

Affin Hwang

Absolute Return Fund II

Annual Report
31 May 2019

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



AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad (429786-T)

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

AFFIN HWANG ABSOLUTE RETURN FUND II

Annual Report and Audited Financial Statements For the Financial Year Ended 31 May 2019

| Contents | Page |
|--|------|
| FUND INFORMATION | 2 |
| FUND PERFORMANCE DATA | 4 |
| MANAGER'S REPORT | 10 |
| STATEMENT OF COMPREHENSIVE INCOME | 16 |
| STATEMENT OF FINANCIAL POSITION | 17 |
| STATEMENT OF CHANGES IN NET ASSETS | 19 |
| STATEMENT OF CASH FLOWS | 20 |
| SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES | 21 |
| NOTES TO THE FINANCIAL STATEMENTS | 30 |
| STATEMENT BY THE MANAGER | 46 |
| AUDITORS' REPORT | 47 |
| DIRECTORY OF SALES OFFICE | 51 |

FUND INFORMATION

| | |
|----------------------|--|
| Fund Name | Affin Hwang Absolute Return Fund II |
| Fund Type | Growth |
| Fund Category | Mixed Assets |
| Investment Objective | The Fund is categorised as growth fund which seeks to achieve medium to long-term capital appreciation by investing primarily in securities of developed and emerging markets globally |
| Benchmark | Absolute return of 8% per annum |
| Distribution Policy | The Fund is not expected to make distribution. However, incidental distribution may be declared whenever is appropriate. |

BREAKDOWN OF UNITHOLDERS BY MYR CLASS SIZE AS AT 31 MAY 2019

| Size of holdings (units) | No. of unitholders | No. of units held * ('000) |
|-----------------------------|--------------------|-------------------------------|
| 5,001 to 10,000 | 2 | 14 |
| 10,001 to 50,000 | 106 | 3,704 |
| 50,001 to 500,000 | 615 | 94,323 |
| 500,001 and above | 98 | 171,673 |
| Total | 821 | 269,714 |

* Note: Excluding Manager's stock

BREAKDOWN OF UNITHOLDERS BY AUD CLASS SIZE AS AT 31 MAY 2019

| Size of holdings (units) | No. of unitholders | No. of units held * ('000) |
|-----------------------------|--------------------|-------------------------------|
| 5,000 and below | - | - |
| 5,001 to 10,000 | - | - |
| 10,001 to 50,000 | - | - |
| 50,001 to 500,000 | 4 | 691 |
| 500,001 and above | 1 | 546 |
| Total | 5 | 1,237 |

* Note: Excluding Manager's stock

BREAKDOWN OF UNITHOLDERS BY USD CLASS SIZE AS AT 31 MAY 2019

| Size of holdings (units) | No. of unitholders | No. of units held * ('000) |
|-------------------------------------|---------------------------|---|
| 5,000 and below | - | - |
| 5,001 to 10,000 | - | - |
| 10,001 to 50,000 | - | - |
| 50,001 to 500,000 | 7 | 1,036 |
| 500,001 and above | 1 | 6,844 |
| Total | 8 | 7,880 |

** Note: Excluding Manager's stock*

BREAKDOWN OF UNITHOLDERS BY GBP CLASS SIZE AS AT 31 MAY 2019

| Size of holdings (units) | No. of unitholders | No. of units held * ('000) |
|-------------------------------------|---------------------------|---|
| 5,000 and below | - | - |
| 5,001 to 10,000 | - | - |
| 10,001 to 50,000 | - | - |
| 50,001 to 500,000 | - | - |
| 500,001 and above | - | - |
| Total | 0 | 0 |

** Note: Excluding Manager's stock*

BREAKDOWN OF UNITHOLDERS BY SGD CLASS SIZE AS AT 31 MAY 2019

| Size of holdings (units) | No. of unitholders | No. of units held * ('000) |
|-------------------------------------|---------------------------|---|
| 5,000 and below | - | - |
| 5,001 to 10,000 | - | - |
| 10,001 to 50,000 | - | - |
| 50,001 to 500,000 | 7 | 1,515 |
| 500,001 and above | 2 | 4,301 |
| Total | 9 | 5,816 |

** Note: Excluding Manager's stock*

FUND PERFORMANCE DATA

| Category | As at 31 May 2019 (%) | As at 31 May 2018 (%) | As at 31 May 2017 (%) |
|--|-----------------------------|-----------------------------|-----------------------------|
| Portfolio Composition | | | |
| Quoted equities – local | | | |
| - Construction | - | - | 3.94 |
| - Consumer Products | 3.36 | - | 1.61 |
| - Financials | - | - | 2.90 |
| - Industrial Products | - | - | 2.83 |
| - Technology | 3.77 | - | - |
| - Properties | - | - | 3.56 |
| - Trading / Services | - | 1.85 | 3.66 |
| - Utilities | 2.34 | - | - |
| Total quoted equities – local | 9.47 | 1.85 | 18.50 |
| Quoted equities – foreign | | | |
| - Banks | - | - | 6.69 |
| - Basic Materials | 0.45 | 2.94 | 0.71 |
| - Consumer Products | 0.45 | 6.81 | 7.65 |
| - Consumer Services | 11.47 | 6.97 | 5.85 |
| - Financials | 22.24 | 17.02 | - |
| - Financial Services | - | - | 1.86 |
| - Healthcare | - | 3.30 | - |
| - Industrial Products | 3.52 | 9.84 | 9.08 |
| - Insurance | - | - | 5.12 |
| - Oil & gas | - | 10.44 | - |
| - Preference share | - | 2.10 | - |
| - Real Estate | - | - | 1.22 |
| - REITs | - | - | 5.48 |
| - Technology | 16.39 | 14.30 | 11.04 |
| - Utilities | - | 0.34 | 2.36 |
| - Warrant | - | - | 0.07 |
| Total quoted equities – foreign | 54.52 | 74.06 | 57.13 |

FUND PERFORMANCE DATA (CONTINUED)

| Category | As at 31 May 2019 (%) | | | | | As at 31 May 2018 (%) | | | | | As at 31 May 2017 (%) |
|---|-----------------------------|-----------|-----------|-----------|-----------|-----------------------------|-----------|-----------|-----------|-----------|-----------------------------|
| Unquoted fixed income securities – foreign | - | | | | | - | | | | | - |
| Collective investment scheme – local | 5.60 | | | | | 4.91 | | | | | 3.24 |
| Collective investment scheme – foreign | 14.83 | | | | | 3.31 | | | | | 0.93 |
| Cash & cash equivalent | 15.57 | | | | | 15.87 | | | | | 20.20 |
| Total | 100.00 | | | | | 100.00 | | | | | 100.00 |
| Currency class | MYR Class | AUD Class | USD Class | GBP Class | SGD Class | MYR Class | AUD Class | USD Class | GBP Class | SGD Class | MYR Class |
| Total NAV (million) | 324.340 | 0.612 | 3.515 | 0.000 | 2.728 | 402.670 | 0.080 | 4.127 | 0.001 | 0.249 | 230.020 |
| NAV per Unit (in respective currencies) | 1.2025 | 0.4933 | 0.4459 | 0.4990 | 0.4688 | 1.3187 | 0.5196 | 0.5147 | 0.5452 | 0.5255 | 1.1970 |
| Unit in Circulation (million) | 269.717 | 1.240 | 7.883 | 0.001 | 5.819 | 305.356 | 0.154 | 8.019 | 0.001 | 0.473 | 192.158 |
| Highest NAV | 1.3427 | 0.5254 | 0.5244 | 0.5530 | 0.5336 | 1.3321 | 0.5307 | 0.5213 | 0.5462 | 0.5327 | 1.2101 |
| Lowest NAV | 1.0766 | 0.4378 | 0.4037 | 0.4472 | 0.4210 | 1.2002 | 0.4978 | 0.4990 | 0.5000 | 0.5000 | 0.9936 |
| Return of the fund ⁱⁱⁱ (%) | -8.81 | -5.06 | -13.37 | -8.47 | -10.79 | 10.17 | 3.92 | 2.94 | 9.04 | 5.10 | 18.48 |
| - Capital Return ⁱ (%) | -8.81 | -5.06 | -13.37 | -8.47 | -10.79 | 10.17 | 3.92 | 2.94 | 9.04 | 5.10 | 18.48 |
| - Income Return ⁱⁱ (%) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Gross Distribution per Unit (sen) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Net Distribution per Unit (sen) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Management Expense Ratio (%) ¹ | | | 1.06 | | | | | 1.68 | | | 4.65 |
| Portfolio Turnover Ratio (times) ² | | | 2.05 | | | | | 2.70 | | | 2.20 |

¹ The Fund's MER during the period under review was lower than previous year due to higher average NAV of the Fund during period under review.

² The Fund's PTR was lower than previous year as the Manager has decreased trading activities during the period under review.

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 | = | Capital return x Income return – 1 |

MYR Class

Capital Returnⁱ = {NAV per Unit @ 31/05/2019 ÷ NAV per Unit @ 31/05/2018* - 1} x 100
= {1.2025 ÷ 1.3187 – 1} x 100
= **-8.81%**

Total Income Returnⁱⁱ = **Nil**

Return of the Fundⁱⁱⁱ = [(1 + Capital Growth) x (1 + Total Income Return)] – 1 x 100
= [(1 – 8.81%) x (1 + 0.00%)] – 1 x 100
= **-8.81%**

AUD Class

Capital Returnⁱ = {NAV per Unit @ 31/05/2019 ÷ NAV per Unit @ 31/05/2018* - 1} x 100
= {0.4933 ÷ 0.5196 – 1} x 100
= **-5.06%**

Total Income Returnⁱⁱ = **Nil**

Return of the Fundⁱⁱⁱ = [(1 + Capital Growth) x (1 + Total Income Return)] – 1 x 100
= [(1 – 5.06%) x (1 + 0.00%)] – 1 x 100
= **-5.06%**

USD Class

Capital Returnⁱ = {NAV per Unit @ 31/05/2019 ÷ NAV per Unit @ 31/05/2018* - 1} x 100
= {0.4459 ÷ 0.5147 – 1} x 100
= **-13.37%**

Total Income Returnⁱⁱ = **Nil**

Return of the Fundⁱⁱⁱ = [(1 + Capital Growth) x (1 + Total Income Return)] – 1 x 100
= [(1 – 13.37%) x (1 + 0.00%)] – 1 x 100
= **-13.37%**

GBP Class

Capital Returnⁱ = {NAV per Unit @ 31/05/2019 ÷ NAV per Unit @ 31/05/2018* - 1} x 100
= {0.4990 ÷ 0.5452 – 1} x 100
= **-8.47%**

Total Income Returnⁱⁱ = **Nil**

Return of the Fundⁱⁱⁱ = [(1 + Capital Growth) x (1 + Total Income Return)] – 1 x 100
= [(1 – 8.47%) x (1 + 0.00%)] – 1 x 100
= **-8.47%**

SGD Class

Capital Returnⁱ = {NAV per Unit @ 31/05/2019 ÷ NAV per Unit @ 31/05/2018* - 1} x 100
= {0.4688 ÷ 0.5255 - 1} x 100
= **-10.79%**

Total Income Returnⁱⁱ = **Nil**

Return of the Fundⁱⁱⁱ = [(1 + Capital Growth) x (1 + Total Income Return)] - 1 x 100
= [(1 - 10.79%) x (1 + 0.00%)] - 1 x 100
= **-10.79%**

*Source: Deutsche Bank

Table 1: Performance of the Fund

MYR Class

| | 1 Year (1/6/18 - 31/5/19) | 3 Years (1/6/16 - 31/5/19) | 5 Years (1/6/14 - 31/5/19) | Since Commencement (8/1/08 - 31/5/19) |
|--|---------------------------------|----------------------------------|----------------------------------|---|
| Fund | (8.81%) | 19.02% | 46.15% | 140.50% |
| Benchmark | 8.00% | 25.97% | 46.96% | 140.50% |
| Outperformance / (Underperformance) | (16.81%) | (6.95%) | (0.81%) | 0.00% |

AUD Class

| | 1 Year (1/6/18 - 31/5/19) | Since Commencement (30/3/18 - 31/5/19) |
|--|------------------------------|---|
| Fund | (5.06%) | (1.34%) |
| Benchmark | 8.00% | 9.44% |
| Outperformance / (Underperformance) | (13.06%) | (10.78%) |

USD Class

| | 1 Year (1/6/18 - 31/5/19) | Since Commencement (30/3/18 - 31/5/19) |
|--|------------------------------|---|
| Fund | (13.37%) | (10.82%) |
| Benchmark | 8.00% | 9.44% |
| Outperformance / (Underperformance) | (21.37%) | (20.26%) |

GBP Class

| | 1 Year (1/6/18 - 31/5/19) | Since Commencement (30/3/18 - 31/5/19) |
|--|------------------------------|---|
| Fund | (8.47%) | (0.20%) |
| Benchmark | 8.00% | 9.44% |
| Outperformance / (Underperformance) | (16.47%) | (9.64%) |

SGD Class

| | 1 Year (1/6/18 - 31/5/19) | Since Commencement (30/3/18 - 31/5/19) |
|--|--------------------------------------|---|
| Fund | (10.79%) | (6.24%) |
| Benchmark | 8.00% | 9.44% |
| Outperformance / (Underperformance) | (18.79%) | (15.68%) |

Table 2: Average Total Return

MYR Class

| | 1 Year (1/6/18 - 31/5/19) | 3 Years (1/6/16 - 31/5/19) | 5 Years (1/6/14 - 31/5/19) | Since Commencement (8/1/08 - 31/5/19) |
|--|--------------------------------------|---------------------------------------|---------------------------------------|--|
| Fund | (8.81%) | 5.98% | 7.88% | 8.00% |
| Benchmark | 8.00% | 8.00% | 8.00% | 8.00% |
| Outperformance / (Underperformance) | (16.81%) | (2.02%) | (0.12%) | 0.00% |

AUD Class

| | 1 Year (1/6/18 - 31/5/19) | Since Commencement (30/3/18 - 31/5/19) |
|--|--------------------------------------|---|
| Fund | (5.06%) | (1.14%) |
| Benchmark | 8.00% | 8.00% |
| Outperformance / (Underperformance) | (13.06%) | (9.14%) |

USD Class

| | 1 Year (1/6/18 - 31/5/19) | Since Commencement (30/3/18 - 31/5/19) |
|--|--------------------------------------|---|
| Fund | (13.37%) | (9.30%) |
| Benchmark | 8.00% | 8.00% |
| Outperformance / (Underperformance) | (21.37%) | (17.30%) |

GBP Class

| | 1 Year (1/6/18 - 31/5/19) | Since Commencement (30/3/18 - 31/5/19) |
|--|--------------------------------------|---|
| Fund | (8.47%) | (0.17%) |
| Benchmark | 8.00% | 8.00% |
| Outperformance / (Underperformance) | (16.47%) | (8.17%) |

SGD Class

| | 1 Year (1/6/18 - 31/5/19) | Since Commencement (30/3/18 - 31/5/19) |
|--|--------------------------------------|---|
| Fund | (10.79%) | (5.35%) |
| Benchmark | 8.00% | 8.00% |
| Outperformance / (Underperformance) | (18.79%) | (13.35%) |

Table 3: Annual Total Return

MYR Class

| | FYE 2019 (1/6/18 - 31/5/19) | FYE 2018 (1/6/17 - 31/5/18) | FYE 2017 (1/6/16 - 31/5/17) | FYE 2016 (1/6/15 - 31/5/16) | FYE 2015 (1/6/14 - 31/5/15) |
|--|--|--|--|--|--|
| Fund | (8.81%) | 10.17% | 18.48% | 5.83% | 16.02% |
| Benchmark | 8.00% | 8.00% | 8.00% | 8.02% | 8.00% |
| Outperformance / (Underperformance) | (16.81%) | 2.17% | 10.48% | (2.19%) | 8.02% |

AUD Class

| | FYE 2019 (1/6/18 - 31/5/19) | FYE 2018 (30/3/18 - 31/5/18) |
|--|--|---|
| Fund | (5.06%) | 3.92% |
| Benchmark | 8.00% | 1.34% |
| Outperformance / (Underperformance) | (13.06%) | 2.58% |

USD Class

| | FYE 2019 (1/6/18 - 31/5/19) | FYE 2018 (30/3/18 - 31/5/18) |
|--|--|---|
| Fund | (13.37%) | 2.94% |
| Benchmark | 8.00% | 1.34% |
| Outperformance / (Underperformance) | (21.37%) | 1.60% |

GBP Class

| | FYE 2019 (1/6/18 - 31/5/19) | FYE 2018 (30/3/18 - 31/5/18) |
|--|--|---|
| Fund | (8.47%) | 9.04% |
| Benchmark | 8.00% | 1.34% |
| Outperformance / (Underperformance) | (16.47%) | 7.70% |

SGD Class

| | FYE 2019 (1/6/18 - 31/5/19) | FYE 2018 (30/3/18 - 31/5/18) |
|--|--|---|
| Fund | (10.79%) | 5.10% |
| Benchmark | 8.00% | 1.34% |
| Outperformance / (Underperformance) | (18.79%) | 3.76% |

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

MANAGER'S REPORT

Performance Review

MYR Class

For the period under review from 1 June 2018 to 31 May 2019, the Fund registered a return of -8.81%. Compared to the Benchmark return of 8.00%, the Fund underperformed the Benchmark by 16.81%. The Net Asset Value ("NAV") per unit of the Fund as at 31 May 2019 was RM 1.2025 compared to the NAV per unit of 31 May 2018 was RM 1.3187.

AUD Class

For the period under review from 1 June 2018 to 31 May 2019, the Fund – AUD class registered a return of -5.06%. Compared to the Benchmark return of 8.00%, the Fund underperformed the Benchmark by -13.06%. The Net Asset Value ("NAV") per unit of the Fund as at 31 May 2019 was AUD0.4933 compared to the NAV per unit of 31 May 2018 was AUD0.5196.

USD Class

For the period under review from 1 June 2018 to 31 May 2019, the Fund – USD class registered a return of -13.37%. Compared to the Benchmark return of 8.00%, the Fund underperformed the Benchmark by 21.37%. The Net Asset Value ("NAV") per unit of the Fund as at 31 May 2019 was USD0.4459 compared to the NAV per unit of 31 May 2018 was USD0.5147.

GBP Class

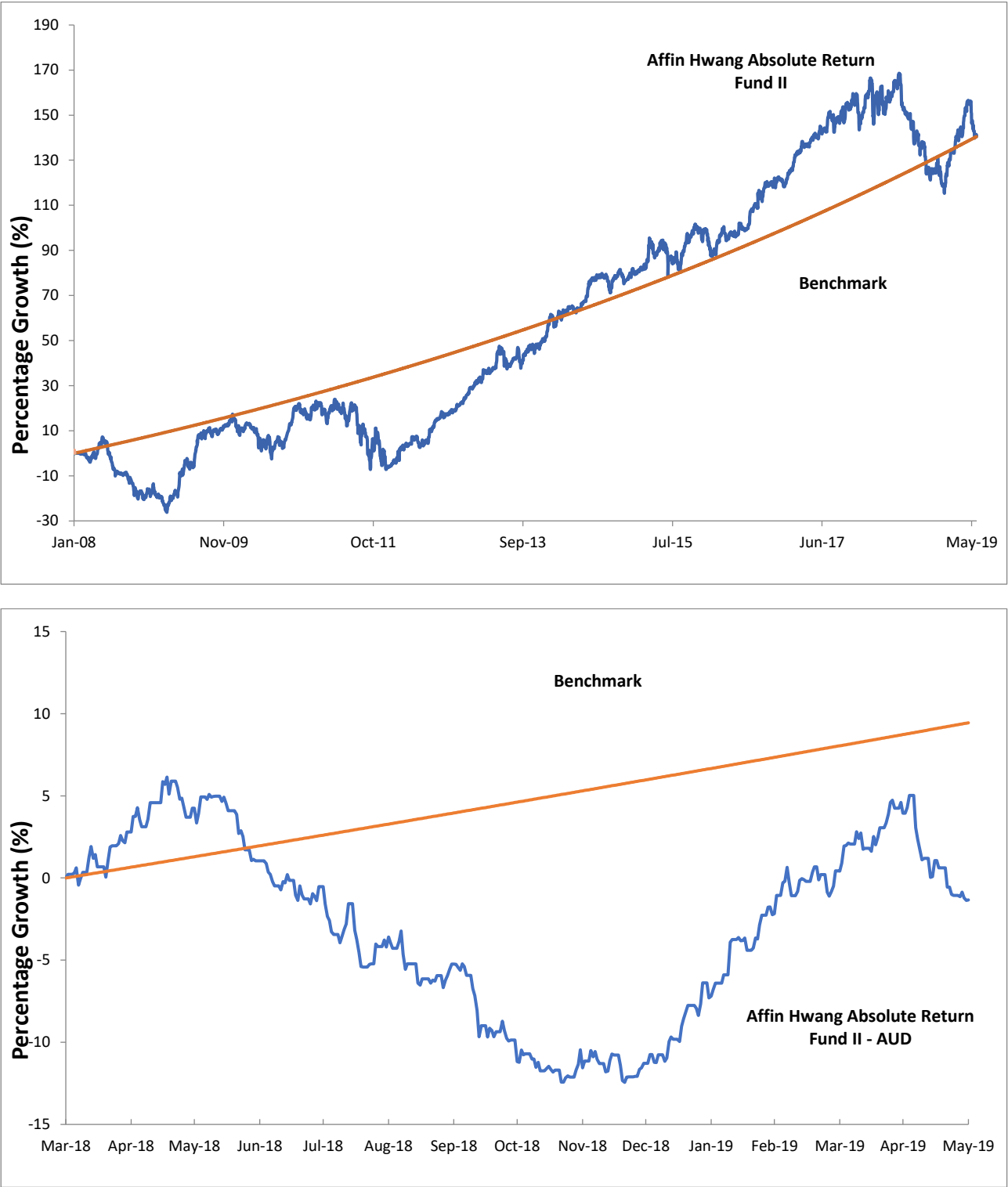
For the period under review from 1 June 2018 to 31 May 2019, the Fund – GBP class registered a return of -8.47%. Compared to the Benchmark return of 8.00%, the Fund underperformed the Benchmark by 16.47%. The Net Asset Value ("NAV") per unit of the Fund as at 31 May 2019 was GBP0.4990 compared to the NAV per unit of 31 May 2018 was GBP0.5452.

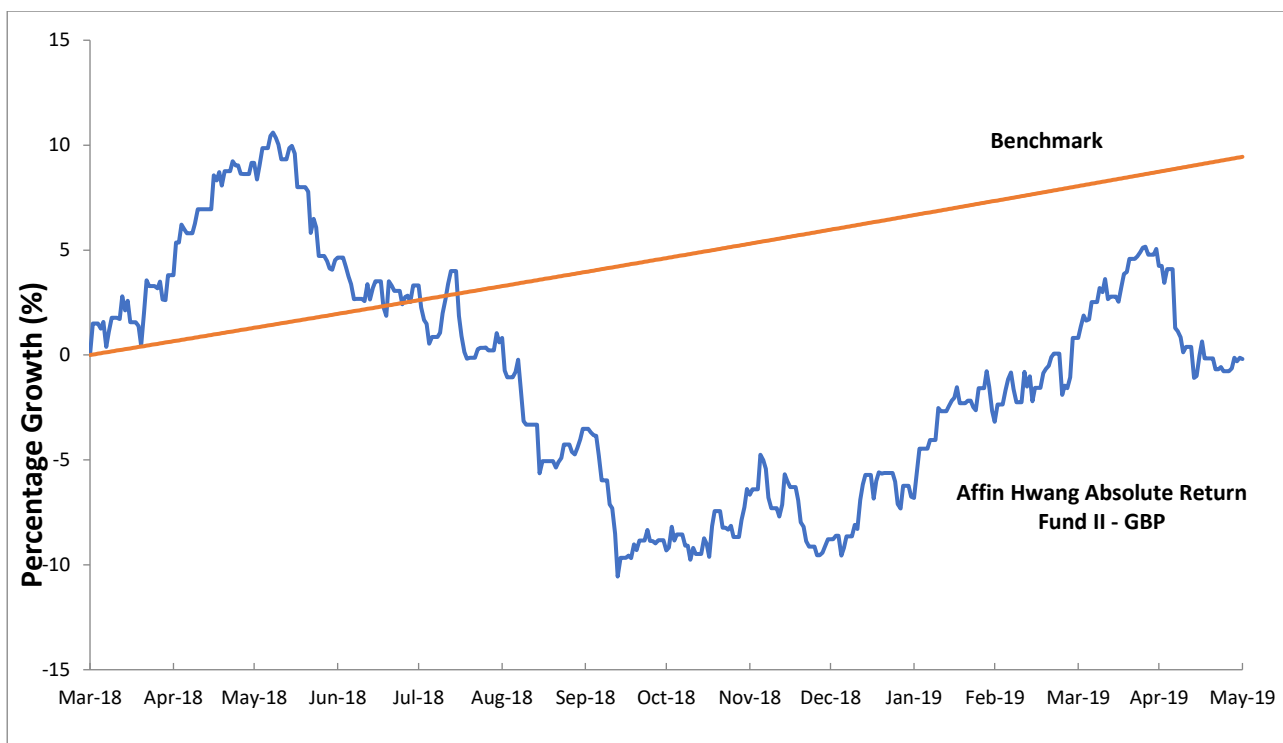
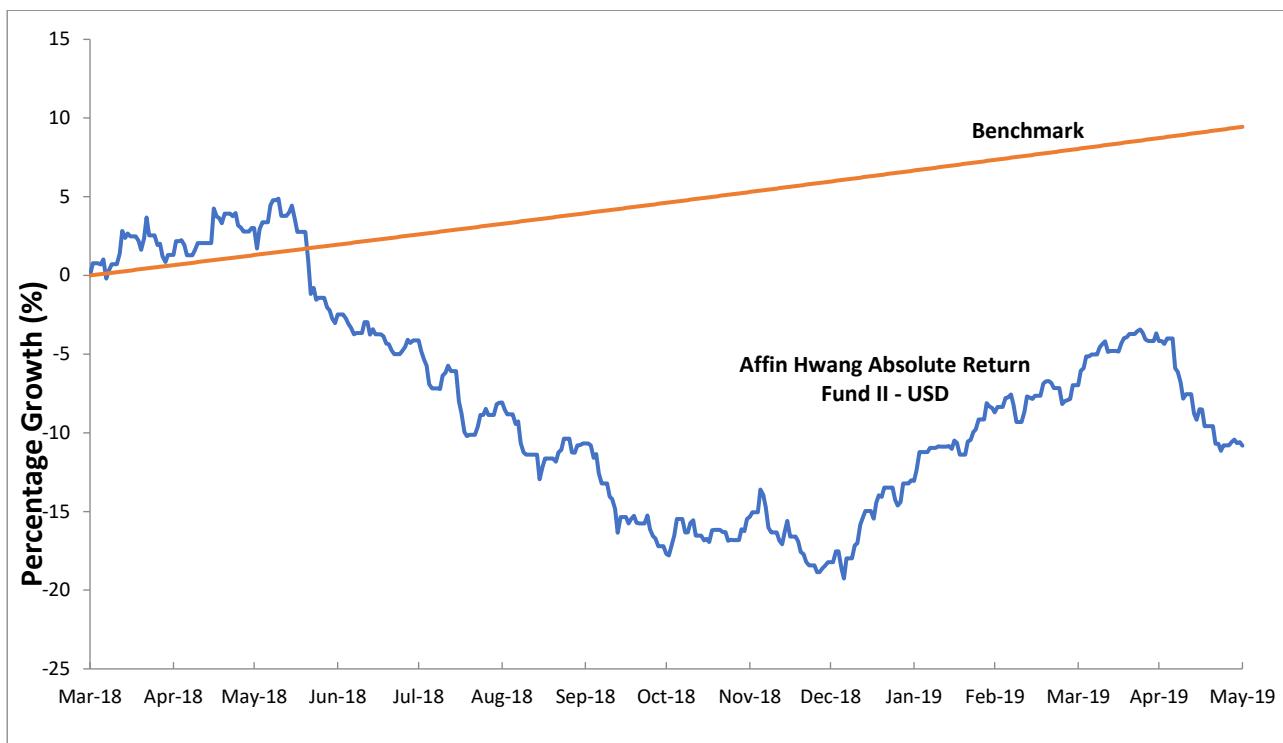
SGD Class

For the period under review from 1 June 2018 to 31 May 2019, the Fund – SGD class registered a return of -10.79%. Compared to the Benchmark return of 8.00%, the Fund underperformed the Benchmark by 18.79%. The Net Asset Value ("NAV") per unit of the Fund as at 31 May 2019 was SGD0.4688 compared to the NAV per unit of 31 May 2018 was SGD0.4286.

During the period under review, the Fund had recorded negative returns based on the change in its NAV per unit for respective classes. The Fund did not meet its objective to achieve capital appreciation during the period under review but will continue to strive to meet its objective of achieving capital appreciation over the medium to long term. (See Table 1 for performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

Figure 1: Movement of the Fund versus the Benchmark







"This information is prepared by Affin Hwang Asset Management Berhad (AFFINHWANG AM) 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: Absolute return of 8% per annum

Income Distribution / Unit Split

No income distributions or unit splits were declared for the financial year ended 31 May 2019.

Asset Allocation

For a snapshot of the Fund's asset mix during the period under review, please refer to Figure 2.

Figure 2: Asset allocation of the Fund

| | <u>31 May 2019</u> | <u>31 May 2018</u> | <u>31 May 2017</u> |
|--|---------------------------|---------------------------|---------------------------|
| | <u>(%)</u> | <u>(%)</u> | <u>(%)</u> |
| Quoted equities – local | 9.47 | 1.85 | 18.50 |
| Quoted equities – foreign | 54.52 | 74.06 | 57.13 |
| Collective investment scheme – local | 5.60 | 4.91 | 3.24 |
| Collective investment scheme – foreign | 14.83 | 3.31 | 0.93 |
| Cash & cash equivalent | 15.58 | 15.87 | 20.20 |
| Total | 100.00 | 100.00 | 100.00 |

As at 31 May 2019, the asset allocation of the Fund stood at 64% in equities, 20.43% in collective investment scheme while the balance was held in cash and cash equivalent.

During the period under review, the Manager had increased its exposure in domestic equities from 1.85% to 9.47% - investing into sectors like Consumer Product & Services, Technology and Utilities. Exposure in foreign equities on the other hand, had decreased by 19.54 percentage points to 54.52% from 74.06%. The Manager had reduced allocations in sectors such as Basic Materials, Consumer Products and Industrial Products, and sectors like Healthcare, Oil & Gas and Utilities were totally stripped off. Over the same period, the Manager also allocated higher weightage into foreign collective investment schemes compare to previous year.

Strategies Employed

With the return of volatility in markets, we raised our cash holdings and went into a defensive stance in our allocation, deploying into domestic-driven sectors that are less directly impacted from trade tariffs. As the sell-down accelerated, we took a view that the correction was overdone and a recession was not imminent, where we then deployed into the market with a focus on quality.

Market Review

To recap, Emerging markets (EMs) saw a “tantrum-like” sell-off in 2018 where investors’ appetite for risk-assets tapered off significantly on the back of fractious developments within Turkey and Argentina that have sent both their currencies into free fall. Investors ploughed back money into the US on signs of quicker growth, rising interest rates and a stronger greenback that has undermined the attraction of riskier EM assets.

Trade remained a key overhang of markets following tit-for-tat tariffs, where the Trump administration announced 10.0% duties on USD200 billion worth of Chinese imports which took effect on September 2018. China swiftly retaliated by imposing tariffs of their own on USD60 billion worth of US goods ranging between 5.0-10.0%. The two global powerhouses have already slapped tariffs on USD50 billion worth of goods throughout its trade skirmish.

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

On the local front, the 14th General Election (GE14) concluded with jaw-dropping results that stunned political pundits and pollsters. In a watershed election, the opposition won GE14 by wresting traditionally held strongholds from the incumbent by taking over states such as Johor, Kedah, and Melaka. Tun Dr. Mahathir aged 93 returns to parliament with a second stint as Prime Minister pledging institutional and fiscal reforms for the country.

Extensive kitchen-sinking and cost-cutting exercises embarked by the new government led to a fierce sell-off at the initial stage of the power transition. Construction stocks and politically-linked counters bore the brunt of the sell-off, as major infrastructure projects were reviewed and big-ticket items such as the Kuala Lumpur-Singapore High-Speed Rail (HSR) and the Mass Rapid Transit Line 3 (MRT3) project were scrapped. A massive clean-up that has swept across various institutions in the country post GE-14 saw numerous GLC & GLIC heads fall into the fray.

Coming into 2019, markets staged a fast and furious early-year rally that fuelled gains in Asian equity benchmark gauges. Coming from a deeply oversold position, markets were buoyed by increased trade optimism as both US and China come around the negotiation table to iron out a framework for a trade deal.

After a yearlong bitter trade conflict, we’ve since seen the two economic powerhouses change their political rhetoric to one of compromise and cooperation after extending the initial 1 March deadline. Some of the headwinds pressuring emerging markets (EMs) before are now receding with the US Federal Reserve turning more dovish and the US dollar strength starting to top-out. A gradual step-up in stimulus measures from China would also be supportive of markets and help drive growth.

However, “Sell in May and go away” has again proven to be a recurring theme this year after deteriorating trade relations between US and China wreaked further havoc across global financial markets in May. Trump raised the tariff on some US\$200 billion worth of Chinese imports to 25.0% from 10.0% earlier that month in an extreme bid to speed up trade negotiations. While the tariff hike was initially downplayed, things took a swift turn on when Trump banned Huawei with a national security order; thus prompting US companies to sever all business ties with the Chinese smartphone and telecommunications giant.

Investment Outlook

The global economy is poised to continue to grow at an even keel albeit at a slower pace. We do not see major economic imbalances that would lead to a recession in the immediate term. That said, as we head into a late cycle, we are mindful that uncertainty will stay high from economic, policy and politics perspective.

Easing measures announced by China has propped up the market, though closer monitoring would be needed to see if such stimulus has started to trickle-down to growth and GDP possibly sometime into the 2Q'19 due to lag effects. This could bolster fund flows back into EMs as positioning has been light with global funds underweight EMs and lots of cash on the side-lines.

Post sell-off, we do see valuations coming down to more attractive levels. With the exception of the 2008-GFC and Asian Financial Crisis, valuations today in Asia ex-Japan are at levels which correspond to positive market performance going forward. Though, we are mindful still of weaker earnings growth and further cuts to forward earnings estimates that could put a drag to market performance. We need to see earnings stabilise to anchor valuations forward.

On the local front, after suffering a string of by-election losses, the government is seen shifting its tone towards becoming more growth-oriented. These include the revival of the East Coast Rail Link (ECRL) project and also Tun Mahathir state visit to China to attract FDI flows.

Trump's tariff gambit and the re-escalation in trade war may backfire and have adverse repercussions to the US alongside the global economy; especially considering China who has indicated that it will retaliate and play the long "game". As such, Trump could be incentivised to maintain a stable economy and also ensure a strong market to win the 2020 re-elections by softening his aggressive stance on trade.

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 period under review.

Soft Commissions received from Brokers

As per the requirements of the Securities Commission's Guidelines on Unit Trust Funds and Guidelines on Compliance Function for Fund Management Companies, 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 period under review, the management company had received on behalf of the Fund, soft commissions in the form of research materials, data and quotation services, investment-related publications, market data feed and industry benchmarking agencies which are of demonstrable benefit to Unitholders of the Fund.

Cross Trade

Cross trade transactions have been carried out during the reported period and the Investment Committee of the Fund has reviewed that such transaction are in the best interest of the Fund, transacted in the normal course of business at agreed terms and on a fair value basis.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MAY 2019**

| | <u>Note</u> | <u>2019</u> RM | <u>2018</u> RM |
|---|-------------|---------------------|---------------------|
| INVESTMENT (LOSS)/INCOME | | | |
| Dividend income | | 8,595,735 | 5,571,608 |
| Interest income from financial assets at fair value through profit or loss | | - | 8,122 |
| Interest income from financial assets at amortised cost | | 91,234 | 285,672 |
| Net (loss)/gain on financial assets at fair value through profit or loss | 9 | (41,812,010) | 24,948,376 |
| Net (loss)/gain on forward foreign currency contract at fair value through profit or loss | | (1,257,326) | 12,110,923 |
| Net gain/(loss) on foreign currency exchange | | 3,137,512 | (1,110,766) |
| | | <u>(31,244,855)</u> | <u>41,813,935</u> |
| EXPENSES | | | |
| Management fee | 4 | (3,451,110) | (2,955,673) |
| Custodian fee | 5 | (151,930) | (137,184) |
| Fund accounting fee | 6 | (36,000) | (14,000) |
| Performance fee | 7 | - | (2,035,233) |
| Auditors' remuneration | | (9,000) | (11,500) |
| Tax agent's fee | | (3,800) | (4,414) |
| Transaction costs | | (4,268,863) | (5,563,188) |
| Other expenses | | (29,742) | (568,794) |
| | | <u>(7,950,445)</u> | <u>(11,289,986)</u> |
| NET (LOSS)/PROFIT BEFORE TAXATION | | (39,195,300) | 30,523,949 |
| TAXATION | 8 | (413,774) | (218,508) |
| (DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS | | <u>(39,609,074)</u> | <u>30,305,441</u> |
| (Decrease)/Increase in net assets attributable to unitholders is made up of the following | | | |
| Realised amount | | (21,822,252) | 15,208,249 |
| Unrealised amount | | (17,786,822) | 15,097,192 |
| | | <u>(39,609,074)</u> | <u>30,305,441</u> |

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019**

| | <u>Note</u> | <u>2019</u> RM | <u>2018</u> RM |
|---|-------------|--------------------|--------------------|
| ASSETS | | | |
| Cash and cash equivalents | | 44,756,796 | 77,356,522 |
| Amount due from brokers | | 10,661,941 | 1,082,620 |
| Amount due from Manager | | | |
| - creation of units | | 198,957 | 1,057,281 |
| Dividend receivables | | 883,335 | 1,015,696 |
| Other receivables | | 52,452 | 106,562 |
| Financial assets at fair value through profit or loss | 9 | 294,789,353 | 353,389,220 |
| TOTAL ASSETS | | <u>351,342,834</u> | <u>434,007,901</u> |
| LIABILITIES | | | |
| Forward foreign currency contract at fair value through profit or loss | 10 | 650,068 | - |
| Amount due to Manager | | | |
| - cancellation of units | | 357,940 | 574,386 |
| - management fee | | 283,560 | 299,780 |
| Amount due to brokers | | 888,218 | 10,832,820 |
| Fund accounting fee | | 3,000 | 6,000 |
| Performance fee | | - | 2,146,244 |
| Auditors' remuneration | | 9,000 | 9,000 |
| Tax agent's fee | | 2,014 | 1,614 |
| Other payables and accruals | | 12,363 | 59,340 |
| TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS) | | <u>2,206,163</u> | <u>13,929,184</u> |
| NET ASSET VALUE OF THE FUND | | <u>349,136,671</u> | <u>420,078,717</u> |
| NET ASSETS ATTRIBUTABLE TO UNITHOLDERS | | <u>349,136,671</u> | <u>420,078,717</u> |
| REPRESENTED BY: | | | |
| FAIR VALUE OF OUTSTANDING UNITS | | | |
| - AUD class | | 1,772,866 | 241,459 |
| - GBP class | | 2,638 | 2,892 |
| - MYR class | | 324,340,323 | 402,670,454 |
| - SGD class | | 8,297,408 | 739,556 |
| - USD class | | 14,723,436 | 16,424,356 |
| | | <u>349,136,671</u> | <u>420,078,717</u> |

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019 (CONTINUED)**

| | <u>Note</u> | <u>2019</u> RM | <u>2018</u> RM |
|--|-------------|--------------------|--------------------|
| REPRESENTED BY: | | | |
| NUMBER OF UNITS IN CIRCULATION | | | |
| - AUD class | 11(a) | 1,240,000 | 154,000 |
| - GBP class | 11(b) | 1,000 | 1,000 |
| - MYR class | 11(c) | 269,717,000 | 305,356,000 |
| - SGD class | 11(d) | 5,819,000 | 473,000 |
| - USD class | 11(e) | 7,883,000 | 8,019,000 |
| | | <u>284,660,000</u> | <u>314,003,000</u> |
| NET ASSET VALUE PER UNIT (RM) | | | |
| - AUD class | | 1.4297 | 1.5679 |
| - GBP class | | 2.6380 | 2.8920 |
| - MYR class | | 1.2025 | 1.3187 |
| - SGD class | | 1.4259 | 1.5635 |
| - USD class | | <u>1.8677</u> | <u>2.0482</u> |
| NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES | | | |
| - AUD class | | AUD 0.4933 | AUD 0.5196 |
| - GBP class | | GBP 0.4990 | GBP 0.5452 |
| - MYR class | | RM 1.2025 | RM 1.3187 |
| - SGD class | | SGD 0.4688 | SGD 0.5255 |
| - USD class | | <u>USD 0.4459</u> | <u>USD 0.5147</u> |

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

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

| | <u>2019</u> RM | <u>2018</u> RM |
|--|---------------------------|---------------------------|
| NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR | 420,078,717 | 230,020,618 |
| Movement due to units created and cancelled during the financial year | | |
| Creation of units arising from applications | 50,049,679 | 175,758,210 |
| - AUD class | 3,420,982 | 237,514 |
| - GBP class | - | 2,735 |
| - MYR class | 35,087,800 | 158,663,601 |
| - SGD class | 10,168,680 | 717,173 |
| - USD class | 1,372,217 | 16,137,187 |
| Cancellation of units | (81,382,651) | (16,005,552) |
| - AUD class | (1,615,084) | - |
| - MYR class | (75,869,615) | (15,876,184) |
| - SGD class | (2,387,801) | - |
| - USD class | (1,510,151) | (129,368) |
| Net (decrease)/increase in net assets attributable to unitholders during the financial year | (39,609,074) | 30,305,441 |
| - AUD class | (274,491) | 3,945 |
| - GBP class | (254) | 157 |
| - MYR class | (37,548,316) | 29,862,419 |
| - SGD class | (223,027) | 22,383 |
| - USD class | (1,562,986) | 416,537 |
| NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL YEAR | <u><u>349,136,671</u></u> | <u><u>420,078,717</u></u> |

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

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2019**

| | <u>2019</u> RM | <u>2018</u> RM |
|---|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Proceeds from sale of investments | 770,376,151 | 808,468,192 |
| Purchase of investments | (777,326,970) | (949,058,572) |
| Dividends received | 8,728,096 | 4,944,123 |
| Interest received | 91,234 | 293,794 |
| Management fee paid | (3,467,330) | (2,847,367) |
| Custodian fee paid | (151,930) | (137,184) |
| Performance fee paid | (2,146,244) | (5,053,274) |
| Payment for other fees and expenses | (128,119) | (882,164) |
| Realised (loss)/gain on forward foreign currency contract | (607,258) | 12,508,958 |
| Net realised gain/(loss) on foreign currency exchange | 3,094,874 | (1,114,438) |
| Tax paid | (413,774) | (218,508) |
| Net cash used in operating activities | <u>(1,951,270)</u> | <u>(133,096,440)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from creation of units | 50,908,003 | 174,700,929 |
| Payments for cancellation of units | (81,599,097) | (15,431,166) |
| Net cash (used in)/generated from financing activities | <u>(30,691,094)</u> | <u>159,269,763</u> |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (32,642,364) | 26,173,323 |
| EFFECTS OF FOREIGN CURRENCY EXCHANGE | 42,638 | 3,672 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR | <u>77,356,522</u> | <u>51,179,527</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR | <u><u>44,756,796</u></u> | <u><u>77,356,522</u></u> |

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

The following accounting policies have been used in dealing with items which are considered material in relation to the financial statements.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention, except as disclosed in the summary of significant accounting policies and comply with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported financial 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 N.

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

The Fund has applied the following amendments for the first time for the financial year beginning on 1 June 2018:

- MFRS 9 'Financial Instruments' became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in MFRS 139.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest ("SPPI"). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. MFRS 9 also introduces a new expected credit loss ("ECL") impairment model.

MFRS 9 has been applied retrospectively by the Fund and has resulted in the changes outlined in Note G.

The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

The Fund has applied the following amendments for the first time for the financial year beginning on 1 June 2018: (continued)

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2018 that have a material effect on the financial statements of the Fund.

- (b) New standards, amendments and interpretations effective after 1 January 2019 and have not been early adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

B INCOME RECOGNITION

Dividend income

Dividend income is recognised 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 accruals basis.

Up to 31 May 2018, when a loan and receivable is impaired, the Fund reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continue unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

From 1 June 2018, 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).

The change did not result in any material impact in the Fund.

Realised gains and losses on sale of investments

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (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.

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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

Up to 31 May 2018, the Fund designates its investments in quoted equities, collective investment schemes and exchange-traded fund as financial assets at fair value through profit or loss.

Financial assets are designated at fair value through profit or loss when they are managed and their performance evaluated on a fair value basis.

Derivatives are financial assets/liabilities at fair value through profit or loss categorised as held for trading unless they are designated hedges (Note M).

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been included in current assets.

The Fund’s loans and receivables comprise cash and cash equivalents, amount due from Manager, dividend receivables, amount due from brokers and other receivables.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(i) Classification (continued)

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

The Fund classifies amount due to Manager, amount due to brokers, auditors' remuneration, tax agent's fee and other payables and accruals, fund accounting fee and performance fee as other financial liabilities.

From 1 June 2018, the Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost

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 principal and interest, 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.

The Fund classifies cash and cash equivalents, dividend receivables, amount due from brokers, amount due from Manager and other receivables as financial assets 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 brokers, auditors' remuneration, tax agent's fee, fund accounting 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.

Financial liabilities, within the scope of MFRS 139 up to 31 May 2018 and MFRS 9 from 1 June 2018, 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 de-recognised 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

Financial liabilities are de-recognised 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 transactions are presented in the statement of comprehensive income within 'net gain/(loss) on financial assets at fair value through profit or loss' in the period which they arise.

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 when the Fund's right to receive payments is established.

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.

Derivative investments consist of forward foreign currency contract. 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 investments that have a negative fair value are presented as liabilities at fair value through profit or loss.

Investment in collective investment schemes and exchange-traded funds 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

Up to 31 May 2018, for assets carried at amortised cost, the Fund assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

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

From 1 June 2018 onwards, 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.

Definition of default and credit-impaired financial assets

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

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 impairment gains. There are no write-offs/recoveries during the financial year.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

H CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

I CREATION AND CANCELLATION OF UNITS

The unitholders' contribution to the Fund meets the definition of puttable instruments classified as financial liability under MFRS 132 "Financial Instruments: Presentation".

The Fund issues cancellable units, in five classes of units, known respectively as the AUD class, GBP class, MYR class, SGD class and USD class, which are cancelled at the unitholder's option and do not have identical features. The units are classified as financial liabilities. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value ("NAV") of respective classes. The outstanding units are carried at the redemption amount that is payable at the statement of financial position if the unitholder exercises the right to put back the unit to the Fund.

Units are created and cancelled at the unitholder's option at prices based on the Fund's NAV per unit of respective classes at the close of business on the relevant dealing day. The Fund's NAV per unit of respective classes is calculated by dividing the net assets attributable to unitholders of respective classes with the total number of outstanding units of respective classes.

J AMOUNT DUE FROM/(TO) BROKERS

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The due from brokers balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

K DECREASE/INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Income not distributed is included in net assets attributable to unitholders.

L SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic asset allocation committee of the Manager that makes strategic decisions.

M DERIVATIVE FINANCIAL INSTRUMENTS

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

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The Fund's derivative financial instruments comprise forward foreign currency contract. 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.

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

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 held for trading and accounted for in accordance with the accounting policy set out in Note G.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

N 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 content of the estimates, certain key variables that are anticipated to have material impact to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

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

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be value appropriately, that is at fair value and in compliance with the Securities Commission's ("SC") Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

1 INFORMATION ON THE FUND

The Wholesale Fund was constituted under the name HwangDBS Ascendur RIS (1) (the “Fund”) in accordance to the Information Memorandum dated 18 December 2007. The Fund has changed its name from HwangDBS Ascendur RIS (1) to HwangDBS Absolute Return Fund II as amended by the Information Memorandum dated 27 May 2010 and from HwangDBS Absolute Return Fund II to Hwang Absolute Return Fund II as amended by the Supplemental Information Memorandum dated 16 April 2012 and from Hwang Absolute Return Fund II to Affin Hwang Absolute Return Fund II as amended by the Supplemental Information Memorandum dated 22 September 2014.

The Fund was launched on 18 December 2007 and commenced operations on 29 January 2008.

The Fund may invest in equity securities of developed and emerging markets. It may also invest in fixed income securities of developed markets or debt instruments and collective investment schemes for the purpose of cash management and gaining access into a particular market, industry or sector where such is the optimum mode of access.

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 achieve medium to long-term capital appreciation by primarily investing in securities of developed and emerging markets globally.

The Manager is a company incorporated in Malaysia. The principal activities of the Manager are establishment and management of unit trust funds and private retirement schemes as well as providing fund management services to private clients.

The financial statements were authorised for issue by the Manager on 16 July 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE AND POLICIES

Financial instruments are as follows:

| | | Financial assets at amortised cost RM | Financial assets/ (liabilities) at fair value through profit or loss RM | Total RM |
|-----------------------------------|-------------|---|---|-------------|
| <u>2019</u> | <u>Note</u> | | | |
| Quoted equities | 9 | - | 223,419,218 | 223,419,218 |
| Collective investment schemes | 9 | - | 19,917,224 | 19,917,224 |
| Exchange-traded funds | 9 | - | 51,452,911 | 51,452,911 |
| Cash and cash equivalents | | 44,756,796 | - | 44,756,796 |
| Amount due from brokers | | 10,661,941 | - | 10,661,941 |
| Amount due from Manager | | | | |
| - creation of units | | 198,957 | - | 198,957 |
| Dividend receivables | | 883,335 | - | 883,335 |
| Other receivables | | 52,452 | - | 52,452 |
| Forward foreign currency contract | | - | (650,068) | (650,068) |
| Total | | 56,553,481 | 294,139,285 | 350,692,766 |

| | | Loans and receivables RM | Financial assets at fair value through profit or loss RM | Total RM |
|-------------------------------|-------------|--------------------------------|--|-------------|
| <u>2018</u> | <u>Note</u> | | | |
| Quoted equities | 9 | - | 318,864,790 | 318,864,790 |
| Collective investment schemes | 9 | - | 20,924,963 | 20,924,963 |
| Exchange-traded funds | 9 | - | 13,599,467 | 13,599,467 |
| Cash and cash equivalents | 10 | 77,356,522 | - | 77,356,522 |
| Dividend receivables | | 1,015,696 | - | 1,015,696 |
| Amount due from Manager | | | | |
| - creation of units | | 1,057,281 | - | 1,057,281 |
| Amount due from brokers | | 1,082,620 | - | 1,082,620 |
| Other receivables | | 106,562 | - | 106,562 |
| Total | | 80,618,681 | 353,389,220 | 434,007,901 |

All current liabilities except forward foreign currency contracts are financial liabilities which are carried at amortised cost.

The Fund is exposed to a variety of risks which include market risk, (including price risk, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE 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>2019</u> RM | <u>2018</u> RM |
|-------------------------------|-------------------|-------------------|
| Quoted investments | | |
| Quoted equities | 223,419,218 | 318,864,790 |
| Collective investment schemes | 19,917,224 | 20,924,963 |
| Exchange-traded funds | 51,452,911 | 13,599,467 |

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

| <u>% Change in price</u> | <u>Market value</u> RM | <u>Impact on</u> <u>profit after</u> <u>tax/NAV</u> RM |
|--------------------------|---------------------------|---|
| <u>2019</u> | | |
| -5% | 280,049,885 | (14,739,468) |
| 0% | 294,789,353 | - |
| +5% | 309,528,821 | 14,739,468 |
| <u>2018</u> | | |
| -5% | 335,719,759 | (17,669,461) |
| 0% | 353,389,220 | - |
| +5% | 371,058,681 | 17,669,461 |

(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 a short term basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

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

Market risk (continued)

(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.

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

| | <u>Quoted equities</u> RM | <u>Collective investment schemes</u> RM | <u>Exchange -traded funds</u> RM | <u>Forward foreign currency contract</u> RM | <u>Cash and cash equivalents</u> RM | <u>Other assets*</u> RM | <u>Net assets attributable to unitholders</u> RM | <u>Total</u> RM |
|----------------------|----------------------------------|--|---|--|--|--------------------------------|---|--------------------|
| <u>2019</u> | | | | | | | | |
| Australian Dollar | 1,578,233 | - | - | - | - | - | 1,772,866 | 3,351,099 |
| Chinese Yuan | 5,136,005 | - | - | - | 4,901,322 | - | - | 10,037,327 |
| Euro | - | - | - | - | (309) | - | - | (309) |
| British Pound | - | - | - | - | - | - | 2,638 | 2,638 |
| Hong Kong Dollar | 58,505,676 | - | - | - | 22,194,554 | 386,144 | - | 81,086,374 |
| Indonesian Rupiah | 1,457,426 | - | - | - | - | 5,002,666 | - | 6,460,092 |
| Korean Won | - | - | 3,562,972 | - | - | - | - | 3,562,972 |
| Singapore Dollar | 57,970,737 | - | - | - | 4,404,717 | 216,300 | 8,297,408 | 70,889,162 |
| Thailand Baht | - | - | - | - | - | 5,724,767 | - | 5,724,767 |
| Taiwan Dollar | - | - | - | - | 497,834 | - | - | 497,834 |
| United States Dollar | 65,723,791 | 2,094,500 | 46,134,939 | (650,068) | 12,311,182 | 166,632 | 14,723,436 | 140,504,412 |
| | <u>190,371,868</u> | <u>2,094,500</u> | <u>49,697,911</u> | <u>(650,068)</u> | <u>44,309,300</u> | <u>11,496,509</u> | <u>24,796,348</u> | <u>322,116,368</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)**

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE 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.

| | Quoted equities RM | Collective investment schemes RM | Exchange -traded funds RM | Cash and cash equivalents RM | Other assets* RM | Net assets attributable to unitholders RM | Total RM |
|----------------------|--------------------------|---|------------------------------------|---------------------------------------|------------------------|--|--------------------|
| <u>2018</u> | | | | | | | |
| Australian Dollar | - | - | - | - | - | 1,772,866 | 3,351,099 |
| Chinese Yuan | 9,755,553 | - | - | 4,901,322 | - | - | 10,037,327 |
| Euro | - | - | - | (309) | - | - | (309) |
| British Pound | - | - | - | - | - | 2,638 | 2,638 |
| Hong Kong Dollar | 150,800,785 | - | 11,904,467 | 22,255,411 | 325,287 | - | 81,086,374 |
| Korean Won | 61,558,908 | - | - | - | - | - | 3,562,972 |
| Singapore Dollar | 41,473,882 | - | - | 4,404,717 | 216,300 | 8,297,408 | 70,889,162 |
| Thailand Baht | 16,508,348 | - | - | - | - | - | - |
| Taiwan Dollar | 17,486,808 | - | - | 497,834 | - | - | 497,834 |
| United States Dollar | 13,505,929 | 1,989,750 | - | 12,311,182 | 166,632 | 14,723,436 | 140,504,412 |
| | <u>311,090,213</u> | <u>1,989,750</u> | <u>11,904,467</u> | <u>44,370,157</u> | <u>5,710,885</u> | <u>24,796,348</u> | <u>316,391,601</u> |

* Other assets consists of dividend receivables and amount due from broker.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

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

Market risk (continued)

(c) Currency risk (continued)

The table below summarises the sensitivity of the Fund's profit 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 5%, with all other variables remain 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 approximately 5%. Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

| | Change in rate % | Impact on profit after tax/ NAV RM |
|----------------------|------------------------|---|
| <u>2019</u> | | |
| Australian Dollar | +/- 5 | +/- 167,555 |
| Chinese Yuan | +/- 5 | +/- 501,866 |
| Euro | +/- 5 | +/- (15) |
| British Pound | +/- 5 | +/- 132 |
| Hong Kong Dollar | +/- 5 | +/- 4,054,319 |
| Indonesian Rupiah | +/- 5 | +/- 323,005 |
| Korea Won | +/- 5 | +/- 178,149 |
| Singapore Dollar | +/- 5 | +/- 3,544,458 |
| Thailand Baht | +/- 5 | +/- 286,238 |
| Taiwan Dollar | +/- 5 | +/- 24,892 |
| United States Dollar | +/- 5 | +/- 7,025,221 |
| <u>2018</u> | | |
| Australian Dollar | +/- 5 | +/- 25,602 |
| Chinese Yuan | +/- 5 | +/- 796,170 |
| Euro | +/- 5 | +/- 35 |
| British Pound | +/- 5 | +/- 277 |
| Hong Kong Dollar | +/- 5 | +/- 9,132,803 |
| Korea Won | +/- 5 | +/- 2,843,282 |
| Singapore Dollar | +/- 5 | +/- 2,430,390 |
| Thailand Baht | +/- 5 | +/- 825,417 |
| Taiwan Dollar | +/- 5 | +/- 641,717 |
| United States Dollar | +/- 5 | +/- 2,544,623 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE 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.

The settlement terms of amount due from brokers are governed by the relevant rules and regulations as prescribed by the respective stock exchanges.

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 and counterparties of the Fund:

| | Cash and cash <u>equivalents</u> RM | Amount due from <u>Manager</u> RM | Dividend <u>receivables</u> RM | Amount due from <u>brokers</u> RM | Other <u>receivables</u> RM | <u>Total</u> RM |
|-------------|--|--|--------------------------------------|--|-----------------------------------|--------------------|
| <u>2019</u> | | | | | | |
| Financials | | | | | | |
| - AA1 | 44,756,796 | - | - | - | - | 44,756,796 |
| - NR | - | - | 690,686 | 4,937,174 | - | 5,627,860 |
| Industrials | | | | | | |
| - NR | - | - | - | 5,724,767 | - | 5,724,767 |
| Technology | | | | | | |
| - NR | - | - | 192,649 | - | - | 192,649 |
| Others | | | | | | |
| - NR | - | 198,957 | - | - | 52,452 | 251,409 |
| | <u>44,756,796</u> | <u>198,957</u> | <u>883,335</u> | <u>10,661,941</u> | <u>52,452</u> | <u>56,553,481</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

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

Credit risk (continued)

| | Cash and cash equivalents RM | Amount due from Manager RM | Dividend receivables RM | Amount due from brokers RM | Other assets* RM | Total RM |
|-------------------|---------------------------------------|-------------------------------------|-------------------------------|-------------------------------------|------------------------|-------------------|
| <u>2018</u> | | | | | | |
| Consumer Goods | | | | | | |
| - NR | - | - | - | 283,817 | - | 283,817 |
| Consumer Services | | | | | | |
| - NR | - | - | 52,034 | 754,319 | - | 806,353 |
| Financials | | | | | | |
| - AA1 | 77,356,522 | - | - | - | - | 77,356,522 |
| - NR | - | - | 315,086 | - | - | 315,086 |
| Industrials | | | | | | |
| - NR | - | - | - | 44,484 | - | 44,484 |
| Oil & Gas | | | | | | |
| - NR | - | - | 626,138 | - | - | 626,138 |
| Technology | | | | | | |
| - NR | - | - | 22,438 | - | - | 22,438 |
| Others | | | | | | |
| - NR | - | 1,057,281 | - | - | 106,562 | 1,163,843 |
| | <u>77,356,522</u> | <u>1,057,281</u> | <u>1,015,696</u> | <u>1,082,620</u> | <u>106,562</u> | <u>80,618,681</u> |

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligation. The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payment and cancellations of unit by unitholders. Liquid assets comprise cash, deposit with a licensed financial institution 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVE 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>2019</u> | | | |
| Amount due to Manager | | | |
| - cancellation of units | 357,940 | - | 357,940 |
| - management fee | 283,560 | - | 283,560 |
| Amount due to brokers | 888,218 | - | 888,218 |
| Fund accounting fee | - | 3,000 | 3,000 |
| Auditors' remuneration | - | 9,000 | 9,000 |
| Tax agent's fee | - | 2,014 | 2,014 |
| Other payables and accruals | - | 12,363 | 12,363 |
| Forward foreign currency contract | 650,068 | - | 650,068 |
| Net assets attributable to unitholders* | 349,136,671 | - | 349,136,671 |
| | <u>351,316,457</u> | <u>26,377</u> | <u>351,342,834</u> |

2018

| | | | |
|---|--------------------|---------------|--------------------|
| Amount due to Manager | | | |
| - management fee | 299,780 | - | 299,780 |
| - cancellation of units | 574,386 | - | 574,386 |
| Amount due to brokers | 10,832,820 | - | 10,832,820 |
| Fund accounting fee | - | 6,000 | 6,000 |
| Auditors' remuneration | - | 9,000 | 9,000 |
| Tax agent's fee | - | 1,614 | 1,614 |
| Performance fee | 2,146,244 | - | 2,146,244 |
| Other payables and accruals | 46,780 | 12,560 | 59,340 |
| Net assets attributable to unitholders* | 420,078,717 | - | 420,078,717 |
| | <u>433,978,727</u> | <u>29,174</u> | <u>434,007,901</u> |

* Outstanding units are redeemed on demand at the unitholders option. However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

Capital risk

The capital of the Fund is represented by net assets attributable to unitholders. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

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

Capital risk (continued)

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 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 markets (such as trading securities) is based on quoted market prices at the close of trading on the period end date. The Fund utilises the current bid price for financial assets which falls 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 that are not traded in an active market is determined by using valuation techniques.

(i) Fair value hierarchy

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

| | <u>Level 1</u> RM | <u>Level 2</u> RM | <u>Level 3</u> RM | <u>Total</u> RM |
|--|----------------------|----------------------|----------------------|--------------------|
| <u>2019</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - quoted equities | 223,419,218 | - | - | 223,419,218 |
| - collective investment schemes | 19,917,224 | - | - | 19,917,224 |
| - exchange-traded funds | 51,452,911 | - | - | 51,452,911 |
| | <u>294,789,353</u> | <u>-</u> | <u>-</u> | <u>294,789,353</u> |
| Financial liabilities at fair value through profit or loss | | | | |
| - forward foreign currency contracts | - | (650,068) | - | (650,068) |
| | <u>-</u> | <u>(650,068)</u> | <u>-</u> | <u>(650,068)</u> |
| <u>2018</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - quoted equities | 318,864,790 | - | - | 318,864,790 |
| - collective investment schemes | 20,924,963 | - | - | 20,924,963 |
| - exchange-traded funds | 13,599,467 | - | - | 13,599,467 |
| | <u>353,389,220</u> | <u>-</u> | <u>-</u> | <u>353,389,220</u> |

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities, collective investment schemes and exchange-traded funds. The Fund does not adjust the quoted prices for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. This includes forward foreign currency contract. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

4 MANAGEMENT FEE AND MANAGEMENT FEE REBATE

| | <u>2019</u> RM | <u>2018</u> RM |
|--|-------------------|-------------------|
| Gross management fee | 3,779,858 | 3,256,434 |
| Management fee rebate | | |
| - management fee rebate on collective investment schemes | (270,976) | (278,143) |
| - interest income earned on collection accounts | (57,772) | (22,618) |
| Net management fee | <u>3,451,110</u> | <u>2,955,673</u> |

In accordance with the Information Memorandum, the Manager is entitled to a management fee of 1.00% per annum on the NAV of the Fund calculated on a daily basis.

For the financial year ended 31 May 2019, the management fee is recognised at a rate of 1.00% (2018: 1.00%) per annum on the NAV of the Fund calculated on a daily basis.

As this Fund invests in units of the Affin Hwang INR Flexi Fund, Affin Hwang Select Cash Fund and TradePlus Shariah Gold Tracker, any management fee charged to collective investment schemes are fully refunded to this Fund in the form of management fee rebate.

The interest income earned by the Manager from the Fund's trust collection account maintained by the Manager is netted off against the gross management fee charged by the Manager.

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

5 CUSTODIAN FEE

In accordance with the Information Memorandum, the Custodian is entitled to an annual fee (inclusive of local custodian fee but excluding foreign sub-custodian fee) of 0.03% (2018: 0.03%) per annum of the NAV of the Fund.

6 FUND ACCOUNTING FEE

In accordance with the Information Memorandum, the Custodian is entitled to an annual fund accounting fee of 0.03% (2018: 0.03%) per annum of the NAV of the Fund which will be subjected to a minimum fee of RM1,000 (2018: RM1,000) per month.

7 PERFORMANCE FEE

In accordance with the Information Memorandum, the Manager is entitled to a performance fee in respect of each unit equal to 20% of the increase in the NAV per unit over and above the hurdle value which is defined as the high water mark plus 8.00% set at the beginning of each performance period measured on a daily basis. The high water mark for the first performance period is RM0.50. The high water mark for the current financial period is RM Nil (2018: RM1.20). Performance fee for the financial year ended 31 May 2019 is RM Nil (2018: RM2,035,233).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

8 TAXATION

| | <u>2019</u> RM | <u>2018</u> RM |
|----------------------------|-------------------|-------------------|
| Current taxation – foreign | 413,774 | 218,508 |

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

| | <u>2019</u> RM | <u>2018</u> RM |
|--|-------------------|-------------------|
| Net (loss)/profit before taxation | (39,195,300) | 30,523,949 |
| Tax at Malaysian statutory tax rate of 24% (2018: 24%) | (9,406,872) | 7,325,748 |
| Tax effects of: | | |
| Investment loss disallowed from tax/(Investment income not subject to tax) | 7,498,766 | (10,035,345) |
| Expenses not deductible for tax purposes | 1,077,349 | 1,997,475 |
| Restrictions on tax deductible expenses for Wholesale Funds | 830,757 | 712,122 |
| Investment income subject to different tax rate | 413,774 | 218,508 |
| Tax expense | 413,774 | 218,508 |

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | <u>2019</u> RM | <u>2018</u> RM |
|---|-------------------|-------------------|
| Financial assets at fair value through profit or loss: | | |
| - quoted equities – local | 33,047,350 | 7,774,575 |
| - quoted equities – foreign | 190,371,868 | 311,090,215 |
| - collective investment scheme – local | 17,822,724 | 18,935,213 |
| - collective investment scheme – foreign | 2,094,500 | 1,989,750 |
| - exchange-traded funds – local | 1,755,000 | 1,695,000 |
| - exchange-traded funds – foreign | 49,697,911 | 11,904,467 |
| | 294,789,353 | 353,389,220 |
| Net (loss)/gain on financial assets at fair value through profit or loss: | | |
| - realised (loss)/gain on sale of investments | (24,632,618) | 9,456,821 |
| - unrealised (loss)/gain on changes in fair value | (17,179,392) | 15,491,555 |
| | (41,812,010) | 24,948,376 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

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

(a) Quoted equities – local

(i) Quoted equities – local as at 31 May 2019 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 Product & Services</u> | | | | |
| Genting Malaysia Bhd | 3,742,000 | 11,938,897 | 11,712,460 | 3.36 |
| <u>Technology</u> | | | | |
| Inari Amertron Bhd | 2,017,600 | 3,253,337 | 3,107,104 | 0.89 |
| My EG Services Bhd | 7,229,900 | 10,341,218 | 10,049,561 | 2.88 |
| | 9,247,500 | 13,594,555 | 13,156,665 | 3.77 |
| <u>Utilities</u> | | | | |
| Mega First Corp Bhd | 2,370,500 | 5,862,725 | 8,178,225 | 2.34 |
| Total quoted equities – local | 15,360,000 | 31,396,177 | 33,047,350 | 9.47 |
| Accumulated unrealised gain on quoted equities – local | | 1,651,173 | | |
| Total quoted equities – local | | 33,047,350 | | |

(ii) Quoted equities – local as at 31 May 2018 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>Trading/ Services</u> | | | | |
| Mega First Corp Bhd | 2,253,500 | 5,218,988 | 7,774,575 | 1.85 |
| Total quoted equities – local | 2,253,500 | 5,218,988 | 7,774,575 | 1.85 |
| Accumulated unrealised gain on quoted equities – local | | 2,555,587 | | |
| Total quoted equities – local | | 7,774,575 | | |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

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

(b) Quoted equities – foreign

(i) Quoted equities – foreign as at 31 May 2019 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>Basic Materials</u> | | | | |
| Hastings Technology Metals Ltd | 3,300,000 | 2,080,663 | 1,578,233 | 0.45 |
| <u>China</u> | | | | |
| <u>Consumer Services</u> | | | | |
| China Intl Travel Serv Corp Ltd | 109,380 | 4,069,441 | 5,136,005 | 1.47 |
| <u>Hong Kong</u> | | | | |
| <u>Consumer Goods</u> | | | | |
| Nissin Foods Co Ltd | 661,000 | 1,251,410 | 1,585,743 | 0.45 |
| <u>Consumer Services</u> | | | | |
| China Education Group Holdings | 565,000 | 3,727,318 | 3,634,629 | 1.04 |
| Chow Tai Fook Jewellery Group | 971,000 | 3,980,505 | 3,465,619 | 0.99 |
| | 1,536,000 | 7,707,823 | 7,100,248 | 2.03 |
| <u>Financials</u> | | | | |
| AIA Group Ltd | 262,000 | 8,741,864 | 10,310,012 | 2.95 |
| Ping An Insurance Grp Co China | 313,000 | 12,461,485 | 14,474,265 | 4.15 |
| | 575,000 | 21,203,349 | 24,784,277 | 7.10 |
| <u>Technology</u> | | | | |
| HKBN Ltd | 1,697,500 | 7,824,026 | 11,300,897 | 3.24 |
| Tencent Holdings Ltd | 78,900 | 14,066,172 | 13,734,511 | 3.93 |
| | 1,776,400 | 21,890,198 | 25,035,408 | 7.17 |
| <u>Indonesia</u> | | | | |
| <u>Financials</u> | | | | |
| Ciputra Development Tbk PT | 5,093,000 | 1,460,421 | 1,457,426 | 0.42 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 May 2019 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> | | | | |
| <u>Financials</u> | | | | |
| Ascendas Real Estate Inv Trust | 1,066,800 | 8,127,898 | 9,474,443 | 2.71 |
| DBS Group Holdings Ltd | 155,100 | 11,917,708 | 11,449,048 | 3.28 |
| Frasers Logistic & Indus Trust | 1,585,520 | 4,618,287 | 5,497,489 | 1.58 |
| Manulife US REIT | 1,600,000 | 5,448,947 | 5,697,040 | 1.63 |
| Mapletree Industrial Trust | 1,191,500 | 6,946,153 | 7,646,529 | 2.19 |
| Mapletree North Asia Com Trust | 2,897,300 | 9,352,828 | 11,632,022 | 3.33 |
| | <u>8,496,220</u> | <u>46,411,821</u> | <u>51,396,571</u> | <u>14.72</u> |
| <u>Industrials</u> | | | | |
| Singapore Tech Engineering Ltd | 341,000 | 3,627,666 | 4,044,891 | 1.16 |
| Venture Corp Ltd | 179,000 | 9,667,604 | 8,226,315 | 2.36 |
| | <u>520,000</u> | <u>13,295,270</u> | <u>12,271,206</u> | <u>3.52</u> |
| <u>United States</u> | | | | |
| <u>Consumer Service</u> | | | | |
| Alibaba Group Holding Ltd | 20,599 | 13,185,447 | 12,872,625 | 3.69 |
| Amazon.com Inc | 2,013 | 14,010,461 | 14,964,744 | 4.28 |
| | <u>22,612</u> | <u>27,195,908</u> | <u>27,837,369</u> | <u>7.97</u> |
| <u>Technology</u> | | | | |
| Alphabet Inc - Class C | 1,631 | 7,300,432 | 7,540,149 | 2.16 |
| Facebook Inc | 17,380 | 12,546,692 | 12,915,575 | 3.70 |
| Microsoft Corporation | 22,666 | 10,330,573 | 11,733,658 | 3.36 |
| | <u>41,677</u> | <u>30,177,697</u> | <u>32,189,382</u> | <u>9.22</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 May 2019 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> % |
|---|-----------------|--------------------------------|----------------------------|----------------------------------|
| Total quoted equities – foreign | 22,131,289 | 176,744,001 | 190,371,868 | 54.52 |
| Accumulated unrealised gain on quoted equities – foreign | | 13,627,867 | | |
| Total quoted equities – foreign | | 190,371,868 | | |

(ii) Quoted equities – foreign as at 31 May 2018 are as follows:

| <u>Name of counters</u> | <u>Quantity</u> | Aggregate <u>cost</u> RM | Fair <u>value</u> RM | Percentage <u>of NAV</u> % |
|--------------------------------|-----------------|--------------------------------|----------------------------|----------------------------------|
| <u>China</u> | | | | |
| <u>Consumer Goods</u> | | | | |
| Midea Group Co Ltd | 119,632 | 3,922,236 | 3,929,686 | 0.94 |
| <u>Industrials</u> | | | | |
| Hangzhou Hikvision Digi Tech | 240,000 | 6,220,406 | 5,825,869 | 1.39 |
| <u>Hong Kong</u> | | | | |
| <u>Consumer Services</u> | | | | |
| China Yuhua Education Corp Ltd | 2,201,000 | 4,580,020 | 6,400,454 | 1.52 |
| Wynn Macau Limited | 556,000 | 8,542,978 | 8,479,210 | 2.02 |
| | 2,757,000 | 13,122,998 | 14,879,664 | 3.54 |
| <u>Consumer Goods</u> | | | | |
| Nissin Foods Co Ltd | 3,180,000 | 5,889,248 | 8,149,944 | 1.94 |
| <u>Financials</u> | | | | |
| Ping An Insurance Grp Co China | 210,000 | 8,093,505 | 8,195,619 | 1.95 |
| Dah Sing Banking Group Ltd | 649,200 | 4,886,805 | 5,917,264 | 1.41 |
| China Construction Bank Corp | 4,938,000 | 18,159,075 | 19,822,740 | 4.72 |
| China Resources Land Ltd | 267,000 | 3,867,211 | 3,902,473 | 0.93 |
| Indust & Comm Bank of China | 3,546,000 | 12,129,950 | 11,697,369 | 2.78 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 May 2018 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>Financials (continued)</u> | | | | |
| Shimao Property Holdings Ltd | 554,000 | 5,949,759 | 6,508,739 | 1.55 |
| | 10,164,200 | 53,086,305 | 56,044,204 | 13.34 |
| <u>Health Care</u> | | | | |
| China Tradi Chinese Med Co Ltd | 3,802,000 | 9,143,307 | 13,873,215 | 3.30 |
| <u>Industrials</u> | | | | |
| Beijing Capital Intl Airport | 1,400,000 | 8,187,354 | 8,241,801 | 1.96 |
| China Everbright Intl Ltd | 817,000 | 4,791,237 | 4,842,850 | 1.15 |
| | 2,217,000 | 12,978,591 | 13,084,651 | 3.11 |
| <u>Oil & Gas</u> | | | | |
| China Petroleum & Chemical | 2,082,000 | 6,741,367 | 8,104,238 | 1.93 |
| Cnooc Ltd | 1,463,000 | 8,600,160 | 9,800,639 | 2.33 |
| PetroChina Company Limited | 1,936,000 | 6,317,340 | 6,376,556 | 1.52 |
| | 5,481,000 | 21,658,867 | 24,281,433 | 5.78 |
| <u>Technology</u> | | | | |
| HKBN Ltd | 1,610,500 | 7,319,751 | 8,843,499 | 2.11 |
| Tencent Holdings Ltd | 50,400 | 9,446,006 | 10,210,739 | 2.43 |
| | 1,660,900 | 16,765,757 | 19,054,238 | 4.54 |
| <u>Utilities</u> | | | | |
| ENN Energy Holdings Ltd | 35,000 | 1,378,877 | 1,433,434 | 0.34 |
| <u>Korea</u> | | | | |
| <u>Basic Materials</u> | | | | |
| Lotte Chemical Corp | 2,949 | 4,227,471 | 4,006,893 | 0.95 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 May 2018 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>Korea (continued)</u> | | | | |
| <u>Consumer Goods</u> | | | | |
| Orion Corp/Republic of Korea | 17,505 | 7,683,706 | 8,369,839 | 1.99 |
| <u>Consumer Services</u> | | | | |
| BGF Retail Co Ltd | 9,349 | 6,625,991 | 6,282,345 | 1.49 |
| Hotel Shilla Co Ltd | 17,789 | 7,784,623 | 8,144,388 | 1.94 |
| | 27,138 | 14,410,614 | 14,426,733 | 3.43 |
| <u>Industrials</u> | | | | |
| Meerecompany Inc | 18,137 | 4,926,836 | 9,221,140 | 2.20 |
| Hyosung Corp | 13,615 | 6,133,577 | 6,736,087 | 1.60 |
| | 31,752 | 11,060,413 | 15,957,227 | 3.80 |
| <u>Technology</u> | | | | |
| Wonik QnC Corp | 90,049 | 4,855,179 | 5,303,039 | 1.26 |
| SK Hynix Inc | 13,600 | 4,687,820 | 4,689,980 | 1.12 |
| | 103,649 | 9,542,999 | 9,993,019 | 2.38 |
| <u>Preference Shares</u> | | | | |
| Samsung Electronics Co Ltd - Pref Shares | 58,957 | 9,167,157 | 8,805,198 | 2.10 |
| <u>Singapore</u> | | | | |
| <u>Financials</u> | | | | |
| DBS Group Holdings Ltd | 183,100 | 13,067,311 | 15,456,375 | 3.68 |
| <u>Industrials</u> | | | | |
| Keppel Corporation Ltd | 282,000 | 6,647,103 | 6,469,392 | 1.54 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 May 2018 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>Oil & Gas</u> | | | | |
| Frasers Logistic & Indus Trust | 3,611,520 | 10,726,896 | 11,283,382 | 2.69 |
| Mapletree Greater China | 2,415,300 | 7,553,841 | 8,264,734 | 1.97 |
| | <u>6,026,820</u> | <u>18,280,737</u> | <u>19,548,116</u> | <u>4.66</u> |
| <u>Thailand</u> | | | | |
| <u>Basic Materials</u> | | | | |
| Indorama Ventures PCL Depository Receipt | <u>1,162,000</u> | <u>8,254,498</u> | <u>8,362,496</u> | <u>1.99</u> |
| <u>Consumer Goods</u> | | | | |
| Charoen Pokphand Foods PCL Depository Receipt | <u>2,626,000</u> | <u>8,290,341</u> | <u>8,145,852</u> | <u>1.94</u> |
| <u>Taiwan</u> | | | | |
| <u>Technology</u> | | | | |
| Sino-American Silicon Products | 234,000 | 4,444,100 | 4,362,778 | 1.04 |
| Accton Technology Corp | 565,000 | 5,381,806 | 6,462,888 | 1.54 |
| Parade Technologies Ltd | 101,000 | 6,309,086 | 6,661,142 | 1.58 |
| | <u>900,000</u> | <u>16,134,992</u> | <u>17,486,808</u> | <u>4.16</u> |
| <u>United States</u> | | | | |
| <u>Technology</u> | | | | |
| Alibaba Group Holding Ltd | <u>17,133</u> | <u>9,443,743</u> | <u>13,505,929</u> | <u>3.22</u> |
| Total quoted equities – foreign | <u>41,095,735</u> | <u>280,377,677</u> | <u>311,090,215</u> | <u>74.06</u> |
| Accumulated unrealised gain on quoted equities – foreign | | <u>30,712,538</u> | | |
| Total quoted equities – foreign | | <u>311,090,215</u> | | |

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)**

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

(c) Collective investment schemes – local

(i) Collective investment schemes – local as at 31 May 2019 are as follows:

| | <u>Quantity</u> | <u>Aggregate cost RM</u> | <u>Fair value RM</u> | <u>Percentage of NAV %</u> |
|--|-------------------|----------------------------------|------------------------------|------------------------------------|
| Affin Hwang INR Flexi Fund | 16,360,129 | 18,770,000 | 17,822,724 | 5.10 |
| Total collective investment schemes – local | <u>16,360,129</u> | <u>18,770,000</u> | <u>17,822,724</u> | <u>5.10</u> |
| Accumulated unrealised loss on collective investment schemes – local | | <u>(947,276)</u> | | |
| Total collective investment schemes – local | | <u>17,822,724</u> | | |

(ii) Collective investment schemes – local as at 31 May 2018 are as follows:

| | <u>Quantity</u> | <u>Aggregate cost RM</u> | <u>Fair value RM</u> | <u>Percentage of NAV %</u> |
|--|-------------------|----------------------------------|------------------------------|------------------------------------|
| Affin Hwang INR Flexi Fund | 16,360,129 | 18,770,000 | 18,935,213 | 4.51 |
| Total collective investment schemes – local | <u>16,360,129</u> | <u>18,770,000</u> | <u>18,935,213</u> | <u>4.51</u> |
| Accumulated unrealised gain on collective investment schemes – local | | <u>165,213</u> | | |
| Total collective investment schemes – local | | <u>18,935,213</u> | | |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)**

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

(d) Collective investment schemes – foreign

(i) Collective investment schemes – foreign as at 31 May 2019 are as follows:

| | <u>Quantity</u> | <u>Aggregate cost RM</u> | <u>Fair value RM</u> | <u>Percentage of NAV %</u> |
|--|-----------------|----------------------------------|------------------------------|------------------------------------|
| Sotella Fund RPS - USD | 10 | 2,218,500 | 2,094,500 | 0.60 |
| Total collective investment schemes – foreign | 10 | 2,218,500 | 2,094,500 | 0.60 |
| Accumulated unrealised loss on collective investment schemes – foreign | | (124,000) | | |
| Total collective investment schemes – foreign | | 2,094,500 | | |

(ii) Collective investment schemes – foreign as at 31 May 2018 are as follows:

| | <u>Quantity</u> | <u>Aggregate cost RM</u> | <u>Fair value RM</u> | <u>Percentage of NAV %</u> |
|--|-----------------|----------------------------------|------------------------------|------------------------------------|
| Sotella Fund RPS - USD | 10 | 2,218,500 | 1,989,750 | 0.47 |
| Total collective investment schemes – foreign | 10 | 2,218,500 | 1,989,750 | 0.47 |
| Accumulated unrealised loss on collective investment schemes – foreign | | (228,750) | | |
| Total collective investment schemes – foreign | | 1,989,750 | | |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)**

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

(e) Exchange-traded funds – local

(i) Exchange-traded funds – local as at 31 May 2019 are as follows:

| | <u>Quantity</u> | <u>Aggregate cost RM</u> | <u>Fair value RM</u> | <u>Percentage of NAV %</u> |
|--|------------------|----------------------------------|------------------------------|------------------------------------|
| TradePlus Shariah Gold Tracker | 1,000,000 | 1,730,760 | 1,755,000 | 0.50 |
| Total exchange-traded funds – local | <u>1,000,000</u> | <u>1,730,760</u> | <u>1,755,000</u> | <u>0.50</u> |
| Accumulated unrealised gain on exchange-traded funds – local | | <u>24,240</u> | | |
| Total exchange-traded funds – local | | <u>1,755,000</u> | | |

(ii) Exchange-traded funds – local as at 31 May 2018 are as follows:

| | <u>Quantity</u> | <u>Aggregate cost RM</u> | <u>Fair value RM</u> | <u>Percentage of NAV %</u> |
|--|------------------|----------------------------------|------------------------------|------------------------------------|
| TradePlus Shariah Gold Tracker | 1,000,000 | 1,730,760 | 1,695,000 | 0.40 |
| Total exchange-traded funds – local | <u>1,000,000</u> | <u>1,730,760</u> | <u>1,695,000</u> | <u>0.40</u> |
| Accumulated unrealised loss on exchange-traded funds – local | | <u>(35,760)</u> | | |
| Total exchange-traded funds – local | | <u>1,695,000</u> | | |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)**

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

(f) Exchange-traded funds – foreign

(i) Exchange-traded funds – foreign as at 31 May 2019 are as follows:

| | <u>Quantity</u> | <u>Aggregate cost RM</u> | <u>Fair value RM</u> | <u>Percentage of NAV %</u> |
|--|-----------------|----------------------------------|------------------------------|------------------------------------|
| ProShares Short | 361,212 | 44,443,383 | 46,134,939 | 13.21 |
| Samsung Kodex KOSDAQ150 Inv ETF | 131,832 | 3,448,587 | 3,562,972 | 1.02 |
| Total exchange-traded funds – foreign | <u>493,044</u> | <u>47,891,970</u> | <u>49,697,911</u> | <u>14.23</u> |
| Accumulated unrealised gain on exchange-traded funds – foreign | | <u>1,805,941</u> | | |
| Total exchange-traded funds – foreign | | <u>49,697,911</u> | | |

(ii) Exchange-traded funds – foreign as at 31 May 2018 are as follows:

| | <u>Quantity</u> | <u>Aggregate cost RM</u> | <u>Fair value RM</u> | <u>Percentage of NAV %</u> |
|--|------------------|----------------------------------|------------------------------|------------------------------------|
| CSOP Hang Seng Index ETP | 4,485,100 | 11,855,958 | 11,904,467 | 2.84 |
| Total exchange-traded funds – foreign | <u>4,485,100</u> | <u>11,855,958</u> | <u>11,904,467</u> | <u>2.84</u> |
| Accumulated unrealised gain on exchange-traded funds – foreign | | <u>48,509</u> | | |
| Total exchange-traded funds – foreign | | <u>11,904,467</u> | | |

NOTES TO THE FINANCIAL STATEMENTS **FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)**

10 FORWARD FOREIGN CURRENCY CONTRACT

As at 31 May 2019, there is one (2018: Nil) forward foreign currency contract outstanding. The notional principal amount of the outstanding forward foreign currency contract amounted to RM45,431,100 (2018: RM Nil). The forward foreign currency contract entered into during the financial year was for hedging against the currency exposure arising from the investment in the foreign securities denominated in United States Dollar. As the Fund has not adopted hedge accounting during the financial year, the change in the fair value of the forward foreign currency contract is recognised immediately in profit or loss.

11 NUMBER OF UNITS IN CIRCULATION

(a) AUD class units in circulation

| | <u>2019</u> No. of units | <u>2018</u> No. of units |
|---|-----------------------------|-----------------------------|
| At beginning of the financial year | 154,000 | - |
| Creation of units arising from applications | 2,232,000 | 154,000 |
| Cancellation of units | (1,146,000) | - |
| At the end of the financial year | <u>1,240,000</u> | <u>154,000</u> |

(b) GBP class units in circulation

| | <u>2019</u> No. of units | <u>2018</u> No. of units |
|---|-----------------------------|-----------------------------|
| At beginning of the financial year | 1,000 | - |
| Creation of units arising from applications | - | 1,000 |
| Cancellation of units | - | - |
| At the end of the financial year | <u>1,000</u> | <u>1,000</u> |

(c) MYR class units in circulation

| | <u>2019</u> No. of units | <u>2018</u> No. of units |
|---|-----------------------------|-----------------------------|
| At beginning of the financial year | 305,356,000 | 192,158,000 |
| Creation of units arising from applications | 28,364,000 | 125,570,000 |
| Cancellation of units | (64,003,000) | (12,372,000) |
| At the end of the financial year | <u>269,717,000</u> | <u>305,356,000</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)**

11 NUMBER OF UNITS IN CIRCULATION (CONTINUED)

(d) SGD class units in circulation

| | <u>2019</u> | <u>2018</u> |
|---|------------------|----------------|
| | No. of units | No. of units |
| At beginning of the financial year | 473,000 | - |
| Creation of units arising from applications | 7,029,000 | 473,000 |
| Cancellation of units | (1,683,000) | - |
| At the end of the financial year | <u>5,819,000</u> | <u>473,000</u> |

(e) USD class units in circulation

| | <u>2019</u> | <u>2018</u> |
|---|------------------|------------------|
| | No. of units | No. of units |
| At beginning of the financial year | 8,019,000 | - |
| Creation of units arising from applications | 692,000 | 8,082,000 |
| Cancellation of units | (828,000) | (63,000) |
| At the end of the financial year | <u>7,883,000</u> | <u>8,019,000</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

12 TRANSACTIONS WITH BROKERS

(i) Details of transactions with the top 10 brokers for the financial year ended 31 May 2019 are as follows:

| Name of brokers | Value of trade RM | Percentage of total trade % | Brokerage fees RM | Percentage of total brokerage % |
|--|----------------------|--------------------------------------|-------------------------|--|
| CICC Hong Kong Securities Ltd | 218,816,273 | 14.14 | 290,468 | 9.57 |
| Macquarie Bank Ltd (Hong Kong) | 195,615,627 | 12.64 | 269,354 | 8.87 |
| Citigroup Global Markets Ltd | 176,713,332 | 11.42 | 353,427 | 11.64 |
| CLSA Ltd (Hong Kong) | 137,068,985 | 8.86 | 164,396 | 5.41 |
| CCB International Securities | 90,322,390 | 5.84 | 225,806 | 7.44 |
| Daiwa Securities Capital Markets Korea Co Ltd | 83,654,910 | 5.41 | 209,137 | 6.89 |
| Morgan Stanley And Co. International Plc, London Branch | 57,789,128 | 3.73 | 115,578 | 3.81 |
| JP Morgan Securities (Asia Pacific) | 53,400,888 | 3.45 | 140,639 | 4.63 |
| DBS Vickers Securities (Singapore) Pte Ltd | 52,242,031 | 3.38 | 161,604 | 5.32 |
| Instinet Pacific Ltd | 51,568,387 | 3.33 | 128,921 | 4.25 |
| Others | 430,220,262 | 27.80 | 976,851 | 32.17 |
| | <u>1,547,412,213</u> | <u>100.00</u> | <u>3,036,181</u> | <u>100.00</u> |

(ii) Details of transactions with the top 10 brokers for the financial year ended 31 May 2018 are as follows:

| Name of brokers | Value of trade RM | Percentage of total trade % | Brokerage fees RM | Percentage of total brokerage % |
|--|----------------------|--------------------------------------|-------------------------|--|
| CLSA Ltd Hong Kong | 169,020,084 | 9.60 | 372,366 | 9.24 |
| CICC Hong Kong Securities Ltd | 133,828,920 | 7.60 | 281,270 | 6.98 |
| JP Morgan Securities (Asia Pacific) | 108,415,351 | 6.16 | 229,012 | 5.68 |
| CCB International Securities | 106,591,502 | 6.05 | 266,479 | 6.61 |
| Instinet Pacific Ltd | 101,453,387 | 5.76 | 253,639 | 6.29 |
| Citigroup Global Markets Ltd | 92,543,361 | 5.26 | 207,746 | 5.15 |
| Clsa Securities Korea Ltd. | 88,811,362 | 5.05 | 223,927 | 5.56 |
| Kim Eng Securities (Hong Kong) Ltd | 82,918,292 | 4.71 | 207,296 | 5.14 |
| Daiwa Securities Capital Markets Korea Co Ltd | 82,421,653 | 4.68 | 206,054 | 5.11 |
| Depository Trust Company | 67,147,165 | 3.81 | 35,865 | 0.89 |
| Others | 727,601,207 | 41.32 | 1,746,612 | 43.34 |
| | <u>1,760,752,284</u> | <u>100.00</u> | <u>4,030,266</u> | <u>100.00</u> |

Included in transactions with brokers and dealers are trades in the stockbroking industry with Affin Hwang Investment Bank Bhd, a company related to the Manager amounting RM21,800,015 (2018: RM65,598,984). The Manager is of the opinion that all transactions with the related companies has been entered into at agreed terms between related parties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (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>Relationships</u> |
|---|--|
| Affin Hwang Asset Management Berhad | The Manager |
| Affin Hwang Investment Bank Berhad | Holding company of the Manager |
| Affin Bank Berhad ("ABB") | Ultimate holding company of the Manager |
| Subsidiaries and associates of ABB as disclosed in its financial statements | Subsidiary and associated companies of the ultimate holding company of the Manager |
| Director of Affin Hwang Asset Management Berhad | Director of the Manager |

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

| | <u>2019</u> | | <u>2018</u> | |
|---|-------------------|-------------------|-------------------|-------------------|
| | No. of units | RM | No. of units | RM |
| <u>The Manager:</u> | | | | |
| Affin Hwang Asset Management Berhad (The units are held legally for booking purposes) | | | | |
| - AUD class | 2,566 | 3,669 | 1,007 | 1,579 |
| - GBP class | 1,000 | 2,638 | 1,000 | 2,872 |
| - MYR class | 2,412 | 2,900 | 3,421 | 4,511 |
| - SGD class | 2,907 | 4,145 | 1,927 | 3,013 |
| - USD class | 2,915 | 5,444 | 2,330 | 4,772 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>Party related to the Manager:</u> | | | | |
| Director of Affin Hwang Asset Management Berhad (The units are held beneficially) | | | | |
| - MYR class | 501,882 | 603,524 | 642,364 | 847,080 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

14 MANAGEMENT EXPENSE RATIO ("MER")

| | <u>2019</u> % | <u>2018</u> % |
|-----|------------------|------------------|
| MER | <u>1.06</u> | <u>1.68</u> |

MER is derived from the following calculation:

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

| | | |
|---|---|--|
| A | = | Management fee, excluding management fee rebates |
| B | = | Custodian fee |
| C | = | Fund accounting fee |
| D | = | Auditors' remuneration |
| E | = | Tax agent's fee |
| F | = | Performance fee |
| G | = | Other expenses, excluding goods and service tax on transaction costs |
| H | = | Average NAV of the Fund calculated on a daily basis |

The average NAV of the Fund for the financial year calculated on a daily basis is RM378,150,615 (2018: RM325,627,965).

15 PORTFOLIO TURNOVER RATIO ("PTR")

| | <u>2019</u> | <u>2018</u> |
|-------------|-------------|-------------|
| PTR (times) | <u>2.05</u> | <u>2.70</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 = RM765,531,760 (2018: RM951,280,661)
total disposal for the financial year = RM781,880,452 (2018: RM806,636,634)

16 SEGMENT INFORMATION

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

The committee considers the business as two sub-portfolios, which are managed by separate specialist teams at the Investment Manager. These sub-portfolios consist of an equity portfolio, which focuses on equity securities; the second sub-portfolio consisting of debt and cash instruments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

16 SEGMENT INFORMATION (CONTINUED)

The reportable operating segments derive their income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of interest, dividends and gains on the appreciation in the value of investments and are derived from quoted equities and collective investment schemes in Australia, China, Hong Kong, Indonesia, Malaysia, Macau, Korea, Philippines, Singapore, Taiwan, Thailand and United States.

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

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

17 MFRS 9 FINANCIAL INSTRUMENTS

As disclosed in Note A, the Fund has adopted MFRS 9, which resulted in the following changes in accounting policies:

(a) Classification and measurement of financial assets

Up to 31 May 2018, financial assets were classified in the following categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables. Note G set out the details of accounting policies for classification and measurement of financial instruments under MFRS 139.

From 1 June 2018, the Fund applies the following MFRS 9's classification approach to all types of financial assets:

- Investments in equity instruments: These instruments are always measured at fair value with changes in fair value presented in profit or loss unless the Fund has made an irrevocable choice to present changes in fair value in other comprehensive income ("OCI") for investments that are not held for trading.

(b) Impairment

From 1 June 2018 onwards, the Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. Management consider 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.

Definition of default and credit-impaired financial assets

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019 (CONTINUED)

17 MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Impairment (continued)

As disclosed above, the adoption of MFRS 9 in 2018 resulted in a change in measurement categories of certain financial assets and financial liabilities.

The measurement category and the carrying amount of financial assets and financial liabilities in accordance with MFRS 139 and MFRS 9 at 1 June 2018 are compared as follows:

| | Measurement category | | Carrying amount | | | |
|---|---------------------------|-----------------|---------------------------------|------------------------------|---------------------------|-----------------------|
| | Original (MFRS 139) | New (MFRS 9) | Original (MFRS 139) RM | Reclassifi- cations RM | Remeasu- rements RM | New (MFRS 9) RM |
| Assets | | | | | | |
| Cash and cash equivalents | Loans and receivables | Amortised cost | 77,356,522 | - | - | 77,356,522 |
| Quoted investments | FVTPL | FVTPL | 353,389,220 | - | - | 353,389,220 |
| Amount due from brokers | Loans and receivables | Amortised cost | 1,082,620 | - | - | 1,082,620 |
| Amount due from Manager | Loans and receivables | Amortised cost | 1,057,281 | - | - | 1,057,281 |
| Dividend receivables | Loans and receivables | Amortised cost | 1,015,696 | - | - | 1,015,696 |
| Other receivables | Loans and receivables | Amortised cost | 106,562 | - | - | 106,562 |
| Liabilities | | | | | | |
| Amount due to Manager - management fee | Amortised cost | Amortised cost | 348,649 | - | - | 299,780 |
| Amount due to Manager - cancellation of units | Amortised cost | Amortised cost | 574,386 | - | - | 574,386 |
| Amount due to brokers | Amortised cost | Amortised cost | 10,832,820 | - | - | 10,832,820 |
| Fund accounting fee | Amortised cost | Amortised cost | 6,000 | - | - | 6,000 |
| Performance fee | Amortised cost | Amortised cost | 2,146,244 | - | - | 2,146,244 |
| Auditors' remuneration | Amortised cost | Amortised cost | 9,000 | - | - | 9,000 |
| Tax agent's fee | Amortised cost | Amortised cost | 1,614 | - | - | 1,614 |
| Other payables and accruals | Amortised cost | Amortised cost | 59,340 | - | - | 59,340 |

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT BY THE MANAGER

I, Teng Chee Wai, as the Director of **Affin Hwang Asset Management Berhad**, do hereby state that in my opinion as the Manager, the financial statements set out on pages 16 to 45 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 31 May 2019 and of its financial performance, net assets attributable to unitholders and cash flows for the financial year ended 31 May 2019 in accordance with Malaysia Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,
AFFIN HWANG ASSET MANAGEMENT BERHAD

TENG CHEE WAI
EXECUTIVE DIRECTOR/ MANAGING DIRECTOR

Kuala Lumpur

16 July 2019

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Affin Hwang Absolute Return Fund II ("the Fund") give a true and fair view of the financial position of the Fund as at 31 May 2019, and of its financial performance and its cash flows for the 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 31 May 2019, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 16 to 45.

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' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG ABSOLUTE RETURN FUND II (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 gives 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 has no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF AFFIN HWANG ABSOLUTE RETURN FUND II (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 judgement 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 Fund'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.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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.

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
16 July 2019

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