets at fair value through profit or loss	7	40,107,395	37,502,460
		<u>66,122,223</u>	<u>44,902,884</u>
EXPENSES			
Management fee	4	(8,263,901)	(4,111,557)
Trustee fee	5	(392,807)	(193,359)
Auditors' remuneration		(3,781)	(4,033)
Tax agent's fee		(4,265)	(1,865)
Transaction cost		(3,509,116)	(1,646,243)
Other expenses		(811,162)	(422,763)
		<u>(12,985,032)</u>	<u>(6,379,820)</u>
NET PROFIT BEFORE TAXATION		53,137,191	38,523,064
TAXATION	6	(242,043)	(131,482)
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u><u>52,895,148</u></u>	<u><u>38,391,582</u></u>
Net profit after taxation is made up of the following:			
Realised amount		(2,924,927)	9,005,255
Unrealised amount		55,820,075	29,386,327
		<u><u>52,895,148</u></u>	<u><u>38,391,582</u></u>

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

**STATEMENT OF FINANCIAL POSITION
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018**

	<u>Note</u>	<u>2018</u> RM	<u>2017</u> RM
ASSETS			
Financial assets at fair value through profit or loss	7	1,054,628,213	539,084,722
Cash and cash equivalents	8	44,656,249	13,681,174
Forward foreign currency contracts at fair value through profit or loss	9	7,318,586	-
Dividend receivables		999,089	747,387
Amount due from Manager - creation of units		-	1,413,577
Amounts due from brokers		5,465,262	13,678,983
TOTAL ASSETS		<u>1,113,067,399</u>	<u>568,605,843</u>
LIABILITIES			
Amount due to Manager - management fee		1,422,890	700,594
- cancellation of units		4,168,610	-
Amount due to Trustee		66,402	32,694
Amount due to brokers		1,230,502	12,692,398
Auditor's remuneration		3,781	4,033
Tax agent's fee		8,665	8,965
Other payables and accruals		134,556	63,646
TOTAL LIABILITIES		<u>7,035,406</u>	<u>13,502,330</u>
NET ASSET VALUE OF THE FUND		<u>1,106,031,993</u>	<u>555,103,513</u>
EQUITY			
Unitholders' capital		883,251,118	438,424,453
Retained earnings		222,780,875	116,679,060
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>1,106,031,993</u>	<u>555,103,513</u>
NUMBER OF UNITS IN CIRCULATION		<u>9962,272,000</u>	<u>556,503,000</u>
NET ASSET VALUE PER UNIT(RM)		<u>1.1494</u>	<u>0.9975</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 2018**

	Unitholders' capital RM	Retained earnings RM	Total RM
Balance as at 1 August 2017	946,933,657	169,885,727	1,116,819,384
Total comprehensive income for the financial period	-	52,895,148	52,895,148
Movement in unitholders' capital:			
Creation of units	48,023,946	-	48,023,946
Cancellation of units	(111,706,485)	-	(111,706,485)
Balance as at 31 January 2018	<u>883,251,118</u>	<u>222,780,875</u>	<u>1,106,031,993</u>
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>

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 2018**

	<u>Note</u>	6 months financial period ended <u>31.1.2018</u> RM	6 months financial period ended <u>31.1.2017</u> RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		588,970,834	282,527,671
Purchase of investments		(558,475,848)	(233,769,033)
Dividends received		14,330,506	6,239,015
Interest received		359,758	113,184
Management fee paid		(8,236,967)	(4,132,048)
Trustee fee paid		(391,550)	(194,316)
Payment for other fees and expenses		(4,330,478)	(2,077,006)
Realised gain on forward foreign currency contracts		6,962,166	-
Net (loss)/gain on realised foreign currency exchange		(8,684,124)	2,145,961
		<hr/>	<hr/>
Net cash generated from operating activities		30,504,297	50,853,428
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from creation of units		60,843,682	15,894,092
Payments for cancellation of units		(107,537,875)	(67,217,845)
		<hr/>	<hr/>
Net cash used in financing activities		(46,694,193)	(51,323,753)
		<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(16,189,896)	(470,325)
EFFECTS OF FOREIGN CURRENCY EXCHANGE		(3,097,559)	716,269
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD		63,943,704	13,435,230
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	10	44,656,249	13,681,174
		<hr/> <hr/>	<hr/> <hr/>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018

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 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 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 period beginning on 1 August 2017:

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative'

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

(b) The new standard and amendments to the published standard that is applicable to the Fund but not yet effective and has not been early adopted is as follows:

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

- 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).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (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)

(i) Financial year beginning on/after 1 August 2018 (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.

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 has reviewed its financial assets and liabilities and does not expect any impact from the adoption of the new standard on 1 January 2018.

There will be no impact on the Fund's accounting for financial assets at the Fund's equity investments currently measured at fair value through profit or loss will continue to be measured on the same basis under MFRS 9.

There will be no impact on the Fund's accounting for financial liabilities as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Fund does not have any such liabilities.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost. Based on the assessments undertaken to date, the Fund does not expect any loss allowance to be recognised upon adoption of MFRS 9.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (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 2018 (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.

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, amount due from brokers and dividend receivables.

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

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

(ii) Recognition and measurement

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (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.

Derivative investment consists of currency forward contract. Financial derivative position will be "marked to market" at the close of each valuation day. Foreign exchange gains and losses on the derivative financial instrument are recognised in profit or loss when settled or at the date of the statement of financial position at which time they are included in the measurement of the derivative financial instrument.

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

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

(iii) Impairment

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (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 2018 (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.

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 unfavourable.

The Fund's derivative financial instruments comprise forward foreign currency contracts. 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 currency contracts is determined using forward exchange rates at the date of statement of financial position, with the resulting value discounted back to present value.

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.

L CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018

1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name HwangDBS Select Opportunity Fund (the "Fund") pursuant to the execution of a Deed dated 13 August 2001, First Supplemental Deed dated 18 June 2007, Second Supplemental Deed dated 15 October 2008 and Fifth Supplemental Deed dated 28 April 2017. 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 any of the following investments:

- a) Securities of companies listed on Bursa Malaysia and any other exchanges of countries who are members of International Organization of Securities Commissions;
- b) Unlisted securities including, without limitation, securities that have been approved by the relevant regulatory authorities for the listing of and quotation for such securities;
- c) Debentures;
- d) Money market instruments;
- e) Deposits;
- f) Derivatives, for the purpose of hedging only;
- g) Warrants;
- h) Structured products;
- i) Units or shares in collective investment schemes;
- j) Any other form of investments permitted by the Securities Commission from time to time which are in line with the objective of the Fund

All investments will be subjected to the Securities Commission's ("SC") 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 15 March 2018.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (CONTINUED)**

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>2018</u>				
Quoted equities	7	-	1,054,628,213	1,054,628,213
Cash and cash equivalents	8	44,656,249	-	44,656,249
Dividend receivables		999,089	-	999,089
Amount due from brokers		5,465,262	-	5,465,262
Forward foreign currency contracts	9	-	7,318,586	7,318,586
Total		<u>51,120,600</u>	<u>1,061,946,799</u>	<u>1,113,067,399</u>
<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>

All current liabilities except for forward foreign currency contracts 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (CONTINUED)**

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

Market risk (continued)

(b) Interest rate risk (continued)

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

(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> RM	<u>Forward foreign currency contracts</u> RM	<u>Cash and cash equivalents</u> RM	<u>Other assets*/ (payables)**</u> RM	<u>Total</u> RM
<u>2018</u>					
Hong Kong Dollar	146,486,560	-	541,666	5,281,155	152,309,381
Indian Rupee	37,413,881	-	-	-	37,413,881
Indonesia Rupiah	11,093,741	-	-	-	11,093,741
Korean Won	17,618,497	-	-	169,336	17,787,833
Singapore Dollar	30,360,577	-	4,068,753	-	34,429,330
Thailand Baht	22,771,392	-	-	-	22,771,392
United States Dollar	26,974,602	7,318,586	28,474,634	-	62,767,822
	<u>292,719,250</u>	<u>7,318,586</u>	<u>33,085,053</u>	<u>5,450,491</u>	<u>338,573,380</u>
<u>2017</u>					
Hong Kong Dollar	73,747,830	-	6,297,148	(2,999,837)	77,045,141
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>-</u>	<u>6,362,769</u>	<u>(2,949,555)</u>	<u>148,023,661</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 2018 (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>2018</u>		
Hong Kong Dollar	+/- 5	+/- 7,615,469
Indian Rupee	+/- 5	+/- 1,870,694
Indonesia Rupiah	+/- 5	+/- 554,687
Korean Won	+/- 5	+/- 889,392
Singapore Dollar	+/- 5	+/- 1,721,467
Thailand Baht	+/- 5	+/- 1,138,570
United States Dollar	+/- 5	+/- 3,138,391
<hr/>		
<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/>		

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 2018 (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>Forward foreign currency contracts</u> RM	<u>Cash and cash equivalents</u> RM	<u>Other assets*</u> RM	<u>Total</u> RM
<u>2018</u>				
Financials				
- AAA	3,802,847	44,656,249	-	48,459,096
- NR	3,515,739	-	5,631,753	9,147,492
Consumer Products				
- NR	-	-	648,491	648,491
Technology				
- NR	-	-	184,107	184,107
	<u>7,318,586</u>	<u>44,656,249</u>	<u>6,464,351</u>	<u>58,439,186</u>
<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>-</u>	<u>13,681,174</u>	<u>15,839,947</u>	<u>29,521,121</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 2018 (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>2018</u>			
Amount due to Manager			
- management fee	1,422,890	-	1,422,890
- cancellation of units	4,168,610	-	4,168,610
Amount due to Trustee	66,402	-	66,402
Amount due to brokers	1,230,502	-	1,230,502
Auditors' remuneration	-	3,781	3,781
Tax agent's fee	-	8,665	8,665
Other payables and accruals	89,357	45,199	134,556
	<u>6,977,761</u>	<u>57,645</u>	<u>7,035,406</u>
<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>

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (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 2018 (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>2018</u>				
Financial assets at fair value through profit or loss				
- quoted equities	1,054,628,213	-	-	1,054,628,213
- forward foreign currency contracts	-	7,318,586	-	7,318,586
	<u>1,054,628,213</u>	<u>7,318,586</u>	<u>-</u>	<u>1,061,946,799</u>

2017

Financial assets at fair value through profit or loss				
- quoted equities	539,084,722	-	-	539,084,722
	<u>539,084,722</u>	<u>-</u>	<u>-</u>	<u>539,084,722</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.

Financial instruments that trade in markets that are not 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 forward foreign currency contracts. 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.

- (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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (CONTINUED)**

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 2018, the management fee is recognised at a rate of 1.50% (2017: 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.

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.

For the financial period ended 31 January 2018, the Trustee fee is recognised at a rate of 0.07% (2017: 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>31.1.2018</u> RM	6 months financial period ended <u>31.1.2017</u> RM
Current taxation – foreign	242,043	131,482

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

Net gain before taxation	53,137,191	38,523,064
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	12,752,926	9,245,535
Tax effects of:		
Investment income not subject to tax	(15,869,334)	(10,776,692)
Expenses not deductible for tax purposes	1,127,688	537,279
Restrictions on tax deductible expenses for Unit Trust Funds	1,988,720	993,878
Foreign income subject to foreign tax rate	242,043	131,482
Tax expense	242,043	131,482

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (CONTINUED)**

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2018</u> RM	<u>2017</u> RM
Designated at fair value through profit or loss at inception		
- quoted equities – local	761,908,963	394,474,275
- quoted equities – foreign	292,719,250	144,610,447
	<u>1,054,628,213</u>	<u>539,084,722</u>
Net gain on assets at fair value through profit or loss		
- realised gain/(loss) on sale of investments	(11,451,730)	8,832,402
- unrealised gain on change in fair value	51,559,125	28,670,058
	<u>40,107,395</u>	<u>37,502,460</u>

(a) Quoted equities - local

(i) Quoted equities - local as at 31 January 2018 are as follows:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
CONSTRUCTION				
Gamuda Bhd	4,017,000	20,666,987	20,567,040	1.86
WCT Holdings Bhd	15,789,420	29,934,888	24,473,601	2.21
	<u>19,806,420</u>	<u>50,601,875</u>	<u>45,040,641</u>	<u>4.07</u>
CONSUMER				
Fraser & Neave Holdings Bhd	1,571,000	38,337,314	45,778,940	4.14
QL Resources Berhad	2,858,856	7,844,410	13,665,332	1.24
	<u>4,429,856</u>	<u>46,181,724</u>	<u>59,444,272</u>	<u>5.38</u>
FINANCE				
Allianz Malaysia Berhad	1,053,900	11,405,643	13,827,168	1.25
Bursa Malaysia Berhad	2,780,500	24,517,496	30,251,840	2.74
CIMB Group Holdings Bhd	11,217,806	65,138,360	81,329,093	7.35
Hong Leong Bank Bhd	2,641,900	37,121,131	49,139,340	4.44
Malayan Banking Bhd	6,945,586	61,738,445	70,150,419	6.34
Public Bank Bhd	2,080,000	41,888,758	45,718,400	4.13
	<u>26,719,692</u>	<u>241,809,833</u>	<u>290,416,260</u>	<u>26.25</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (CONTINUED)**

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Quoted equities - local (continued)

(i) Quoted equities - local as at 31 January 2018 are as follows (continued):

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>INDUSTRIAL PRODUCTS</u>				
Denko Industrial Corp Bhd	194,500	330,144	367,605	0.03
<u>INFRASTRUCTURE</u>				
YTL Power International Bhd	8,520,468	12,731,427	10,565,380	0.96
<u>PLANTATION</u>				
Sime Darby Plantation Bhd	3,656,593	19,874,730	20,074,696	1.82
<u>PREFERENCE SHARES</u>				
Allianz Malaysia Berhad -PA	1,556,458	6,898,365	19,300,079	1.74
<u>PROPERTIES</u>				
IOI Properties Group Bhd	14,900,300	30,977,173	29,204,588	2.64
SP Setia Bhd Group - RCPS-i B	3,382,600	2,976,688	2,942,862	0.27
Sunway Berhad	19,227,200	30,278,389	34,032,144	3.08
	<u>37,510,100</u>	<u>64,232,250</u>	<u>66,179,594</u>	<u>5.99</u>
<u>REITS</u>				
IGB REIT	6,519,900	8,655,122	10,431,840	0.94
MRCB-QUILL REIT	4,226,800	5,072,160	5,241,232	0.47
Sunway REIT	6,047,900	9,801,369	10,402,388	0.94
YTL Hospitality REIT	7,301,600	7,751,971	8,615,888	0.78
	<u>24,096,200</u>	<u>31,280,622</u>	<u>34,691,348</u>	<u>3.13</u>
<u>TECHNOLOGY</u>				
Malaysian Pac Industries Bhd	773,400	10,044,339	8,105,232	0.73

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (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 2018 are as follows (continued):

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>TRADING/SERVICES</u>				
Axiata Group Bhd	2,971,439	15,048,613	16,877,774	1.53
Boustead Holdings Berhad	407,000	1,221,000	1,164,020	0.11
Dialog Group Bhd	11,613,800	18,209,365	29,731,328	2.69
Genting Malaysia Bhd	6,065,700	33,991,178	33,361,350	3.02
Mynews Holdings Bhd	14,854,400	10,497,281	23,172,864	2.09
Petronas Dagangan Berhad	449,800	11,311,650	11,065,080	1.00
Sime Darby Bhd	12,487,093	25,592,739	37,211,537	3.36
Tenaga Nasional Bhd	2,815,100	39,690,292	44,084,466	3.99
YTL Corp Bhd	7,273,314	10,689,709	11,055,437	1.00
	<u>58,937,646</u>	<u>166,251,827</u>	<u>207,723,856</u>	<u>18.79</u>
Total quoted equities – local	<u>186,201,333</u>	650,237,136	<u>761,908,963</u>	<u>68.89</u>
Accumulated unrealised gain on quoted equities – local		<u>111,671,827</u>		
Total quoted equities – local		<u>761,908,963</u>		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (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 2017 are as follows:

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>CONSTRUCTION</u>				
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>
<u>CONSUMER PRODUCTS</u>				
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>
<u>FINANCIALS</u>				
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>
<u>INDUSTRIALS</u>				
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>
<u>PLANTATION</u>				
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>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (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 2017 are as follows (continued):

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>PREFERENCE SHARE</u>				
Allianz Malaysia Bhd	1,556,458	6,898,365	16,218,292	2.92
<u>PROPERTIES</u>				
Iskandar Waterfront City Bhd	5,642,000	5,158,162	5,049,590	0.91
<u>REITS</u>				
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>
<u>TECHNOLOGY</u>				
Inari Amertron Bhd	6,726,000	10,292,849	11,905,020	2.14
<u>TRADING/SERVICES</u>				
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>
Total quoted equities – local	<u>118,133,581</u>	<u>341,383,883</u>	<u>394,474,275</u>	<u>71.06</u>
Accumulated unrealised gain on quoted equities – local		<u>53,090,392</u>		
Total quoted equities – local		<u>394,474,275</u>		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (CONTINUED)**

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

(b) Quoted equities – foreign

(i) Quoted equities - foreign as at 31 January 2018 are as follows:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>HONG KONG</u>				
<u>FINANCIALS</u>				
China Construction Bank Corp	10,360,000	38,650,913	46,531,785	4.21
China Pacific Insurance Group	1,084,800	22,145,369	21,441,641	1.94
Ping An Insurance Grp Co China	484,500	15,438,577	22,377,129	2.02
	<u>11,929,300</u>	<u>76,234,859</u>	<u>90,350,555</u>	<u>8.17</u>
<u>INDUSTRIALS</u>				
CSR Corp Ltd	4,290,000	16,679,510	16,552,493	1.50
<u>OIL & GAS</u>				
Kunlun Energy Co Ltd	2,962,000	11,994,181	11,458,082	1.04
<u>TECHNOLOGY</u>				
Tencent Holdings Ltd	121,700	12,370,870	28,125,430	2.54
<u>INDONESIA</u>				
<u>INDUSTRIALS</u>				
Pembangunan Perumahan Persero	12,260,987	14,016,421	11,093,741	1.00
<u>INDIA</u>				
<u>FINANCIALS</u>				
ICICI Bank Limited	558,087	11,990,607	12,081,520	1.09
Indiabulls Housing Finance Ltd	158,651	12,049,102	13,450,099	1.22
Yes Bank Ltd	546,484	11,973,386	11,882,262	1.07
	<u>1,263,222</u>	<u>36,013,095</u>	<u>37,413,881</u>	<u>3.38</u>
<u>KOREA</u>				
<u>CONSUMER GOODS</u>				
Samsung Electronics Co Ltd - Pref Shares	2,302	16,436,925	17,618,497	1.59

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (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 2018 are as follows (continued):

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>SINGAPORE</u>				
<u>FINANCIALS</u>				
DBS Group Holdings Ltd	268,400	17,189,053	21,029,119	1.90
Frasers Logistic & Indus Trust	2,758,100	7,407,170	9,331,458	0.84
	<u>3,026,500</u>	<u>24,596,223</u>	<u>30,360,577</u>	<u>2.74</u>
<u>THAILAND</u>				
<u>FINANCIALS</u>				
Kasikornbank Public Co Ltd	798,700	22,925,835	22,771,392	2.06
<u>UNITED STATES</u>				
<u>CONSUMER SERVICES</u>				
Alibaba Group Holding Ltd	33,875	18,046,411	26,974,602	2.44
Total quoted equities – foreign	<u>36,688,586</u>	249,314,330	<u>292,719,250</u>	<u>26.46</u>
Accumulated unrealised gain on quoted equities –foreign		<u>43,404,920</u>		
Total quoted equities – foreign		<u>292,719,250</u>		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (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 2017 are as follows (continued):

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>HONG KONG</u>				
<u>FINANCIALS</u>				
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>
<u>OIL & GAS</u>				
China Petroleum & Chemical	1,346,000	3,943,463	4,769,451	0.86
<u>TECHNOLOGY</u>				
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>
<u>TELECOMMUNICATIONS</u>				
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>
<u>UTILITIES</u>				
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 2018 (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 2017 are as follows (continued):

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<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 2018 (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 2017 are as follows (continued):

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<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
	<u>579,600</u>	<u>7,249,158</u>	<u>8,242,080</u>	<u>1.48</u>
<u>UNITED STATES</u>				
<u>CONSUMER SERVICES</u>				
Alibaba Group Holding Ltd	6,459	2,903,707	2,897,470	0.52
	<u>90,235,894</u>	<u>129,698,883</u>	<u>144,610,447</u>	<u>26.05</u>
Total quoted equities – foreign		<u>14,911,564</u>		
Accumulated unrealised gain on quoted equities –foreign		<u>144,610,447</u>		
Total quoted equities – foreign		<u>144,610,447</u>		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (CONTINUED)**

8 CASH AND CASH EQUIVALENTS

	<u>2018</u> RM	<u>2017</u> RM
Cash and bank balances	33,111,330	6,377,262
Deposit with a licensed financial institution	11,544,919	7,303,912
	<u>44,656,249</u>	<u>13,681,174</u>

Weighted average effective interest rates per annum of deposit with licensed financial institutions are as follows:

	<u>2018</u> %	<u>2017</u> %
Deposit with a licensed financial institution	<u>3.25</u>	<u>3.07</u>

The deposits have an average maturity of 2 days (2017: 2 days).

9 FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 4 (2017: Nil) forward currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM261,194,189 (2017: Nil). The forward foreign currency contracts entered into during the financial year were for hedging against the currency exposure arising from the investment in the foreign equities denominated in United States Dollar. As the Fund has not adopted hedge accounting during the financial year, the change in the fair value of the forward foreign currency contract is recognised immediately in profit or loss.

10 NUMBER OF UNITS IN CIRCULATION

	<u>2018</u> No. of units	<u>2017</u> No. of units
At beginning of the financial period	1,019,202,000	608,107,000
Creation of units	43,867,000	17,982,000
Cancellation of units	(100,797,000)	(69,586,000)
At the end of the financial period	<u>962,272,000</u>	<u>556,503,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (CONTINUED)**

11 TRANSACTIONS WITH BROKERS

(i) Details of transactions with the top 10 brokers for the financial period ended 31 January 2018 are as follows:

<u>Name of brokers</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#	208,711,153	18.91	497,648	18.47
China Intl Capital Corp HK Sec Ltd	80,851,357	7.32	202,128	7.50
JP Morgan Secs (Asia Pac) Ltd HK	79,971,946	7.24	177,133	6.57
CLSA Limited	79,486,274	7.20	198,716	7.38
CLSA India Ltd	58,917,388	5.34	147,293	5.47
CIMB Investment Bank Bhd	56,495,020	5.12	200,239	7.43
Maybank Investment Bank Bhd	36,732,800	3.33	84,859	3.15
Credit Suisse Secs (M) Sdn Bhd	36,279,671	3.29	90,699	3.37
CLSA Sec Malaysia Sdn Bhd	32,009,761	2.90	62,009	2.30
UOB Kay Hian Pte Ltd	26,985,205	2.44	67,463	2.50
Others	407,412,114	36.91	966,134	35.86
	<u>1,103,852,689</u>	<u>100.00</u>	<u>2,694,321</u>	<u>100.00</u>

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

<u>Name of brokers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage</u> %
Affin Investment Bank Bhd	111,883,675	21.66	279,709	21.78
Malayan Banking Bhd	59,031,313	11.43	143,963	11.21
RHB Investment Bank Bhd	29,620,252	5.73	74,051	5.77
CCB International Securities Limited	26,820,949	5.19	67,052	5.22
JP Morgan Secs(Asia Pac) Ltd Hk	23,803,662	4.61	48,818	3.80
HLG Securities Sendirian Bhd	21,499,589	4.16	53,749	4.19
Macquarie Bank Limited Hong Kong	19,877,560	3.85	49,694	3.87
Seagroatt And Campbell Sdn Bhd	19,084,576	3.69	47,711	3.71
CLSA Sec Malaysia Sdn Bhd	16,878,689	3.27	42,197	3.29
CIMB Investment Bank Berhad	16,220,486	3.14	40,288	3.14
Others	171,882,902	33.27	436,944	34.02
	<u>516,603,653</u>	<u>100.00</u>	<u>1,284,176</u>	<u>100.00</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (CONTINUED)**

11 TRANSACTIONS WITH BROKERS (CONTINUED)

Included in transactions with broker and dealers are trades with Affin Hwang Investment Bank Bhd, a company related to the Manager amounting RM208,711,153 (2017: RM111,883,675). 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 dealers are cross trades conducted between the Fund and other funds managed by the Manager amounting to:

<u>Name of broker</u>	<u>2018</u> RM	<u>2017</u> RM
Affin Hwang Investment Bank Bhd	-	2,709,220
	<u> </u>	<u> </u>

The cross trades amounting to RMnil (2017: 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 2018 (CONTINUED)**

12 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	Holding company of the Manager
Affin Bank Berhad (“ABB”)	Ultimate holding company of the Manager
Subsidiaries and associates of Affin Bank 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

The units held by the Provider and party related to the Provider as at the end of the financial period are as follows;

	<u>2018</u>		<u>2017</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 purpose)	1,664,114	1,912,733	678,585	676,889
<u>Director of the Manager:</u>				
Director of Affin Hwang Asset Management Berhad (The units are held legally)	379,711	436,440	363,076	362,168

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (CONTINUED)**

13 MANAGEMENT EXPENSE RATIO (“MER”)

	6 months financial period ended <u>31.1.2018</u> %	6 months financial period ended <u>31.1.2017</u> %
MER	<u>0.84</u>	<u>0.85</u>

MER is derived from the following calculation:

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 RM1,113,153,171 (2017: RM548,045,874).

14 PORTFOLIO TURNOVER RATIO (“PTR”)

	6 months financial period ended <u>31.1.2018</u>	6 months financial period ended <u>31.1.2017</u>
PTR (times)	<u>0.51</u>	<u>0.47</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 = RM546,731,218 (2017: RM245,056,947)
total disposal for the financial period = RM579,343,188 (2017: RM266,485,292)

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 JANUARY 2018 (CONTINUED)

15 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, India, 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 10 to 46 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 31 January 2018 and of its financial performance, changes in equity and cash flows for the financial period ended 31 January 2018 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 / MANAGING DIRECTOR

Kuala Lumpur
15 March 2018

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