

THIS IS A SECOND SUPPLEMENTAL INFORMATION MEMORANDUM WHICH HAS TO BE READ IN CONJUNCTION WITH THE INFORMATION MEMORANDUM DATED 27 MARCH 2015 AND SUPPLEMENTAL INFORMATION MEMORANDUM DATED 15 AUGUST 2016

This second supplemental information memorandum is dated 8 February 2017 (“Second Supplemental Information Memorandum”) and must be read together with the information memorandum dated 27 March 2015 and Supplemental Information Memorandum dated 15 August 2016 (“Information Memorandum”) for Affin Hwang Flexi Fund III (hereinafter is referred to as “the Fund”).

Manager:

Affin Hwang Asset Management Berhad (429786-T)

Trustee:

TMF Trustees Malaysia Berhad (610812-W)

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS SECOND SUPPLEMENTAL INFORMATION MEMORANDUM WHICH IS TO BE READ TOGETHER WITH THE INFORMATION MEMORANDUM DATED 27 MARCH 2015 AND SUPPLEMENTAL INFORMATION MEMORANDUM DATED 15 AUGUST 2016. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

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Responsibility Statements

This Second Supplemental Information Memorandum has been seen and approved by the directors of Affin Hwang Asset Management Berhad and they collectively and individually accept full responsibility for the accuracy of all information contained herein and confirm, having made all enquiries which are reasonable in the circumstances, that to the best of their knowledge and belief, there are no other facts omitted which would make any statement herein misleading.

Statements of Disclaimer

The Securities Commission Malaysia has authorised the Fund, which is the subject of this Second Supplemental Information Memorandum, and the authorisation shall not be taken to indicate that the Securities Commission Malaysia recommends the investment.

The Securities Commission Malaysia will not be liable for any non-disclosure on the part of Affin Hwang Asset Management Berhad and takes no responsibility for the contents of the Second Supplemental Information Memorandum, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon the whole or any part of the contents of this Second Supplemental Information Memorandum.

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN DOUBT ON THE ACTION TO BE TAKEN SHOULD CONSULT PROFESSIONAL ADVISERS IMMEDIATELY.

Additional Information

This Second Supplemental Information Memorandum is not intended to and will not be issued and distributed in any country or jurisdiction other than in Malaysia ("Foreign Jurisdiction"). Consequently, no representation has been and will be made as to its compliance with the laws of any Foreign Jurisdiction. Accordingly, no issue or sale of Units of the Fund to which this Second Supplemental Information Memorandum relates, is made in any Foreign Jurisdiction or under any circumstances, where such action is unauthorised.

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Unless otherwise provided in this Second Supplemental Information Memorandum, all the capitalized terms used herein shall have the same meanings as ascribed to them in the Information Memorandum.

EXPLANATORY NOTE

- Benchmark of the Fund

The benchmark is now amended from “Quantshop MGS All Index + 200 basis points” to “Absolute return of 7% per annum”.

A. GENERAL AMENDMENT

Any reference of “Quantshop MGS All Index + 200 basis points” will be replaced with “Absolute return of 7% per annum”.

B. CHAPTER 1 – GLOSSARY

Page 7 of the Information Memorandum

The definition of “**Hurdle Value**” is hereby deleted in its entirety and replaced with the following:-

“Means the minimum value that needs to be achieved before the Manager is eligible for a performance fee. The Hurdle Value is calculated by adding 7% per annum to the HWM and is determined daily. Further explanation and illustration are found in section 6.6 of this Info Memo.”

C. CHAPTER 2 – KEY DATA

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The information on the “**Performance Benchmark**” is hereby deleted in its entirety and replaced with the following: -

Performance Benchmark	Absolute return of 7% per annum
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D. CHAPTER 3 – FUND DETAILS

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The information on the “**Performance Benchmark**” is hereby deleted in its entirety and replaced with the following: -

“Absolute return of 7% per annum

Please note that unlike fixed deposits which generally provide a guarantee on capital invested and carry a specific rate of return, this Fund does not provide guarantee on capital contributed nor does it guarantee a fixed rate of return.”

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E. CHAPTER 4 – FEES AND CHARGES

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The information on the “**Performance Fee**” is hereby deleted in its entirety and replaced with the following: -

“The Manager will earn a 20% performance fee on the appreciation in the NAV per Unit over and above the Hurdle Value during a Performance Period. However, in the interest of investors, the Manager imposes a Hurdle Value, which is HWM plus 7.0%, in which the Fund’s performance has to exceed before the Manager is eligible for a performance fee.

The performance fee is calculated and readjusted on a daily basis. Although calculation is on a daily basis, the performance fee is only payable to the Manager at the end of each Performance Periods in the following events:

- (a) Where on the last Business Day of a Performance Period, the NAV per Unit (before performance fee) is higher than the Hurdle Value (see illustration 1 and illustration 2 below); and
- (b) The Manager receives a repurchase request at the time when the NAV per Unit (before performance fee) is higher than the Hurdle Value, during the Performance Period. Hence, performance fee is chargeable to the redeeming Unit Holder regardless of the Fund’s performance at the end of the particular Performance Period (see illustration 4 below).

1. Determining the High Water Mark (HWM) and Setting the Hurdle Value

At the beginning of a Performance Period, the Manager will firstly determine the HWM. The HWM will be the closing NAV per Unit on the last Business Day of the Performance Period or the HWM of the preceding Performance Period, whichever is the higher. For example, if the NAV per Unit on the last Business Day of the 1st Performance Period is RM 0.55 (which is higher than the HWM for the preceding Performance Period i.e. RM 0.50), then the HWM for 2nd Performance Period will be RM 0.55. However, if the NAV per Unit on the last Business Day of the 1st Performance Period is RM 0.48 (which is lower than the HWM for the preceding Performance Period i.e. RM 0.50), then the HWM for the 2nd Performance Period will be RM 0.50.

Next, a Hurdle Value will be determined. A Hurdle Value is the minimum value that needs to be achieved before the Manager is eligible to earn performance fee. The Hurdle Value is calculated by adding 7.0% to the HWM. For example, in Year 1, the HWM is RM 0.50. The Hurdle Value is therefore RM 0.5350 (i.e. RM 0.50 x 1.07). The Hurdle Value for each subsequent Performance Period is reset at the beginning of the Performance Period based on the latest HWM.

Illustration 1:

Assuming in Year 1, the price is RM 0.50 and there are no subscription and repurchase requests during the Performance Period. The HWM and Hurdle Value are as follows:

Table 1:

1st Performance Period	The Fund’s 1st financial year
NAV per Unit @ beginning of Year 1	RM 0.5000
HWM for 1 st Performance Period	RM 0.5000
Hurdle Value for 1 st Performance Period (which is RM 0.50 x 1.07)	RM 0.5350

Therefore, the HWM for the 1st Performance Period is RM 0.5000 and hence, the Hurdle Value of RM 0.5350.

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Table 2:

2nd Performance Period	The Fund's 2nd financial year
NAV per Unit @ beginning of Year 1 = HWM for 1 st Performance Period	RM 0.5000
Hurdle Value for 1 st Performance Period	RM 0.5350
NAV per Unit @ end of Year 1	RM 0.5500
HWM for 2 nd Performance Period	RM 0.5500
Hurdle Value for 2 nd Performance Period (which is RM 0.55 x 1.07)	RM 0.5885

Based on Table 2 above, on the last Business Day of the 1st Performance Period, the NAV per Unit of the Fund rises to RM 0.5500, which is higher than the HWM for the 1st Performance Period. As a result, the HWM for 2nd Performance Period will be reset and the HWM will be RM 0.5500.

As the HWM is now RM 0.5500, the new Hurdle Value for Year 2 will be RM 0.5885.

Table 3:

3rd Performance Period	The Fund's 3rd financial year
NAV per Unit @ beginning of Year 2 = HWM for 2 nd Performance Period	RM 0.5500
Hurdle Value for 2 nd Performance Period	RM 0.5885
NAV per Unit @ end of Year 2	RM 0.5300
HWM for 3 rd Performance Period	RM 0.5500
Hurdle Value for 3 rd Performance Period (which is RM 0.55 x 1.07)	RM 0.5885

Based on Table 3 above, assuming the NAV per Unit on the last Business Day of the 2nd Performance Period fell to RM 0.5300, which is lower than HWM for the 2nd Performance Period. The HWM for the 3rd Performance Period will not be reset and it will be the same as the HWM of the 2nd Performance Period.

The HWM remains as RM 0.5500, the Hurdle Value for Year 3 will be RM 0.5885.

2. Calculation of Performance Fee

The purpose of calculating and readjusting the performance fee on a daily basis is to take into account the calculation of the NAV per Unit for subscription and repurchase requests.

Illustration 2:

Assuming there is no subscription or repurchase request during the entire Performance Period, thus Units in Circulation is the same throughout the entire Performance Period.

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Table 4:

Day	Units in Circulation (UIC)	NAV per Unit (before performance fee) (a)	NAV per Unit (after performance fee)	High Water Mark (RM)	Hurdle Value (HWM x 1.07) (b)	Performance Fee "[(a-b) x 20%] x UIC (RM)
1	500,000	0.5000	0.5000	0.5000	0.5350	0.00
2	500,000	0.5100	0.5100	0.5000	0.5350	0.00
3	500,000	0.5300	0.5300	0.5000	0.5350	0.00
4	500,000	0.5500	0.5470	0.5000	0.5350	1500.00
5	500,000	0.5600	0.5550	0.5000	0.5350	2500.00
6	500,000	0.5650	0.5590	0.5000	0.5350	3000.00
7	500,000	0.5800	0.5710	0.5000	0.5350	4500.00
8	500,000	0.5600	0.5550	0.5000	0.5350	2500.00
9	500,000	0.5350	0.5350	0.5000	0.5350	0.00
10	500,000	0.5200	0.5200	0.5000	0.5350	0.00
11	500,000	0.6000	0.5870	0.5000	0.5350	6500.00
↓						
365	500,000	0.5500	0.5470	0.5000	0.5350	1500.00

Based on the figures in Table 4 above, the HWM for the Performance Period is RM 0.5000 which is also the NAV per Unit on Day 1 and hence, the Hurdle Value is RM 0.5350. Let us assume that on day 4, the NAV per Unit (before performance fee) is RM 0.5500, while the Hurdle Value is RM 0.5350, with the Units in Circulation of 500,000 Units.

Performance fee = (The difference between the NAV per Unit (before performance fee) and the Hurdle Value) x 20% x Total number of Units in Circulation of the Fund

$$\begin{aligned}
 &= (\text{RM } 0.5500 - \text{RM } 0.5350) \times 20\% \times 500,000 \text{ Units} \\
 &= \text{RM } 0.0030 \times 500,000 \\
 &= \text{RM } 1500
 \end{aligned}$$

Based on the figures in Table 4 above, the performance fee, if any, will be readjusted* on a daily basis. On day 365, which is the last Business Day, the NAV per Unit (before performance fee) appears higher than the Hurdle Value; therefore a performance fee of RM 1500 will be charged and payable to the Manager at the end of the Performance Period.

* Adjustment is by reversing the daily accrued performance fee payable to the Manager. For example, on Day 5, the accrued performance fee from Day 4 which is RM 1,500 will be reversed.

Note: Where the difference between the NAV per Unit on the last Business Day of the Performance Period and the Hurdle Value is a negative figure, no performance fee is payable to the Manager.

Illustration 3:

Where there is a subscription request by a Unit Holder during the Performance Period, the chargeable performance fee (if any) on the day of the subscription will be reflected in the NAV per Unit (after performance fee).

Illustration is based on the Day 4 figures in Table 4 above:-

HWM	= RM 0.5000
Hurdle Value	= RM 0.5350
NAV per Unit (before performance fee)	= RM 0.5500
NAV per Unit (after performance fee)	= RM 0.5470

The NAV per Unit payable by the Unit Holder would be RM 0.5470, i.e. Selling Price.

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Illustration 4:

Where there is a repurchase request by a Unit Holder during the Performance Period, the chargeable performance fee (if any) will be calculated as follows:

Illustration is based on the Day 11 figures in Table 4 above:

Number of Units repurchased by Unit Holder	= 5,000 Units
Hurdle Value for the Performance Period	= RM 0.5350
NAV per Unit (before performance fee) @ Day 11	= RM 0.6000

The repurchase request is received by the Manager on Day 11 of the Performance Period where the NAV per Unit is higher than the Hurdle Value of the Performance Period. Hence, the Fund performed and the Manager is entitled to the performance fee, as follows:-

(The difference between the NAV per unit on the Business Day when the redemption occurred and the Hurdle Value) x total number of Units redeemed x 20%
= (RM 0.6000 – RM 0.5350) x 5,000 Units x 20%
= RM 65.00*

** During the Performance Period, such amount will be maintained in the account payable of the Fund and will be paid to the Manager at the end of the Performance Period."*