Affin Hwang Absolute Return Fund II

Quarterly Report

28 February 2022

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

AFFIN HWANG CAPITAL

MANAGER
Affin Hwang Asset Management Berhad
199701014290 (429786-T)

TRUSTEE
Deutsche Bank (Malaysia) Berhad (312552-W)

AFFIN HWANG ABSOLUTE RETURN FUND II

Quarterly Report and Financial Statements
As at 28 February 2022

Contents	Page

QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang Absolute Return Fund II
Fund Type	Growth
Fund Category	Mixed Assets
Investment Objective	The Fund is categorised as growth fund which seeks to achieve medium to long-term capital appreciation by investing primarily in securities of developed and emerging markets globally
Benchmark	Absolute return of 8.0% per annum
Distribution Policy	The Fund is not expected to make distribution. However, incidental distribution may be declared whenever is appropriate.

FUND PERFORMANCE DATA

MYR Class

Category	As at 28 Feb 2022	As at 30 Nov 2021
Total NAV (million)	430.472	476.983
NAV per Unit (RM)	1.3704	1.4926
Unit in Circulation (million)	314.130	319.563

AUD Class

Category	As at 28 Feb 2022	As at 30 Nov 2021
Total NAV (million)	2.291	2.619
NAV per Unit (AUD)	0.5500	0.6046
Unit in Circulation (million)	4.166	4.331

GBP Class

Category	As at 28 Feb 2022	As at 30 Nov 2021
Total NAV (million)	0.329	0.357
NAV per Unit (GBP)	0.5457	0.5929
Unit in Circulation (million)	0.603	0.603

SGD Class

Category	As at 28 Feb 2022	As at 30 Nov 2021
Total NAV (million)	4.564	4.990
NAV per Unit (SGD)	0.5299	0.5793
Unit in Circulation (million)	8.613	8.613

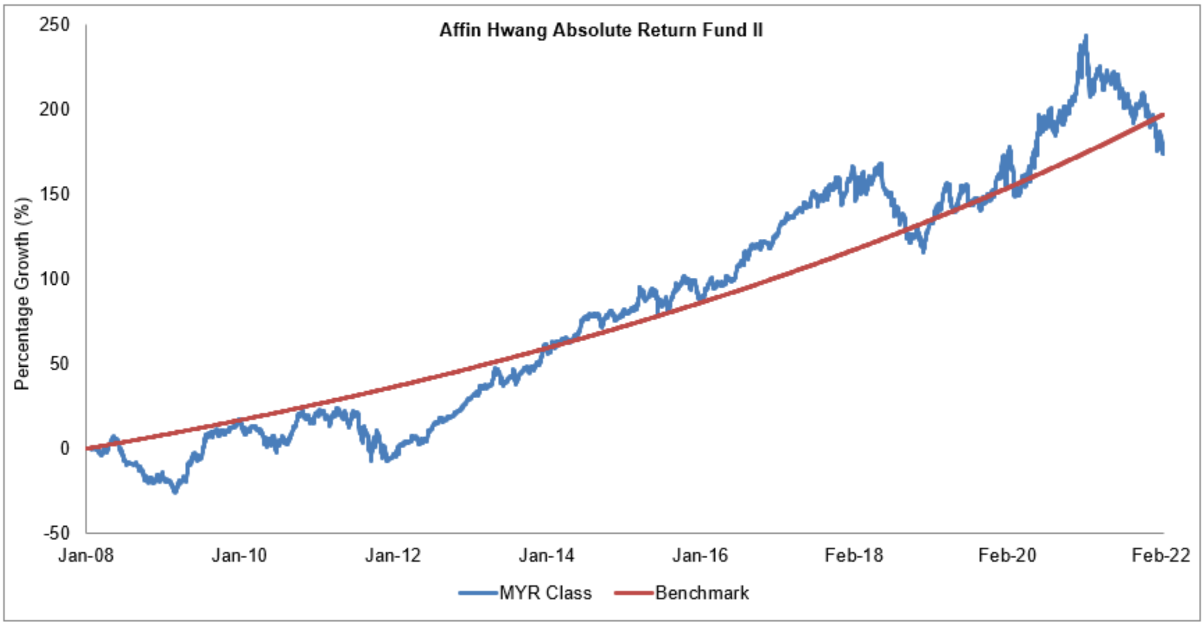
USD Class

Category	As at 28 Feb 2022	As at 30 Nov 2021
Total NAV (million)	14.059	15.292
NAV per Unit (USD)	0.5101	0.5548
Unit in Circulation (million)	27.563	27.562

Performance as at 28 February 2022

	3 Months (1/12/21 - 28/2/22)	6 Months (1/9/21 - 28/2/22)	1 Year (1/3/21 - 28/2/22)	3 Years (1/3/19 - 28/2/22)	5 Years (1/3/17 - 28/2/22)	Since Commencement (8/1/08 - 28/2/22)
MYR Class	(8.19%)	(9.92%)	(14.43%)	14.69%	17.76%	174.08%
Benchmark	1.92%	3.89%	8.00%	26.00%	46.96%	197.21%
Outperformance	(10.11%)	(13.81%)	(22.43%)	(11.31%)	(29.20%)	(23.13%)

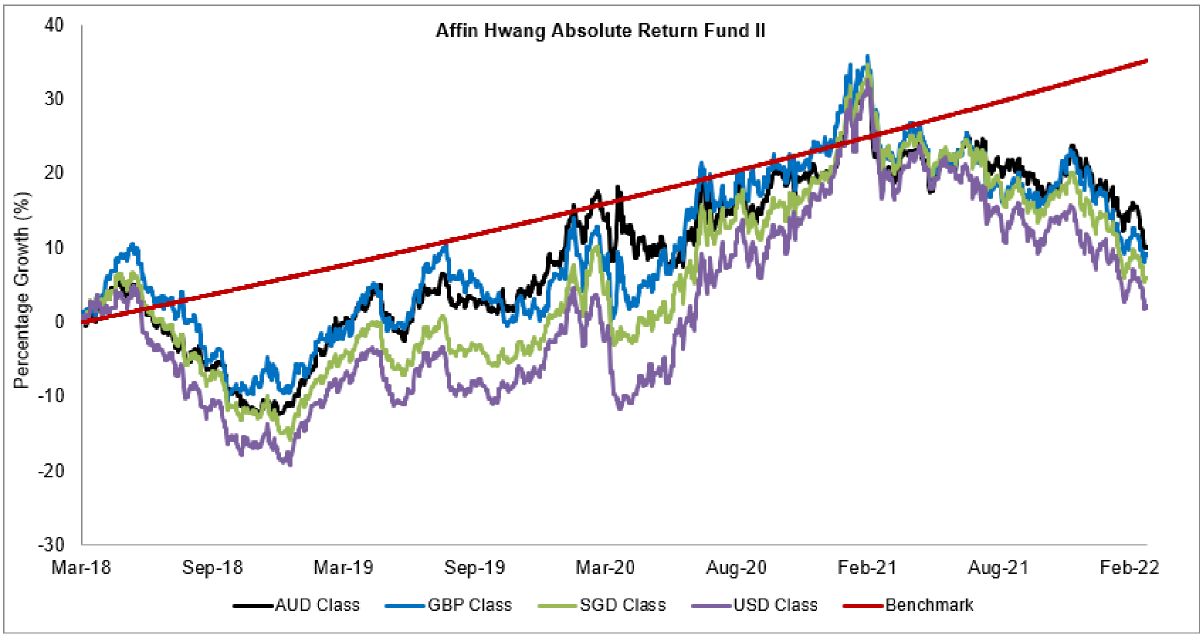
Movement of the Fund versus the Benchmark



Performance as at 28 February 2022

	3 Months (1/12/21 - 28/2/22)	6 Months (1/9/21 - 28/2/22)	1 Year (1/3/21 - 28/2/22)	3 Years (1/3/19 - 28/2/22)	Since Commencement (30/3/18 - 28/2/22)
Benchmark	**1.92%**	**3.89%**	**8.00%**	**26.00%**	**35.25%**
AUD Class	**(9.03%)**	**(9.75%)**	**(10.06%)**	**12.45%**	**10.00%**
Outperformance	**(10.95%)**	**(13.64%)**	**(18.06%)**	**(13.55%)**	**(25.25%)**
GBP Class	**(7.96%)**	**(8.08%)**	**(13.30%)**	**12.72%**	**9.14%**
Outperformance	**(9.88%)**	**(11.97%)**	**(21.30%)**	**(13.28%)**	**(26.11%)**
SGD Class	**(8.53%)**	**(9.93%)**	**(15.24%)**	**12.79%**	**5.98%**
Outperformance	**(10.45%)**	**(13.82%)**	**(23.24%)**	**(13.21%)**	**(29.27%)**
USD Class	**(8.06%)**	**(10.85%)**	**(17.14%)**	**11.74%**	**2.02%**
Outperformance	**(9.98%)**	**(14.74%)**	**(25.14%)**	**(14.26%)**	**(33.23%)**

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: 8.0% per annum

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

Asset Allocation

Fund's asset mix during the period under review:

	28 February 2022
	(%)
Equity	69.39
Unit Trust	13.17
Derivative	-0.21
Cash & money market	17.65
Total	**100.00**

Strategies Employed

Over the period under review, the Manager had maintained a relatively high exposure into high conviction stock ideas across the regional and domestic space. Investment level of the Fund was also kept ranging from moderate to high in a bid to stay defensive amidst a volatile market environment and capture opportunities when it arises.

Market Review

Global equities started 2021 on a strong note buoyed by policy easing and optimism surrounding global vaccination rollouts. However, the global recovery grew at an uneven pace as developed markets posted stronger gains compared to emerging markets.

Developed markets have managed to administer the vaccine at a quicker pace which led to a corresponding increase in mobility. The S&P 500 index pierced new highs in the year underpinned by a strong earnings rebound as businesses clambered to meet renewed demand.

However, the rally was tested by surging bond yields in the 1Q'2021 as well as the spectre of inflation that would spook investors for the rest of the year. Inflation vaulted strongly from a low-base effect as supply chain disruptions associated with the pandemic led to a sharp increase in input prices.

Markets were soothed initially by dovish comments from the US Federal Reserve which pledged to keep monetary policy accommodative. Fed Chair Jerome Powell held the view that inflation was transitionary and that supply-demand imbalances would begin to ease which would cool down inflation.

However with inflation proving stickier than expected, the Fed relented towards the end of year and pivoted towards a hawkish stance. At its policy meeting, the Fed signaled that it would start accelerating its tapering of bond purchases that would pave the way for 3 rate hikes in 2022.

Meanwhile in Asia, the broader MSCI Asia ex-Japan index ended the year down as the region reeled from the Delta variant that led to fresh lockdowns being imposed and a surge in hospitalization rates.

The region was also pulled down by weaker performance in China as authorities cast a wide regulatory dragnet which impacted a range of sectors including technology, education and e-commerce. This was part of a wider 'common prosperity' drive by Beijing to narrow the income gap and increase the political legitimacy of the Communist Party which celebrated its 100th anniversary in 2021.

On the domestic front, the local market mirrored regional losses with the benchmark KLCI closing lower in the year. A litany of concerns sent the stock market on a volatile path with fresh lockdowns, political instability as well as new taxes proposed under Budget 2022.

Markets were also jolted when the government announced a one-off prosperity tax (Cukai Makmur) during the tabling of Budget 2022 for companies that earned super profits. This quelled the initial optimism from economic reopening as earnings forecasts are pared down.

However, the government made U-turns on other tax measures proposed under Budget 2022 including reinstating the exemption of all types of foreign incomes for individuals from tax as well as stamp duty cap. Markets were concerned that these initial measures would dampen sentiment and reduce market vibrancy as well as velocity of trading. However, the local market saw support on the back of easing policy headwinds as investors also price-in better growth prospects.

Coming into February 2022, the FBM 100 index fell 5.1%, buoyed by plantation and commodity-related names which got a boost from the spike in commodities prices over the month. Corporate earnings saw consumer and plantation names beating estimates. As a reopening play, consumer stocks are benefitting from pent-up demand while plantation stocks benefitted from high CPO prices.

Investment Outlook

2022 is set to be a year of transition for markets as investors contend with normalization of growth rates and monetary policy tightening. We expect to see a lot of crosswinds and periods of transition especially with regards to policy.

Market environment is challenging given rising rates, slowing growth and waning earnings expectations. The key indicators of policies, growth and earnings have not inflected. That said, the positives are that valuations have become less excessive and sentiments have turned bearish.

Russia-Ukraine tension is also weighing on sentiments. However, history suggest that the market impact from geopolitical events tend to be short. Moving forward, we expect markets to shift the focus back to tighter monetary conditions and slowing growth.

While a total lockdown caused by the Omicron variant is not a base-case for now, there will probably be need to make adjustments as we go along. However, developments of new medical treatments such as oral pills can help in the fight against COVID. This would lay the planks for a more sustainable reopening of the economy once we have a complete medical arsenal that is effective against all known variants. There could also be room for the Fed to adjust policy should Omicron turn out to be more destructive than what the market anticipates.

After a wide regulatory dragnet was casted in 2021 by the Chinese government specifically on targeted sectors including education, technology, and e-commerce, recent policy signals by Beijing suggested that the worst of tightening cycle is over. We see the focus of policymakers shifting from that of regulatory tightening to now supporting growth as its economy wanes.

Back home, we believe that it will be a stock picker's market for local investors as Bursa languishes behind other regional peers. With foreign shareholding at an all-time low, much of the exuberance have faded especially on the back of a strong US dollar environment which makes emerging markets like Malaysia unattractive. Though, we view that domestic market will not be susceptible to sudden foreign outflows and that the direction of the market will be influenced more by local players that have grown massively in size and are looking for opportunities to deploy.

In terms of sector opportunities, we see banks as positive, benefit from a rising interest rate cycle as well as improvement in asset quality. Valuations of the sector is also attractive with banking stocks trading at a discount to its book value. Though seeing a lot of pressure now due to ESG headwinds especially pertaining to the welfare of foreign workers, technology and exporters are another key segment that could see potential upside underpinned by strong earnings visibility driven by secular growth trends such as 5G, electric vehicles (EV) and solar energy.

Against a volatile backdrop, we are cautiously positioned for 2022. On inflection points, we see retreating inflation, a less hawkish Fed policy, and subside Russia-Ukraine tension as potential turnarounds for the market to improve.

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2022

	Financial period ended 28.2.2022 RM	Financial period ended 28.2.2021 RM
INVESTMENT INCOME/(LOSS)		
Dividend income	4,737,505	4,108,530
Interest income from financial assets at amortised cost	15,145	63,565
Interest income from financial assets at fair value through profit or loss	(4,113)	-
Net loss on foreign currency exchange	(1,289,957)	(2,000,692)
Net loss on futures at fair value through profit or loss	(1,073,698)	(5,264,515)
Net gain on forward foreign currency contracts at fair value through profit or loss	-	2,970,551
Net (loss)/gain on financial assets at fair value through profit or loss	(86,083,956)	109,477,178
	(83,699,074)	109,354,617
EXPENSES		
Management fee	(4,433,110)	(3,501,990)
Custodian fee	(158,752)	(122,981)
Fund accounting fee	(27,000)	(27,000)
Performance fee	-	(16,192,473)
Auditors' remuneration	(8,602)	(8,602)
Tax agent's fee	(15,779)	(2,842)
Transaction costs	(3,295,516)	(3,889,652)
Other expenses	(470,735)	(540,780)
	(8,409,494)	(24,286,320)
NET (LOSS)/PROFIT BEFORE TAXATION	(92,108,568)	85,068,297
Taxation	(751,731)	-
(DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	(92,860,299)	85,068,297
(Decrease)/Increase in net asset attributable to unitholders is made up of the following:		
Realised amount	(42,181,199)	68,548,504
Unrealised amount	(50,679,100)	16,519,793
	(92,860,299)	85,068,297

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2022

	2022 RM	2021 RM
ASSETS		
Cash and cash equivalents	91,221,818	61,270,677
Amount due from brokers	-	30,406,098
Amount due from Manager		
- management fee rebate receivable	44,845	-
Dividend receivables	288,029	883,417
Financial assets at fair value through profit or loss	423,021,683	544,491,056
TOTAL ASSETS	514,576,375	637,051,248
LIABILITIES		
Forward foreign currency contracts at fair value through profit or loss	-	799,462
Futures at fair value through profit or loss	1,073,698	-
Amount due to brokers	-	31,380,926
Amount due to Manager		
- management fee	402,527	466,922
- cancellation of units	718,864	159,061
Fund accounting fee	3,000	3,000
Performance fee	-	16,192,973
Auditors' remuneration	8,602	8,602
Tax agent's fee	6,636	2,836
Tax provision	9,172	-
Other payables and accruals	12,768	12,910
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	2,235,267	49,026,692
NET ASSET VALUE OF THE FUND	512,341,108	588,024,556
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	512,341,108	588,024,556

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2022 (CONTINUED)

	2022 RM	2021 RM
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS		
- AUD class	6,924,125	6,634,972
- GBP class	1,844,724	1,709,078
- MYR class	430,471,250	506,204,440
- SGD class	14,096,007	21,687,064
- USD class	59,005,002	51,789,002
	512,341,108	588,024,556
NUMBER OF UNITS IN CIRCULATION		
- AUD class	4,166,000	3,420,000
- GBP class	603,000	481,000
- MYR class	314,130,000	316,076,000
- SGD class	8,613,000	11,369,000
- USD class	27,563,000	20,785,000
	355,075,000	352,131,000
NET ASSET VALUE PER UNIT (RM)		
- AUD class	1.6621	1.9401
- GBP class	3.0592	3.5532
- MYR class	1.3704	1.6015
- SGD class	1.6366	1.9076
- USD class	2.1407	2.4917
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- AUD class	AUD0.5500	AUD0.6115
- GBP class	GBP0.5457	GBP0.6294
- MYR class	RM1.3704	RM1.6015
- SGD class	SGD0.5299	SGD0.6252
- USD class	USD0.5101	USD0.6156

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2022

	Financial period ended 28.2.2022 RM	Financial period ended 28.2.2021 RM
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	633,565,430	346,250,036
Movement due to units created and cancelled during the financial period		
Creation of units arising from applications	57,039,051	189,840,823
- AUD class	124,202	3,950,345
- GBP class	840,175	1,502,832
- MYR class	39,589,100	140,506,618
- SGD class	1,652,721	13,480,756
- USD class	14,832,853	30,400,272
Cancellation of units	(85,403,074)	(33,134,600)
- AUD class	(297,807)	(971,225)
- GBP class	(355,313)	(360,707)
- MYR class	(72,880,297)	(23,988,436)
- SGD class	(10,981,391)	(5,965,848)
- USD class	(888,266)	(1,848,384)
Net (decrease)/increase in net assets attributable to unitholders during the financial period	(92,860,299)	85,068,297
- AUD class	(1,227,162)	1,012,352
- GBP class	(285,938)	217,169
- MYR class	(78,309,043)	74,759,299
- SGD class	(2,795,367)	3,122,730
- USD class	(10,242,789)	5,956,747
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	512,341,108	588,024,556

www.affinhwangam.com

Affin Hwang Asset Management Berhad
199701014290 (429786-T)