

Asset Management

# **PRODUCT HIGHLIGHTS SHEET**

**for**

## **Affin Hwang Select Income Fund**

**Date of Issuance: 18 July 2017**

### **RESPONSIBILITY STATEMENT**

This Product Highlights Sheet has been reviewed and approved by the directors or authorized committee or persons approved by the Board of Affin Hwang Asset Management Berhad and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable inquiries, they confirm to the best of their knowledge and belief, that there are no false or misleading statements, or omission of other facts which would make any statement in the Product Highlights Sheet false or misleading.

### **STATEMENT OF DISCLAIMER**

The Securities Commission Malaysia has authorised the issuance of Affin Hwang Select Income Fund ("the Fund") and a copy of this Product Highlights Sheet has been lodged with the Securities Commission Malaysia.

The authorisation of the Fund and lodgement of this Product Highlights Sheet, should not be taken to indicate that the Securities Commission Malaysia recommends the Fund or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Product Highlights Sheet.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of the Affin Hwang Asset Management Berhad responsible for the Fund and takes no responsibility for the contents of this Product Highlights Sheet. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this Product Highlights Sheet, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents

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**This Product Highlights Sheet only highlights the key features and risks of this Fund. Investors are advised to request, read and understand the Prospectus of the Fund before deciding to invest.**

## PRODUCT HIGHLIGHTS SHEET

### AFFIN HWANG SELECT INCOME FUND

#### BRIEF INFORMATION ON THE PRODUCT

##### 1. What is this product about?

Affin Hwang Select Income Fund is an open-ended fixed income fund, issued and managed in-house by the Manager.

The Fund is an income and growth based fund which aim to provide investors with a steady income and regular income stream in the form of distribution over medium to longer term.

#### PRODUCT SUITABILITY

##### 2. Who is this product suitable for?

The Fund is designed for retail investors who are relatively conservative with a bias towards receiving regular income and want a meaningful medium to long-term capital growth.

#### KEY PRODUCT FEATURES

##### 3. What am I investing in?

Launch Date	6 January 2005
Tenure	The Fund is an open-ended fund where it does not have a fixed maturity date and may only be terminated in accordance with the terms of the Prospectus and the provisions of the Deed.
Investment Strategy	<p>The Fund will focus on achieving its objective by investing in a diversified portfolio consisting a minimum of 70% of its NAV in debentures, money market instruments and/or deposits, and a maximum of 30% of its NAV in equities. The portfolio composition is aimed at providing investors with a regular income, as well as potential capital growth through price appreciation of its investments.</p> <p>The Fund's investment in debentures would consist of government and corporate bonds, and its equity portion would focus on dividend yielding equities.</p> <p>While we typically take an active trading policy, we look to maintain some core holdings that are held over the medium to long term which is similar to a buy and hold strategy. We will also maintain a trading portion for the portfolio, which we use to take advantage by participating in investment opportunities that are set to benefit from prevailing market conditions, with the aim of boosting the Fund's performance.</p> <p>To achieve its objective, the Fund will also have to flexibility to hold exposure in warrants, as well as collective investment schemes that have similar investment objective to the Fund.</p> <p><b>Foreign investments</b></p> <p>For the Fund's exposure into debentures, the Fund will hold the ability to access investment opportunities through issuances made in global markets.</p>

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	<p>While the Fund's exposure into equities will have a similar flexibility, we will look towards a minimum of 80% of the Fund's equity exposure into companies listed within the Asia Pacific ex Japan region, and have the flexibility to invest up to 20% of the Fund's equity exposure into companies listed on global markets outside the Asia Pacific ex Japan region. Nevertheless, the Fund will invest only into countries where the regulatory authorities are ordinary or associate members of the International Organization of Securities Commissions (IOSCO).</p> <p><b>Derivatives</b></p> <p>Derivative trades may be carried out for hedging purposes through financial instruments including, but not limited to, forward contracts, futures contracts and swaps. Future and forward contracts are generally contracts between two parties to trade an asset at an agreed price on a pre-determined future date. Swaps, whereas, is an agreement to swap or exchange two financial instruments between two parties.</p> <p>The intention of hedging is to protect the value of the asset from any adverse price movements. For example, to hedge against foreign currency exchange risk, the Fund may enter into a currency forward contract to offset any adverse foreign currency movements by determining an agreed rate for an agreed tenure with its counterparty. While these hedging transactions would protect the Fund against potential losses, trades for hedging purposes would also limit the returns that the Fund may have potentially received from foreign exchange gains would the Fund not have hedged its foreign currency exposure.</p> <p><b>Structured Products</b></p> <p>We may also invest into structured products such as, but not limited to, equity linked notes, and credit linked notes. Investment into these structured products will provide the Fund with the exposure to the reference asset. Each of these products has its own targeted maturity and will expose investors to the price fluctuations of, in the case of an equity linked note, the stock that the equity linked note is linked to. As a result, any fluctuation in the price of the structured product may also lead to fluctuations in the NAV of the Fund i.e., if the price of the structured product sees a drop in price, the NAV of the Fund will also be negatively impacted. As the note is structured by an external party, investments into a structured product will also expose the Fund to counterparty risk, which we will attempt to mitigate by carrying out a stringent selection process on its counterparty prior to an investment being made. Risk into structured products will also be mitigated by limiting the Fund's total exposure to not more than 10% of the Fund's NAV.</p> <p><b>Temporary Defensive Position</b></p> <p>Position We hold the option to take temporary defensive positions that may be inconsistent with the Fund's principal strategy and asset allocation to protect the Fund against adverse market conditions that may impact financial markets. To manage the risk of the Fund, we may shift the Fund's focus and hold a higher exposure into lower risk investments such as money market instruments and/or deposits.</p>						
<p>Asset Allocation</p>	<table border="1"> <thead> <tr> <th data-bbox="580 1816 979 1868">Asset Class</th> <th data-bbox="979 1816 1378 1868">% of NAV of the Fund</th> </tr> </thead> <tbody> <tr> <td data-bbox="580 1868 979 1935">Debentures, money market instruments and/or deposits</td> <td data-bbox="979 1868 1378 1935">Minimum of 70%</td> </tr> <tr> <td data-bbox="580 1935 979 2002">Equities</td> <td data-bbox="979 1935 1378 2002">maximum of 30.0%</td> </tr> </tbody> </table>	Asset Class	% of NAV of the Fund	Debentures, money market instruments and/or deposits	Minimum of 70%	Equities	maximum of 30.0%
Asset Class	% of NAV of the Fund						
Debentures, money market instruments and/or deposits	Minimum of 70%						
Equities	maximum of 30.0%						

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Distribution Policy	Subject to the availability of income, the Fund will distribute income on a quarterly basis. However, the amount of income available for distribution may fluctuate from year to year.
Minimum Initial Investment*	RM1,000
Minimum additional Investment*	RM100
Minimum units held*	500 Units

*Note: Please refer to the Fund's Prospectus for further details of the Fund.*

### 4. Who am I investing with?

Relevant parties information:

The Manager	Affin Hwang Asset Management Berhad
Manager's Delegate (Fund Accounting and Valuation Agent)	HSBC (Malaysia) Trustee Berhad
The Trustee	HSBC (Malaysia) Trustee Berhad
Trustee's Delegate (Custody Services)	The Hong Kong and Shanghai Banking Corporation Limited (as Custodian) and assets held through HSBC Nominees (Tempatan) Sdn Bhd <i>(Local custodian)</i>  HSBC Institutional Trust Services (Asia) Limited <i>(Foreign custodian)</i>
Auditor / Reporting Accountants	PricewaterhouseCoopers
Tax Adviser	Ernst & Young Tax Consultants Sdn Bhd
Solicitor	Wei Chien & Partners

### 5. What are the possible outcomes of my investment?

This is a fixed income fund that invests in a diversified portfolio of debentures and equities within the domestic and investable foreign markets.

The performance of the Fund would be dependent on the debentures and equity markets that are investable by the Fund. The Fund's performance is reliant on the Manager's expertise in managing the Fund to meet its objective.

Unlike fixed deposits which generally provide a guarantee on capital invested and carry specific rate of return, the Fund's investments into debentures do not provide a guarantee on capital contributed nor does it guarantee a fixed rate of return.

The Fund's investment into equities would to a great extent, be linked to the price movements of the equity markets. If the equities that are investable by the Fund performs well, the Fund's performance may reflect the same. However, should the equities that are investable by the Fund perform poorly, the Fund's performance may also be impacted negatively.

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

\* subject to change at our discretion

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### KEY RISKS

#### 6. What are the key risks associated with this product?

##### General risks

- **Market risk** – Market risk refers to the possibility that an investment will lose value because of a general decline in financial markets, due to economic, political and/or other factors, which will result in a decline in the Fund's NAV.
- **Fund management risk** – This risk refers to the day-to-day management of the Fund by the Manager which will impact the performance of the Fund. For example, investment decisions undertaken by the Manager as a result of an incorrect view of the market or any non-compliance with internal policies, investment mandate, the Deed, relevant law or guidelines due to factors such as human error, fraudulent, dishonesty, or weaknesses in operational process and systems, may adversely affect the performance of the Fund.
- **Performance risk** - There is no guarantee in relation to the investment returns or on the distribution to Unit Holders.
- **Inflation risk** – This is a risk that your investment in the Fund may not grow or generate income at a rate that keeps pace with inflation. This would reduce your purchase power even though the value of the investment in monetary terms has increased.
- **Liquidity risk** – Liquidity risk refers to two scenarios. The first is where an investment cannot be sold due to unavailability of a buyer for that investment. The second scenario exists where the investment, by its nature, is thinly traded. This will have the effect of causing the investment to be sold below its fair value which would adversely affect the NAV of the Fund.
- **Operational risk** – This risk refers to the possibility of a breakdown in the Manager's internal controls and policies. The breakdown may be a result of human error, system failure or may be fraud where employees of the Manager collude with one another. This risk may cause monetary loss and/or inconvenience to you.
- **Loan financing risk** - This risk occurs when you take a loan / financing to finance your investment. The inherent risk of investing with borrowed money includes you being unable to service the loan repayments. In the event Units are used as collateral, you may be required to top-up your existing instalment if the prices of Units fall below a certain level due to market conditions. Failing which, the Units may be sold at a lower net asset value per unit as compared to the net asset value per unit at the point of purchase towards settling the loan.

##### Specific risks

- **Stock specific risk** – Prices of a particular stock may fluctuate in response to the circumstances affecting individual companies such as adverse financial performance, news of a possible merger or loss of key personnel of a company. Any adverse price movements of such stock will adversely affect the Fund's NAV.
- **Credit and default risk** – Credit risk relates to the creditworthiness of the issuers of the debentures or money market instruments (hereinafter referred as "investment") and their expected ability to make timely payment of interest and/or principal. Any adverse situations faced by the issuer may impact the value as well as liquidity of the investment and this may lead to a credit downgrade. Default risk relates to the risk of an issuer of the investment either defaulting on payments or failing to make payments in a timely manner which will in turn adversely affect the value of the investment. This could adversely affect the value of the Fund.
- **Interest rate risk** – This risk refers to the impact of interest rate changes on the valuation of debentures or money market instruments (hereinafter referred as "investment"). When interest rates rise, the investment prices generally decline and this may lower the market value of the investment. The reverse may apply when interest rates fall.
- **Structured product risk** – The NAV of the Fund will be impacted by the valuation of the structured product. Factors that may impact the valuation of the structured products will include, but not be limited to, movement of the underlying asset, volatility of the underlying assets, interest rate levels, the correlation of the underlying assets and other such factors. Any change in the aforesaid factors would either positively or negatively impact the valuation of the structured product hence impacting the NAV of the Fund.
- **Warrants investment risk** – The value of the warrants will depend on the pricing of the underlying security whereby the growth and performance prospect of the underlying security would consequentially affect the value of

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the warrants. In addition, the value of the warrants may decrease exponentially as the warrants approach its' maturity date and the potential gains from a favourable price movement of the underlying may be offset by aggressive time decay. We may consider unwinding these warrants if there are material adverse changes to its' value with the aim to mitigate the risk.

- **Country risk** – Investments of the Fund in any countries may be affected by changes in the economic and political climate, restriction on currency repatriation or other developments in the law or regulations of the countries in which the Fund invests.
- **Currency risk** – As the investments of the Fund may be denominated in currencies other than the base currency, any fluctuation in the exchange rate between the base currency and the currencies in which the investments are denominated may have an impact on the value of these investments. You should note that any gains or losses arising from the fluctuation in the exchange rate may further increase or decrease the returns of the investment.
- **Regulatory risk** - The investments of the Fund would be exposed to changes in the laws and regulations in the countries the Fund is invested in. These regulatory changes pose a risk to the Fund as it may materially impact the investments of the Fund.

*Note: Please refer to Risk Factors section of the Fund's Prospectus on further detail of each risk.*

**It is important to note that events affecting the investments cannot always be foreseen. Therefore, it is not possible to protect investments against all risks. You are recommended to read the whole Prospectus to assess risks associated to the Fund. If necessary, you should consult your professional adviser(s) for a better understanding of the risks.**

### FUND PERFORMANCE

#### Average Total return

	1 Year (1/3/16 – 28/2/17)	3 Years (1/3/14 – 28/2/17)	5 Years (1/3/12 – 28/2/17)	Since Commencement (27/1/05 - 28/2/17)
Fund	9.51 %	7.34 %	7.30 %	7.77 %
Benchmark	12.76 %	9.14 %	7.83 %	5.83 %
Outperformance	(3.25 %)	(1.80 %)	(0.53 %)	1.94 %

*Source of Benchmark: Bloomberg*

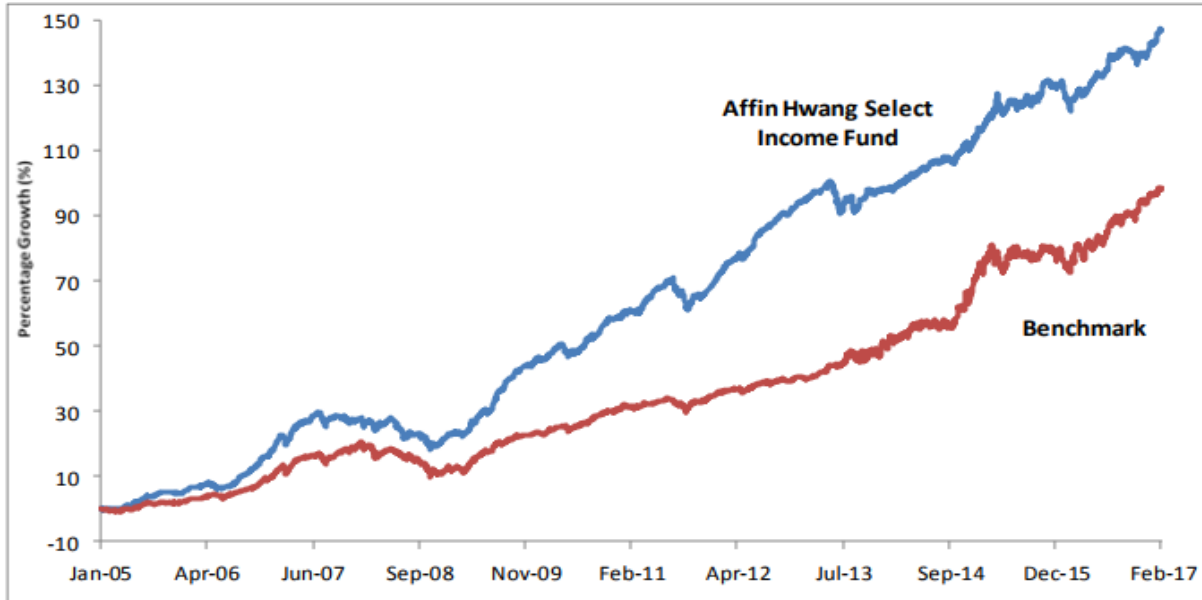
#### Annual Total Returns

	FYE 2017 (1/3/16 – 28/2/17)	FYE 2016 (1/1/15 – 29/2/16)	FYE 2015 (1/1/14 – 31/12/14)	FYE 2014 (1/1/13 – 31/12/13)	FYE 2013 (1/1/12 – 31/12/12)
Fund	9.51 %	6.30 %	6.91 %	2.88 %	15.13 %
Benchmark	12.76 %	5.24 %	10.89 %	7.19 %	4.45 %
Outperformance	(3.25 %)	1.06 %	(3.98 %)	(4.31 %)	10.68 %

*Source of Benchmark: Bloomberg*

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### Fund Performance vs Benchmark



Benchmark: 12-month fixed deposit rate, weighting at 70% for the fixed income investments and Dow Jones/Asia Pacific Select Dividend 30 Index, weighing at 30% for the equities investment  
 Source: Bloomberg

For the period under review from 1 March 2016 to 28 February 2017, the Fund registered a return of 9.15%, underperforming the benchmark return of 12.76% by 3.25 percentage point. The NAV per Unit as at 28 February 2017 was RM 0.7281 compared to the NAV per Unit of RM0.6935 as at 29 February 2016. During the same period under review, the Fund has declared a total gross income distribution of RM0.03 per Unit.

The underperformance of the Fund was attributed by the lacklustre markets. Nevertheless, the Fund continues to perform in the longer run. The objective of the Fund was met over the period under review.

#### **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

#### **Income Distribution**

	As at 28 February 2017	As at 29 February 2016	As at 31 December 2014
Gross distribution per Unit (sen)	3.0	2.5	2.5
Net distribution per Unit (sen)	3.0	2.5	2.5

Distribution will be made in the form of cash as well as Units in lieu of cash, if any.

#### **Portfolio Turnover Ratio (PTR)**

	FYE 2017	FYE 2016	FYE 2014
PTR (times)	1.30	1.32	1.19

The PTR of the Fund remained relatively unchanged over the period under review, albeit marginally lower at 1.30 from last year's 1.32

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### FEES & CHARGES

#### 7. What are the fees and charges involved?

There are fees and charges involved and you are advised to consider them before contributing to the Fund.

What will I be charged by the Manager?

Sales charge	Up to 3.00% on the NAV per Unit of the Fund.
Repurchase charge	Nil
Switching fee	Nil
Transfer fee	RM5.00 per transfer

What are the key ongoing fees charged to the Fund?

Management fee	Up to 1.50% per annum of the NAV of the Fund.
Trustee fee	Up to 0.07% per annum (including local custodian fee but excluding foreign sub-custodian fee) of the NAV of the Fund, subject to a minimum of RM18,000 per annum.

**ALL FEES AND CHARGES ARE EXCLUSIVE OF GOODS AND SERVICES TAX. WE (INCLUDING THE TRUSTEE AND/OR OTHER SERVICE PROVIDERS) WILL CHARGE GOODS AND SERVICES TAX AT THE PREVAILING RATE OF 6% ON THE ABOVEMENTIONED FEES AND CHARGES IN ACCORDANCE WITH THE GOODS AND SERVICES TAX ACT 2014.**

**! YOU SHOULD NOT MAKE PAYMENT IN CASH TO A UNIT TRUST CONSULTANT OR ISSUE A CHEQUE IN THE NAME OF A UNIT TRUST CONSULTANT.**

### VALUATIONS AND EXITING FROM INVESTMENT

#### 8. How often are valuations available?

The Fund will be valued on every Business Day and you may obtain NAV and prices of the Fund from our website at [www.affinhwangam.com](http://www.affinhwangam.com), our customer service via our toll free number 1-800-88-7080 or email to [customercare@affinhwangam.com](mailto:customercare@affinhwangam.com).

#### 9. How can I exit from this investment and what are the risks and costs involved?

You may request to redeem your investments in the Fund at any point in time by completing the repurchase application form and returning it to us on any Business Day between 8.45 a.m. and 3.30 p.m. Payments will be made to you within 10 days from the day the repurchase request is received by the Manager and provided that all documentations are completed and verifiable.

### CONTACT INFORMATION

#### 10. Who should I contact for further information or to lodge a complaint?

- For internal dispute resolution, you may contact our customer service personnel:
  - via phone to : 03 – 2116 6000
  - via fax to : 03 – 2116 6100
  - via toll free no. : 1-800-88-7080
  - via email to : [customercare@affinhwangam.com](mailto:customercare@affinhwangam.com)
  - via letter : Affin Hwang Asset Management Berhad



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Ground Floor, Menara Boustead  
69, Jalan Raja Chulan  
50200 Kuala Lumpur

Complaints should be made in writing with the following information:

- (a) particulars of the complainant which include name, correspondence address, contact number, e-mail address (if any) and other relevant information;
  - (b) circumstances of the non-compliance or improper conduct;
  - (c) parties alleged to be involved in the improper conduct; and
  - (d) other supporting documentary evidence (if any).
2. If you are dissatisfied with the outcome of the internal dispute resolution process, please refer your dispute to the Securities Industries Dispute Resolution Centre (SIDREC):
    - (a) via phone to : 03-2282 2280
    - (b) via fax to : 03-2282-3855
    - (c) via email to : [info@sidrec.com.my](mailto:info@sidrec.com.my)
    - (d) via letter to : Securities Industry Dispute Resolution Center (SIDREC)  
Unit A-9-1 Level 9, Tower A  
Menara UOA Bangsar  
No. 5, Jalan Bangsar Utama 1  
59000 Kuala Lumpur
  3. You can also direct your complaint to the SC even if you have initiated a dispute resolution process with SIDREC. To make a complaint, please contact the SC's Investor Affairs & Complaints Department:
    - (a) via phone to the Aduan Hotline at : 03 – 6204 8999
    - (b) via fax to : 03 – 6204 8991
    - (c) via e-mail to : [aduan@seccom.com.my](mailto:aduan@seccom.com.my)
    - (d) via online complaint form available at [www.sc.com.my](http://www.sc.com.my)
    - (e) via letter to : Investor Affairs & Complaints Department  
Securities Commission Malaysia  
No 3 Persiaran Bukit Kiara, Bukit Kiara  
50490 Kuala Lumpur
  4. Federal of Investment Managers Malaysia (FIMM)'s Complaints Bureau:
    - (a) via phone to : 03 – 20923800
    - (b) via fax to : 03 – 20932700
    - (c) via e-mail to : [complaints@fimm.com.my](mailto:complaints@fimm.com.my)
    - (d) via online complaint form available at : [www.fimm.com.my](http://www.fimm.com.my)
    - (e) via letter to : Legal, Secretarial & Regulatory Affairs  
Federal of Investment Managers Malaysia  
19-06-1, 6th Floor Wisma Tune  
No. 19, Lorong Dungun  
Damansara Heights  
50490 Kuala Lumpur

### APPENDIX : GLOSSARY

"Business Day"	Means a day on which the Bursa Malaysia is open for trading.
"Deed"	Refers to the deed dated 9 December 2004, first supplemental deed dated 16 November 2005, second supplemental deed dated 18 June 2007, third supplemental deed dated 15 October 2008, fourth supplemental deed dated 18 January 2012, fifth supplemental deed dated 27 June 2014, sixth supplemental deed dated 22 July 2015 and seventh supplemental deed dated 28 April 2017 entered into between the Manager and the Trustee.
"the Fund"	Refers to Affin Hwang Select Income Fund.

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“Prospectus”	Means prospectus for Affin Hwang Select Income Fund, and includes any supplementary or replacement prospectus, as the case may be.
“the Manager, we, us, our”	Means Affin Hwang Asset Management Berhad.
“medium to long-term”	Means a period between three (3) to five (5) years.
“Net Asset Value” or “NAV”	Means the value of the Fund’s assets less the value of the Fund’s liabilities at a particular valuation point except that, for the purpose of computing the annual management fee and the annual trustee fee, the NAV of the Fund should be inclusive (that is, before any deduction) of the management fee and the trustee fee for the relevant day.
“NAV per Unit”	Means the NAV of the Fund at a particular valuation point divided by the number of Units in Circulation at the same valuation point.
“RM”	Means Ringgit Malaysia, the lawful currency of Malaysia.
“Sales Charge”	Means a fee imposed pursuant to a purchase request.
“SC”	Means Securities Commission Malaysia established under the Securities Commission Malaysia Act 1993.
“Unit(s)”	Means a measurement of the right or interest of a Unit Holder in the Fund.
“Unit Holder(s), investor(s), you”	Means the person / corporation registered as the holder of a Unit or Units including persons jointly registered.
“Units in Circulation”	Means Units created and fully paid and which have not been cancelled. It is also the total number of Units issued at a particular valuation point.