

SECOND SUPPLEMENTAL PROSPECTUS FOR AFFIN HWANG SELECT INCOME FUND

Manager : **Affin Hwang Asset Management Berhad**
Registration Number: 199701014290 (429786-T)

Trustee : **HSBC (Malaysia) Trustee Berhad**
Registration Number: 193701000084 (1281-T)

This Second Supplemental Prospectus is dated 10 February 2022.

The Affin Hwang Select Income Fund was constituted on 6 January 2005.
The constitution date of the Fund is also the launch date of the Fund.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS SECOND SUPPLEMENTAL PROSPECTUS WHICH IS TO BE READ TOGETHER WITH THE PROSPECTUS DATED 18 JULY 2017 AND FIRST SUPPLEMENTAL PROSPECTUS DATED 17 SEPTEMBER 2021. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 3 OF THE PROSPECTUS DATED 18 JULY 2017.



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

THIS IS A SECOND SUPPLEMENTAL PROSPECTUS WHICH HAS TO BE READ IN CONJUNCTION WITH THE PROSPECTUS DATED 18 JULY 2017 AND THE FIRST SUPPLEMENTAL PROSPECTUS DATED 17 SEPTEMBER 2021

Responsibility Statements

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

Statements of Disclaimer

The Securities Commission Malaysia has authorised the Fund and a copy of this Second Supplemental Prospectus has been registered with the Securities Commission Malaysia.

The authorisation of the Fund, and registration of this Second Supplemental Prospectus, should not be taken to indicate that Securities Commission Malaysia recommends the said Fund or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in the Prospectus dated 18 July 2017, the First Supplemental Prospectus dated 17 September 2021 or this Second Supplemental Prospectus.

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

Additional Statements

Investors should note that they may seek recourse under the *Capital Markets and Services Act 2007* for breaches of securities laws including any statement in this Second Supplemental Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Second Supplemental Prospectus or the conduct of any other person in relation to the Fund.

This Second Supplemental Prospectus 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 to which this Second Supplemental Prospectus relates may be made in any Foreign Jurisdiction or under any circumstances where such action is unauthorised.



INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF INVESTORS ARE UNABLE TO MAKE THEIR OWN EVALUATION, THEY ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS.

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Unless otherwise provided in this Second Supplemental Prospectus, all the capitalised terms used herein shall have the same meanings as ascribed to them in the Prospectus dated 18 July 2017 as amended by the First Supplemental Prospectus dated 17 September 2021 ("Prospectus").

EXPLANATORY NOTES

This Second Supplemental Prospectus is issued to inform investors of the changes to the Fund in relation to its investment strategy, benchmark and designated fund managers.

A. ABOUT AFFIN HWANG SELECT INCOME FUND

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BENCHMARK

The information in this section is hereby deleted in its entirety and replaced with the following:

"The benchmark will be a combination of Maybank 12-month fixed deposit rate, weighting at 70% for the fixed income investments and MSCI AC Asia Pacific ex Japan High Dividend Yield Index, weighting at 30% for the equities investment.*

* The risk profile of this Fund is different from the risk profile of the benchmark.

As there are no direct indices to track a similar strategy that the Fund intends to employ, the Manager has decided to adopt a customised composite benchmark to reflect the Fund's investment strategy i.e. 70% Maybank 12-month fixed deposit rate and 30% MSCI AC Asia Pacific ex Japan High Dividend Yield Index. The Manager believes that this weighting for the indices will reflect the Fund's investment strategy and asset allocation.

The Maybank 12-month fixed deposit rate has been selected as it aims to reflect the performance of the investment opportunities related to investments into fixed income instruments. The Maybank 12-month fixed deposit rate represents the performance benchmark relating to interest bearing instruments.

Note: The performance benchmark will be measured in MYR terms as the investments are made in MYR.

Investors may obtain information on the performance benchmark from the Manager upon request."

Pages 8 – 9 of the Prospectus

INVESTMENT STRATEGY

The information in this section is hereby deleted in its entirety and replaced with the following:

"The Fund will focus on achieving its objective by investing in a diversified portfolio consisting a minimum of 70% of its NAV in debentures, money market instruments and/or deposits, and a maximum of 30% of its NAV in equities. The portfolio composition is aimed at providing investors with a regular income, as well as potential capital growth through price appreciation of its investments. The Fund will invest primarily in Asia Pacific ex Japan companies. The Fund may also invest a smaller portion of its NAV in other regions.

We will combine a top-down and bottom-up investment approach to identify investment opportunities. When making investment decisions for debentures, money market instruments and deposits, macroeconomic trends and market analysis are the important considerations in deriving the top-down perspective on interest rate outlook, fixed income market and currency movement. For its bottom-up approach, we would conduct analysis on the issuers to assess its ability to service its debt obligations.

The Fund's investment in debentures would consist of government and corporate bonds. The selection of debentures will not be constrained by credit ratings of issuances. However, the selection will depend largely on its quality where the respective issuers display strong ability to meet their financial obligations, healthy cash-flow, the collateral type, value, claims priority as well as offer highest safety for timely payment of interest and principal.

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For its equity portion, the Fund intends to focus on dividend yielding equities with the aim of enhancing income and returns for the Fund. As such, we would adopt a bottom-up strategy where individual stock analysis forms the primary building blocks for portfolio construction and stock selection. The Fund focuses on higher dividend paying sectors where cash flows are more resilient, and selected lower dividend yielding stocks with prospects of growing its dividends to achieve an element of capital growth in addition to dividend yield on a total return basis.

Key factors which are useful to the identification of such companies would include sales and profit growth, financial strength and gearing levels, capital expenditure levels as well as management's commitment towards rewarding shareholders via dividends or capital repayments. The dividends provided by these companies would be a source of income from which the Fund would then declare income distributions to you.

The Fund is actively managed and the frequency of trading of securities is dependent on market opportunities.

The Fund's investments in foreign markets are limited to countries where the regulatory authorities are ordinary or associate members of the International Organization of Securities Commissions (IOSCO).

To achieve its objective, the Fund will also have the flexibility to invest in warrants, as well as collective investment schemes that have similar investment objective to the Fund.

Derivatives

Derivative trades may be carried out for hedging purposes through financial instruments including, but not limited to, forward contracts, futures contracts and swaps. Future and forward contracts are generally contracts between two parties to trade an asset at an agreed price on a pre-determined future date whereas swaps is an agreement to swap or exchange two financial instruments between two parties.

The intention of hedging is to protect the value of the asset from any adverse price movements. For example, to hedge against foreign currency exchange risk, the Fund may enter into a currency forward contract to offset any adverse foreign currency movements by determining an agreed rate for an agreed tenure with its counterparty. While the hedging transactions will assist with mitigating the potential foreign exchange losses by the Fund, any potential foreign exchange gains from the hedging strategy will be capped as well.

Structured Products

We may also invest in structured products such as, but not limited to, equity-linked notes, and credit-linked notes. Investment in these structured products will provide the Fund with the exposure to the reference asset. Each of these structured products has its own targeted maturity and will expose investors to the price fluctuations of, in the case of an equity-linked note, the stock that the equity-linked note is linked to. As a result, any fluctuation in the price of the structured product may also lead to fluctuations in the NAV of the Fund i.e., if the price of the structured product sees a drop in price, the NAV of the Fund will also be negatively impacted. As the structured product is structured by an external party, investments in a structured product will also expose the Fund to counterparty risk, which we will attempt to mitigate by carrying out a stringent selection process on its counterparty prior to an investment being made. Risks associated with the investments in structured products will also be mitigated by limiting the Fund's total exposure to not more than 10% of the Fund's NAV.

Temporary Defensive Position

We hold the option to take temporary defensive positions that may be inconsistent with the Fund's principal strategy and asset allocation to protect the Fund against adverse market conditions that may negatively impact the financial markets. To manage the risk of the Fund, we may shift the Fund's focus and exposure into lower risk investments such as money market instruments and/or deposits."

B. THE MANAGER

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DESIGNATED FUND MANAGER

The information in this section is hereby deleted in its entirety and replaced with the following:

“Mr Ooi Phee Lip – Senior Portfolio Manager
(for fixed income portion)

Mr Ooi Phee Lip joined AHAM in 2010 and has been working in the fixed income division. Currently, he serves as a portfolio manager responsible for managing unit trust funds and discretionary portfolio managers for high net worth clients. Additionally, he is also part of the research team covering the resources sectors. Prior to joining AHAM, he spent 5 years at RAM Rating Services Sdn. Bhd (“RAM”). His last role with RAM was as a manager, specializing in structured finance transactions as well as performing credit analysis on corporates and banks. Mr Ooi Phee Lip graduated with a Bachelor of Science (Industrial Engineering) from Arizona State University, United States of America in 2002 and is a Chartered Financial Analyst (CFA) charterholder.

Ms Tan Angie – Senior Portfolio Manager
(for equity portion)

Ms Tan Angie joined AHAM in June 2011. Her role in AHAM includes managing equity investments and research. Ms Tan Angie has more than 10 years of experience in equities investment and research. Prior to this, she was a senior investment analyst in Pheim Asset Management Sdn Bhd (Malaysia) where she was responsible for co-managing the unit trust funds and covered the plantation, timber and auto sectors, as well as the Indonesia and Singapore markets. Ms Tan Angie graduated with a Bachelor of Commerce (Banking & Finance) from the University of Western Australia, Perth, Australia and is a Chartered Financial Analyst (CFA) charterholder.

Mr Khoo Hsien Liang – Portfolio Manager
(for equity portion)

Mr Khoo Hsien Liang has been managing equity portfolios in AHAM since 2015, managing ASEAN and regional (Asia ex-Japan) equity mandates. Since 2020, he also started managing an Asia Pacific real estate investment trust fund while co-managing income strategy portfolios with Singapore and regional mandates. Throughout his tenure as a fund manager, Mr Khoo Hsien Liang has worked as the primary analyst for various markets such as Thailand, Indonesia, Philippines and Singapore. Mr Khoo Hsien Liang also serves as the team’s geopolitical analyst.

Prior to this, Mr Khoo Hsien Liang was in AHAM’s fixed income team from 2012 to 2014 as an analyst, covering local and regional utilities and infrastructure while providing macro coverage for Latin American government bonds. He also assisted in monitoring fixed income portfolios and ensuring there was sufficient income for distribution.

Before joining AHAM, Mr Khoo Hsien Liang was a commercial loans officer in Kuwait Finance House for 3.5 years, managing a loan portfolio encompassing construction, consumer, commodities and technology. Mr Khoo is a Certified Credit Professional by the Institute of Malaysian Bankers. He graduated from Monash University with a Bachelor of Business and Commerce with a double major in Economics, Banking & Finance.”