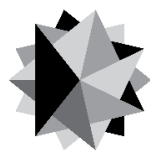


Affin Hwang Bond Fund

Annual Report
30 April 2018

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



AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad (429786-T)

TRUSTEE
AmanahRaya Trustee Berhad (766894-T)

AFFIN HWANG BOND FUND

Annual Report and Audited Financial Statements For the Financial Year Ended 30 April 2018

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FUND INFORMATION

Fund Name	Affin Hwang Bond Fund
Fund Type	Income & Growth
Fund Category	Bond
Investment Objective	To achieve steady capital growth at a rate better than the average deposit rates over a long-term period by investing in a wide portfolio of authorised securities and other investments
Benchmark	12-month fixed deposit rate quoted by Maybank
Distribution Policy	Distribution (if any) is on annual basis and will be subject to the availability of income

BREAKDOWN OF UNITHOLDERS BY SIZE AS AT 30 APRIL 2018

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	15,009	16,116
5,001 to 10,000	1,784	12,239
10,001 to 50,000	64	970
50,001 to 500,000	7	1,029
500,001 and above	5	82,547
Total	16,869	112,901

* Note: Excluding Manager's stock

FUND PERFORMANCE DATA

Category	As at 30 Apr 2018 (%)	As at 30 Apr 2017 (%)	As at 30 Apr 2016 (%)
Portfolio Composition			
Unquoted fixed income securities – local	93.36	91.58	85.32
Cash	6.64	8.42	14.68
Total	100.00	100.00	100.00
Total NAV (RM'million)	64.769	51.454	39.574
NAV per Unit (RM)	0.5737	0.5827	0.5747
Unit in Circulation (million)	112.904	88.309	68.858
Highest NAV	0.5875	0.5949	0.5751
Lowest NAV	0.5706	0.5720	0.5591
Return of the Fund (%) ⁱⁱⁱ	3.69	5.04	3.54
- Capital Growth (%) ⁱ	-1.54	1.39	2.64
- Income Return (%) ⁱⁱ	5.31	3.60	0.88
Gross Distribution per Unit (sen)	3.00	2.05	0.50
Net Distribution per Unit (sen)	3.00	2.05	0.50
Management Expense Ratio (%) ¹	1.20	1.21	1.23
Portfolio Turnover Ratio (times) ²	0.64	1.59	2.24

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

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

An illustration of the above would be as follow:-

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

$$\begin{aligned} \text{Capital Return}^i &= \{ \text{NAV per Unit @ 30/04/18} \div \text{NAV per Unit @ 30/04/17}^* - 1 \} \times 100 \\ &= (0.5737 \div 0.5827 - 1) \times 100 \\ &= \underline{\underline{-1.54\%}} \end{aligned}$$

$$\begin{aligned} \text{Income Return @ ex-date} &= \{ \text{Income distribution per Unit} \div \text{NAV per Unit on ex-date} \} + 1 \\ &= \{ 0.0050 \div 0.5813 @ 13/06/17 \} + 1 = 1.0086 \\ &= \{ 0.0050 \div 0.5827 @ 18/09/17 \} + 1 = 1.0086 \\ &= \{ 0.0150 \div 0.5707 @ 12/12/17 \} + 1 = 1.0263 \\ &= \{ 0.0050 \div 0.5718 @ 15/03/18 \} + 1 = 1.0087 \end{aligned}$$

$$\begin{aligned} \text{Total Income Return}^{ii} &= [\{ \text{Income Return @ ex-date} \times \text{Income Return @ ex-date} \} - 1] \times 100 \\ &= [\{ 1.0086 \times 1.0086 \times 1.0263 \times 1.0087 \} - 1] \times 100 \\ &= \underline{\underline{5.31\%}} \end{aligned}$$

$$\begin{aligned} \text{Return of the Fund}^{iii} &= \{ (1 + \text{Capital Return} \times (1 + \text{Income Return})) - 1 \} \times 100 \\ &= \{ (1 + (-1.54\%)) \times (1 + 5.31\%) \} - 1 \} \times 100 \\ &= \underline{\underline{3.69\%}} \end{aligned}$$

*Source: AmanahRaya Trustees Berhad

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

² The Fund's PTR was lower than previous year given the lower average sum of acquisition and disposal during the period under review.

Table 1: Performance of the Fund

	1 Year (1/5/17 - 30/4/18)	3 Years (1/5/15 - 30/4/18)	5 Years (1/5/13 - 30/4/18)	Since Commencement (14/12/01 - 30/4/18)
Fund	3.69%	12.77%	18.88%	86.03%
Benchmark	3.16%	9.92%	17.09%	72.16%
Outperformance / (Underperformance)	0.53%	2.85%	1.79%	13.87%

Source of Benchmark: Maybank

Table 2: Average Total Return

	1 Year (1/5/17 - 30/4/18)	3 Years (1/5/15 - 30/4/18)	5 Years (1/5/13 - 30/4/18)	Since Commencement (14/12/01 - 30/4/18)
Fund	3.69%	4.08%	3.52%	3.86%
Benchmark	3.16%	3.20%	3.20%	3.37%
Outperformance / (Underperformance)	0.52%	0.88%	0.32%	0.49%

Source of Benchmark: Maybank

Table 3: Annual Total Return

	FYE 2018 (01/5/17 - 30/4/18)	FYE 2017 (01/5/16 - 30/4/17)	FYE 2016 (01/5/14 - 30/4/15)	FYE 2015 (01/5/14 - 30/4/15)	FYE 2014 (01/5/13 - 30/4/14)
Fund	3.69%	5.04%	3.54%	4.19%	1.18%
Benchmark	3.16%	3.14%	3.31%	3.27%	3.15%
Outperformance / (Underperformance)	0.52%	1.90%	0.23%	0.92%	(1.97%)

Source of Benchmark: Maybank

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

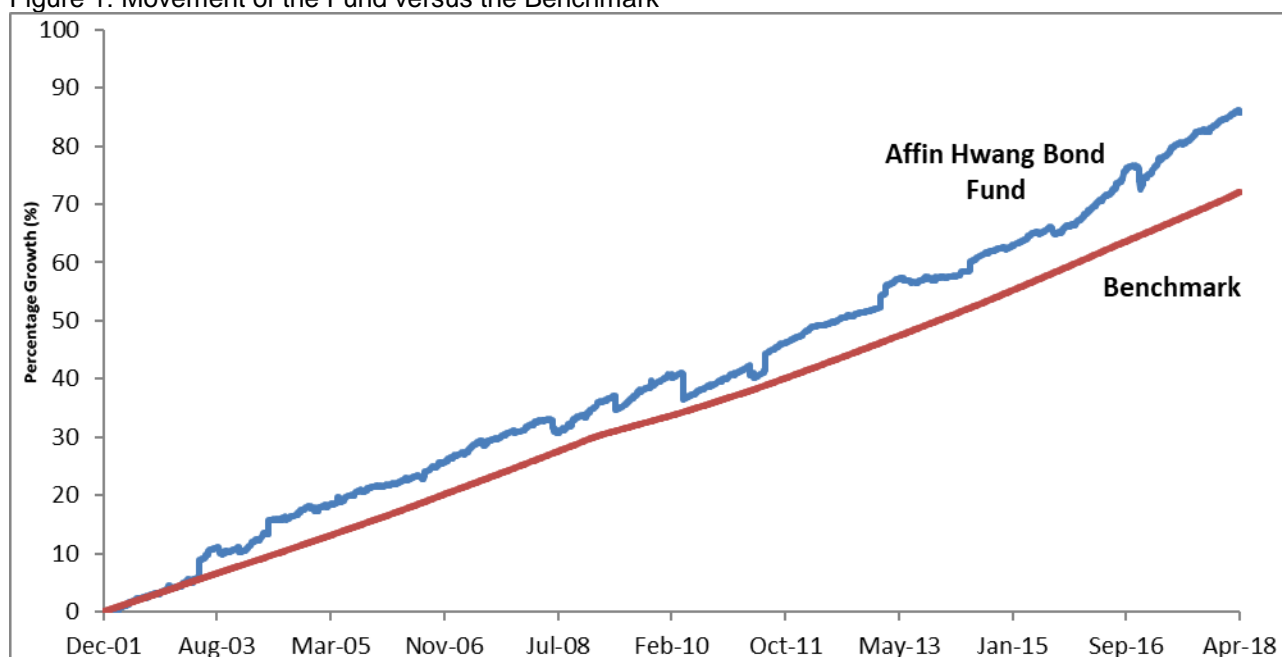
MANAGER'S REPORT

Performance Review

For the period 1 May 2017 to 30 April 2018 the Fund registered a 3.69% return. The Net Asset Value (NAV) per unit of the Fund as at 30 April 2018 was RM0.5737 while the NAV per unit as at 30 April 2017 was RM0.5827. The benchmark return for the period under review was 3.16%. The Fund thus outperformed the Benchmark by 0.53%. (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively). During the same period, the Fund has declared a total income distribution of RM 0.03 per unit by way of reinvestment in the form of additional units.

During the period under review, the Fund's NAV per unit has recorded a loss of 1.54%. Nevertheless, since commencement, the Fund has registered a capital return of 14.74%. As such, we believe that the Fund has met its objective to achieve capital growth over a long-term period.

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."
Benchmark: 12-month fixed deposit rate quoted by Maybank

Income Distribution / Unit Split

Affin Hwang Asset Management Bhd has distributed a total of gross distribution of RM0.0300 per Unit for investors of the Affin Hwang Bond Fund over the period under review.

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

Cum Date	Ex-Date	Cum-distribution (RM)	Distribution per Unit (RM)	Ex-distribution (RM)
12 Jun 2017	13 Jun 2017	0.5861	0.0050	0.5813
15 Sep 2017	18 Sep 2017	0.5875	0.0050	0.5827
11 Dec 2017	12 Dec 2017	0.5856	0.0150	0.5707
14 Mar 2018	15 Mar 2018	0.5767	0.0050	0.5718

No unit splits were declared for the financial year ended 30 April 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>30 Apr 2018</u>	<u>30 Apr 2017</u>	<u>30 Apr 2016</u>
	(%)	(%)	(%)
Unquoted fixed income securities – local	93.36	91.58	85.32
Cash and Cash Equivalent	6.64	8.42	14.68
Total	100.00	100.00	100.00

During the period under review, the Fund's exposure in fixed income instruments had increased to 93.36%, 1.78 percentage points higher than 91.58% a year ago. Correspondingly, the cash level of the Fund was reduced to 6.64% due to purchase of securities.

Strategies Employed

In such a compressed spread environment, we believe that the right credit selection, duration and currency strategies play an important role in how the funds will perform. As such, we will maintain a short duration bias for the fund and invest in companies with better corporate financial discipline, where leverage is manageable in a rising rate environment.

Market Review

Global markets enjoyed a strong run up to the tail-end of 2017, where an economic upswing buoyed regional markets in Asia in terms of asset returns and earnings recovery. Accelerating growth, but benign inflation kept policy tightening at bay, creating the right conditions for risk-assets to perform well under a 'Goldilocks' environment.

The strong market rally subsequently took a breather in early-February'18, as markets entered correction territory as strong inflation & labour data prompted concerns that the US Federal Reserve would accelerate the pace of interest rate hikes.

Investors also ploughed back money into the US on signs of quicker growth, rising interest rates and a stronger greenback that has undermined the attraction of riskier EM assets. Investors' appetite for risk-assets has tapered off on the back of fractious developments within Turkey and Argentina that have sent both their currencies into free fall.

Rising trade tensions between the US and China which threatens to escalate further also sent jitters across markets. US President Donald Trump announced a slew of protectionist measures including steel and aluminium tariff imports before scoping its aim to target China directly by proposing tariff imports of up to US \$60billion in key strategic sectors identified by Beijing in its "Made in China 2025" plan. China sought to retaliate with its own tit-for-tat measure by imposing tariffs worth up to USD \$3 billion on US imports.

Both countries have since hinted at possible trade discussions and a willingness to negotiate. A US delegation consisting of US Treasury Secretary, Steven Mnuchin together with other top White House economic advisors including Larry Kudlow and Robert Lighthizer were dispatched to China to potentially avert a trade war and help carve out concessions.

Meanwhile, ensuing peace in the Korean peninsula appears to be gaining ground at least on the surface. North Korea's leader Kim Jong Un and South Korean President met in a historical summit that saw the two leaders committed to peace efforts and pledged a 'new era of co-prosperity'. US President Donald Trump is expected to keep the pressure on Pyongyang through trade sanctions ahead of Trump's own unprecedented meeting with Kim Jong Un slated in June.

Crude oil was also in focus where prices have rallied by over 13.5% YTD, as rising geopolitical tensions in the Middle East following a missile attack in Syria by US-allied forces raised concerns over potential disruptions in oil supply which led to a surge in prices. Even without the potential disruption and geopolitical noise from the Syria conflict, crude oil prices have been holding up well this year on the back of stronger demand outlook and a drawdown in crude stockpiles.

On monetary policy developments, the US Federal Reserve meeting under its new Chair Jerome Powell, delivered on a widely-expected interest rate hike in March, lifting rates by 25bps which puts the new benchmark funds rate at a target of 1.5 % - 1.75 %. Importantly, Powell signalled policy continuity from his predecessor Janet Yellen emphasising further 'gradual adjustments' in its monetary policy stance, without shifting its dot-plot and sticking to its forecast of 3 rate hikes by the end of 2018.

Locally, Bank Negara Malaysia (BNM) raised the overnight policy rate (OPR) by 25bps to 3.25% at its monetary policy meeting in January. Whilst, BNM seem to indicate a more hawkish tilt at its decision, the central bank is likely to hold off on raising rates for now and not act too aggressively in removing the degree of monetary accommodation.

Asian credits stayed resilient despite numerous political issues in Europe and the extent of the US Federal Reserve monetary policy normalisation process. Although recent primary issuances alongside the sharp rise in yields have brought forth wider credit spreads, markets are still slowly readjusting to current pricing with most investors opting to stay side-lined at this point. Buying activities could gradually pick up upon more evident stability in yields and attractive valuations.

Investment Outlook

The recent market correction will likely presage a new era of higher volatility in markets. We expect volatility to 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, as markets adjust to 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.

We expect a ramping-up of trade protectionist rhetoric and politicking in the lead up to the US midterm elections in November, as President Trump attempts to rile up support for his presidency and protectionist agenda. Nonetheless, our base case is that the outcome will be more modest than the intended threats or rhetoric used, as both parties will have to bring all their bargaining chips onto the negotiation table before eventually arriving at a middle ground. Having said that, we are not dismissing the risk especially due to the severity of the sell-down.

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.

Cross Trade

Cross trade transactions have been carried out during the reported period and the Investment Committee of the Fund has reviewed that such transaction are in the best interest of the Fund, transacted in the normal course of business at agreed terms and on a fair value basis.

TRUSTEE'S REPORT

For the Financial Year Ended 30 April 2018

To the Unit Holders of
AFFIN HWANG BOND FUND

We, AMANAHRAYA TRUSTEES BERHAD, have acted as Trustee of AFFIN HWANG BOND FUND for the financial year ended 30 April 2018. In our opinion, AFFIN HWANG ASSET MANAGEMENT BERHAD, the Manager, has operated and managed AFFIN HWANG BOND FUND in accordance with the limitations imposed on the investment powers of the management company under the Deed, securities laws and applicable Guidelines on Unit Trust Funds during the financial year then ended.

We are of the opinion that:

- (a) Valuation and pricing is carried out in accordance with the Deed and any regulatory requirement;
- (b) Creation and cancellation of units are carried out in accordance with the Deed and other regulatory requirements; and
- (c) The distribution of income made by AFFIN HWANG BOND FUND as declared by the Manager is appropriate and reflects the investment objective of AFFIN HWANG BOND FUND.

Yours faithfully

AMANAHRAYA TRUSTEES BERHAD

HABSAH BINTI BAKAR
Chief Executive Officer

Kuala Lumpur, Malaysia
19 June 2018

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018**

	<u>Note</u>	<u>2018</u> RM	<u>2017</u> RM
INVESTMENT INCOME			
Interest income	4	2,625,440	2,006,593
Net (loss)/gain on financial assets at fair value through profit or loss	9	(33,313)	527,144
		<u>2,592,127</u>	<u>2,533,737</u>
EXPENSES			
Management fee	5	(535,689)	(400,615)
Trustee fee	6	(43,311)	(32,247)
Auditors' remuneration		(8,000)	(10,070)
Tax agent's fee		(6,280)	(6,280)
Other expenses		(53,263)	(39,880)
		<u>(646,543)</u>	<u>(489,092)</u>
NET PROFIT BEFORE TAXATION		1,945,584	2,044,645
TAXATION	7	-	-
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>1,945,584</u>	<u>2,044,645</u>
Net profit after taxation is made up of the following:			
Realised amount		2,145,199	1,851,134
Unrealised amount		(199,615)	193,511
		<u>1,945,584</u>	<u>2,044,645</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 FINANCIAL YEAR ENDED 30 APRIL 2018**

	<u>Note</u>	<u>2018</u> RM	<u>2017</u> RM
ASSETS			
Financial assets at fair value through profit or loss	9	60,469,396	47,124,469
Cash and cash equivalents	10	4,220,316	6,389,341
Amount due from Manager - creation of units		235,649	7,563
TOTAL ASSETS		<u>64,925,361</u>	<u>53,521,373</u>
LIABILITIES			
Amount due to Manager - management fee		53,089	42,227
- cancellation of units		76,795	-
Amount due to Trustee		4,247	3,378
Amount due to brokers		-	2,000,000
Auditors' remuneration		9,590	10,070
Tax agent's fee		8,880	8,180
Other payable and accruals		3,545	3,126
TOTAL LIABILITIES		<u>156,146</u>	<u>2,066,981</u>
NET ASSET VALUE OF THE FUND		<u>64,769,215</u>	<u>51,454,392</u>
EQUITY			
Unitholders' capital		59,485,835	45,368,026
Retained earnings		5,283,380	6,086,366
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>64,769,215</u>	<u>51,454,392</u>
NUMBER OF UNITS IN CIRCULATION	11	<u>112,904,000</u>	<u>88,309,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.5737</u>	<u>0.5827</u>

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018**

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 May 2017	45,368,026	6,086,366	51,454,392
Total comprehensive income for the financial year	-	1,945,584	1,945,584
Distribution (Note 8)	-	(2,748,570)	(2,748,570)
Movement in unitholders' capital:			
Creation of units arising from applications	20,452,197	-	20,452,197
Creation of units arising from distributions	2,748,570	-	2,748,570
Cancellation of units	(9,082,958)	-	(9,082,958)
Balance as at 30 April 2018	<u>59,485,835</u>	<u>5,283,380</u>	<u>64,769,215</u>
Balance as at 1 May 2016	34,139,331	5,434,548	39,573,879
Total comprehensive income for the financial year	-	2,044,645	2,044,645
Distribution (Note 8)	-	(1,392,827)	(1,392,827)
Movement in unitholders' capital:			
Creation of units arising from applications	16,358,136	-	16,358,136
Creation of units arising from distributions	1,392,827	-	1,392,827
Cancellation of units	(6,522,268)	-	(6,522,268)
Balance as at 30 April 2017	<u>45,368,026</u>	<u>6,086,366</u>	<u>51,454,392</u>

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

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018**

	<u>Note</u>	<u>2018</u> RM	<u>2017</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		27,945,853	59,738,395
Purchase of investments		(43,147,257)	(69,063,740)
Interest received		2,448,604	2,019,840
Management fee paid		(524,827)	(390,770)
Trustee's fee paid		(42,442)	(31,459)
Payment for other fees and expenses		(66,904)	(55,712)
		<hr/>	<hr/>
Net cash used in operating activities		(13,386,973)	(7,783,446)
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from creation of units		20,224,111	16,506,755
Payments for cancellation of units		(9,006,163)	(6,535,475)
		<hr/>	<hr/>
Net cash generated from financing activities		11,217,948	9,971,280
		<hr/>	<hr/>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,169,025)	2,187,834
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		6,389,341	4,201,507
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	10	4,220,316	6,389,341
		<hr/> <hr/>	<hr/> <hr/>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 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 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 K.

(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 May 2017:

- Amendments to MFRS 101 'Presentation of financial statements' - 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 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 May 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 FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(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: (continued)

(i) Financial year beginning on/after 1 May 2017 (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 May 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 FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)

B INCOME RECOGNITION

Interest income from short term deposits with licensed financial institutions and unquoted fixed income securities are recognised based on effective interest rate method on an accrual basis.

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

C DISTRIBUTION

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

D TAXATION

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

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 ("RM"), which is the Fund's functional and presentation currency.

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

The Fund designates its investment in unquoted fixed income securities 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 and amount due from Manager.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(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.

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 are presented in the statement of comprehensive income within net gain/(loss) on financial assets at fair value through profit and loss in the financial period in which they arise.

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

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

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)

F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (continued)

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' 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 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.

G 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.

H AMOUNTS DUE FROM/(TO) BROKERS

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

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers. A provision for impairment of amount 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)

H AMOUNTS DUE FROM/(TO) BROKERS (CONTINUED)

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

I UNITHOLDERS' CAPITAL

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

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

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

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

J 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)

K 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 content of the estimates, certain key variables that are anticipated to have material impact to the Funds' results and financial position are tested for sensitivity to changes in the underlying parameters.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018

1 INFORMATION ON THE FUND

The Unit Trust Fund was constituted under the name Affin Capital Bond (the "Fund") pursuant to the execution of a Master Deed dated 3 December 2001, First Supplemental Deed dated 29 August 2002, Second Supplemental Deed dated 23 August 2007, Third Supplemental Deed dated 8 September 2008, Fourth Supplemental Deed dated 13 October 2008 and Sixth Supplemental Deed dated 6 August 2015. The Fund changed its name from Affin Capital Fund to Affin Hwang Bond Fund as amended by the Fifth Supplemental Deed dated 22 July 2014 (the "Deeds") entered into between Affin Hwang Asset Management Berhad (the "Manager") and AmanahRaya Trustees Berhad (the "Trustee").

The objective of the Fund is to achieve steady capital growth at a rate better than the average deposits rates over a long term period by investing in a wide portfolio of authorised securities and other investments as defined under Clause 3(1) of the Deed. The principal activity of the Fund is to invest in "Authorised Investments" as defined under Clause 1 of the Deed, which includes unlisted corporate bonds and money market instruments.

The Fund commenced operations on 12 December 2002 and will continue its operations until terminated by the Trustee as provided under Clause 23 of the Deed.

The Fund may invest in the following permitted investments subject to the following restrictions imposed or as may be amended from time to time by the SC and/or the relevant authorities and/or the Deed:

- (i) Listed securities;
- (ii) Unlisted securities including, without limitation, securities that have been approved by relevant authorities for the listing of and quotation for such securities;
- (iii) Fixed deposits with financial institutions;
- (iv) Money market instruments;
- (v) Government bonds, treasury bills and other Government approved or guaranteed bonds;
- (vi) Debentures including private debt securities and bonds;
- (vii) Units/shares in collective investment schemes, both local and foreign which are in line with the objective of the Trust; and
- (viii) Any other form of investments as may be permitted by the Securities Commissions from time to time that is in line with the Trust's objectives.

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 19 June 2018.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)**

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Fund are as follows:

	<u>Note</u>	<u>Loan and receivables</u> RM	<u>Financial assets at fair value through profit or loss</u> RM	<u>Total</u> RM
<u>2018</u>				
Unquoted fixed income securities	9	-	60,469,396	60,469,396
Cash and cash equivalents	10	4,220,316	-	4,220,316
Amount due from Manager - creation of units		235,649	-	235,649
Total		<u>4,455,965</u>	<u>60,469,396</u>	<u>64,925,361</u>
<u>2017</u>				
Unquoted fixed income securities	9	-	47,124,469	47,124,469
Cash and cash equivalents	10	6,389,341	-	6,389,341
Amount due from Manager - creation of units		7,563	-	7,563
Total		<u>6,396,904</u>	<u>47,124,469</u>	<u>53,521,373</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 interest rate risk and price 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 and the Deeds.

Market risk

(a) Price risk

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)**

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

Market risk (continued)

(a) Price risk (continued)

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

	<u>2018</u> RM	<u>2017</u> RM
Unquoted investment		
Unquoted fixed income securities designated at fair value through profit or loss *	60,469,396	47,124,469
	<u>60,469,396</u>	<u>47,124,469</u>

* Include interest receivable of RM616,760 (2017: RM439,924).

The following table summarises the sensitivity of the Fund's profit after taxation and net asset value ("NAV") 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 shift in unquoted investments, having regard to the historical volatility of the prices.

<u>% Change in price</u>	<u>Market value</u> RM	<u>Impact on profit after tax/NAV</u> RM
<u>2018</u>		
-5%	56,860,004	(2,992,632)
0%	59,852,636	-
+5%	62,845,268	2,992,632
	<u>62,845,268</u>	<u>2,992,632</u>
<u>2017</u>		
-5%	44,350,318	(2,334,227)
0%	46,684,545	-
+5%	49,018,772	2,334,227
	<u>49,018,772</u>	<u>2,334,227</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)

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

Market risk (continued)

(b) Interest rate risk

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

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

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

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

<u>% change in interest rate</u>	<u>Impact on profit after tax/NAV</u>	
	<u>2018</u>	<u>2017</u>
	RM	RM
+ 1%	(166,858)	(149,099)
- 1%	167,718	149,883

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)

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

Credit risk

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

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

For unquoted fixed income securities, the manager regularly reviews the rating assigned to the issuer so that necessary steps can be taken if the rating falls below those described by the Deeds and SC's Guidelines on Unit Trust Funds.

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

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

	Unquoted fixed income <u>securities</u> RM	Cash and cash <u>equivalents</u> RM	Other <u>assets*</u> RM	<u>Total</u> RM
<u>2018</u>				
Construction				
- AA1	2,058,094	-	-	2,058,094
- AA-	3,493,230	-	-	3,493,230
Diversified Holdings				
- AA2	1,026,641	-	-	1,026,641
- AA3	1,125,401	-	-	1,125,401
- A1	4,061,135	-	-	4,061,135
Financials				
- AAA	1,510,610	4,067,079	-	5,577,689
- AA1	2,516,607	-	-	2,516,607
- AA2	1,527,628	-	-	1,527,628
- AA3	4,038,308	153,237	-	4,191,545
- A1	7,279,221	-	-	7,279,221
- A2	1,020,690	-	-	1,020,690
- NR	3,479,172	-	-	3,479,172
Plantation and Agriculture				
- AA2	1,520,760	-	-	1,520,760
Property and Real Estate				
- AA1	3,036,701	-	-	3,036,701
- NR	4,014,807	-	-	4,014,807
Utilities				
- AAA	1,529,940	-	-	1,529,940
- AA1	3,097,397	-	-	3,097,397
- AA3	1,066,624	-	-	1,066,624
- AA	1,530,288	-	-	1,530,288
- AA+	3,038,778	-	-	3,038,778
- AA-	8,497,364	-	-	8,497,364

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)**

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

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

Credit risk (continued)

	Unquoted fixed income <u>securities</u> RM	Cash and cash <u>equivalents</u> RM	Other <u>assets*</u> RM	<u>Total</u> RM
<u>2018</u> (continued)				
Other				
- NR	-	-	235,649	235,649
	60,469,396	4,220,316	235,649	64,925,361
<u>2017</u>				
Construction				
- AA2	2,066,363	-	-	2,066,363
- AA3	2,484,581	-	-	2,484,581
Consumer Goods				
- AA2	1,517,340	-	-	1,517,340
Diversified Holdings				
- AA2	2,015,168	-	-	2,015,168
- AA3	1,653,748	-	-	1,653,748
Financials				
- AAA	1,523,011	6,279,061	-	7,802,072
- AA1	1,987,660	-	-	1,987,660
- AA2	517,069	-	-	517,069
- AA3	3,063,822	110,280	-	3,174,102
- A1	1,565,622	-	-	1,565,622
Government				
- SOV	12,510,132	-	-	12,510,132
Industrials				
- AA2	507,155	-	-	507,155
Plantation and Agriculture				
- AA2	2,001,309	-	-	2,001,309
Utilities				
- AAA	1,543,085	-	-	1,543,085
- AA1	2,000,000	-	-	2,000,000
- AA3	10,168,404	-	-	10,168,404
Other				
- NR	-	-	7,563	7,563
	47,124,469	6,389,341	7,563	53,521,373

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

* Other asset consist of amount due from Manager.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 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 principal obligations. The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellation of units by unitholders. Liquid assets comprise cash, deposits with licensed financial institutions and other investments 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	53,089	-	53,089
- cancellation of units	76,795	-	76,795
Amount due to Trustee	4,247	-	4,247
Auditors' remuneration	-	9,590	9,590
Tax agent's fee	-	8,880	8,880
Other payables and accruals	3,440	105	3,545
Total	<u>137,571</u>	<u>18,575</u>	<u>156,146</u>
<u>2017</u>			
Amount due to Manager:			
- management fee	42,227	-	42,227
Amount due to Trustee	3,378	-	3,378
Amount due to brokers	2,000,000	-	2,000,000
Auditors' remuneration	-	10,070	10,070
Tax agent's fee	-	8,180	8,180
Other payables and accruals	2,737	389	3,126
Total	<u>2,048,342</u>	<u>18,639</u>	<u>2,066,981</u>

Capital risk

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)

3 FAIR VALUE ESTIMATION

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

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the year end date. The Fund utilises the current bid price for financial assets which falls within the bid-ask spread.

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

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

(i) Fair value hierarchy

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

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

The level in the fair value hierarchy within which the fair value measurement is categorized 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 judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be that of market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)**

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

The following table analyses within the fair value hierarchy the Funds 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				
- unquoted fixed income securities	-	60,469,396	-	60,469,396
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>2017</u>				
Financial assets at fair value through profit or loss				
- unquoted fixed income securities	-	47,124,469	-	47,124,469
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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 investment-grade corporate bonds and commercial papers. 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, amount due from Manager, and all current liabilities are a reasonable approximation of the fair values due to their short term nature.

4 INTEREST INCOME

	<u>2018</u> RM	<u>2017</u> RM
Interest income from:		
Deposits with licensed financial institutions	99,511	143,751
Unquoted fixed income securities	2,525,929	1,862,842
	<u> </u>	<u> </u>
	2,625,440	2,006,593
	<u> </u>	<u> </u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)**

5 MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 1.50% per annum of the NAV of the Fund, calculated on a daily basis.

For the financial year ended 30 April 2018, the management fee is recognised at a rate of 1.00% (2017: 1.00%) per annum based on the NAV of the Fund, calculated on a daily basis as stated in Fund's Prospectus.

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

6 TRUSTEE'S FEE

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.08% per annum, calculated daily based on the NAV of the Fund.

For the financial year ended 30 April 2018, the Trustee fee is recognised at a rate of 0.08% (2017: 0.08%) per annum based on the NAV of the Fund calculated on a daily basis as stated in Fund's Prospectus.

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

7 TAXATION

	<u>2018</u> RM	<u>2017</u> RM
Current taxation - local	-	-

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

	<u>2018</u> RM	<u>2017</u> RM
Net income before taxation	1,945,584	2,044,645
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	466,940	490,715
Tax effect of:		
Investment income not subject to tax	(622,111)	(608,097)
Expenses not deductible for tax purposes	23,615	12,661
Restrictions on tax deductible expenses for Unit Trust Funds	131,556	104,721
Tax expense	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)**

8 DISTRIBUTION

	<u>2018</u> RM	<u>2017</u> RM
Distribution to unitholders is from the following sources:		
Previous years' realised income	2,748,570	1,392,827
Gross realised income	<u>2,748,570</u>	<u>1,392,827</u>
Less: expenses	<u>-</u>	<u>-</u>
Net distribution amount	<u><u>2,748,570</u></u>	<u><u>1,392,827</u></u>
		Gross/net distribution per unit (sen) RM
<u>2018</u>		
13.06.2017		0.50
18.09.2017		0.50
12.12.2017		1.50
15.03.2018		0.50
		<u>3.00</u>
		<u><u>3.00</u></u>
<u>2017</u>		
21.12.2016		1.55
20.03.2017		0.50
		<u>2.05</u>
		<u><u>2.05</u></u>

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

Included in distribution for the financial year is an amount of RM2,748,570 (2017: RM1,392,827) made from previous financial year's realised income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)**

9 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:		
- unquoted fixed income securities – local	60,469,396	47,124,469
Net (loss)/gain on financial assets at fair value through profit or loss		
- realised gain on sale of investments	63,840	294,126
- unrealised (loss)/gain on changes in fair value	(97,153)	233,018
	<u>(33,313)</u>	<u>527,144</u>

(a) Unquoted fixed income securities – local

(i) Unquoted fixed income securities – local as at 30 April 2018 are as follows:

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Adjusted cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>BONDS</u>				
5.75% Alliance Bank Malaysia Bhd Call: 27.10.2020 (A2)	1,000,000	1,021,571	1,020,690	1.58
5.59% UniTapah Sdn Bhd 12.12.2024 (AA1)	400,000	428,632	430,332	0.66
5.69% UniTapah Sdn Bhd 12.12.2025 (AA1)	1,500,000	1,617,523	1,627,762	2.51
8.00% RHB Bank Bhd Call: 29.03.2019 (A1)	3,000,000	3,110,180	3,107,861	4.80
4.90% Malayan Banking Bhd Call: 29.01.2019 (AA1)	500,000	506,911	507,255	0.78
5.10% Krung Thai Bank PLC Call: 06.07.2020 (AA2)	500,000	507,894	513,604	0.79
5.20% CIMB Thai Bank PCL Call: 29.03.2023 (AA3)	2,000,000	2,009,403	2,002,803	3.09
5.10% TNB Western Energy Bhd 30.01.2025 (AAA)	1,000,000	1,035,701	1,040,025	1.61
4.385% TNB Northern Energy Bhd 29.11.2029 (AAA)	500,000	503,248	489,915	0.76
6.30% Malayan Banking Bhd Call: 25.09.2018 (AA2)	1,000,000	1,013,735	1,014,024	1.57
6.80% Mah Sing Group Bhd Call: 31.03.2020 (NR)	4,000,000	4,037,124	4,014,807	6.20
5.80% CIMB Group Holdings Bhd Call: 25.05.2021 (A1)	4,000,000	4,151,226	4,171,360	6.44
6.50% Eco World Capital Assets Bhd 12.08.2022 (NR)	1,000,000	1,013,534	1,016,214	1.57
4.60% WCT Holdings Bhd 28.08.2020 (AA-)	500,000	485,780	500,482	0.77
4.55% Sabah Development Bank Bhd 08.08.2022 (AA1)	1,000,000	993,837	994,952	1.54

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)**

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

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

(i) Unquoted fixed income securities – local as at 30 April 2018 are as follows: (continued)

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Adjusted cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>BONDS</u>				
4.82% RHB Bank Bhd Call: 27.09.2022 (AA3)	500,000	502,311	502,071	0.78
5.10% BEWG M Sdn Bhd 17.07.2020 (AA)	1,500,000	1,521,378	1,530,288	2.36
4.60% Asian Finance Bank Bhd 10.12.2020 (AA1)	1,000,000	1,015,308	1,014,400	1.57
6.00% TF Varlik Kiralama AS 28.06.2019 (AA3)	1,500,000	1,533,534	1,533,434	2.37
4.85% UEM Edgenta Bhd 26.04.2022 (AA-)	2,000,000	2,001,329	2,009,929	3.10
4.35% First Resources Ltd 05.06.2020 (AA2)	1,500,000	1,518,029	1,520,760	2.35
5.00% UEM Sunrise Bhd 19.05.2023 (AA-)	1,000,000	1,031,126	1,026,772	1.58
5.05% Celcom Networks Sdn Bhd 29.08.2024 (AA+)	500,000	505,836	508,049	0.78
7.10% BGSM Management Sdn Bhd 28.12.2022 (AA3)	1,000,000	1,113,493	1,125,401	1.74
4.75% Westports Holdings Bhd 03.04.2023 (AA+)	1,500,000	1,517,099	1,513,896	2.34
5.17% WCT Holdings Bhd 23.10.2023 (AA-)	2,000,000	2,008,965	1,990,106	3.07
5.22% UMW Holdings Bhd 02.10.2026 (AA2)	1,000,000	1,009,154	1,026,641	1.58
5.27% Celcom Networks Sdn Bhd 28.10.2026 (AA+)	500,000	503,111	508,002	0.78
4.50% Bank Pembangunan Malaysia Bhd 04.11.2026 (AAA)	500,000	511,061	504,596	0.78
4.62% Bank Pembangunan Malaysia Bhd 02.03.2027 (AAA)	500,000	503,746	501,066	0.77
5.05% YTL Power International Bhd 03.05.2027 (AA1)	3,000,000	3,078,661	3,097,397	4.78
5.20% Celcom Networks Sdn Bhd 27.08.2027 (AA+)	500,000	508,339	508,831	0.79
5.70% MMC Corp Bhd 24.03.2028 (AA-)	1,000,000	1,005,622	1,002,642	1.55
5.04% Southern Power Generation SB 28.04.2028 (AA-)	500,000	500,069	504,914	0.78
6.20% UiTM Solar Power Sdn Bhd 27.04.2032 (AA-)	2,000,000	2,020,269	2,019,959	3.12
5.70% Tanjung Bin Energy Issuer Bhd 16.03.2027 (AA3)	1,000,000	1,066,985	1,066,624	1.65

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)**

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

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

(i) Unquoted fixed income securities – local as at 30 April 2018 are as follows: (continued)

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Adjusted cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>BONDS</u>				
4.98% Bank Pembangunan Malaysia Bhd 02.03.2032 (AAA)	500,000	504,038	504,948	0.78
4.86% PTPTN 12.03.2032 (NR)	1,000,000	1,006,391	1,003,541	1.55
5.85% Jimah East Power Sdn Bhd 04.06.2031 (AA-)	1,000,000	1,104,687	1,093,771	1.69
6.30% MEX II Sdn Bhd 29.04.2033 (AA-)	2,500,000	2,556,400	2,695,382	4.16
5.95% Lebuhraya DUKE Fasa 3 Sdn Bhd 23.08.2034 (AA-)	1,000,000	1,032,018	1,082,822	1.67
6.23% Lebuhraya DUKE Fasa 3 Sdn Bhd 21.08.2037 (AA-)	1,000,000	1,034,091	1,100,516	1.70
4.85% PTPTN 26.07.2041 (NR)	1,500,000	1,518,337	1,459,417	2.25
6.35% UMW Holdings Bhd Call: 20.04.2028 (A1)	4,000,000	4,007,655	4,061,135	6.27
Total unquoted fixed income securities – local	<u>58,900,000</u>	<u>60,175,341</u>	<u>60,469,396</u>	<u>93.36</u>
Accumulated unrealised gain on unquoted fixed income securities – local		<u>294,055</u>		
Total unquoted fixed income securities – local		<u>60,469,396</u>		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)**

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

(ii) Unquoted fixed income securities – local as at 30 April 2017 are as follows:

<u>Name of issuer</u>	<u>Nominal value RM</u>	<u>Adjusted cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>BONDS</u>				
5.05% YTL Power International Bhd 03.05.2027 (AA1)	2,000,000	2,000,000	2,000,000	3.89
4.85% UEM Edgenta Bhd 26.04.2022 (AA3)	2,000,000	2,001,329	2,001,309	3.89
4.94% Lembaga Pembiayaan Perumah SA 16.04.2032 (SOV)	3,000,000	3,005,684	3,041,444	5.91
4.06% Government Of Malaysia 30.09.2024 (SOV)	2,500,000	2,520,221	2,536,095	4.93
4.86% PTPTN 12.03.2032 (SOV)	1,000,000	1,006,391	1,010,541	1.96
3.89% Government Of Malaysia 10.03.2022 (SOV)	2,900,000	2,921,799	2,942,008	5.72
4.62% Bank Pembangunan Malaysia Bhd 02.03.2027 (AAA)	500,000	503,726	506,171	0.98
4.98% Bank Pembangunan Malaysia Bhd 02.03.2032 (AAA)	500,000	504,016	507,116	0.99
5.59% UniTapah Sdn Bhd 12.12.2024 (AA2)	400,000	431,101	432,055	0.84
5.27% Celcom Networks Sdn Bhd 28.10.2026 (AA1)	500,000	503,531	510,202	0.99
5.69% UniTapah Sdn Bhd 12.12.2025 (AA2)	1,500,000	1,626,317	1,634,308	3.18
4.35% First Resources Ltd 05.06.2020 (AA2)	1,500,000	1,514,478	1,517,340	2.95
5.70% Tanjung Bin Energy Issuer Bhd 16.03.2027 (AA3)	1,000,000	1,072,235	1,076,734	2.09
4.75% Westports Holdings Bhd 03.04.2023 (AA1)	1,500,000	1,519,172	1,528,446	2.97
4.40% Lafarge Cement Sdn Bhd 15.01.2018 (AA2)	500,000	506,510	507,155	0.99
4.40% RHB Bank Bhd Call: 30.11.2017 (AA3)	1,500,000	1,527,568	1,529,435	2.97
3.60% Celcom Networks Sdn Bhd 29.08.2017 (AA1)	500,000	501,527	501,943	0.98
4.50% Bank Pembangunan Malaysia Bhd 04.11.2026 (AAA)	500,000	511,064	509,724	0.99
4.60% WCT Holdings Bhd 28.08.2020 (AA3)	500,000	478,787	499,821	0.97
5.22% UMW Holdings Bhd 02.10.2026 (AA2)	1,000,000	1,009,648	1,006,321	1.96
5.12% UMW Holdings Bhd 04.10.2023 (AA2)	1,000,000	1,008,202	1,008,847	1.96
5.95% Lebuhraya DUKE Fasa 3 Sdn Bhd 23.08.2034 (AA3)	1,000,000	1,032,786	1,097,562	2.13

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)**

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

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

(ii) Unquoted fixed income securities – local as at 30 April 2017 are as follows: (continued)

<u>Name of issuer</u>	<u>Nominal value</u> RM	<u>Adjusted cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>BONDS</u>				
6.23% Lebuhraya DUKE Fasa 3 Sdn Bhd 21.08.2037 (AA3)	1,000,000	1,034,702	1,120,856	2.18
4.39% TNB Northern Energy Bhd 29.11.2029 (AAA)	500,000	502,866	490,570	0.95
4.85% Perbadanan Tabung Pendidikan Tinggi Nasional 26.07.2041 (SOV)	1,500,000	1,518,736	1,471,456	2.86
7.10% BGSM Management Sdn Bhd 28.12.2022 (AA3)	1,000,000	1,130,163	1,134,930	2.21
5.80% CIMB Group Holdings Bhd Call: 25.05.2021 (A1)	1,500,000	1,542,399	1,565,622	3.04
6.30% MEX II Sdn Bhd 29.04.2033 (AA3)	2,500,000	2,559,473	2,744,470	5.33
4.23% MGS 30.06.2031 (SOV)	1,500,000	1,565,976	1,508,588	2.93
5.17% WCT Holdings Bhd 23.10.2023 (AA3)	2,000,000	2,009,452	1,984,760	3.86
4.55% Sabah Development Bank Bhd 08.08.2022 (AA1)	1,000,000	990,492	973,992	1.89
6.00% TF Varlik Kiralama AS 28.06.2019 (AA3)	1,500,000	1,535,995	1,534,387	2.98
5.59% Jimah East Power Sdn Bhd 04.06.2027 (AA3)	1,000,000	1,063,923	1,090,843	2.12
5.10% TNB Western Energy Bhd 30.01.2025 (AAA)	1,000,000	1,038,401	1,052,515	2.05
5.10% Krung Thai Bank PLC Call: 06.07.2020 (AA2)	500,000	508,034	517,069	1.00
4.25% Konsortium Lebu Raya UT KL SB 01.12.2023 (AA3)	500,000	493,935	497,348	0.97
5.25% BGSM Management Sdn Bhd 24.12.2020 (AA3)	500,000	518,344	518,818	1.01
4.60% Malaysia Building Society Bhd 10.12.2020 (AA1)	1,000,000	1,014,278	1,013,668	1.96
Total unquoted fixed income securities – local	<u>45,800,000</u>	<u>46,733,261</u>	<u>47,124,469</u>	<u>91.58</u>
Accumulated unrealised gain on unquoted fixed income securities – local		<u>391,208</u>		
Total unquoted fixed income securities – local		<u>47,124,469</u>		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)**

10 CASH AND CASH EQUIVALENTS

	<u>2018</u> RM	<u>2017</u> RM
Cash and bank balances	153,237	110,280
Deposit with licensed financial institution	4,067,079	6,279,061
	<u>4,220,316</u>	<u>6,389,341</u>

Weighted average interest rates per annum of deposit with licensed financial institution is as follows:

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

Deposit with licensed financial institution has an average maturity period of 2 days (2017: 2 days).

11 NUMBER OF UNITS IN CIRCULATION

	<u>2018</u> No. of units	<u>2017</u> No. of units
At the beginning of the financial year	88,309,000	68,858,000
Creation of units arising from application	35,425,959	28,221,745
Creation of units arising from distribution	4,783,497	2,426,934
Cancellation of units	<u>(15,614,456)</u>	<u>(11,197,679)</u>
As at the end of the financial year	<u>112,904,000</u>	<u>88,309,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)**

12 TRANSACTIONS WITH DEALERS

(i) Details of transactions with the top 10 dealers for the financial year ended 30 April 2018 are as follows:

<u>Name of dealers</u>	<u>Value of trade</u> RM	Percentage of total <u>Trade</u> %
CIMB Bank Bhd	20,822,900	31.23
Affin Hwang Investment Bank Bhd	12,190,650	18.28
RHB Investment Bank Bhd #	11,080,800	16.62
Hong Leong Bank Bhd	5,126,000	7.69
JP Morgan Securities (Ma) Sdn Bhd	5,031,000	7.55
Malayan Banking Bhd	4,500,000	6.75
Ambank (M) Bhd	2,859,700	4.29
Hong Leong Islamic Bank Bhd	2,546,950	3.82
Standard Chartered Bank Malaysia Bhd	1,013,400	1.52
Kenanga Investment Bank Bhd	1,000,000	1.50
Others	501,550	0.75
	<u>66,672,950</u>	<u>100.00</u>

(ii) Details of transactions with the top 10 dealers for the financial year ended 30 April 2017 are as follows:

<u>Name of dealers</u>	<u>Value of trade</u> RM	Percentage of total <u>Trade</u> %
RHB Investment Bank Bhd #	47,926,324	37.51
CIMB Bank Bhd	23,929,560	18.73
Affin Hwang Investment Bank Bhd #	21,307,790	16.67
Ambank (M) Bhd	9,136,200	7.15
Malayan Banking Bhd	7,897,400	6.18
JP Morgan Chase Bank Bhd	5,550,390	4.34
Hong Leong Bank Bhd	4,211,456	3.30
CIMB Islamic Bank Bhd	3,237,000	2.53
Hong Leong Investment Bank Bhd	1,584,750	1.24
JP Morgan Securities (Malaysia) Sdn Bhd	1,520,755	1.19
Others	1,482,400	1.16
	<u>127,784,025</u>	<u>100.00</u>

Included in transactions with dealers are trades with Affin Hwang Investment Bank Bhd a company related to the Manager amounting to RM12,190,650 (2017: RM21,307,790). The Manager is of the opinion that all transactions with the related company have been entered into in the normal course of business at agreed terms between the related parties.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)**

12 TRANSACTIONS WITH DEALERS (CONTINUED)

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

	<u>2018</u> RM	<u>2017</u> RM
<u>Dealers</u>		
Affin Hwang Investment Bank Bhd	-	5,553,300
RHB Investment Bank Bhd	8,570,800	24,535,700
	<u>8,570,800</u>	<u>30,089,000</u>

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

	<u>2018</u> RM	<u>2017</u> RM
Affin Hwang Fixed Maturity Income Fund XIII	4,548,650	-
Affin Hwang Fixed Maturity Income Fund XII	3,021,900	-
Affin Hwang Select Cash Fund	1,000,250	-
Affin Hwang Select Bond Fund	-	9,087,000
Affin Hwang Aiiman Income Plus Fund	-	8,863,050
Affin Hwang Institutional Bond Fund	-	3,017,600
Affin Hwang Tactical Fund	-	2,089,600
Private mandate managed by the Manager	-	7,031,750
	<u>8,570,800</u>	<u>30,089,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)**

13 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 ABB as in its financial statements	Subsidiary and associated companies disclosed of the ultimate holding company of the Manager

The units held by Manager at the end of the financial year is as below.

	<u>2018</u>		<u>2017</u>	
	No. of units	RM	No. of units	RM
<u>The Manager:</u>				
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)	<u>2,944</u>	<u>1,689</u>	<u>2,160</u>	<u>1,259</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)**

14 MANAGEMENT EXPENSE RATIO (“MER”)

	<u>2018</u> %	<u>2017</u> %
MER	1.20	1.21

MER is derived from the following calculation:

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

A	=	Management fee
B	=	Trustee’s and custodian fees
C	=	Auditors’ remuneration
D	=	Tax agent’s fee
E	=	Other expenses
F	=	Average NAV of Fund calculated on a daily basis

The average net asset value of the Fund for the financial year calculated on a daily basis is RM54,097,787 (2017: RM40,300,218).

15 PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>2018</u>	<u>2017</u>
PTR	0.64	1.59

PTR is derived from the following calculation:

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

where: total acquisition for the financial year = RM41,222,103 (2017: RM71,063,740)
total disposal for the financial year = RM27,945,853 (2017: RM56,720,285)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (CONTINUED)

16 SEGMENT INFORMATION

The strategic asset allocation committee of the Investment Manager makes the strategic resource allocations on behalf of the fund. The Fund has determined the operating segments based on the reports reviewed by 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 segment derives its income by seeking investments to achieve targeted returns commensurate with an acceptable level of risk within each portfolio. These returns consist of interest and gains on the appreciation in the value of investments, and is derived from unquoted fixed income securities in Malaysia.

The Fund has a diversified unitholder population. However, as at 30 April 2018, there were 3 unitholders (2017: 3 unitholders) who held more than 10% of the Fund's NAV. The unitholders' holdings were 18.60%, 11.00% and 18.30% (2017: 16.70%, 17.10% and 19.20%).

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

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

AFFIN HWANG BOND 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 41 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 April 2018 and of its financial performance, changes in equity and cash flows for the financial year ended 30 April 2018 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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

TENG CHEE WAI
EXECUTIVE DIRECTOR/MANAGING DIRECTOR

Kuala Lumpur
19 June 2018

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG BOND FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Affin Hwang Bond Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 30 April 2018, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 April 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 9 to 41.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG BOND FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises Manager's report but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

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

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or has no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG BOND FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG BOND FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
19 June 2018

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