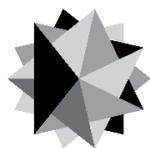


# TradePlus

## Shariah Gold Tracker

Quarterly Report  
30 September 2018

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



**AFFIN HWANG**  
CAPITAL

**MANAGER**  
Affin Hwang Asset Management Berhad (429786-T)

**TRUSTEE**  
TMF Trustees Malaysia Berhad (610812-W)

# TRADEPLUS SHARIAH GOLD TRACKER

Quarterly Report and Financial Statements  
As at 30 September 2018

---

<b>Contents</b>	<b>Page</b>
FUND INFORMATION .....	2
MANAGER'S REPORT .....	2
STATEMENT OF COMPREHENSIVE INCOME .....	6
STATEMENT OF FINANCIAL POSITION .....	7
STATEMENT OF CHANGES IN EQUITY .....	8
STATEMENT OF CASH FLOWS.....	9
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	10
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS.....	16

## FUND INFORMATION

Fund Name	TradePlus Shariah Gold Tracker
Fund Type	Gold price performance tracking fund
Category	Shariah-compliant commodity exchange-traded fund
Objective	The Fund aims to provide investors with investment results that closely track the performance of Gold price
Distribution Policy	There will be no distribution of income
Benchmark	LBMA Gold Price AM

## MANAGER'S REPORT

### Performance of the Exchange-Traded Fund

Details	As at 30 Sep 2018	As at 30 Jun 2018	As at 31 Mar 2018
	(USD   MYR)	(USD   MYR)	(USD   MYR)
Total NAV (million)	9.591   39.678	10.166   41.044	8.806   34.012
NAV per Unit	0.3899   1.6129	0.4132   1.6685	0.4382   1.6922
Unit in Circulation (million)	24.6	24.6	20.1
Return of the Fund (%)	-5.64%   -3.33%	-5.71%   -1.40%	1.91%   -2.70%
Return of the Benchmark (%)	-5.36%   -3.04%	-5.54%   -1.23%	2.11%   -2.50%
Gross Distribution per Unit (sen)	Nil	Nil	Nil
Net Distribution per Unit (sen)	Nil	Nil	Nil

For the period under review from 30 June 2018 to 30 September 2018, the TradePlus Shariah Gold Tracker (the "ETF") slid -5.64% lower, while the Benchmark recorded a loss of -5.36%. The Net Asset Value (NAV) per Unit of the ETF as at 30 September 2018 and 30 June 2018 was USD0.3899 and USD0.4132 respectively. In MYR terms, the NAV per Unit was MYR1.6129 and MYR1.6685 respectively. On a total NAV basis, the Fund's NAV slid marginally lower to USD 9.591 million (MYR 39.678 million) as at 30 September 2018 compared to USD 10.166 million (MYR 41.044 million) as at 30 June 2018. (See Table 1 and Table 2 for performance of the Fund, and Figure 1 for movement of the Fund versus the Benchmark respectively).

Table 1: Performance as at 30 September 2018 (in USD terms)

	30/6/18 – 30/9/18	31/3/18 – 30/6/19	31/12/17 – 31/3/18	28/11/17 – 31/12/17	Since Inception
Fund	-5.64%	-5.71%	1.91%	0.00%	-9.33%
Benchmark	-5.36%	-5.54%	2.11%	0.20%	-8.53%

Source of Benchmark: Bloomberg

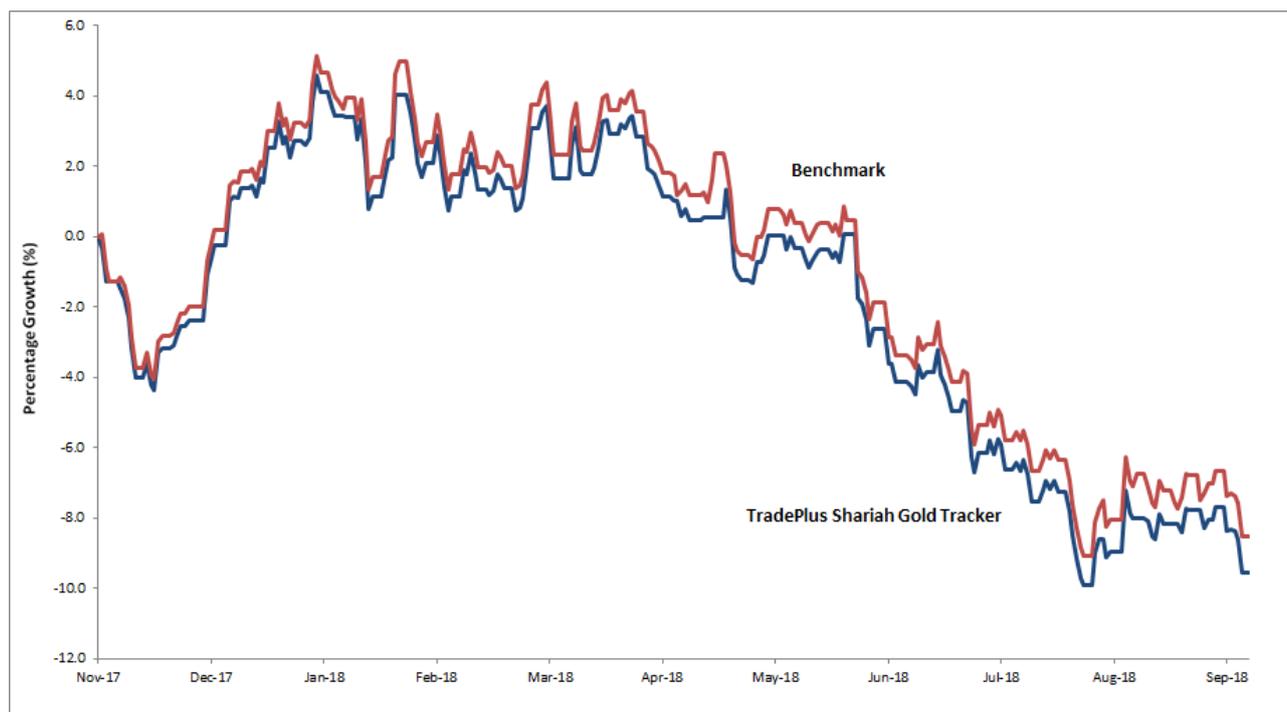
Table 2: Performance as at 30 September 2018 (in MYR terms)

	30/6/18 – 30/9/18	31/3/18 – 30/6/19	31/12/17 – 31/3/18	28/11/17 – 31/12/17	Since Inception
Fund	-3.33%	-1.40%	-2.70%	-1.33%	-8.50%
Benchmark	-3.04%	-1.23%	-2.50%	-1.14%	-7.69%

Source of Benchmark: Bloomberg

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

Figure 1: Movement of the Fund versus the Benchmark



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

Benchmark: LBMA Gold Price AM

### **Asset Allocation**

	<b><u>30 Sep 2018</u></b>	<b><u>30 Jun 2018</u></b>	<b><u>31 Mar 2018</u></b>	<b><u>31 Dec 2017</u></b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Commodity – Gold Bullion	99.57	99.26	99.55	99.58
Cash and Cash Equivalent	0.43	0.74	0.45	0.42
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

### **Strategies Employed**

The Manager maintained a minimum investment level of 95% in physical Gold Bars purchased from LBMA accredited refineries. As at 30 September 2018, the Fund's AUM stood at USD9.591 million, with 99.57% of the fund's NAV invested in physical gold bars while the remaining balance was kept in cash.

### **Market Review**

Emerging markets (EMs) continue to be whipsawed by a combination of a strengthening US dollar, tightening rate hike cycle and trade frictions. In the quarter, EMs saw a broad based selloff on the back of fractious developments within Turkey and Argentina that have sent both their currencies into free fall. Investors are also ploughing 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. Regionally, the MSCI Asia ex-Japan Index was weighed down by external risk slipping 2.51% in the quarter.

Risk of a contagion effect to the rest of EMs have investors trading cautiously even though economic linkages between the two countries and the rest of Asia isn't apparent. The market sell-off was exacerbated further by outflows from global EM funds who were de-risking portfolios. Global fund managers have posited

similar characteristics from Turkey & Argentina to other economies that might share some of these symptoms such as a high current account deficit and reliance on foreign debt.

Trade remained a key overhang of markets following the fresh round of tariffs in September, where the Trump administration announced 10.0% duties on USD200 billion worth of Chinese imports. Washington had previously toyed with imposing a 25.0% tariff rate that was subsequently postponed to next year. China swiftly retaliated by imposing tariffs of their own on USD60 billion worth of US goods ranging between 5.0-10.0%. The two global powerhouses have already slapped tariffs on USD50 billion worth of goods throughout its trade skirmish this year.

A sharp depreciation of the Chinese yuan also dragged down the rest of EMs, as a high correlation between markets led to further pain within other Asian currencies. The yuan has shed over 5% of its value YTD, when trade tensions started to brew. Due to concerns over trade-frictions with the US and possible second-order impacts on the Chinese economy that could manifest into slower investment and softer consumption, Beijing has shifted slightly towards a more neutral tone that leaves more room for China to loosen its grip on deleveraging and policy easing.

On the domestic front, the local bucked regional trend with the benchmark KLCI gaining 6.01% in the period under review. With foreign investors having largely exited the market, there may be less selling pressure exerted on the local bourse; though valuations appear steep with the KLCI hovering near the 1800-level. The local currency remained steady supported by higher oil prices despite a rising US rate cycle. Higher crude oil prices have cushioned outflows and bolstered the Ringgit unlike its regional currency peers like the rupiah and peso. Post 14<sup>th</sup> General Election (GE 14), the market is seeking clarity on growth from policymakers amidst large kitchen-sinking exercises embarked by the new government.

Spot price of gold slipped 4.85% in the quarter under review, as a strengthening US dollar weighed on gold prices. The dollar edged up 2.47% following tightening moves by the US Federal Reserve as strong economic growth in the US continues to embolden the Fed to raise rates.

According to the World Gold Council, global gold demand remained steady rising 6.2t higher y-o-y to 964.3t in Q3'18. Bar and coin demand jumped 28% to 298.1t as retail investors took advantage of the lower gold price and sought protection against currency weakness and tumbling stock markets. A growing number of central bank buyers saw demand in this sector rise 22% y-o-y to 148.4t, the highest level of quarterly net purchases since 2015. Demand for gold in technological applications rose in Q3 by 1% y-o-y, to 85.3t, driven by the electronics sector such as smartphones, servers and automotive vehicles.

Global gold-backed ETFs saw large outflows in the period shedding over 103.2t in the Q3'18, with North America accounting for over 73% of the outflows. US investors are paying more attention to positive macroeconomic data and stronger growth which has fuelled further risk-on sentiment and propped up equities. Central banks added 148.4t of gold to global reserves in the Q3 which was an increase of 22% y-o-y driven with a growing number of central banks such as Russia, Turkey and Kazakhstan shoring up their reserves.

## **Investment Outlook**

Given uncertainty surrounding trade and EM weakness, we are likely to see a more challenging environment. As compared to the past year when we saw synchronised growth globally and as a result, EM countries benefited as global demand rose and saw positive capital flows; we are seeing the reversal of that now as growth becomes unsynchronised. US economy is now outperforming its G10 peers and more so EM.

Among the G3, Eurozone and Japan data has yet to pick up meaningfully despite years of accommodative monetary policy. As for EM, as trade tensions rise, EM is likely to suffer as demand declines and respective currency being devalued. Even with absence of trade concern, policy divergence between US and rest of world means that EM currencies could remain weak for the time being. In addition, prolonged trade-related uncertainty will dampen business optimism and curtail investment plans.

We also note Fed members' concern on an inverted yield curve. As financial conditions tighten to contain risk of overheating, there is a lesser need for Fed to be as aggressive in hiking rates and at the same time avoiding inversion in the yield curve. The Fed is expected to raise rates at its next FOMC meeting in December as US GDP grew 3.5 in Q3'18, though concerns linger if tighter trading conditions and impact of trade tariffs will begin to weigh on the US. The US dollar strength may also prove to be impermanent as different economic cycles takes place and growth begins to decelerate from a lower fiscal impulse.

**State of Affairs of the Fund**

There is neither any significant change to the state of 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**

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.

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO  
30 SEPTEMBER 2018**

	Note	Financial period from 28.11.2017 (date of launch) to 30.9.2018	Convenience translation into RM
		USD	
<b>INVESTMENT LOSS</b>			
Profit income		732	3,030
Net loss on financial assets at fair value through profit or loss	8	(876,030)	(3,624,135)
		<u>(875,298)</u>	<u>(3,621,105)</u>
<b>EXPENSES</b>			
Management fee	4	(26,993)	(111,670)
Trustee fee	5	(4,619)	(19,109)
Custody fee	6	(15,854)	(65,588)
Auditors' remuneration		(4,593)	(19,001)
Tax agent's fee		(765)	(3,165)
Shariah advisory fee		(5,382)	(22,265)
Transaction cost		(19,208)	(79,463)
Other expenses		(19,786)	(81,856)
		<u>(97,200)</u>	<u>(402,117)</u>
<b>NET LOSS BEFORE TAXATION</b>		(972,498)	(4,023,222)
<b>TAXATION</b>	7	-	-
<b>NET LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD</b>		<u>(972,498)</u>	<u>(4,023,222)</u>
Net loss after taxation is made up of the following:			
Realised amount		(96,468)	(399,087)
Unrealised amount		(876,030)	(3,624,135)
		<u>(972,498)</u>	<u>(4,023,222)</u>

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

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2018**

	Note	USD	30.9.2018 Convenience translation into RM
<b>ASSETS</b>			
Financial asset at fair value through profit or loss	8	9,549,837	39,507,674
Cash and cash equivalents		67,999	281,314
<b>TOTAL ASSETS</b>		9,617,836	39,788,988
<b>LIABILITIES</b>			
Amount due to Manager			
- management fee		2,399	9,926
Amount due to trustee		480	1,985
Auditors' remuneration		4,593	19,001
Tax agent's fee		765	3,165
Shariah advisory fee		1,565	6,475
Other payables and accruals		16,932	70,045
<b>TOTAL LIABILITIES</b>		26,734	110,597
<b>NET ASSET VALUE OF THE FUND</b>		9,591,102	39,678,391
<b>EQUITY</b>			
Unitholders' capital		10,563,600	43,701,613
Accumulated losses		(972,498)	(4,023,222)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		9,591,102	39,678,391
<b>NUMBER OF UNITS IN CIRCULATION</b>	9	24,600,000	24,600,000
<b>NET ASSET VALUE PER UNIT (USD)</b>		0.3899	1.6129

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 PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO 30 SEPTEMBER 2018**

	<u>Unitholder's capital</u>		<u>Accumulated losses</u>		<u>Total</u>	
	Convenience translation into RM		Convenience translation into RM		Convenience translation into RM	
	USD		USD		USD	
Balance as at 28 November 2017 (date of launch)	-	-	-	-	-	-
Total comprehensive loss for the financial period	-	-	(972,498)	(4,023,222)	(972,498)	(4,023,222)
Movements in unitholders' capital:						
Creation of units arising from application	10,563,600	43,701,613	-	-	10,563,600	43,701,613
Balance as at 30 September 2018	<u>10,563,600</u>	<u>43,701,613</u>	<u>(972,498)</u>	<u>(4,023,222)</u>	<u>9,591,102</u>	<u>39,678,391</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 PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO  
30 SEPTEMBER 2018**

	Financial period from 28.11.2017 (date of launch) to 30.9.2018	
	USD	Convenience translation into RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Purchase of investments	(10,425,867)	(43,131,809)
Interest received	732	3,030
Management fee paid	(24,594)	(101,744)
Trustee fee paid	(4,139)	(17,124)
Payment for other fees and expenses	(41,733)	(172,652)
Net cash used in operating activities	<u>(10,495,601)</u>	<u>(43,420,299)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from creation of units	<u>10,563,600</u>	<u>43,701,613</u>
Net cash generated from financing activity	<u>10,563,600</u>	<u>43,701,613</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	67,999	281,314
<b>CASH AND CASH EQUIVALENTS AT THE DATE OF LAUNCH</b>	<u>-</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<u><u>67,999</u></u>	<u><u>281,314</u></u>

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO 30 SEPTEMBER 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 revenue and expenses during the reported financial period. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. Although these estimates and judgment are based on the Manager's best knowledge of current events and actions, actual results may differ.

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

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

The Fund has applied the following amendments for the first time the financial period beginning on 28 November 2017:

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

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

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

(i) Financial year beginning on/after 1 January 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 PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO 30 SEPTEMBER 2018 (CONTINUED)**

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

- (b) The new standard and amendments to the published standard that is applicable to the Fund but not yet effective and has not been early adopted is as follows: (continued)
- (i) Financial year beginning on/after 1 January 2018 (continued)

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

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

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

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

There will be no impact on the Fund's accounting for financial assets at the Fund's 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.

### **B INCOME RECOGNITION**

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO 30 SEPTEMBER 2018 (CONTINUED)**

### **C TRANSACTION COSTS**

Transaction costs are costs incurred in relation to any particular transaction or dealing, all stamps and other duties, taxes, government charges, brokerage, bank charges, transfer fees. Registration fees, transaction levies, costs of assay, insurance, import duties and other duties and charges whether in connection with the constitution of the Fund, the Fund's deposited Gold bullion or the increase or decrease of the Fund Assets (other than income) or the creation, issue, transfer, cancellation, or redemption of units or the acquisition or disposal of Gold bullions or otherwise which may have become or may be payable in respect of, and whether prior to, upon or after the occasion of, such transaction or dealing.

### **D TAXATION**

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

### **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"), which is United States Dollar. The Fund adopts United States Dollar and Ringgit Malaysia as its presentation currency.

### **F FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

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

The Fund designates its investment in commodity 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.

Financing 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 financing and receivables comprise cash and cash equivalents.

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, auditors' remuneration, tax agent's fee, shariah advisory fee and other payables and accruals as other financial liabilities.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO 30 SEPTEMBER 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. Transaction costs are expensed in the statement of comprehensive income.

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

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

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

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

Commodity comprises gold bullion and is designated at fair value through profit or loss upon initial recognition. The commodity is recognised when the commodity is received into the vault of the Custodian.

The fair value of gold bullion as at the reporting date is determined by reference to prices published by the London Bullion Market Association ("LBMA"). Differences arising from changes in gold prices are recorded in the statement of comprehensive income.

The commodity is derecognised when the risks and rewards of ownership have all been substantially transferred.

Financing and receivables and other liabilities are subsequently carried at amortised cost using the effective profit method.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO  
30 SEPTEMBER 2018 (CONTINUED)**

**F FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

(iii) Impairment

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If "financing and receivables " has a variable interest rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract.

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent financial year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

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

**G CASH AND CASH EQUIVALENTS**

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balances which is subject to an insignificant risk of changes in value.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO 30 SEPTEMBER 2018 (CONTINUED)**

### **H UNITHOLDERS' CAPITAL**

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

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

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

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

### **I 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.

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

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

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

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

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO  
30 SEPTEMBER 2018**

**1 INFORMATION ON THE FUND**

The Exchange Traded Fund was constituted under the name Tradeplus Shariah Gold Tracker (the “Fund”) pursuant to the execution of a Deed dated 25 September 2017 (the “Deed”) entered into between Affin Hwang Asset Management Berhad (the “Manager”) and TMF Trustees Malaysia Berhad (the “Trustee”).

The Fund commenced operations on 28 November 2017 and will continue its operations until terminated by the Trustee as provided under Section 23.2 of the Deed.

The Fund will invest a minimum of 95% of the Fund’s NAV in physical Gold bullion purchased from LBMA accredited refineries to meet the Fund’s objective.

The Fund main objective is to provide investors with investment results that closely track the performance of Gold price.

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.

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

Financial instruments are as follows:

	<u>Note</u>	<u>Financing and receivables</u>		<u>Financial assets at fair through profit or loss</u>		<u>Total</u>	
		<u>Convenience translation into RM</u>		<u>Convenience translation into RM</u>		<u>Convenience translation into RM</u>	
		USD	into RM	USD	into RM	USD	into RM
<u>30.9.2018</u>							
Commodity	8	-	-	9,549,837	39,507,674	9,549,837	39,507,674
Cash and cash equivalents		67,999	281,314	-	-	67,999	281,314
<b>Total</b>		<u>67,999</u>	<u>281,314</u>	<u>9,549,837</u>	<u>39,507,674</u>	<u>9,617,836</u>	<u>39,788,988</u>

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

The Fund is exposed to a variety of risks which include market risk (including price risk), credit risk, liquidity risk and capital risk and Shariah reclassification 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 Exchange Traded Fund.

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO  
30 SEPTEMBER 2018 (CONTINUED)**

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

Market risk

(a) Price risk

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

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

	<u>30.9.2018</u>
	Convenience translation into RM
	USD
<b>Commodity</b>	
Gold bullion designated at fair value through profit or loss	9,549,837
	<u>39,507,674</u>

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

<u>% change in price</u>	<u>Commodity</u>		<u>Impact on profit after tax/ NAV</u>	
	<u>USD</u>	<u>Convenience translation into RM</u>	<u>USD</u>	<u>Convenience translation into RM</u>
<u>30.9.2018</u>				
-5%	9,072,345	37,532,290	(477,492)	(1,975,384)
0%	9,549,837	39,507,674	-	-
+5%	10,027,329	41,483,058	477,492	1,975,384

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO  
30 SEPTEMBER 2018 (CONTINUED)**

**2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES 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 investment. The Manager manages the credit risk by undertaking credit evaluation to minimise such risk.

The settlement terms of the proceeds from the creation of units' receivable from the Manager are governed by the SC's Guidelines on ETFs.

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

	<u>Cash and cash equivalents</u>		<u>Total</u>	
	Convenience translation into RM		Convenience translation into RM	
	USD	USD	USD	USD
<u>30.9.2018</u>				
Financials				
- AAA	67,999	281,314	67,999	281,314

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

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO  
30 SEPTEMBER 2018 (CONTINUED)**

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

Liquidity risk

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

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

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

	Within one month		Between one month to one year		Total	
	USD	Convenience translation into RM	USD	Convenience translation into RM	USD	Convenience translation into RM
<u>30.9.2018</u>						
Amount due to Manager						
- management fee	2,399	9,926	-	-	2,399	9,926
Amount due to Trustee	480	1,985	-	-	480	1,985
Auditor's remuneration	-	-	4,593	19,001	4,593	19,001
Tax agent's fee	-	-	765	3,165	765	3,165
Shariah advisory fee	-	-	1,565	6,475	1,565	6,475
Other payables and accruals	-	-	16,932	70,045	16,932	70,045
<b>Total</b>	<b>2,879</b>	<b>11,911</b>	<b>23,855</b>	<b>98,686</b>	<b>26,734</b>	<b>110,597</b>

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 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 unitholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

Reclassification of Shariah status risk

The risk that the currently held Shariah-compliant commodity in the portfolio of Shariah-compliant funds may be reclassified to be Shariah non-compliant upon review of the commodity by the Shariah Advisory Council of the Securities Commission performed at the end of each quarter. If this occurs, the Manager and the Trustee shall have the discretion to wind-up the Fund or take such other action as the Manager, the Trustee and the Shariah Adviser may deem appropriate.

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO 30 SEPTEMBER 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 market is based on quoted market prices at the close of trading on the period end date.

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

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

#### (i) Fair value hierarchy

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

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

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

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO 30 SEPTEMBER 2018 (CONTINUED)**

**3 FAIR VALUE ESTIMATION (CONTINUED)**

(i) Fair value hierarchy (continued)

The following table analyses within the fair value hierarchy the Fund's financial assets (by class) measured at fair value:

	Level 1		Level 2		Level 3		Total	
	Convenience translation into RM		Convenience translation into RM		Convenience translation into RM		Convenience translation into RM	
	USD	USD	USD	USD	USD	USD	USD	USD
<u>30.9.2018</u>								
Financial asset at fair value through profit or loss								
-		Gold bullion	9,549,837	39,507,674	-	-	-	9,549,837
39,507,674								
	<u>9,549,837</u>	<u>39,507,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,549,837</u>	<u>39,507,674</u>

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

(ii) The carrying value of cash and cash equivalents and all current liabilities are a reasonable approximation of the fair values due to their short term nature.

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO  
30 SEPTEMBER 2018 (CONTINUED)**

**4 MANAGEMENT FEE**

In accordance with the Deed, the Manager is entitled to a management fee at a rate up to 0.50% per annum of the NAV of the Fund calculated and accrued daily using the Fund's Base currency.

For the financial period ended 30 September 2018, the management fee is recognised at a rate of 0.50% per annum. Effective from 1 March 2018 the management fee was revised to 0.30% per annum on the NAV of the Fund calculated on a daily basis.

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

**5 TRUSTEE FEE**

In accordance with the Deed, the Trustee is entitled to an annual fee, at a rate up to 0.06% per annum (excluding custody fees and charges) of the NAV of the Fund calculated and accrued daily using the Fund's Base currency.

For the financial period ended 30 September 2018, the Trustee fee is recognised at a rate of 0.06% per annum on the NAV of the Fund calculated on a daily basis.

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

**6 CUSTODIAN FEE**

In accordance with the Deed, the Custodian is entitled to an annual fee at a rate 0.20% per annum of the value of the Gold bullion held by the Custodian of the Fund calculated and accrued daily using the Fund's Base currency

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO  
30 SEPTEMBER 2018 (CONTINUED)**

**7 TAXATION**

	Financial period from 28.11.2017 (date of launch) to 30.9.2018	
	USD	Convenience translation into RM
Current taxation	-	-
	<u>          </u>	<u>          </u>

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

	Financial period from 28.11.2017 (date of launch) to 30.9.2018	
	USD	Convenience translation into RM
Net loss before taxation	(972,498)	(4,023,222)
	<u>          </u>	<u>          </u>
Tax at Malaysian statutory tax rate of 24%	(233,400)	(965,573)
Tax effects of:		
Investment loss not subject to tax	210,072	869,065
Expenses not deductible for tax purposes	22,570	93,371
Restriction on tax deductible expenses for Exchange Traded Fund	758	3,137
	<u>          </u>	<u>          </u>
	-	-
	<u>          </u>	<u>          </u>

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO  
30 SEPTEMBER 2018 (CONTINUED)**

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

	<u>USD</u>	<u>30.9.2018</u> Convenience translation into RM
Designated at fair value through profit or loss at inception: - commodity	9,549,837	39,507,674
Net loss on assets at fair value through profit or loss: - unrealised loss on changes in fair value	(876,030)	(3,624,135)

(a) Commodity

(i) Commodity as at 30 September 2018 is as follows:

	<u>Quantity</u>	<u>Aggregate cost</u>		<u>Fair value</u>		<u>Percentage</u>
	Units	USD	Convenience translation into RM	USD	Convenience translation into RM	of NAV %
<b>COMMODITY</b>						
Gold bullion	8,069	10,425,867	43,131,809	9,549,837	39,507,674	99.57
Total commodity	<u>8,069</u>	<u>10,425,867</u>	<u>43,131,809</u>	<u>9,549,837</u>	<u>39,507,674</u>	<u>99.57</u>
Accumulated unrealised loss on commodity		(876,030)	(3,624,135)			
Total commodity		<u>9,549,837</u>	<u>39,507,674</u>			

**9 NUMBER OF UNITS IN CIRCULATION**

	<u>30.9.2018</u> No. of units
At the date of launch	-
Creation of units arising from applications during the financial period	24,600,000
At the end of the financial period	<u>24,600,000</u>

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO  
30 SEPTEMBER 2018 (CONTINUED)**

**10 SHARIAH INFORMATION OF THE FUND**

The Shariah Adviser confirmed that the investments portfolio of the Fund is Shariah-compliant, which comprises:

- (a) Gold bullion as approved by the Securities Commission; and
- (b) Cash placements and liquid assets in local market, which are placed in Shariah-compliant investments and/or instruments.

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

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

<u>Related parties</u>	<u>Relationships</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
Aiiman Asset Management Sdn Bhd	Subsidiary of the Manager
Subsidiaries and associates of ABB as disclosed in its financial statements	Subsidiary and associated companies of the ultimate holding company of the Manager

The units held by the related parties are as follows:

	No. of units	USD	30.9.2018 Convenience translation into RM
<u>The Manager:</u>			
Affin Hwang Asset Management Bhd (The units are held legally)	5,910,000	2,304,309	9,532,239
<u>Holding company of the Manager:</u>			
Affin Hwang Investment Bank Bhd (The units are held legally)	1,030,900	401,948	1,662,739
<u>Subsidiary of the Manager</u>			
Aiiman Asset Management Sdn Bhd (The units are held legally)	4,640,000	1,809,136	7,483,856

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO  
30 SEPTEMBER 2018 (CONTINUED)**

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

Financial period from  
28.11.2017 (date of launch)  
to 30.9.2018  
%

MER 0.83

MER is derived from the following calculation:

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

- A = Management fee
- B = Trustee fee
- C = Custody fee
- D = Auditors' remuneration
- E = Tax agent's fee
- F = Shariah advisory fee
- G = Other expenses excluding the goods and services tax on transaction costs
- H = Average NAV of Fund calculated on a daily basis

The average NAV of the Fund for the financial period calculated on a daily basis is USD9,182,630; Convenience translation into RM37,988,540.

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

Financial period from  
28.11.2017 (date of launch)  
to 30.9.2018

PTR (times) 0.57

PTR is derived from the following calculation:

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

where: total acquisitions for the financial period = USD10,425,867;  
Convenience translation into RM43,131,809  
total disposals for the financial period = Nil

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD FROM 28 NOVEMBER 2017 (DATE OF LAUNCH) TO  
30 SEPTEMBER 2018 (CONTINUED)**

**14 SEGMENT INFORMATION**

The strategic asset allocation committee of the Investment Manager makes the strategic resource allocations on behalf of the fund. The Fund has determined the operating segments based on the reports reviewed by the Manager that are used to make strategic decisions.

The committee is responsible for the Fund's entire portfolio and considers the business to have a single operating segment. The committee's asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The reportable operating segment derives its income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within the portfolio. This returns consist of the gains on the appreciation in the value of investments and is derived from gold.

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

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

**15 COMPARATIVES**

There are no comparative figures as this is the first set of 9 months quarterly unaudited financial statements prepared since the launch of the Fund.

[www.affinhwangam.com](http://www.affinhwangam.com)

Affin Hwang Asset Management Berhad (429786-T)