



ANNUAL REPORT
30 June 2023

Affin Hwang **Absolute** **Return Fund III**

MANAGER
AHAM Asset Management Berhad
*(Formerly known as Affin Hwang Asset
Management Berhad)*
199701014290 (429786-T)

Trustee
TMF Trustees Malaysia Berhad
(200301008392 [610812-W])

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AFFIN HWANG ABSOLUTE RETURN FUND III

Annual Report and Audited Financial Statements For the Financial Year Ended 30 June 2023

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FUND INFORMATION

Fund Name	Affin Hwang Absolute Return Fund III
Fund Type	Growth
Fund Category	Mixed Asset (Wholesale)
Investment Objective	The Fund seeks to provide Unit Holders with long-term capital appreciation
Benchmark	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

Category	As at 30 Jun 2023 (%)	As at 30 Jun 2022 (%)	As at 30 Jun 2021 (%)
Portfolio composition			
Quoted equities – local			
- Consumer discretionary	-	0.46	-
- Industrial	-	4.97	-
- Energy	7.71	-	3.59
- Health care	-	-	1.92
- Technology	0.58	-	3.44
- Warrant	0.27	0.20	0.34
Total quoted equities – local	8.56	5.63	9.29
Quoted equities – foreign			
- Basic Materials	1.06	0.35	-
- Consumer Discretionary	12.05	11.72	15.44
- Consumer Staples	5.81	6.58	4.60
- Energy	-	0.89	-
- Financial services	6.87	6.68	-
- Health care	4.64	3.44	3.79
- Industrial	2.48	-	4.08
- Real estate	5.2	9.65	12.63
- Technology	25.54	13.23	27.22
- Warrant	-	0.01	-
Total quoted equities – foreign	63.65	52.55	67.76
Collective investment scheme – local	12.41	9.89	-
Collective investment scheme – foreign	0.89	0.69	0.46
Exchange-traded fund – local	-	0.83	1.16
Exchange-traded fund – foreign	5.17	3.44	-
Cash & cash equivalent	9.32	26.97	21.33
Total	100.00	100.00	100.00
Total NAV (RM ¹ million)	79.027	95.668	136.418
NAV per Unit (RM)	0.6783	0.6761	0.8450
Unit in Circulation (million)	116.513	141.498	161.450
Highest NAV	0.7028	0.8465	0.9075
Lowest NAV	0.6134	0.6491	0.7340
Return of the Fund (%)	0.33	-19.99	16.12
- Capital Growth (%)	0.33	-19.99	16.12
- Income Distribution (%)	Nil	Nil	Nil
Gross Distribution per Unit (sen)	Nil	Nil	Nil
Net Distribution per Unit (sen)	Nil	Nil	Nil
Total Expense Ratio (%) ¹	1.14	1.12	1.11
Portfolio Turnover Ratio (times) ²	0.76	1.38	1.32

¹The TER was higher than previous year due to a lower average NAV of the Fund for the financial year.

² The PTR of the Fund was lower than previous year due to lower trading activities for the financial year.

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

MANAGER'S REPORT

Income Distribution / Unit Split

No income distribution or unit split were declared for the financial year ended 30 June 2023.

Fund Performance

Performance Review (1 July 2022 to 30 June 2023)

For the period 1 July 2022 to 30 June 2023, the Fund has registered a return of 0.33% as compared to the benchmark return of 8.00%. The Fund thus underperformed the benchmark by 7.67%. The Net Asset Value (NAV) per unit of the Fund as at 30 June 2023 was RM 0.6783 while the NAV per unit on 30 June 2022 was RM 0.6761.

Since commencement, the Fund has underperformed the benchmark by 57.65% with returns of 35.66% compared to the benchmark return of 93.31%.

Table 1: Performance of the Fund

	1 Year (1/7/22 - 30/6/23)	3 Years (1/7/20 - 30/6/23)	5 Years (1/7/18 - 30/6/23)	Since Commencement (9/12/14 - 30/6/23)
Fund	0.33%	(6.79%)	5.18%	35.66%
Benchmark	8.00%	25.97%	46.96%	93.31%
Outperformance	(7.67%)	(32.76%)	(41.78%)	(57.65%)

Table 2: Average Total Return

	1 Year (1/7/22 - 30/6/23)	3 Years (1/7/20 - 30/6/23)	5 Years (1/7/18 - 30/6/23)	Since Commencement (9/12/14 - 30/6/23)
Fund	0.33%	(2.32%)	1.01%	3.63%
Benchmark	8.00%	8.00%	8.00%	8.00%
Outperformance	(7.67%)	(10.32%)	(6.99%)	(4.37%)

Table 3: Annual Total Return

	FYE 2023 (1/7/22 - 30/6/23)	FYE 2022 (1/7/21 - 30/6/22)	FYE 2021 (1/7/20 - 30/6/21)	FYE 2020 (1/7/19 - 30/6/20)	FYE 2019 (1/7/18 - 30/6/19)
Fund	0.33%	(19.99%)	16.12%	3.03%	9.52%
Benchmark	8.00%	8.00%	8.00%	8.02%	8.00%
Outperformance	(7.67%)	(27.99%)	8.12%	(4.99%)	1.52%

Figure 1: Movement of the Fund versus the Benchmark since commencement.



"This information is prepared by AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) 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% 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

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

As at 30 June 2023, the Fund's equity portion comprised of 8.56% within the local space and 63.65% in foreign equities. The Manager has also allocated 12.41% in local collective investment schemes, 0.89% in foreign collective investment schemes, 5.17% in foreign exchange traded funds. The balance was held in cash and cash equivalents.

Strategies Employed

The Fund continued to adopt a tactical asset allocation, incorporating elements of both economic and fundamental analysis to identify investment opportunities.

Market Review

Market volatility continued over the past year as macro events and policy rate increases across the global economy affected stock and bond markets. Over the year under review, the S&P500 returned 17.57% while the Morgan Stanley Capital International ("MSCI") AC World index returned 16.52%. Specific to the Asian region, MSCI AC Asia ex Japan Index was down 3.45% alongside the Financial Times Stock Exchange ("FTSE") Bursa Malaysia which returned -4.67%. Bond markets were similarly impacted with the Bloomberg Barclays Global Aggregate Index down -1.32%, while local bond markets saw edge higher with the benchmark 10-year Malaysian Government Securities ("MGS") yield closing at 3.85%.

The financial year under review started off turbulent, driven by a confluence of unprecedented events that unfolded globally. The Russia-Ukraine conflict casted a shadow of geopolitical instability, heightening risk sentiments and increasing volatility and although Covid cases have started to trend downward since a year ago, the market continues to grapple with the ongoing effects of the pandemic and geopolitical instability. Temporary closure of factories and logistical facilities created disruptions in the flow of goods and services resulted in supply chain bottlenecks and delayed deliveries. Now that supply have started to normalise, and goods and services are readily available, consumer spending is returning to pre-pandemic levels. In order to regulate consumer spending driven by stimulus over the lock-down period to rein in inflation, central banks globally embarked on a series of policy rates increases.

The US Federal Reserve (“Fed”) raised their policy rates in each monetary policy committee meetings since March last year, to of 5.25% in May 2023 and pausing for the first time in 15 months in June. The sharp pace of policy tightening raised concerns in the financial markets of an over-tightening that could lead to a growth slowdown, or even a potential recession. Further signs of tension in the economy were also visible in March this year as the fallout of Silicon Valley Bank and the emergency rescue of Credit Suisse triggered concerns of contagion to other vulnerable banks. However, despite the Fed’s effort in policy tightening, economic indicators continue to remain positive. In addition to fractures in the banking sector, other notable events over the year included the concern over the US approaching its debt ceiling in January, failing which to reach a consensus to suspend or raise the limit could result in a catastrophic default. However, investors heaved a sigh of relief after lawmakers passed a bill to raise the debt ceiling, in a deal that included concessions on spending expected to have limited effect on economic growth.

US equities was volatile throughout the year but ended the month of June in positive territory following a bull market as fervour from enthusiasm over new developments in Artificial Intelligence (“AI”) and hopes of a Fed paused fuelled market gains. There was, however, a stark difference between recent performance of the sectors. Technology stocks were boosted by enthusiasm over new developments in generative AI as mentioned before while energy and utilities stocks were among the weaker performers. The recent US consumer price index (“CPI”) came below expectations, with an increase of just 0.1% month on month. Core inflation remained sticky rising 0.4% in June 2023 and 5.3% from a year ago. Following the CPI print, the Fed held interest rates unchanged at its Federal Open Market Committee (“FOMC”) meeting as mentioned previously. In his press conference, Fed Chair Jerome Powell suggests that there could potentially be 2 more rate hikes this year.

In Asia, the broader MSCI Asia ex-Japan index fell over the year. Despite starting off 2023 strong, Chinese equity trended downwards following the country’s reopening after the pandemic started to cool. Factory output in China declined from the lacklustre consumer spending and weak demand for exports following trade tensions and interest rate rises in US and Europe. The effect of China’s cooling economy also weakened sentiment towards Hong Kong stocks. India on the other hand showed gains driven by steady earnings and foreign inflows. The development in AI also helped boost Taiwan and South Korea’s technology stocks.

Major macro events over the financial year under review had a notable effect on the domestic market. The local market was subdued with the benchmark Kuala Lumpur Composite Index (“KLCI”) closing 4.67% lower in comparison to a year ago as persistent foreign selling put pressure on the index. A weaker Ringgit and political uncertainty also dampened market sentiment as investors opted to stay on the side lines. Due to Malaysia’s close trade relation to China, the Ringgit weakened considerably year to date. In a statement, Bank Negara Malaysia (“BNM”) believes that the depreciation of the Ringgit is not fundamentally driven and that global headwinds are driving investors to seek safe haven assets like the US dollar. Significant developments in the political landscape were present as all 6 outstanding states have recently announced the dissolution of their respective State Assembly paving the way for state polls. The Election Commission (“EC”) recently announced that polling date would fall on the 12 August. On local fixed income, the 10-year MGS yield closed at 3.85%. Malaysia’s inflation eased further with the consumer price index (“CPI”) slowing to 2.8% from 3.3%. A sustained decline in inflationary pressure may put less pressure on BNM to raise the Overnight Policy Rate (“OPR”) as it also weighs movements of the Ringgit.

A year ago, we saw bonds selling off sharply with yields markedly higher amid elevated inflation data and hawkish tones from central banks. However, with markets starting to stabilise by the second half of 2023, government bond yields were on the rise again, although with some bifurcation. Higher-than-expected inflation and persistence to combat inflation resulted in underperformance within UK and Australia. On a

separate note, the improving sentiment for global growth effected in weaker performance for lower yielding Japanese Yen while the sterling performed well, backed by higher interest rates.

Investment Outlook

Global equity markets still remain susceptible to shifting sentiment towards geopolitical tensions, inflation, economic growth and ultimately corporate earnings. Valuations have already significantly adjusted to reflect a change in the market environment, and we believe reflect realistic expectations for inflation, rates and risk premia. Consequently, the source of risk has now shifted from valuation to earnings in light of the softer growth and prospects for a recession, which appears increasingly likely.

The Chinese equities as well as credit market took a breather from February onwards after strong rally in the prior months. Market sentiment was dampened by the re-intensifying geopolitical tensions between US-China which arose from the balloon controversies and the plan to expand US troops in Taiwan for military training. On the other hand, macro and economic front continued to deliver encouraging data. Consumption to recover in February, stronger and at a faster pace than expected, albeit with more encouraging signs in the services sector over consumer goods. Signs of the rebound were evident over the Chinese New Year holiday, and domestic tourism recorded the strongest visitor and revenue levels since the pandemic. China's official manufacturing PMI rose to 52.6 in February from 50.1 in January, however has dipped slightly to 51.9 in March. Non-manufacturing Purchasing Manufacture Index ("PMI") on the other hand rose to 58.2 in March, the highest since May 2011. The supportive stance continued into 2023 and was recently validated by the 2 sessions that took place in early March. The general positive tone on economic recovery and consumption stimulus remains, alongside with the announcement of the new cabinet and securing of President Xi's third term.

In contrast to the expected slowdown in the developed market economy, Malaysia's economic fundamentals continues to remain strong. Within the financial period under review, the government unveiled its revised budget, focusing on sustainable economic growth, institutional reforms and reducing social inequality. The benchmark KLCI edged lower as market reaction to Budget 2023 was neutral. The absence of any prosperity tax is a huge relief to the market that should augur well for corporate earnings. Notwithstanding macro noises, Malaysia economy is primarily domestic driven and therefore more insulated against external shocks.

Bond investors may continue to see some relief this year after enduring a painful 2022 which saw rates volatility reaching unprecedented highs. In 2023, volatility in rates is expected to temper down as we see a slower pace of adjustment in rates. In addition, a slower growth outlook is beneficial for rates. On local fixed income, credit rating agencies are likely to maintain the sovereign ratings of Malaysia bonds. Rates volatility will be driven by external development.

State of Affairs of the Fund

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

Soft Commissions received from Brokers

Soft commissions received from brokers/dealers may be retained by the management company only if the:-

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

During the financial year under review, the Fund has received soft commissions from brokers/dealers who have also executed trades for other funds managed by AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad). The soft commissions were utilised for goods and services in the form of research materials, data and quotation services, investment-related publications, market data feed, industry benchmarking agencies and investment-related publications to assist the Manager in the

investment decision-making process. The soft commission received were for the benefit of the fund and there were no churning of trades.

Cross Trade

No cross trade transactions have been carried out during the reported period.

Securities Financing Transactions

The Fund has not undertaken any securities lending or repurchase transactions during the financial year under review.

Changes Made To the Fund's Information Memorandum

There were no changes made to the Fund's information memorandum during the financial year under review.

TRUSTEE'S REPORT

TO THE UNIT HOLDERS OF AFFIN HWANG ABSOLUTE RETURN FUND III (“Fund”)

We have acted as the Trustee of the Fund for the financial year ended 30 June 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) has operated and managed the Fund during the year covered by these financial statements in accordance with the following:-

1. Limitations imposed on the investment powers of the Management Company under the Deed, securities laws and the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework;
2. Valuation and pricing is carried out in accordance with the Deeds; and
3. Any creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirement.

For TMF Trustees Malaysia Berhad
(Company No.: (200301008392 [610812-W])

Norhayati Binti Azit
Director – Fund Services

Kuala Lumpur
28 August 2023

AFFIN HWANG ABSOLUTE RETURN FUND III

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

AFFIN HWANG ABSOLUTE RETURN FUND III

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

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AFFIN HWANG ABSOLUTE RETURN FUND III

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	<u>Note</u>	<u>2023</u> RM	<u>2022</u> RM
INVESTMENT INCOME/(LOSS)			
Dividend income		1,195,084	1,404,434
Interest income from financial assets at amortised cost		36,134	21,423
Interest income from financial assets at fair value through profit or loss		23,997	-
Net gain on foreign currency exchange		267,213	770,141
Net gain on forward foreign currency contracts at fair value through profit or loss		239,916	-
Net gain on futures contracts at fair value through profit or loss		-	779,510
Net loss on financial assets at fair value through profit or loss	8	(294,161)	(26,549,039)
		<u>1,468,183</u>	<u>(23,573,531)</u>
EXPENSES			
Management fee	4	(840,275)	(1,116,961)
Trustee fee	5	(46,257)	(61,449)
Fund accounting fee	6	(13,000)	(12,000)
Auditors' remuneration		(9,000)	(9,000)
Tax agent's fee		(7,153)	(7,885)
Transaction costs		(219,468)	(699,743)
Other expenses		(103,640)	(148,056)
		<u>(1,238,793)</u>	<u>(2,055,094)</u>
NET PROFIT/(LOSS) BEFORE TAXATION		229,390	(25,628,625)
Taxation	7	(233,655)	(29,644)
NET LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		<u>(4,265)</u>	<u>(25,658,269)</u>

AFFIN HWANG ABSOLUTE RETURN FUND III

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

	<u>Note</u>	<u>2023</u> RM	<u>2022</u> RM
Net loss after taxation is made up of the following:			
Realised amount		(4,589,598)	(14,251,397)
Unrealised amount		4,585,333	(11,406,872)
		<u>(4,265)</u>	<u>(25,658,269)</u>

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

AFFIN HWANG ABSOLUTE RETURN FUND III

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	<u>Note</u>	<u>2023</u> RM	<u>2022</u> RM
ASSETS			
Cash and cash equivalents	9	7,631,280	24,127,342
Margin accounts	10	-	2,051,982
Amount due from Manager			
- management fee rebate receivable		8,028	8,557
Dividends receivable		84,687	28,728
Financial assets at fair value through profit or loss	8	71,677,437	69,855,929
Tax recoverable		43,979	-
TOTAL ASSETS		<u>79,445,411</u>	<u>96,072,538</u>
LIABILITIES			
Amount due to Manager			
- management fee		65,866	79,193
- cancellation of units		323,570	291,901
Amount due to Trustee		3,623	4,355
Fund accounting fee		1,000	-
Auditors' remuneration		9,000	9,000
Tax agent's fee		3,516	4,516
Tax payable		-	3,563
Other payables and accruals		11,993	12,384
TOTAL LIABILITIES		<u>418,568</u>	<u>404,912</u>
NET ASSET VALUE OF THE FUND		<u>79,026,843</u>	<u>95,667,626</u>
EQUITY			
Unitholders' capital		64,974,275	81,610,793
Retained earnings		14,052,568	14,056,833
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>79,026,843</u>	<u>95,667,626</u>
NUMBER OF UNITS IN CIRCULATION	11	<u>116,513,000</u>	<u>141,498,000</u>
NET ASSET VALUE PER UNIT (RM)		<u>0.6783</u>	<u>0.6761</u>

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

AFFIN HWANG ABSOLUTE RETURN FUND III

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	Unitholders' <u>capital</u> RM	Retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 July 2022	81,610,793	14,056,833	95,667,626
Total comprehensive loss for the financial year	-	(4,265)	(4,265)
Movement in unitholders' capital:			
Creation of units arising from applications	148,888	-	148,888
Cancellation of units	(16,785,406)	-	(16,785,406)
Balance as at 30 June 2023	<u>64,974,275</u>	<u>14,052,568</u>	<u>79,026,843</u>
Balance as at 1 July 2021	96,702,574	39,715,102	136,417,676
Total comprehensive loss for the financial year	-	(25,658,269)	(25,658,269)
Movement in unitholders' capital:			
Creation of units arising from applications	670,208	-	670,208
Cancellation of units	(15,761,989)	-	(15,761,989)
Balance as at 30 June 2022	<u>81,610,793</u>	<u>14,056,833</u>	<u>95,667,626</u>

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

AFFIN HWANG ABSOLUTE RETURN FUND III

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	<u>Note</u>	<u>2023</u> RM	<u>2022</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		60,283,970	152,583,590
Purchase of investments		(62,695,668)	(142,478,659)
Receipts from/(payment to) to margin accounts		2,051,982	(2,051,982)
Dividends received		1,076,092	1,414,291
Interest received		36,134	21,423
Management fee rebate received		101,087	101,436
Management fee paid		(853,602)	(1,158,000)
Trustee fee paid		(46,989)	(63,262)
Fund accounting fee paid		(12,000)	(12,000)
Performance fee paid		-	(2,609,784)
Payment for other fees and expenses		(58,151)	(63,508)
Realised gain on forward foreign currency contract		239,916	-
Realised gain on futures contracts		-	779,510
Net realised loss on foreign currency exchange		(9,270)	(52,907)
Tax paid		(281,197)	(32,668)
		<hr/>	<hr/>
Net cash flows (used in)/generated from operating activities		(167,696)	6,377,480
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from creation of units		148,888	670,208
Payments for cancellation of units		(16,753,737)	(15,470,088)
		<hr/>	<hr/>
Net cash flows used in financing activities		(16,604,849)	(14,799,880)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(16,772,545)	(8,422,400)
EFFECTS OF FOREIGN CURRENCY EXCHANGE			
		276,483	823,048
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR			
		24,127,342	31,726,694
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR			
	9	<hr/> <hr/>	<hr/> <hr/>
		7,631,280	24,127,342

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

AFFIN HWANG ABSOLUTE RETURN FUND III

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

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 in accordance with the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS and IFRS 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 year. It also requires the Manager to exercise their judgment in the process of applying the Fund’s accounting policies. Although these estimates and judgment are based on the Manager’s best knowledge of current events and actions, actual results may differ.

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

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

- Amendments to MFRS 3 ‘Reference to Conceptual Framework’ (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework.
- Annual Improvements to MFRSs 2018 – 2020 Cycle (effective for annual periods beginning on or after 1 January 2022).
- Amendments to MFRS 137 ‘Onerous contracts - cost of fulfilling a contract’ (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts.

The adoption of the above standards, amendments to standards or interpretations did not have a material effect on the financial statements of the Fund.

(b) Standards and amendments that have been issued but not yet effective:

- Amendments to MFRS 101 ‘Classification of liabilities as current or non-current’ (effective 1 January 2024) clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity’s expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). In addition, the amendments clarify that when a liability could be settled by the transfer of an entity’s own equity instruments (e.g. a conversion option in a convertible bond), conversion option meeting the definition of an equity instrument in MFRS 132 ‘Financial Instruments: Presentation’ does not impact the current or non-current classification of the convertible instrument.

AFFIN HWANG ABSOLUTE RETURN FUND III

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards and amendments that have been issued but not yet effective: (continued)

The amendments also specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

The adoption of the above standards, amendments to standards or interpretations is not expected to have a material effect on the financial statements of the Fund.

B INCOME RECOGNITION

Dividend income

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of gross dividend income on the ex-dividend date, when the right to receive the dividend has been established.

Interest income

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Realised gain and loss on sale of investments

For quoted equities, collective investment schemes ("CIS") and exchange-traded funds ("ETF"), 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.

AFFIN HWANG ABSOLUTE RETURN FUND III

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

C TRANSACTION COSTS

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include the bid-ask spread, fees and commissions paid to agents, advisors, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as expenses.

D TAXATION

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

Tax on investment income from foreign investments is based on the tax regime of the respective countries that the Fund invests in.

Withholding taxes on investment income from foreign investments are based on tax regime of the respective countries that the Fund invests in. Such withholding taxes are not “income tax” in nature and are recognised and measured based on the requirements of MFRS 137. They are presented within other expenses line in the statement of comprehensive income.

E FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). The financial statements are presented in Ringgit Malaysia (“RM”), which is the Fund’s functional and presentation currency.

F FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss, and
- those to be measured at amortised cost.

AFFIN HWANG ABSOLUTE RETURN FUND III

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(i) Classification (continued)

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income.

The contractual cash flows of the Fund's debt securities are solely payments of principal and interest ("SPPI"). However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments and derivatives not designated as hedging instruments are measured at fair value through profit or loss.

Investments in CIS have contractual cash flows that do not represent SPPI, and therefore are classified as fair value through profit or loss.

The Fund classifies cash and cash equivalents, margin accounts, amount due from Manager and dividends receivable as financial assets measured at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies amount due to Manager, amount due to Trustee, payables for fund accounting fee, auditors' remuneration, tax agent's fee and other payables and accruals as financial liabilities measured at amortised cost.

(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 9, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

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

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

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

AFFIN HWANG ABSOLUTE RETURN FUND III

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

The fair value of financial assets traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the financial year end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of the fair value.

If a valuation based on the market price does not represent the fair value of the securities, for example during abnormal market conditions or when no market price is available, including in the event of a suspension in the quotation of the securities for a period exceeding 14 days, or such shorter period as agreed by the Trustee, then the securities are valued as determined in good faith by the Manager, based on the methods or basis approved by the Trustee after appropriate technical consultation.

Investments in CIS are valued at the last published net asset value (“NAV”) per unit at the date of the statement of financial position.

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

(iii) Impairment

The Fund’s financial assets measured at amortised cost are subject to expected credit losses. The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

AFFIN HWANG ABSOLUTE RETURN FUND III

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (continued)

Definition of default and credit-impaired financial assets

The Fund defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

Any contractual payment which is more than 90 days past due is considered credit-impaired.

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Fund considers the following instances:

- the debtor is in breach of financial covenants;
- concessions have been made by the lender relating to the debtor's financial difficulty;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- the debtor is insolvent.

Financial instruments that are credit-impaired are assessed on individual basis.

Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

The Fund may write off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in bad debt recoveries. There are no write-offs/recoveries during the financial year.

H CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances and short-term deposits held in highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

AFFIN HWANG ABSOLUTE RETURN FUND III

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

I DERIVATIVE FINANCIAL INSTRUMENTS

A derivative financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

The Fund's derivative financial instruments comprise forward foreign currency contracts and futures. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Financial derivative positions will be "marked to market" at the close of each valuation day. Foreign exchange gains and losses on the derivative financial instrument are recognised in profit or loss when settled or at the date of the statement of financial position at which time they are included in the measurement of the derivative financial instrument. Derivative instruments that have a positive fair value and negative fair value are presented as financial assets measured at fair value through profit or loss and financial liabilities measured at fair value through profit or loss, respectively.

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities.

The fair value of forward foreign currency contracts is determined using forward exchange rates at the statements of financial position, with the resulting value discounted back to present value.

The fair value of the Fund's futures is obtained from the relevant stock exchanges where the futures are listed on the financial year end date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as financial assets/liabilities at fair value through profit or loss.

J UNITHOLDERS' CAPITAL

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

- the units entitle the holder to a proportionate share of the Fund's net asset 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 a unitholder exercises the right to put the unit back to the Fund.

Units are created and cancelled at the unitholders' 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 unitholders with the total number of outstanding units.

AFFIN HWANG ABSOLUTE RETURN FUND III

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

K CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information contents of 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.

However, the Manager is of the opinion that there are no accounting policies which require significant judgment to be exercised.

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 Unlisted Capital Market Products under the Lodge and Launch Framework.

L REALISED AND UNREALISED PORTIONS OF PROFIT OR LOSS AFTER TAX

The analysis of realised and unrealised profit or loss after tax as presented on the statement of comprehensive income is prepared in accordance with SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

1 INFORMATION ON THE FUND

The Wholesale Fund was constituted under the name Affin Hwang Absolute Return Fund III (the "Fund") pursuant to the execution of a Deed dated 7 November 2014, First Supplemental Deed dated 3 August 2016, and Second Supplemental Deed dated 14 June 2017 ("the Deeds") entered into between AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) (the "Manager") and TMF Trustees Malaysia Berhad (the "Trustee").

The Fund commenced operations on 18 November 2014 and will continue its operations until terminated by the Trustee as provided under Clause 12.1 of the Deed.

The Fund may invest in any of the following investments:

- (a) Equities listed or traded on the recognised Malaysian stock exchange or any other foreign exchanges;
- (b) Unlisted equities;
- (c) Fixed income securities listed or traded on the recognised Malaysian stock exchange or any other foreign exchanges;
- (d) Unlisted fixed income securities
- (e) Money market instruments;
- (f) Debt securities which are sovereign issued, sovereign backed or sovereign guaranteed;
- (g) Derivatives;
- (h) Placement of fixed deposits with Financial Institutions;
- (i) Units/shares in collective investment schemes, both local and foreign; and
- (j) Any other form of investments as may be determined by the Manager from time to time that is in line with the Fund's objectives.

All investments will be subjected to the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, the Deeds and the objective of the Fund.

The main objective of the Fund is to provide unitholders with long term capital appreciation.

The Manager is a company incorporated in Malaysia. The principal activities of the Manager are establishment and management of unit trust funds, exchange-traded funds and private retirement schemes as well as providing fund management services to private clients. On 10 November 2022, the Manager has changed its name from Affin Hwang Asset Management Berhad to AHAM Asset Management Berhad.

The financial statements were authorised for issue by the Manager on XX August 2023.

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	<u>Note</u>	At amortised <u>cost</u> RM	At fair value through profit <u>or loss</u> RM	<u>Total</u> RM
<u>2023</u>				
<u>Financial assets</u>				
Cash and cash equivalents	9	7,631,280	-	7,631,280
Amount due from Manager				
- management fee rebate receivable		8,028	-	8,028
Dividends receivable		84,687	-	84,687
Quoted equities	8	-	57,081,095	57,081,095
Collective investment schemes	8	-	10,506,686	10,506,686
Exchange-traded funds	8	-	4,089,656	4,089,656
Total		<u>7,723,995</u>	<u>71,677,437</u>	<u>79,401,432</u>
<u>Financial liabilities</u>				
Amount due to Manager				
- management fee		65,866	-	65,866
- cancellation of units		323,570	-	323,570
Amount due to Trustee		3,623	-	3,623
Fund accounting fee		1,000	-	1,000
Auditors' remuneration		9,000	-	9,000
Tax agent's fee		3,516	-	3,516
Other payables and accruals		11,993	-	11,993
Total		<u>418,568</u>	<u>-</u>	<u>418,568</u>

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

Financial instruments are as follows: (continued)

	<u>Note</u>	At amortised <u>cost</u> RM	At fair value through profit <u>or loss</u> RM	<u>Total</u> RM
<u>2022</u>				
<u>Financial assets</u>				
Cash and cash equivalents	9	24,127,342	-	24,127,342
Margin accounts	10	2,051,982	-	2,051,982
Amount due from Manager				
- management fee rebate receivable		8,557	-	8,557
Dividends receivable		28,728	-	28,728
Quoted equities	8	-	55,648,752	55,648,752
Collective investment schemes	8	-	10,122,934	10,122,934
Exchange-traded funds	8	-	4,084,243	4,084,243
		<u>26,216,609</u>	<u>69,855,929</u>	<u>96,072,538</u>
<u>Financial liabilities</u>				
Amount due to Manager				
- management fee		79,193	-	79,193
- cancellation of units		291,901	-	291,901
Amount due to Trustee		4,355	-	4,355
Auditors' remuneration		9,000	-	9,000
Tax agent's fee		4,516	-	4,516
Other payables and accruals		12,384	-	12,384
		<u>401,349</u>	<u>-</u>	<u>401,349</u>

The Fund is exposed to a variety of risks which include market risk (including price risk, interest rate risk and currency risk), credit risk, liquidity risk and capital risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated by the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (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>2023</u> RM	<u>2022</u> RM
Quoted investments		
Quoted equities	57,081,095	55,648,752
Exchange-traded funds	4,089,656	4,084,243
	<u>61,170,751</u>	<u>59,732,995</u>
Unquoted investments		
Collective investment scheme	<u>10,506,686</u>	<u>10,122,934</u>

The following table summarises the sensitivity of the Fund's loss after taxation and net asset value to price risk movement. The analysis is based on the assumptions that the market price increased by 15% (2022: 2%) and decreased by 15% (2022: 2%) with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the quoted securities, having regard to the historical volatility of the prices.

<u>% Change in price</u>	<u>Market value</u> RM	Impact on loss after <u>tax/NAV</u> RM
<u>2023</u>		
-15%	60,925,821	(10,751,616)
0%	71,677,437	-
+15%	<u>82,429,053</u>	<u>10,751,616</u>

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

Market risk (continued)

(a) Price risk (continued)

<u>% Change in price</u>	<u>Market value</u> RM	Impact on loss after <u>tax/NAV</u> RM
<u>2022</u>		
-2%	68,458,810	(1,397,119)
0%	69,855,929	-
+2%	71,253,048	1,397,119
	<u> </u>	<u> </u>

(b) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows.

The Fund's exposure to the interest rate risk is mainly confined to short-term placement with a financial institution. The Manager overcomes this exposure by way of maintaining deposits on short-term basis.

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

(c) Currency risk

Currency risk is associated with investments denominated in foreign currencies. When the foreign currencies fluctuate in an unfavourable movement against Ringgit Malaysia, the investments will face currency losses in addition to the capital gain/(loss). The Manager will evaluate the likely directions of the foreign currency versus Ringgit Malaysia based on considerations of economic fundamentals such as interest rate differentials, balance of payments position, debt levels and technical chart considerations.

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

Market risk (continued)

(c) Currency risk (continued)

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

	<u>Quoted equities</u> RM	Collective investment <u>scheme</u> RM	Exchange-traded <u>funds</u> RM	Cash and cash <u>equivalents</u> RM	Other <u>assets*</u> RM	<u>Total</u> RM
<u>2023</u>						
Australian Dollar	-	-	-	18,511	-	18,511
Chinese Yuan	1,296,060	-	-	341,752	-	1,637,812
Euro	-	-	-	54	-	54
Hong Kong Dollar	22,537,900	-	-	2,505,619	46,619	25,090,138
Korean Won	7,180,131	-	-	-	17,222	7,197,353
Philippine Peso	-	-	-	394	-	394
Singapore Dollar	4,639,209	-	-	47,287	-	4,686,496
Thai Baht	1,576,189	-	-	-	-	1,576,189
United States Dollar	13,085,354	699,525	4,089,656	254,412	20,846	18,149,793
	<u>50,314,843</u>	<u>699,525</u>	<u>4,089,656</u>	<u>3,168,029</u>	<u>84,687</u>	<u>58,356,740</u>

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

Market risk (continued)

(c) Currency risk (continued)

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

	<u>Quoted equities</u> RM	<u>Collective investment scheme</u> RM	<u>Exchange-traded funds</u> RM	<u>Cash and cash equivalents</u> RM	<u>Margin accounts</u>	<u>Other assets*</u> RM	<u>Total</u> RM
<u>2022</u>							
Australian Dollar	3,003,566	-	-	3,351,289	-	-	6,354,855
Chinese Yuan	-	-	-	4,715,162	-	10,473	4,725,635
Euro	-	-	-	45,049	-	-	45,049
Hong Kong Dollar	24,178,377	-	-	573,637	-	-	24,752,014
Indonesian Rupiah	1,415,184	-	-	-	-	-	1,415,184
Philippine Peso	-	-	-	374	-	-	374
Singapore Dollar	6,639,605	-	-	5,189,118	-	-	11,828,723
United States Dollar	15,032,309	661,125	3,287,138	8,947,571	2,051,982	26,812	30,006,937
	<u>50,269,041</u>	<u>661,125</u>	<u>3,287,138</u>	<u>22,822,200</u>	<u>2,051,982</u>	<u>37,285</u>	<u>79,128,771</u>

* Other assets consist of amount due from Manager and dividends receivable.

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

Market risk (continued)

(c) Currency risk (continued)

The table below summarises the sensitivity of the Fund's loss after tax and net asset value to changes in foreign exchange movements. The analysis is based on the assumption that the foreign exchange rate changes by each currency's respective historical volatility, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate. Any increase/(decrease) in foreign exchange rate will result in a corresponding (decrease)/increase in the net assets attributable to unitholders by each currency's respective historical volatility. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in rate %	Impact on loss after tax/NAV RM
<u>2023</u>		
Australian Dollar	+/- 11.41	+/- 2,112
Chinese Yuan	+/- 5.63	+/- 92,134
Euro	+/- 8.09	+/- 4
Hong Kong Dollar	+/- 5.72	+/- 1,436,225
Korean Won	+/- 8.87	+/- 638,402
Philippine Peso	+/- 6.75	+/- 27
Singapore Dollar	+/- 4.47	+/- 209,472
Thai Baht	+/- 7.87	+/- 124,084
United States Dollar	+/- 5.82	+/- 1,056,582
<u>2022</u>		
Australian Dollar	+/- 8.76	+/- 556,389
Chinese Yuan	+/- 3.47	+/- 164,157
Euro	+/- 6.11	+/- 2,752
Hong Kong Dollar	+/- 3.29	+/- 814,954
Indonesian Rupiah	+/- 4.23	+/- 59,802
Philippine Peso	+/- 5.70	+/- 21
Singapore Dollar	+/- 2.94	+/- 347,574
United States Dollar	+/- 3.39	+/- 1,018,133

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (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 investments. The Manager manages the credit risk by undertaking credit evaluation to minimise such risk.

Credit risk arising from cash and bank balances is managed by ensuring that they are held by parties with credit rating of AA or higher.

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

The settlement terms of the proceeds from the creation of units receivable from the Manager are governed by the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

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

	<u>Cash and cash equivalents</u> RM	<u>Other assets*</u> RM	<u>Total</u> RM
<u>2023</u>			
Consumer Discretionary			
- NR	-	12,521	12,521
Financial Services			
- AAA	7,631,280	-	7,631,280
Real Estate			
- NR	-	34,098	34,098
Technology			
- NR	-	38,068	38,068
Others			
- NR	-	8,028	8,028
	<u>7,631,280</u>	<u>92,715</u>	<u>7,723,995</u>

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

Credit risk (continued)

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

	<u>Cash and cash equivalents</u> RM	<u>Margin accounts</u> RM	<u>Other assets*</u> RM	<u>Total</u> RM
<u>2022</u>				
Basic Materials				
- NR	-	-	891	891
Consumer Discretionary				
- NR	-	-	9,582	9,582
Financial Services				
- AAA	24,127,342	2,051,982	-	26,179,324
Technology				
- NR	-	-	11,032	11,032
Others				
- NR	-	-	15,780	15,780
	<u>24,127,342</u>	<u>2,051,982</u>	<u>37,285</u>	<u>26,216,609</u>

* Other assets consist of amount due from Manager and dividends receivable.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations. The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellation 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.

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

Liquidity risk (continued)

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

	Within one month RM	Between one month to one year RM	Total RM
<u>2023</u>			
Amount due to Manager			
- management fee	65,866	-	65,866
- cancellation of units	323,570	-	323,570
Amount due to Trustee	3,623	-	3,623
Fund accounting fee	1,000	-	1,000
Auditors' remuneration	-	9,000	9,000
Tax agent's fee	-	3,516	3,516
Other payables and accruals	-	11,993	11,993
	394,059	24,509	418,568
	394,059	24,509	418,568
<u>2022</u>			
Amount due to Manager			
- management fee	79,193	-	79,193
- cancellation of units	291,901	-	291,901
Amount due to Trustee	4,355	-	4,355
Auditors' remuneration	-	9,000	9,000
Tax agent's fee	-	4,516	4,516
Other payables and accruals	-	12,384	12,384
	375,449	25,900	401,349
	375,449	25,900	401,349

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

Capital risk

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

3 FAIR VALUE ESTIMATION

Financial instruments comprise financial assets and financial liabilities. Fair value is defined as 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 (such as trading securities) is based on quoted market prices at the close of trading on the financial year end date. The Fund utilises the current bid price for financial assets which fall within the bid-ask spread.

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

The fair value of financial assets and financial liabilities 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.

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

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

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>2023</u>				
Financial assets at fair value through profit or loss				
- quoted equities	57,081,095	-	-	57,081,095
- collective investment scheme	9,807,161	-	699,525	10,506,686
- exchange-traded funds	4,089,656	-	-	4,089,656
	<u>70,977,912</u>	<u>-</u>	<u>699,525</u>	<u>71,677,437</u>
<u>2022</u>				
Financial assets at fair value through profit or loss				
- quoted equities	55,648,752	-	-	55,648,752
- collective investment scheme	9,461,809	-	661,125	10,122,934
- exchange-traded funds	4,084,243	-	-	4,084,243
	<u>69,194,804</u>	<u>-</u>	<u>661,125</u>	<u>69,855,929</u>

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

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

Level 3 instruments

Investment classified within Level 3 make use of significant unobservable inputs in deriving fair value, as they trade infrequently. As observable prices are not available for these securities, the Fund has used valuation techniques to derive the fair value.

In assessing fair value of Sotella Fund Redeemable Preference Shares (“RPS”), the valuation assessments are performed by Camelot Trust Pte Ltd, the Sotella fund administrator who reports to the Manager on a weekly basis.

As at 30 June 2023 and 2022, the fair value of Sotella Fund RPS are measured at fair value equivalent to the aggregate cost which are essentially asset-backed private debt. In this case, the assets underlying the debt comprises land assets.

As with most fixed-income-like securities, the fair value of Sotella Fund RPS may be calculated using the discounted value of its cash flows, and which is largely predicated on the discount rate used. As a manner of approach and prudence, any calculated gains above par are not captured as unrealised gains.

In addition, an annual market value check is undertaken on the underlying asset through an independent third-party assessment for the land pieces held in lien by Sotella Fund. The assessed and third-party verified value has historically and to-date represent an over-collateralisation of the principal investment by Sotella Fund.

With the above, the Manager is in the view that the fair value of Sotella Fund RPS is equivalent to the aggregate cost.

(ii) The carrying values of cash and cash equivalents, margin accounts, amount due from Manager, dividend receivables and all current liabilities are a reasonable approximation of the fair values due to their short-term nature.

4 MANAGEMENT FEE

In accordance with the Deeds, the Manager is entitled to a management fee at a rate not exceeding 5.00% per annum on the NAV of the Fund, calculated on a daily basis.

For the financial year ended 30 June 2023, the management fee is recognised at a rate of 1.00% per annum (2022: 1.00%) 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.

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

5 TRUSTEE FEE

In accordance with the Deeds, the Trustee is entitled to an annual fee at a rate not exceeding 0.10% per annum on the NAV of the Fund, exclusive of foreign custodian fees.

For the financial year ended 30 June 2023, the Trustee fee is recognised at a rate of 0.055% (2022: 0.055%) per annum on the NAV of the Fund, calculated on a daily basis, exclusive of foreign custodian fees as stated in the Information Memorandum.

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

6 FUND ACCOUNTING FEE

The fund valuation and accounting fee for the Fund is RM13,000 (2022: RM12,000) for the financial year.

7 TAXATION

	<u>2023</u> RM	<u>2022</u> RM
Current taxation	233,655	29,464
Underprovision of taxation in prior year	-	180
	<u>233,655</u>	<u>29,644</u>

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

	<u>2023</u> RM	<u>2022</u> RM
Net profit/(loss) before taxation	<u>229,390</u>	<u>(25,628,625)</u>
Tax at Malaysian statutory tax rate of 24% (2022: 24%)	55,054	(6,150,870)
Tax effects of:		
(Investment income not subject to tax)/Investment loss not brought to tax	(118,709)	5,657,647
Expenses not deductible for tax purposes	93,244	222,752
Restrictions on tax deductible expenses for Wholesale Funds	204,066	270,471
Foreign income subject to different tax rate	-	29,464
Underprovision of taxation in prior year	-	180
Tax expense	<u>233,655</u>	<u>29,644</u>

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2023</u> RM	<u>2022</u> RM
Financial assets at fair value through profit or loss:		
- quoted equities – local	6,766,252	5,379,711
- quoted equities – foreign	50,314,843	50,269,041
- collective investment scheme – local	9,807,161	9,461,809
- collective investment scheme – foreign	699,525	661,125
- exchange-traded funds – local	-	797,105
- exchange-traded funds – foreign	4,089,656	3,287,138
	<u>71,677,437</u>	<u>69,855,929</u>
Net loss on financial assets at fair value through profit or loss:		
- realised loss on sale of investments	(4,703,570)	(14,420,555)
- unrealised gain/(loss) on changes in fair value	4,308,851	(12,229,920)
- management fee rebate on exchange-traded funds and collective investment schemes #	100,558	101,436
	<u>(294,161)</u>	<u>(26,549,039)</u>

In arriving at the fair value of exchange-traded funds and collective investment schemes, the management fee initially paid to the Manager of exchange-traded funds and collective investment schemes have been considered as part of its net asset value. In order to prevent the double charging of management fee which is not permissible under SC's Guidelines, management fee charged on the Fund's investments in exchange-traded funds and collective investment schemes have been fully refunded to the Fund. Accordingly, any rebate of management fee received from the Manager of exchange-traded funds and collective investment schemes is reflected as an increase in the net asset value of the exchange-traded funds and collective investment schemes.

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

(a) Quoted equities – local

(i) Quoted equities – local as at 30 June 2023 are as follows:

<u>Name of counters</u>	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Energy</u>				
Yinson Holdings Berhad	2,390,600	4,678,564	6,096,031	7.71
<u>Technology</u>				
AwanBiru Technology Berhad	1,131,933	685,969	458,433	0.58
<u>Warrant</u>				
Yinson Holdings Berhad - Warrant	336,171	-	211,788	0.27
Total quoted equities – local	3,858,704	5,364,533	6,766,252	8.56
Accumulated unrealised gain on quoted equities – local		1,401,719		
Total quoted equities – local		6,766,252		

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

(a) Quoted equities – local (continued)

(ii) Quoted equities – local as at 30 June 2022 are as follows:

<u>Name of counters</u>	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Consumer Discretionary</u>				
AwanBiru Technology Berhad	1,131,933	685,969	435,794	0.46
<u>Energy</u>				
Yinson Holdings Berhad	2,390,600	4,678,564	4,757,294	4.97
<u>Warrant</u>				
AwanBiru Technology Berhad - Warrant	400,033	-	74,006	0.08
Yinson Holdings Berhad - Warrant	336,171	-	112,617	0.12
	736,204	-	186,623	0.20
Total quoted equities – local	4,258,737	5,364,533	5,379,711	5.63
Accumulated unrealised gain on quoted equities – local		15,178		
Total quoted equities – local		5,379,711		

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

(b) Quoted equities – foreign

(i) Quoted equities - foreign as at 30 June 2023 are as follows:

<u>Name of counters</u>	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>China</u>				
<u>Consumer Discretionary</u>				
China Tourism Group Duty Free Co Ltd	13,940	1,539,673	878,514	1.11
<u>Health Care</u>				
Shenzhen Mindray Bio-Medical Electronics Co Ltd	6,730	1,352,022	1,296,060	1.64
<u>Hong Kong</u>				
<u>Basic Materials</u>				
Ganfeng Lithium Co Ltd	27,590	912,311	839,001	1.06
<u>Consumer Discretionary</u>				
Alibaba Group Holding Ltd	72,380	4,205,361	3,497,555	4.43
Li Ning Company Ltd	83,710	2,732,912	2,097,246	2.65
Samsonite International SA	67,710	893,010	890,502	1.13
	223,800	7,831,283	6,485,303	8.21
<u>Consumer Staples</u>				
Budweiser Brewing Company APAC	170,000	2,072,943	2,038,515	2.58
China Mengniu Dairy Co Ltd	131,900	2,911,976	2,315,564	2.93
Vinda International Holdings	20,810	258,856	240,250	0.30
	322,710	5,243,775	4,594,329	5.81
<u>Financial Services</u>				
AIA Group Ltd	77,800	3,669,950	3,662,234	4.63
<u>Real Estate</u>				
Link REIT	48,231	1,606,608	1,248,549	1.58

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities - foreign as at 30 June 2023 are as follows: (continued)

<u>Name of counters</u>	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Hong Kong (continued)</u>				
<u>Technology</u>				
Meituan	12,960	1,274,390	942,467	1.19
Tencent Holdings Ltd	19,700	4,222,129	3,887,503	4.92
	<u>32,660</u>	<u>5,496,519</u>	<u>4,829,970</u>	<u>6.11</u>
<u>South Korea</u>				
<u>Health Care</u>				
Hugel Inc	2,050	989,141	797,139	1.01
<u>Technology</u>				
Samsung Electro-Mechanics Co Ltd	3,566	1,743,417	1,821,927	2.31
Samsung Electronics Co Ltd	13,869	3,012,049	3,542,948	4.48
SK Hynix Inc	2,500	809,636	1,018,117	1.29
	<u>19,935</u>	<u>5,565,102</u>	<u>6,382,992</u>	<u>8.08</u>
<u>Singapore</u>				
<u>Financial Services</u>				
United Overseas Bank Ltd	12,430	1,204,126	1,195,568	1.52
Vertex Technology Acquisition Corporation Ltd	36,300	558,584	580,250	0.73
	<u>48,730</u>	<u>1,762,710</u>	<u>1,775,818</u>	<u>2.24</u>
<u>Real Estate</u>				
CapitaLand Integrated Commercial Trust	438,000	2,930,437	2,860,771	3.62

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities - foreign as at 30 June 2023 are as follows: (continued)

<u>Name of counters</u>	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Singapore</u> (continued)				
<u>Warrant</u>				
Vertex Technology Acquisition Corporation Ltd - Warrant	10,890	-	2,620	-
<u>Taiwan</u>				
<u>Technology</u>				
Taiwan Semiconductor Manufacturing Co Ltd	12,643	5,540,710	5,948,538	7.54
<u>Thailand</u>				
<u>Health Care</u>				
CP ALL PCL	191,650	1,641,197	1,576,189	1.99
<u>United States</u>				
<u>Consumer Discretionary</u>				
Amazon.com Inc	3,553	1,921,418	2,158,663	2.73
<u>Industrials</u>				
Berry Global Group Inc	6,523	1,749,680	1,956,615	2.48
<u>Technology</u>				
Microsoft Corporation	1,904	1,019,753	3,021,538	3.82
Total quoted equities – foreign	1,489,339	50,772,289	50,314,843	63.67
Accumulated unrealised loss on quoted equities – foreign		(457,446)		
Total quoted equities – foreign		50,314,843		

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities - foreign as at 30 June 2022 are as follows:

<u>Name of counters</u>	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Australia</u>				
<u>Consumer Staples</u>				
Bega Cheese Ltd	73,558	1,224,082	850,689	0.89
<u>Energy</u>				
Santos Ltd	37,857	868,917	851,492	0.89
<u>Health Care</u>				
Sonic Healthcare Ltd	12,992	1,481,813	1,301,385	1.36
<u>Hong Kong</u>				
<u>Basic Materials</u>				
Ganfeng Lithium Co Ltd	7,000	311,934	339,580	0.35
<u>Consumer Discretionary</u>				
Alibaba Group Holding Ltd	53,400	3,368,845	3,357,013	3.51
JD.com Inc	21,100	3,493,741	2,996,686	3.13
Li Ning Company Limited	31,700	1,147,064	1,293,828	1.35
Topsports International Hld	245,300	1,229,302	979,826	1.02
	351,500	9,238,952	8,627,353	9.01
<u>Consumer Staples</u>				
Budweiser Brewing Company APAC	157,800	1,929,497	2,083,323	2.18
China Mengniu Dairy Co Ltd	88,100	2,064,836	1,937,713	2.03
	245,900	3,994,333	4,021,036	4.21
<u>Financial Services</u>				
AIA Group Ltd	68,700	3,278,388	3,280,631	3.43
China Merchant Bank Co Ltd	53,900	1,460,155	1,588,240	1.66

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities - foreign as at 30 June 2022 are as follows: (continued)

<u>Name of counters</u>	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Hong Kong (continued)</u>				
<u>Financial Services (continued)</u>				
Hong Kong Exchange & Clearing	4,500	902,021	975,847	1.02
	<u>127,100</u>	<u>5,640,564</u>	<u>5,844,718</u>	<u>6.11</u>
<u>Technology</u>				
Baidu Inc	17,300	1,394,827	1,443,292	1.51
Tencent Holdings Ltd	19,600	4,512,135	3,902,398	4.08
	<u>36,900</u>	<u>5,906,962</u>	<u>5,345,690</u>	<u>5.59</u>
<u>Indonesia</u>				
<u>Consumer Staples</u>				
Cisarua Mountain Dairy PT TBK	1,159,200	1,049,322	1,415,184	1.48
	<u>1,159,200</u>	<u>1,049,322</u>	<u>1,415,184</u>	<u>1.48</u>
<u>Singapore</u>				
<u>Financials</u>				
Vertex Technology Acquisition Corporation Ltd	36,300	558,584	540,646	0.57
	<u>36,300</u>	<u>558,584</u>	<u>540,646</u>	<u>0.57</u>
<u>Real Estate</u>				
CapitaLand Integrated Commercial Trust	438,000	2,930,437	2,998,033	3.13
Keppel Pacific Oak US REIT	333,398	1,037,415	1,028,616	1.08
Mapletree North Asia Commercial Trust	813,643	2,554,849	3,094,024	3.23
Prime US REIT	714,614	2,644,877	2,110,273	2.21
	<u>2,299,655</u>	<u>9,167,578</u>	<u>9,230,946</u>	<u>9.65</u>

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities - foreign as at 30 June 2022 are as follows: (continued)

<u>Name of counters</u>	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Singapore (continued)</u>				
<u>Warrant</u>				
Vertex Technology Acquisition Corporation Ltd - Warrant	10,890	-	6,902	0.01
<u>Taiwan</u>				
<u>Technology</u>				
Taiwan Semiconductor Manufacturing Co Ltd	6,780	3,403,404	2,445,314	2.56
<u>United States</u>				
<u>Consumer Discretionary</u>				
LVMH Moet Hennessy LV SE	2,650	1,708,924	1,427,514	1.49
Yum China Holdings Inc	5,474	1,104,155	1,171,108	1.22
	8,124	2,813,079	2,598,622	2.71
<u>Health Care</u>				
Syneos Health Inc	6,309	2,445,359	1,993,200	2.08

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities - foreign as at 30 June 2022 are as follows: (continued)

<u>Name of counters</u>	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>United States (continued)</u>				
<u>Technology</u>				
Alphabet Inc - Class C	206	2,453,216	1,986,384	2.08
Microsoft Corporation	2,535	1,357,707	2,869,900	3.00
	<u>2,741</u>	<u>3,810,923</u>	<u>4,856,284</u>	<u>5.08</u>
Total quoted equities – foreign	<u>4,422,806</u>	51,915,806	<u>50,269,041</u>	<u>52.55</u>
Accumulated unrealised loss on quoted equities – foreign		<u>(1,646,765)</u>		
Total quoted equities – foreign		<u>50,269,041</u>		

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

(c) Collective investment scheme – local

(i) Collective investment scheme – local as at 30 June 2023 are as follows:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
Affin Hwang INR Flexi Fund *	3,379,000	4,585,303	4,601,184	5.82
Affin Hwang TWD Flexi Fund *	2,098,000	5,425,664	5,205,977	6.59
	<u>5,477,000</u>	<u>10,010,967</u>	<u>9,807,161</u>	<u>12.41</u>
Accumulated unrealised loss on collective investment scheme – local		<u>(203,806)</u>		
Total collective investment scheme – local		<u>9,807,161</u>		

* Managed by the Manager

(ii) Collective investment scheme – local as at 30 June 2022 are as follows:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
Affin Hwang INR Flexi Fund *	3,915,000	5,312,655	4,870,260	5.09
Affin Hwang TWD Flexi Fund *	2,173,000	5,786,482	4,591,549	4.80
	<u>6,088,000</u>	<u>11,099,137</u>	<u>9,461,809</u>	<u>9.89</u>
Accumulated unrealised loss on collective investment scheme – local		<u>(1,637,328)</u>		
Total collective investment scheme – local		<u>9,461,809</u>		

* Managed by the Manager

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

(d) Collective investment scheme – foreign

(i) Collective investment scheme – foreign as at 30 June 2023 are as follows:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
Sotella Fund Pte. Ltd Class A1 -USD *	3	665,550	699,525	0.89
Total collective investment scheme – foreign	<u>3</u>	<u>665,550</u>	<u>699,525</u>	<u>0.89</u>
Accumulated unrealised gain on collective investment scheme – foreign		<u>33,975</u>		
Total collective investment scheme – foreign		<u><u>699,525</u></u>		

(ii) Collective investment scheme – foreign as at 30 June 2022 are as follows:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
Sotella Fund Pte. Ltd Class A1 -USD *	3	665,550	661,125	0.69
Total collective investment scheme – foreign	<u>3</u>	<u>665,550</u>	<u>661,125</u>	<u>0.69</u>
Accumulated unrealised loss on collective investment scheme – foreign		<u>(4,425)</u>		
Total collective investment scheme – foreign		<u><u>661,125</u></u>		

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

(d) Collective investment scheme – foreign (continued)

*Sotella Fund Pte Ltd (“Sotella Fund”) Redeemable Preference Shares (“RPS”)

The Sotella Fund RPS are essentially asset-backed private debt. In this case, the assets underlying the debt comprises land assets.

As with most fixed-income-like securities, the fair value of the Sotella Fund RPS may be calculated using the discounted value of its cash flows, and which is largely predicated on the discount rate used. As a manner of approach and prudence, any calculated gains above par are not captured as unrealised gains.

In addition, an annual market value check is undertaken on the underlying asset (via an independent third-party assessment), for the land pieces held in lien by Sotella Fund. The assessed and third-party verified value has historically and to-date represent an over-collateralisation of the principal investment by Sotella Fund.

Sotella Fund RPS is currently undergoing legal proceedings initiated by the manager of Sotella Fund, Lyra Capital Pte Ltd. The counterparty of the Sotella Fund has defaulted on its obligations and whilst settlement discussions are ongoing, legal proceedings have concurrently been initiated to exercise the rights of the fund to recover amounts owing. These rights include a lienholder’s caveat on parcels of land acting as security of the Sotella Fund, as well as an undertaking by the parent companies of the counterparty. The Manager will continue to monitor ongoing progress with inputs from the manager of Sotella Fund as well as the appointed solicitor in the Manager’s assessment of the recoverability of the investment.

In the current case of Sotella Fund RPS, the Manager will continue to value the investment at cost or at par due to the following reasons:-

1. The current collateral is valued at RM188 million based on the professional valuation report dated 2 March 2022. As a prudent approach, the Manager has applied a force sale value of 50% to the value indicated in the valuation report on the basis that the land would be sold within a year.
Note: Based on market practices force sale values are typically at a 40% discount to a valuation report value.
2. Based on the force sale value coupled with what has been distributed thus far by the Sotella Fund, will be adequate to cover the principal invested hence the Manager will continue to value it at cost or at par.

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

(e) Exchange-traded funds – local

(i) There is no investment in exchange-traded funds – local as at 30 June 2023.

(ii) Exchange-traded funds – local as at 30 June 2022 are as follows:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
TradePlus S&P New China Tracker	140,000	771,453	797,105	0.83
Total exchange-traded funds – local	<u>140,000</u>	<u>771,453</u>	<u>797,105</u>	<u>0.83</u>
Accumulated unrealised gain on exchange-traded funds – local		<u>25,652</u>		
Total exchange-traded funds – local		<u><u>797,105</u></u>		

(f) Exchange-traded funds – foreign

(i) Exchange-traded funds – foreign as at 30 June 2023 are as follows:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
Global X Uranium ETF	15,889	1,863,033	1,607,934	2.03
iShares 20+ Year Treasury Bond ETF	109,814	2,435,217	2,481,722	3.14
Total exchange-traded funds – foreign	<u>125,703</u>	<u>4,298,250</u>	<u>4,089,656</u>	<u>5.17</u>
Accumulated unrealised loss on exchange-traded funds – foreign		<u>(208,594)</u>		
Total exchange-traded funds – foreign		<u><u>4,089,656</u></u>		

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

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

(f) Exchange-traded funds – foreign (continued)

(ii) Exchange-traded funds – foreign as at 30 June 2022 are as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
Global X Uranium ETF	15,889	1,863,033	1,300,471	1.36
iShares 20+ Year Treasury Bond ETF	3,925	1,919,420	1,986,667	2.08
	<hr/>	<hr/>	<hr/>	<hr/>
Total exchange-traded funds – foreign	19,814	3,782,453	3,287,138	3.44
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Accumulated unrealised loss on exchange-traded funds – foreign		(495,315)		
		<hr/>		
Total exchange-traded funds – foreign		3,287,138		
		<hr/> <hr/>		

9 CASH AND CASH EQUIVALENTS

	<u>2023 RM</u>	<u>2022 RM</u>
Cash and bank balances	3,187,159	22,847,138
Deposits with licensed financial institutions	4,444,121	1,280,204
	<hr/>	<hr/>
	7,631,280	24,127,342
	<hr/> <hr/>	<hr/> <hr/>

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

	<u>2023 %</u>	<u>2022 %</u>
Deposits with licensed financial institutions	3.00	2.00
	<hr/> <hr/>	<hr/> <hr/>

Deposits with licensed financial institutions has an average day to maturity of 3 days (2022: 1 day).

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

10 MARGIN ACCOUNTS

Margin accounts represent margin deposits held in respect of open exchange-traded futures contracts.

11 NUMBER OF UNITS IN CIRCULATION

	<u>2023</u>	<u>2022</u>
	No. of units	No. of units
At the beginning of the financial year	141,498,000	161,450,000
Creation of units arising from applications	229,000	845,000
Cancellation of units	(25,214,000)	(20,797,000)
At the end of the financial year	<u>116,513,000</u>	<u>141,498,000</u>

12 TRANSACTIONS WITH BROKERS/DEALERS

(i) Details of transactions with the top 10 brokers and dealers for the financial year ended 30 June 2023 are as follows:

<u>Name of brokers/dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage fees</u> %
CLSA Ltd	17,450,382	15.53	33,462	22.11
Robert W. Baird & Co.	13,815,312	12.29	3,949	2.61
Flow Traders	9,623,695	8.56	-	-
AHAM Asset Management Bhd (formerly known as Affin Hwang Asset Management Bhd) *	7,868,489	7.00	-	-
DBS Bank Limited	7,538,660	6.71	-	-
Macquarie Capital Securities Ltd	6,037,933	5.37	11,491	7.59
Bank of America Merrill Lynch	5,507,936	4.90	14,163	9.36
Jefferies International Ltd	5,070,879	4.51	6,440	4.25
CLSA Securities Korea Ltd	4,296,661	3.82	10,742	7.10
Alliance Bernstein (Singapore) Ltd	3,591,364	3.20	5,601	3.70
Others*	31,587,425	28.11	65,513	43.28
	<u>112,388,736</u>	<u>100.00</u>	<u>151,361</u>	<u>100.00</u>

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

12 TRANSACTIONS WITH BROKERS/DEALERS (CONTINUED)

(ii) Details of transactions with the top 10 brokers and dealers for the financial year ended 30 June 2022 are as follows:

<u>Name of brokers/dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage fees</u> %
Robert W. Baird & Co.	62,564,310	21.30	9,682	1.94
CLSA Ltd	26,909,040	9.16	37,530	7.52
China International Capital Corp HK Securities Ltd	22,036,552	7.50	55,091	11.05
Bank of America Merrill Lynch	16,643,339	5.66	79,279	15.89
Jefferies International Ltd	14,779,979	5.03	12,770	2.56
AHAM Asset Management Bhd (formerly known as Affin Hwang Asset Management Bhd) *	12,918,649	4.40	-	-
Alliance Bernstein (Singapore) Ltd	12,599,600	4.29	16,130	3.24
JP Morgan Securities (Asia Pacific) Ltd	12,075,123	4.11	26,431	5.30
Credit Suisse (Hong Kong) Ltd	11,090,075	3.77	29,242	5.86
Citigroup Global Markets Inc	10,504,778	3.58	21,010	4.21
Others*	91,675,809	31.20	211,647	42.43
	<u>293,797,254</u>	<u>100.00</u>	<u>498,812</u>	<u>100.00</u>

* Included in transactions with brokers and dealers are trades in the stockbroking industry with Affin Hwang Investment Bank Bhd, the former immediate holding company of the Manager, and the Manager amounting to RM784,238 and RM7,868,489 (2022: RM6,237,098 and RM12,918,649), respectively. The Manager is of the opinion that all transactions with the former immediate holding company of the Manager and the Manager have been entered in the normal course of business at agreed terms between the related parties.

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

13 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

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

<u>Related parties</u>	<u>Relationship</u>
CVC Capital Partners Asia V L.P. ("CVC Asia V")	Ultimate holding company of the Manager
Lembaga Tabung Angkatan Tentera ("LTAT")	Substantial shareholder of the Manager and former ultimate holding corporate body of the Manager
Affin Bank Berhad ("ABB")	Former penultimate holding company of the Manager
Affin Hwang Investment Bank Berhad Manager	Former immediate holding company of the Manager
Starlight TopCo Limited	Penultimate holding company of the Manager
Starlight Universe Limited	Intermediate holding company of the Manager
Starlight Asset Sdn Bhd	Immediate holding company of the Manager
Nikko Asset Management Co., Ltd ("NAM")	Substantial shareholder of the Manager
Nikko Asset Management International Limited ("NAMI")	Former substantial shareholder of the Manager
AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) ("AHAM") Berhad	The Manager
Subsidiaries and associated companies of CVC Asia V as disclosed in their financial statements	Subsidiaries and associated companies of the ultimate holding company of the Manager
Subsidiaries and associated companies of ABB as disclosed in its financial statements	Subsidiaries and associated companies of the former penultimate holding company of the Manager
Directors of AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)	Directors of the Manager

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

13 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER (CONTINUED)

The number of units held by the Manager as at the end of the financial year are as follows:

	<u>2023</u>	<u>2022</u>	
No. of units	RM	No. of units	
		RM	
<u>The Manager:</u>			
AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) (The units are held legally for booking purposes)	3,269	2,217	2,662
	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>

Other than the above, there were no units held by the Director or parties related to the Manager.

14 TOTAL EXPENSE RATIO ("TER")

	<u>2023</u>	<u>2022</u>
	%	%
TER	1.14	1.12
	<u>1.14</u>	<u>1.12</u>

TER is derived from the following calculation:

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

A	=	Management fee, excluding management fee rebate
B	=	Trustee fee
C	=	Fund accounting fee
D	=	Auditors' remuneration
E	=	Tax agent's fee
F	=	Other expenses, excluding sales and service tax on transaction costs and withholding tax
G	=	Average NAV of Fund calculated on a daily basis

The average NAV of the Fund for the financial year calculated on a daily basis is RM84,104,090 (2022: RM111,725,175).

AFFIN HWANG ABSOLUTE RETURN FUND III

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

15 PORTFOLIO TURNOVER RATIO (“PTR”)

	<u>2023</u>	<u>2022</u>
PTR (times)	<u>0.76</u>	<u>1.38</u>

PTR is derived from the following calculation:

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

where: total acquisition for the financial year = RM62,554,189 (2022: RM141,034,602)
total disposal for the financial year = RM65,277,287 (2022: RM167,365,834)

16 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Change in corporate shareholding of AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)

On 28 January 2022, Affin Bank Berhad announced that funds advised by CVC Capital Partners, a leading global private equity and investment advisory firm with approximately US\$125 billion of assets under management, has agreed to acquire approximately 68% of the equity interest in AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad).

The Acquisition has been approved by Securities Commissions Malaysia on 1 July 2022, and upon completion of the Acquisition on 29 July 2022, AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) has ceased to be a subsidiary of Affin Hwang Investment Bank Berhad.

Change in substantial shareholders of AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)

On 19 April 2023, Nikko Asset Management International Limited (“NAMI”) has divested all its equity interest of 27% in AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) to Nikko Asset Management Co., Ltd (“NAM”) for 20% and the remaining 7% of the equity interest to Lembaga Tabung Angkatan Tentera (“LTAT”) resulting in both NAM and LTAT becoming substantial shareholders of the Manager.

AFFIN HWANG ABSOLUTE RETURN FUND III

STATEMENT BY THE MANAGER

I, Dato' Teng Chee Wai, for and on behalf of the board of directors of the Manager, **AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)**, do hereby state that in the opinion of the Manager, the financial statements set out on pages 1 to 48 are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the financial position of the Fund as at 30 June 2023 and of its financial performance, changes in equity and cash flows for the financial year ended 30 June 2023 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,
AHAM ASSET MANAGEMENT BERHAD
(FORMERLY KNOWN AS AFFIN HWANG ASSET MANAGEMENT BERHAD)

DATO' TENG CHEE WAI
EXECUTIVE DIRECTOR/MANAGING DIRECTOR

Kuala Lumpur
28 August 2023

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG ABSOLUTE RETURN FUND III

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Affin Hwang Absolute Return Fund III (“the Fund”) give a true and fair view of the financial position of the Fund as at 30 June 2023, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 30 June 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 48.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Emphasis of matter

We draw attention to Note 8 to the financial statements, which describes the status of the Fund's investment in the collective investment scheme of which the counterparty of its sole investment in the redeemable preference shares has defaulted during the financial year. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF AFFIN HWANG ABSOLUTE RETURN FUND III
(CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Manager for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF AFFIN HWANG ABSOLUTE RETURN FUND III
(CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF AFFIN HWANG ABSOLUTE RETURN FUND III
(CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

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

**INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF AFFIN HWANG ABSOLUTE RETURN FUND III
(CONTINUED)**

OTHER MATTERS

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

**PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants**

**Kuala Lumpur
28 August 2023**

DIRECTORY OF SALES OFFICE

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AHAM Asset Management Berhad

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