

Affin Hwang

Absolute Return Fund II

Annual Report
31 May 2020

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



AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad
199701014290 (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 2020

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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 2020

Size of holdings (units)	No. of unitholders	No. of units held * ('000)
5,000 and below	1	0
5,001 to 10,000	2	14
10,001 to 50,000	90	3,116
50,001 to 500,000	550	82,650
500,001 and above	85	153,405
Total	728	239,185

* Note: Excluding Manager's stock

BREAKDOWN OF UNITHOLDERS BY AUD CLASS SIZE AS AT 31 MAY 2020

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	6	1,050
500,001 and above	1	640
Total	7	1,690

* Note: Excluding Manager's stock

BREAKDOWN OF UNITHOLDERS BY USD CLASS SIZE AS AT 31 MAY 2020

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	10	1,378
500,001 and above	1	7,069
Total	11	8,447

** Note: Excluding Manager's stock*

BREAKDOWN OF UNITHOLDERS BY GBP CLASS SIZE AS AT 31 MAY 2020

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	2	118
500,001 and above	-	-
Total	2	118

** Note: Excluding Manager's stock*

BREAKDOWN OF UNITHOLDERS BY SGD CLASS SIZE AS AT 31 MAY 2020

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	689
500,001 and above	2	6,384
Total	6	7,073

** Note: Excluding Manager's stock*

FUND PERFORMANCE DATA

Category	As at 31 May 2020 (%)	As at 31 May 2019 (%)	As at 31 May 2018 (%)
Portfolio Composition			
Quoted equities – local			
- Consumer Product & Services	3.25	3.36	-
- Technology	-	3.77	-
- Trading / Services	-	-	1.85
- Utilities	2.21	2.34	-
- Warrant	0.07	-	-
Total quoted equities – local	5.53	9.47	1.85
Quoted equities – foreign			
- Basic Materials	-	0.45	2.94
- Consumer Goods	1.15	0.45	6.81
- Consumer Services	25.16	11.47	6.97
- Financial Services	24.48	22.24	17.02
- Healthcare	-	-	3.30
- Industrial	3.29	3.52	9.84
- Oil & gas	-	-	10.44
- Preference share	-	-	2.10
- Technology	26.01	16.39	14.30
- Utilities	-	-	0.34
- Total quoted equities – foreign	80.09	54.52	74.06

FUND PERFORMANCE DATA (CONTINUED)

Category	As at 31 May 2020 (%)					As at 31 May 2019 (%)					As at 31 May 2018 (%)				
Collective investment scheme – local	2.48					5.60					4.91				
Collective investment scheme – foreign	0.63					14.83					3.31				
Cash & cash equivalent	11.27					15.57					15.87				
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	AUD Class	USD Class	GBP Class	SGD Class
Total NAV (million)	314.927	0.917	3.977	0.065	3.594	324.340	0.612	3.515	0.000	2.728	402.670	0.080	4.127	0.001	0.249
NAV per Unit (in respective currencies)	1.3167	0.5417	0.4707	0.5380	0.5079	1.2025	0.4933	0.4459	0.4990	0.4688	1.3187	0.5196	0.5147	0.5452	0.5255
Unit in Circulation (million)	239.188	1.692	8.450	0.121	7.077	269.717	1.240	7.883	0.001	5.819	305.356	0.154	8.019	0.001	0.473
Highest NAV	1.3891	0.5909	0.5231	0.5699	0.5509	1.3427	0.5254	0.5244	0.5530	0.5336	1.3321	0.5307	0.5213	0.5462	0.5327
Lowest NAV	1.1964	0.4884	0.4417	0.4966	0.4651	1.0766	0.4378	0.4037	0.4472	0.4210	1.2002	0.4978	0.4990	0.5000	0.5000
Return of the fund ⁱⁱⁱ (%)	9.50	9.81	5.56	7.82	8.34	-8.81	-5.06	-13.37	-8.47	-10.79	10.17	3.92	2.94	9.04	5.10
- Capital Return ⁱ (%)	9.50	9.81	5.56	7.82	8.34	-8.81	-5.06	-13.37	-8.47	-10.79	10.17	3.92	2.94	9.04	5.10
- Income Return ⁱⁱ (%)	Nil	Nil	Nil	Nil	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	Nil	Nil	Nil	Nil
Net Distribution per Unit (sen)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Management Expense Ratio (%) ¹			1.13					1.06					1.68		
Portfolio Turnover Ratio (times) ²			2.47					2.05					2.70		

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

² The Fund's PTR was higher than previous year as the Manager has increased trading activities during the financial year.

Basis of calculation and assumption made in calculating the returns:-

The performance figures are a comparison of the growth/decline in NAV for the stipulated period taking into account all the distribution payable (if any) during the stipulated period.

An illustration of the above would be as follow:-

Capital return	=	NAV per Unit end / NAV per Unit begin – 1
Income return	=	Income distribution per Unit / NAV per Unit ex-date
Total return	=	Capital return x Income return – 1

MANAGER'S REPORT

Income Distribution / Unit Split

No income distributions or unit splits were declared for the financial year ended 31 May 2020.

Performance Review

MYR Class

For the period 1 June 2019 to 31 May 2020, the Fund registered a return of 9.50%. It outperformed the Benchmark return of 8.02% by 1.48 percentage points. The Net Asset Value (NAV) per unit of the Fund on 31 May 2020 was RM1.3167 while the NAV per unit on 31 May 2019 was RM1.2025. (See Table 1 for the performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

Since commencement until 31 May 2020, the Fund registered a return of 163.34%. Compared to the Benchmark return of 159.80% for the same period, the Fund outperformed the Benchmark by 3.54 percentage points.

AUD Class

For the period 1 June 2019 to 31 May 2020, the Fund registered a return of 9.81%. It outperformed the Benchmark return of 8.02% by 1.79 percentage points. The Net Asset Value (NAV) per unit of the Fund on 31 May 2020 was AUD0.5417 while the NAV per unit on 31 May 2019 was AUD 0.4933. (See Table 1 for the performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

Since commencement until 31 May 2020, the Fund registered a return of 8.34%. Compared to the Benchmark return of 18.22% for the same period, the Fund underperformed the Benchmark by 9.88 percentage points.

GBP Class

For the period 1 June 2019 to 31 May 2020, the Fund registered a return of 7.82%. It underperformed the Benchmark return of 8.02% by 0.20 percentage points. The Net Asset Value (NAV) per unit of the Fund on 31 May 2020 was GBP0.5380 while the NAV per unit on 31 May 2019 was GBP 0.4990. (See Table 1 for the performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

Since commencement until 31 May 2020, the Fund registered a return of 7.60%. Compared to the Benchmark return of 18.22% for the same period, the Fund underperformed the Benchmark by 10.62 percentage points.

SGD Class

For the period 1 June 2019 to 31 May 2020, the Fund registered a return of 8.34%. It outperformed the Benchmark return of 8.02% by 0.32 percentage points. The Net Asset Value (NAV) per unit of the Fund on 31 May 2020 was SGD 0.5079 while the NAV per unit on 31 May 2019 was SGD 0.4688. (See Table 1 for the performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

Since commencement until 31 May 2020, the Fund registered a return of 1.58%. Compared to the Benchmark return of 18.22% for the same period, the Fund underperformed the Benchmark by 16.64 percentage points.

USD Class

For the period 1 June 2019 to 31 May 2020, the Fund registered a return of 5.56%. It underperformed the Benchmark return of 8.02% by 2.46 percentage points. The Net Asset Value (NAV) per unit of the Fund on 31 May 2020 was USD 0.4707 while the NAV per unit on 31 May 2019 was USD 0.4459. (See Table 1 for the performance of the Fund and Figure 1 for movement of the Fund versus the Benchmark respectively).

Since commencement until 31 May 2020, the Fund registered a return of -5.86%. Compared to the Benchmark return of 18.22% for the same period, the Fund underperformed the Benchmark by 24.08 percentage points.

During the period under review, the Fund had recorded positive returns based on the change in its NAV per unit for respective classes. The Fund met 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).

MYR Class

Table 1: Performance of the Fund

	1 Year	3 Years	5 Years	Since Commencement
	(1/6/19 - 31/5/20)	(1/6/17 - 31/5/20)	(1/6/15 - 31/5/20)	(8/1/08 - 31/5/20)
Fund	9.50%	10.00%	37.93%	163.34%
Benchmark	8.02%	26.00%	46.99%	159.80%
Outperformance / (Underperformance)	1.48%	(16.00%)	(9.06%)	3.54%

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	1 Year	3 Years	5 Years	Since Commencement
	(1/6/19 - 31/5/20)	(1/6/17 - 31/5/20)	(1/6/15 - 31/5/20)	(8/1/08 - 31/5/20)
Fund	9.50%	3.23%	6.64%	8.12%
Benchmark	8.02%	8.00%	8.00%	8.00%
Outperformance / (Underperformance)	1.48%	(4.77%)	(1.36%)	0.12%

Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	FYE 2020 (1/6/19 - 31/5/20)	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)
Fund	9.50%	(8.81%)	10.17%	18.48%	5.83%
Benchmark	8.02%	8.00%	8.00%	8.00%	8.02%
Outperformance / (Underperformance)	1.48%	(16.81%)	2.17%	10.48%	(2.19%)

Source of Benchmark: Bloomberg

AUD Class

Table 1: Performance of the Fund

	1 Year (1/6/19 - 31/5/20)	Since Commencement (30/3/18 - 31/5/20)
Fund	9.81%	8.34%
Benchmark	8.02%	18.22%
Outperformance / (Underperformance)	1.79%	(9.88%)

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	1 Year (1/6/19 - 31/5/20)	Since Commencement (30/3/18 - 31/5/20)
Fund	9.81%	3.75%
Benchmark	8.02%	8.00%
Outperformance / (Underperformance)	1.79%	(4.25%)

Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	FYE 2020 (1/6/19 - 31/5/20)	FYE 2019 (1/6/18 - 31/5/19)	FYE 2018 (30/3/18 - 31/5/18)
Fund	9.81%	(5.06%)	3.92%
Benchmark	8.02%	8.00%	1.34%
Outperformance / (Underperformance)	1.79%	(13.06%)	2.58%

Source of Benchmark: Bloomberg

GBP Class

Table 1: Performance of the Fund

	1 Year (1/6/19 - 31/5/20)	Since Commencement (30/3/18 - 31/5/20)
Fund	7.82%	7.60%
Benchmark	8.02%	18.22%
Outperformance / (Underperformance)	(0.20%)	(10.62%)

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	1 Year (1/6/19 - 31/5/20)	Since Commencement (30/3/18 - 31/5/20)
Fund	7.82%	3.42%
Benchmark	8.02%	8.00%
Outperformance / (Underperformance)	(0.20%)	(4.58%)

Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	FYE 2020 (1/6/19 - 31/5/20)	FYE 2019 (1/6/18 - 31/5/19)	FYE 2018 (30/3/18 - 31/5/18)
Fund	7.82%	(8.47%)	9.04%
Benchmark	8.02%	8.00%	1.34%
Outperformance / (Underperformance)	(0.20%)	(16.47%)	7.70%

Source of Benchmark: Bloomberg

SGD Class

Table 1: Performance of the Fund

	1 Year (1/6/19 - 31/5/20)	Since Commencement (30/3/18 - 31/5/20)
Fund	8.34%	1.58%
Benchmark	8.02%	18.22%
Outperformance / (Underperformance)	0.32%	(16.64%)

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	1 Year (1/6/19 - 31/5/20)	Since Commencement (30/3/18 - 31/5/20)
Fund	8.34%	0.72%
Benchmark	8.02%	8.00%
Outperformance / (Underperformance)	0.32%	(7.28%)

Source of Benchmark: Bloomberg

Table 3: Annual Total Return

	FYE 2020 (1/6/19 - 31/5/20)	FYE 2019 (1/6/18 - 31/5/19)	FYE 2018 (30/3/18 - 31/5/18)
Fund	8.34%	(10.79%)	5.10%
Benchmark	8.02%	8.00%	1.34%
Outperformance / (Underperformance)	0.32%	(18.79%)	3.76%

Source of Benchmark: Bloomberg

USD Class

Table 1: Performance of the Fund

	1 Year (1/6/19 - 31/5/20)	Since Commencement (30/3/18 - 31/5/20)
Fund	5.56%	(5.86%)
Benchmark	8.02%	18.22%
Outperformance / (Underperformance)	(2.46%)	(24.08%)

Source of Benchmark: Bloomberg

Table 2: Average Total Return

	1 Year (1/6/19 - 31/5/20)	Since Commencement (30/3/18 - 31/5/20)
Fund	5.56%	(2.74%)
Benchmark	8.02%	8.00%
Outperformance / (Underperformance)	(2.46%)	(10.74%)

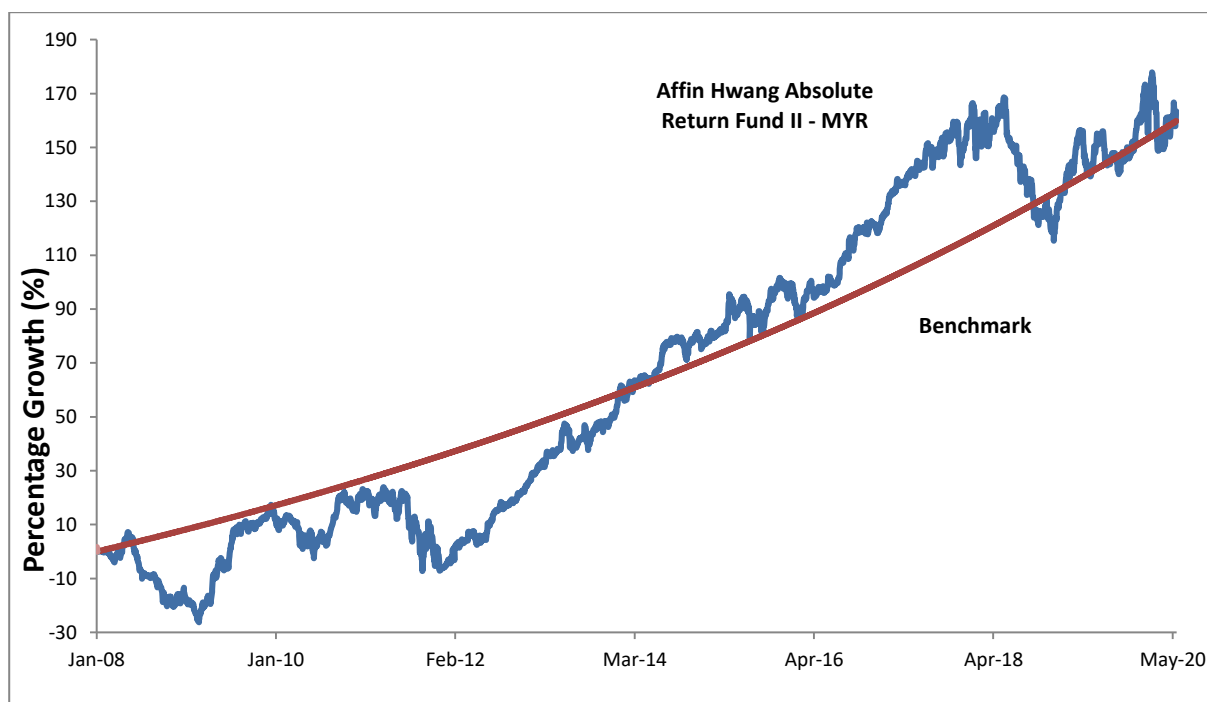
Source of Benchmark: Bloomberg

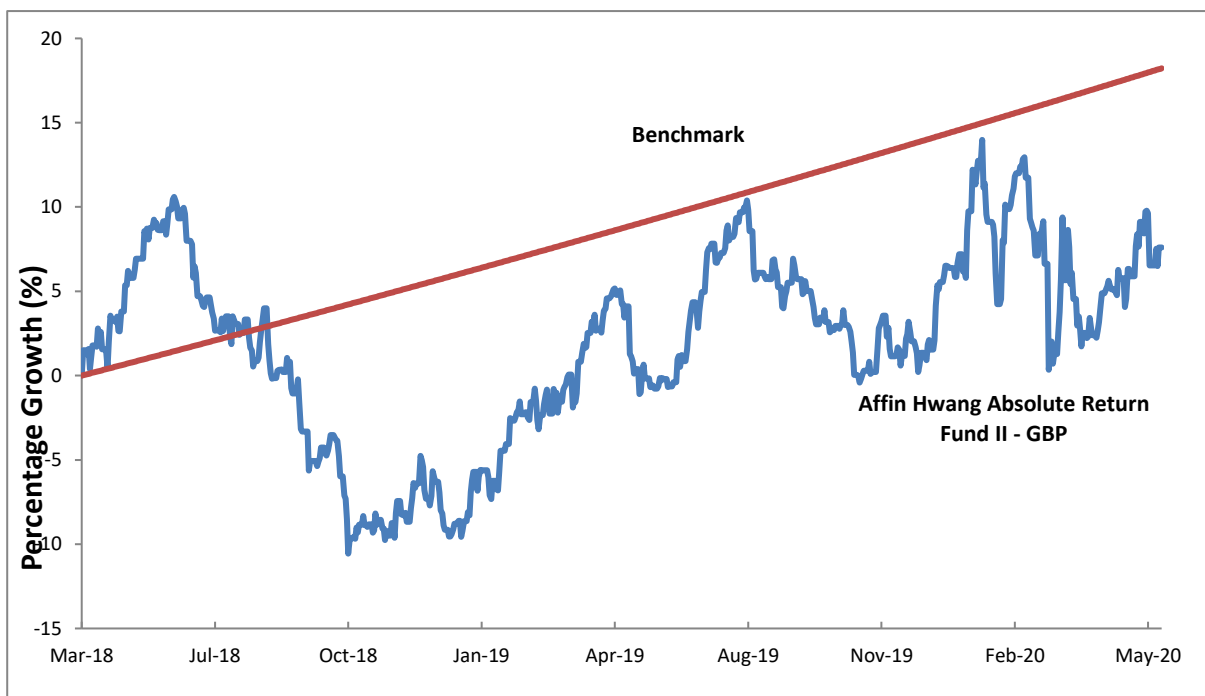
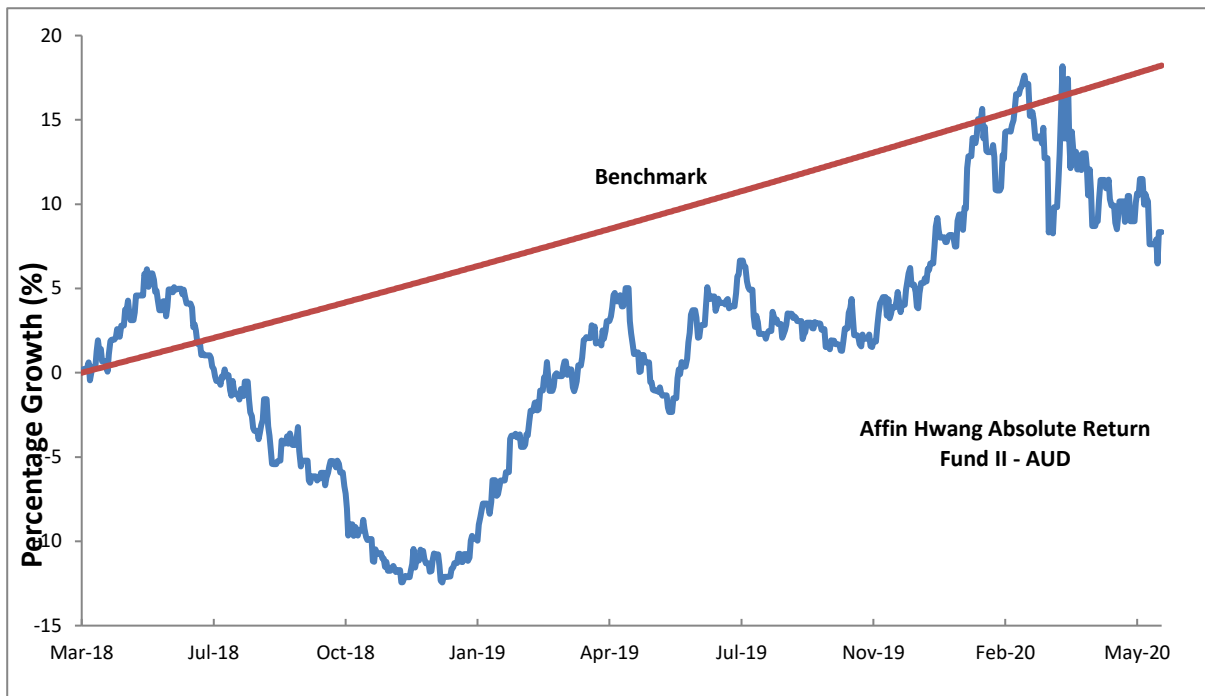
Table 3: Annual Total Return

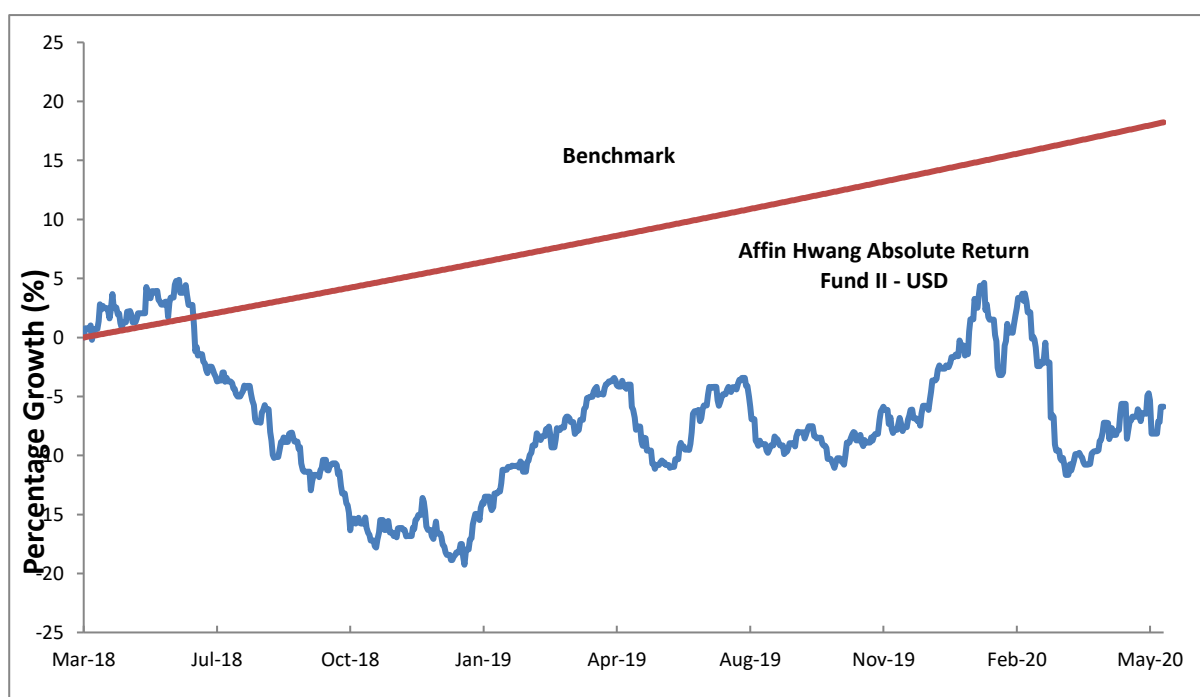
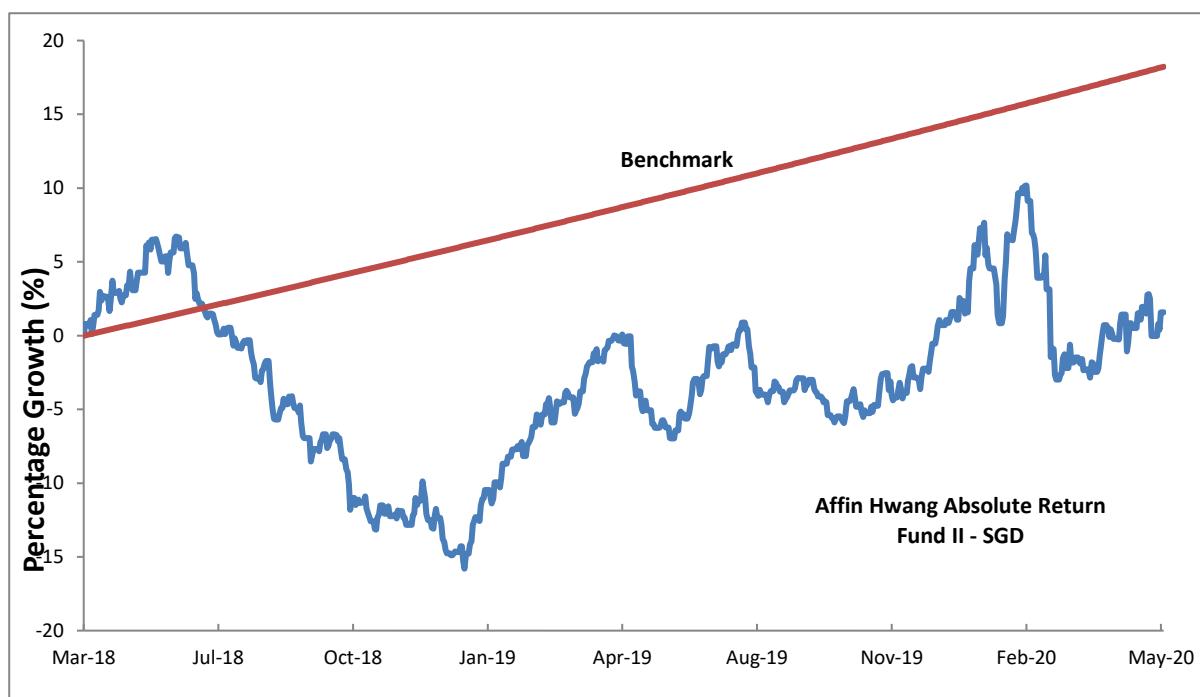
	FYE 2020 (1/6/19 - 31/5/20)	FYE 2019 (1/6/18 - 31/5/19)	FYE 2018 (30/3/18 - 31/5/18)
Fund	5.56%	(13.37%)	2.94%
Benchmark	8.02%	8.00%	1.34%
Outperformance / (Underperformance)	(2.46%)	(21.37%)	1.60%

Source of Benchmark: Bloomberg

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







"This information is prepared by Affin Hwang Asset Management Berhad (AFFINHWANGAM) for information purposes only. Past earnings or the fund's distribution record is not a guarantee or reflection of the fund's future earnings/future distributions. Investors are advised that unit prices, distributions payable and investment returns may go down as well as up. Source of Benchmark is from Bloomberg."

Benchmark: Absolute Return 8%

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

Asset Allocation

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

As at 31 May 2020, the asset allocation of the Fund stood at 80.09% in equities, 3.11% in collective investment scheme while the balance was held in cash and cash equivalent.

During the period under review, the Manager had decreased its exposure in domestic equities from 9.47% to 5.53% - stripping off Technology sector. Exposure in foreign equities on the other hand, had increased by 25.57 percentage points to 80.09% from 54.52%. The Manager had increased allocations in sectors such as Consumer Services and Technology. Over the same period, the Manager also allocated lower weightage into local and foreign collective investment schemes compare to previous year. Cash level were reduced because of higher investment levels.

Strategies Employed

With the extreme volatility in markets, we raised our cash holdings and went into a defensive stance in our allocation. As the sell-down accelerated, we then slowly deployed back into the market with a focus on quality. We continue to keep close monitor on market development amidst the rare double whammy of global pandemic and oil price collapse.

Market Review

Global markets got off to a rocky start in 2020 as benchmark gauges reeled from contagion fears as a result of the coronavirus outbreak. The Hong Kong Hang Seng index tumbled 6.7% in January, whilst the broader MSCI Asia ex-Japan index fell 4.5%. The World Health Organization declared a global health emergency as soon as the coronavirus outbreak has claimed the lives of at least 300 people with rates of infection rapidly increasing.

The global equities trended even lower in February as risk assets continue to reel from the impact of the Covid-19 outbreak which sent chills to investors. The rapid spread of the infection outside of China with new cases springing in Italy, South Korea and Iran led to a rush towards safe haven assets with US Treasury yields dipping to record lows. The S&P 500 index tumbled 8.4%, whilst the index Dow Jones closed 10.1% lower in the month. The broader MSCI Asia ex-Japan index fell 2.9%.

Coming into March, the global markets faced a washout, as few asset classes were spared from the selloff due to the pandemic fears as infection rates continue to escalate rapidly. The MSCI Asia ex-Japan index closed 12.2% lower in the month and is down 18.6% YTD. In the US, the S&P 500 index closed 12.5% lower and is down by 20% YTD. The global death toll caused by the pandemic surpassed 50,000 as at end of March. In an attempt to stem the fallout from the coronavirus, major economies led by the US has introduced an unprecedented US\$2 trillion relief package to cushion its economy.

The relief package comes as the US also reports the most number of Covid-19 cases, making it the country with the largest outbreak in the world surpassing that of Italy and China. The number of confirmed Covid-19 cases in the US exceeded the grim 100,000 mark as testing is ramped-up in the country and the administration begins to acknowledge the severity of the outbreak and impose more drastic lockdown measures.

However, global equities staged a rebound in April as markets looked past recent softness in economic data and were instead buoyed by stimulus optimism as well as encouraging developments on the COVID-19 front. The rally was fuelled by a volley of stimulus measures rolled out by major central banks including an expansion package by the US Federal Reserve and the European Union (EU). The S&P 500 index advanced by 8.8% in the month; while positive effects were also felt in Asia in which the Hong Kong Hang Seng and the broader MSCI Asia ex-Japan index rose by 4.4% and 8.9% respectively.

The US unveiled its Main Street Lending Program which is designed to provide support and ensure credit flow into SMEs that were in "good financial standing". Similarly, the EU proposed a European Stability Mechanism ("ESM") which offers a credit line of up to 240 billion Euros to EU members.

On commodities, crude oil prices slid 8.0% in April as production cuts agreed by OPEC+ disappointed markets. The supply cuts were unlikely to be sufficient to mitigate the sharp collapse in demand which has also seen depleting storage space in the industry.

On the domestic front, the benchmark KLCI fell by 3% in February as the country plunged into political turmoil which ultimately culminated in the appointment of Tan Sri Muhyiddin Yassin as the eighth Prime Minister, from the Perikatan Nasional coalition (UMNO, PAS, Bersatu and a splinter faction of PKR). The appointment was announced by Istana Negara amidst shifting political allegiances and frantic horse-trading across the ruling and opposition coalitions.

In May, the benchmark KLCI rose 4.7% buoyed by positive sentiment and surge in momentum. Retail investors have piled into the local stock market as trading volumes reach new highs. Malaysia released its first quarterly GDP print. Malaysia's economic growth slowed to 0.7% in the 1Q2020 which is its slowest pace of growth since 2009. Most sectors of the economy contracted except for private consumption which was likely supported by additional spending during the Chinese New Year festivities.

Moving into the 2Q2020, economic growth will likely come off even more sharply as the quarter captures the full impact of the movement control order ("MCO") period where most businesses were temporarily shuttered. Against a challenging backdrop for the economy, the full year GDP growth forecast is expected to shrink between -5.0% and 0.7% in 2020.

Prime Minister Tan Sri Muhyiddin Yassin unveiled a RM250 billion economic stimulus package to soften the economic blow due to the impact of Covid-19 with businesses shuttered due to the movement control order (MCO). Called the Pakej Rangsangan Ekonomi Prihatin Rakyat or Prihatin, the package comprises RM128 billion to protect the welfare of the people, RM100 billion to protect the welfare of small and medium enterprises ("SMEs") and RM2 billion to strengthen the country's economy according to The Edge. This was on top of the RM20 billion stimulus that was earlier announced on 27 February.

Whilst RM250 billion seems like a massive amount on the surface, the actual fiscal spending outlay amounts to 10.0% or RM25billion. The rest of the relief package comes in the form of loan guarantees, moratorium in loan repayments, EPF withdrawals, among others. In April, Prime Minister had announced an additional RM10billion package to help SMEs cope during the pandemic.

The budget deficit is expected to widen with the new stimulus package. The government will have to tap into the country's coffers including relying on dividend payments from GLCs like Petronas to help fund the package. However, this also comes on the back of depressed oil prices that may put additional fiscal constraints.

Recent placement exercises by Tenaga Nasional Bhd ("TNB") and Serba Dinamik Holdings Bhd point to strong appetite. Khazanah raised RM1 billion from TNB placement (3x oversubscribed) while Serba Dinamik raised RM456.7 million (1.5x oversubscribed). We could see more placement exercises in the market with ample liquidity on the side-lines as most funds are sitting on decent amounts of cash.

Investment Outlook

Economic lockdowns have triggered a rapid and sharp decline in growth. It may take time for the global economy and corporates to recover back to pre-COVID-19 levels. Though, massive stimulus from central banks and governments will help alleviate economic pain.

Although the number of daily new cases may rise again as economies re-open, we are seeing a number of positive developments that may help prevent infection and mortality rates from rising back to its peak in March/April for many countries. The general public is much more careful now by wearing masks in public areas and maintaining hygiene as they adapt to a new normal. Thus, behavioural changes within society can help to stem the spread of infection.

The supply of masks and PPEs are also much higher today than a few months ago as manufacturers increase production to meet demand. Hospitals and medical facilities are also much more prepared after increasing ICU beds and ventilators. Governments have also ramped-up contact tracing capabilities that will help in the process of reopening economies. The research and development process to find a cure is also gathering pace with a number of vaccines already in Phase 3 trials. With a better medical arsenal to combat against the pandemic, expectations are that the second wave will not result in higher mortality rates unlike past pandemics.

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 not been carried out during the reported period.

AFFIN HWANG ABSOLUTE RETURN FUND II

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

AFFIN HWANG ABSOLUTE RETURN FUND II

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	<u>Note</u>	<u>2020</u> RM	<u>2019</u> RM
INVESTMENT INCOME/(LOSS)			
Dividend income		3,981,747	8,595,735
Interest income from financial assets at amortised cost		40,646	91,234
Interest income from financial assets at fair value through profit or loss		41,215	-
Net gain on foreign currency exchange		107,678	3,137,512
Net loss on futures at fair value through profit or loss		(6,117,317)	-
Net loss on forward foreign currency contracts at fair value through profit or loss		(2,292,331)	(1,257,326)
Net gain/(loss) on financial assets at fair value through profit or loss	8	42,433,595	(41,541,037)
		<u>38,195,233</u>	<u>(30,973,882)</u>
EXPENSES			
Management fee	4	(3,185,284)	(3,722,083)
Custodian fee	5	(94,776)	(151,930)
Fund accounting fee	6	(36,000)	(36,000)
Auditors' remuneration		(11,500)	(9,000)
Tax agent's fee		(99,800)	(3,800)
Transaction costs		(3,354,546)	(4,268,863)
Other expenses		(437,574)	(29,742)
		<u>(7,219,480)</u>	<u>(8,221,418)</u>
NET PROFIT/(LOSS) BEFORE TAXATION		30,975,753	(39,195,300)
Taxation	7	-	(413,774)
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>30,975,753</u>	<u>(39,609,074)</u>
Increase/(decrease) in net asset attributable to unitholders comprise the following:			
Realised amount		4,691,674	(21,822,252)
Unrealised amount		26,284,079	(17,786,822)
		<u>30,975,753</u>	<u>(39,609,074)</u>

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

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2020

	<u>Note</u>	<u>2020</u> RM	<u>2019</u> RM
ASSETS			
Cash and cash equivalents		21,653,058	44,756,796
Amount due from brokers		8,171,579	10,661,941
Amount due from Manager			
- creation of units		1,257,034	198,957
- management fee rebate receivable		10,761	22,254
Dividends receivable		770,138	883,335
Other receivables		-	52,452
Financial assets at fair value through profit or loss	8	307,250,364	294,789,353
Margin accounts	9	13,357,280	-
TOTAL ASSETS		<u>352,470,214</u>	<u>351,365,088</u>
LIABILITIES			
Forward foreign currency contracts at fair value through profit or loss	10	-	650,068
Futures at fair value through profit or loss	11	4,230,103	-
Amount due to brokers		1,517,714	888,218
Amount due to Manager			
- management fee		286,245	305,814
- cancellation of units		60,602	357,940
Fund accounting fee		3,000	3,000
Auditors' remuneration		11,500	9,000
Tax agent's fee		98,014	2,014
Other payables and accruals		13,000	12,363
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)		<u>6,220,178</u>	<u>2,228,417</u>
NET ASSET VALUE OF THE FUND		<u>346,250,036</u>	<u>349,136,671</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>346,250,036</u>	<u>349,136,671</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2020 (CONTINUED)

	<u>Note</u>	<u>2020</u> RM	<u>2019</u> RM
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDING UNITS			
- AUD class		2,643,500	1,772,866
- GBP class		349,784	2,638
- MYR class		314,926,959	324,340,323
- SGD class		11,049,426	8,297,408
- USD class		17,280,367	14,723,436
		<u>346,250,036</u>	<u>349,136,671</u>
NUMBER OF UNITS IN CIRCULATION			
- AUD class	12(a)	1,692,000	1,240,000
- GBP class	12(b)	121,000	1,000
- MYR class	12(c)	239,188,000	269,717,000
- SGD class	12(d)	7,077,000	5,819,000
- USD class	12(e)	8,450,000	7,883,000
		<u>256,528,000</u>	<u>284,660,000</u>
NET ASSET VALUE PER UNIT (RM)			
- AUD class		1.5624	1.4297
- GBP class		2.8908	2.6380
- MYR class		1.3167	1.2025
- SGD class		1.5613	1.4259
- USD class		<u>2.0450</u>	<u>1.8677</u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES			
- AUD class		AUD 0.5417	AUD 0.4933
- GBP class		GBP 0.5380	GBP 0.4990
- MYR class		RM 1.3167	RM 1.2025
- SGD class		SGD 0.5079	SGD 0.4688
- USD class		<u>USD 0.4707</u>	<u>USD 0.4459</u>

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

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	<u>2020</u> RM	<u>2019</u> RM
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR	349,136,671	420,078,717
Movement due to units created and cancelled during the financial year		
Creation of units arising from applications	65,130,841	50,049,679
- AUD class	2,320,620	3,420,982
- GBP class	405,694	-
- MYR class	54,849,304	35,087,800
- SGD class	5,534,609	10,168,680
- USD class	2,020,614	1,372,217
Cancellation of units	(98,993,229)	(81,382,651)
- AUD class	(1,643,558)	(1,615,084)
- GBP class	(78,526)	-
- MYR class	(92,645,284)	(75,869,615)
- SGD class	(3,666,065)	(2,387,801)
- USD class	(959,796)	(1,510,151)
Net increase/(decrease) in net assets attributable to unitholders during the financial year	30,975,753	(39,609,074)
- AUD class	193,572	(274,491)
- GBP class	19,978	(254)
- MYR class	28,382,616	(37,548,316)
- SGD class	883,474	(223,027)
- USD class	1,496,113	(1,562,986)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL YEAR	<u>346,250,036</u>	<u>349,136,671</u>

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

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	<u>2020</u> RM	<u>2019</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of investments	818,068,363	770,376,151
Purchase of investments	(788,500,212)	(777,326,970)
Payments to margin accounts	(13,357,280)	-
Dividends received	4,094,944	8,728,096
Interest received	116,267	91,234
Management fee rebate received	199,284	298,506
Management fee paid	(3,204,853)	(3,765,836)
Custodian fee paid	(94,776)	(151,930)
Performance fee paid	-	(2,146,244)
Payment for other fees and expenses	(485,737)	(128,119)
Realised loss on futures	(1,887,214)	-
Realised loss on forward foreign currency contract	(2,942,399)	(607,258)
Net realised gain on foreign currency exchange	358,981	3,094,874
Tax paid	-	(413,774)
Net cash generated from/(used in) operating activities	<u>12,365,368</u>	<u>(1,951,270)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	64,072,764	50,908,003
Payments for cancellation of units	(99,290,567)	(81,599,097)
Net cash used in financing activities	<u>(35,217,803)</u>	<u>(30,691,094)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(22,852,435)	(32,642,364)
EFFECTS OF FOREIGN CURRENCY EXCHANGE	(251,303)	42,638
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	<u>44,756,796</u>	<u>77,356,522</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	<u>21,653,058</u>	<u>44,756,796</u>

Cash and cash equivalents as at 31 May 2020 and 31 May 2019 comprise of bank balances.

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

AFFIN HWANG ABSOLUTE RETURN FUND II

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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, International Financial Reporting Standards ("MFRS").

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 M.

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

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019)
- Annual Improvements to MFRSs 2015 – 2017 Cycle (effective 1 January 2019)

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

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

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business.

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

B INCOME RECOGNITION

Dividend income

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

Interest income

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

AFFIN HWANG ABSOLUTE RETURN FUND II

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

B INCOME RECOGNITION (CONTINUED)

Interest income (continued)

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

Realised gains and losses on sale of investments

For quoted equities and collective investment schemes ("CIS"), 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.

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.

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

E FUNCTIONAL AND PRESENTATION CURRENCY

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

F FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income.

AFFIN HWANG ABSOLUTE RETURN FUND II

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

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

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

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

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

The Fund classifies cash and cash equivalents, amount due from brokers, amount due from Manager, dividends receivable and margin accounts 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 brokers, amount due to Manager, amount due to Trustee, auditors' remuneration, tax agent's fee and other payables and accruals as financial liabilities measured at amortised cost.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income.

Financial liabilities, within the scope of MFRS 9, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

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

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

AFFIN HWANG ABSOLUTE RETURN FUND II

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

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 currency 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.

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

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

Investment in collective investment schemes is valued at the last published NAV per unit at the date of the statement of financial position.

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

(iii) Impairment

The Fund 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

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

Quantitative criteria:

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

AFFIN HWANG ABSOLUTE RETURN FUND II

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (continued)

Definition of default and credit-impaired financial assets (continued)

Qualitative criteria:

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

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

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

Write-off

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

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

H CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances which are subject to an insignificant risk of change in value.

I AMOUNTS 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. Refer to Note G for accounting policy on recognition and measurement.

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

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.

AFFIN HWANG ABSOLUTE RETURN FUND II

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

J 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.

K INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

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

L 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.

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

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

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

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

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

AFFIN HWANG ABSOLUTE RETURN FUND II

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

M CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information contents on the estimates, certain key variables that are anticipated to have material impacts to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

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

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

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

N REALISED AND UNREALISED PORTIONS OF INCREASE OR DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The analysis of realised and unrealised amount in increase or decrease in net assets attributable to unitholders as presented on the statement of comprehensive income is prepared in accordance with SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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, exchange-traded 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 15 July 2020.

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	Note	At amortised cost RM	At fair value through profit or loss RM	Total RM
<u>2020</u>				
<u>Financial assets</u>				
Quoted equities	8	-	296,482,281	296,482,281
Collective investment schemes	8	-	10,768,083	10,768,083
Cash and cash equivalents		21,653,058	-	21,653,058
Amount due from brokers		8,171,579	-	8,171,579
Amount due from Manager				
- management fee rebate		10,761	-	10,761
- creation of units		1,257,034	-	1,257,034
Dividends receivable		770,138	-	770,138
Margin accounts	9	13,357,280	-	13,357,280
Total		<u>45,219,850</u>	<u>307,250,364</u>	<u>352,470,214</u>
<u>Financial liabilities</u>				
Futures at fair value through profit or loss	11	-	4,230,103	4,230,103
Amount due to brokers		1,517,714	-	1,517,714
Amount due to Manager				
- management fee		286,245	-	286,245
- cancellation of units		60,602	-	60,602
Fund accounting fee		3,000	-	3,000
Auditors' remuneration		11,500	-	11,500
Tax agent's fee		98,014	-	98,014
Other payables and accruals		13,000	-	13,000
Total		<u>1,990,075</u>	<u>4,230,103</u>	<u>6,220,178</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

Financial instruments are as follows: (continued)

	<u>Note</u>	At amortised cost RM	At fair value through profit or loss RM	<u>Total</u> RM
<u>2019</u>				
<u>Financial assets</u>				
Quoted equities	8	-	223,419,218	223,419,218
Collective investment schemes	8	-	19,917,224	19,917,224
Exchange-traded funds	8	-	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
- management fee rebate		22,254	-	22,254
Dividends receivable		883,335	-	883,335
Other receivables		52,452	-	52,452
Total		<u>56,575,735</u>	<u>294,789,353</u>	<u>351,365,088</u>
<u>Financial liabilities</u>				
Forward foreign currency contracts	10	-	650,068	650,068
Amount due to brokers		888,218	-	888,218
Amount due to Manager				
- management fee		305,814	-	305,814
- cancellation of units		357,940	-	357,940
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
Total		<u>1,578,349</u>	<u>650,068</u>	<u>2,228,417</u>

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

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

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

Market risk

(a) Price risk

Price risk arises mainly from the uncertainty about future prices of investments. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Manager manages the risk of unfavourable changes in prices by continuous monitoring of the performance and risk profile of the investment portfolio.

The Fund's overall exposure to price risk are as follows:

	<u>2020</u> RM	<u>2019</u> RM
Quoted investments		
Quoted equities	296,482,281	223,419,218
Collective investment schemes	10,768,083	19,917,224
Exchange-traded funds	-	51,452,911
	<u>307,250,364</u>	<u>294,789,353</u>

The following table summarises the sensitivity of the Fund's profit after taxation and net asset value to price risk movement. The analysis is based on the assumptions that the market price increased by 7.5% (2019: 5%) and decreased by 7.5% (2019: 5%) with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the Fund's investments.

<u>% Change in price</u>	<u>Market value</u> RM	<u>Impact on</u> <u>profit after</u> <u>tax/NAV</u> RM
<u>2020</u>		
-7.5%	284,206,587	(23,043,777)
0%	307,250,364	-
+7.5%	330,294,141	23,043,777
	<u> </u>	<u> </u>
<u>2019</u>		
-5%	280,049,885	(14,739,468)
0%	294,789,353	-
+5%	309,528,821	14,739,468
	<u> </u>	<u> </u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

Market risk (continued)

(b) Interest rate risk

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

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

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

(c) Currency risk

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

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (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	Cash and cash equivalents RM	Other assets* RM	Margin accounts RM	Total RM
<u>2020</u>						
<u>Financial assets</u>						
Australian Dollar	-	-	153,572	-	-	153,572
Chinese Yuan	3,803,242	-	411	-	-	3,803,653
Hong Kong Dollar	173,974,132	-	2,561,374	8,037,453	-	184,572,959
Korean Won	6,666,703	-	-	-	-	6,666,703
Singapore Dollar	24,741,648	-	22,433	863,385	-	25,627,466
Taiwan Dollar	-	-	9,953,582	-	-	9,953,582
United States Dollar	68,132,181	2,172,500	7,684,978	40,879	13,357,247	91,387,785
	<u>277,317,906</u>	<u>2,172,500</u>	<u>20,376,350</u>	<u>8,941,717</u>	<u>13,357,247</u>	<u>322,165,720</u>

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

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

(c) Currency risk (continued)

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

	Net assets attributable to unitholders RM	Total RM
<u>2020</u>		
<u>Financial liabilities</u>		
Australian Dollar	2,643,500	2,643,500
Pound Sterling	349,784	349,784
Singapore Dollar	11,049,426	11,049,426
United States Dollar	17,280,367	17,280,367
	<u>31,323,077</u>	<u>31,323,077</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

(c) Currency risk (continued)

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

	Quoted equities RM	Collective investment schemes RM	Exchange -traded fund RM	Cash and cash equivalents RM	Other assets* RM	Total RM
<u>2019</u>						
<u>Financial assets</u>						
Australian Dollar	1,578,233	-	-	-	-	1,578,233
Chinese Yuan	5,136,005	-	-	4,901,322	-	10,037,327
Euro	-	-	-	(309)	-	(309)
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
Pound Sterling	-	-	-	-	-	-
Singapore Dollar	57,970,737	-	-	4,404,717	216,300	62,591,754
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	12,311,182	166,632	126,431,044
	<u>190,371,868</u>	<u>2,094,500</u>	<u>49,697,911</u>	<u>44,309,300</u>	<u>11,496,509</u>	<u>297,970,088</u>

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

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

(c) Currency risk (continued)

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

	Forward foreign currency contracts RM	Net loss attributable to unitholders RM	Total RM
<u>2019</u> (continued)			
<u>Financial liabilities</u>			
Australian Dollar	-	1,772,866	1,772,866
Pound Sterling	-	2,638	2,638
Singapore Dollar	-	8,297,408	8,297,408
United States Dollar	650,068	14,723,436	15,373,504
	<u>650,068</u>	<u>24,796,348</u>	<u>25,446,416</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

Market risk (continued)

(c) Currency risk (continued)

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

	Change in price %	Impact on profit after tax/NAV RM
<u>2020</u>		
Australian Dollar	+/- 12.28	-/+ 305,763
Chinese Yuan	+/- 6.17	+/- 234,685
Hong Kong Dollar	+/- 6.07	+/- 11,203,579
Korean Won	+/- 9.30	+/- 620,003
Pound Sterling	+/- 11.96	-/+ 41,834
Singapore Dollar	+/- 4.40	+/- 641,434
Taiwan Dollar	+/- 5.41	+/- 538,489
United States Dollar	+/- 6.05	+/- 4,483,499
<u>2019</u>		
Australian Dollar	+/- 5	+/- 167,555
Chinese Yuan	+/- 5	+/- 501,866
Euro	+/- 5	-/+ 15
Hong Kong Dollar	+/- 5	+/- 4,054,319
Indonesian Rupiah	+/- 5	+/- 323,005
Korea Won	+/- 5	+/- 178,149
Pound Sterling	+/- 5	-/+ 132
Singapore Dollar	+/- 5	+/- 3,544,458
Thailand Baht	+/- 5	+/- 286,238
Taiwan Dollar	+/- 5	+/- 24,892
United States Dollar	+/- 5	+/- 7,025,221

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

Credit risk

Credit risk refers to the ability of an issuer or counterparty to make timely payments of interest, principals and proceeds from realisation of investment. 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.

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

Credit risk (continued)

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

	Cash and cash equivalents RM	Margin accounts RM	Amount due from Manager RM	Dividends receivable RM	Amount due from brokers RM	Total RM
<u>2020</u>						
Financial services						
- AAA	-	13,357,280	-	-	-	13,357,280
- AA1	21,653,058	-	-	-	-	21,653,058
- NR	-	-	-	641,008	8,171,579	8,812,587
Industrials						
- NR	-	-	-	2,467	-	2,467
Technology						
- NR	-	-	-	126,663	-	126,663
Others						
- NR	-	-	1,267,795	-	-	1,267,795
	<u>21,653,058</u>	<u>13,357,280</u>	<u>1,267,795</u>	<u>770,138</u>	<u>8,171,579</u>	<u>45,219,850</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

Credit risk (continued)

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

	Cash and cash <u>equivalents</u> RM	Amount due from <u>Manager</u> RM	Dividends <u>receivable</u> RM	Amount due from <u>brokers</u> RM	Other <u>receivables</u> RM	<u>Total</u> RM
<u>2019</u>						
Financial services						
- 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	-	221,211	-	-	52,452	273,663
	<u>44,756,796</u>	<u>221,211</u>	<u>883,335</u>	<u>10,661,941</u>	<u>52,452</u>	<u>56,575,735</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations. The Manager manages this risk by maintaining sufficient level of liquid assets to meet anticipated payments and cancellation of units by unitholders. Liquid assets comprise cash, deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 7 days.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

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>2020</u>			
Amount due to brokers	1,517,714	-	1,517,714
Amount due to Manager			
- management fee	286,245	-	286,245
- cancellation of units	60,602	-	60,602
Fund accounting fee	-	3,000	3,000
Auditors' remuneration	-	11,500	11,500
Tax agent's fee	-	98,014	98,014
Other payables and accruals	-	13,000	13,000
Futures at fair value through profit or loss	4,230,103	-	4,230,103
Net assets attributable to unitholders*	346,250,036	-	346,250,036
	<u>352,344,700</u>	<u>125,514</u>	<u>352,470,214</u>
<u>2019</u>			
Amount due to brokers	888,218	-	888,218
Amount due to Manager			
- management fee	305,814	-	305,814
- cancellation of units	357,940	-	357,940
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 contracts	650,068	-	650,068
Net assets attributable to unitholders*	349,136,671	-	349,136,671
	<u>351,338,711</u>	<u>26,377</u>	<u>351,365,088</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

Liquidity risk (continued)

*Units are cancelled on demand at the unitholder's option (Note J). However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as unitholders of these instruments typically retain them for the medium to long term return.

Capital risk

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

3 FAIR VALUE ESTIMATION

Financial instruments comprise financial assets and financial liabilities. Fair value is 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 financial period end date. The Fund utilises the current bid price for financial assets which fall within the bid-ask spread.

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

The fair value of financial assets 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)

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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.

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>2020</u>				
Financial assets at fair value through profit or loss				
- quoted equities	296,482,281	-	-	296,482,281
- collective investment schemes	10,768,083	-	-	10,768,083
	<u>307,250,364</u>	<u>-</u>	<u>-</u>	<u>307,250,364</u>
Financial liabilities at fair value through profit or loss				
- futures	-	4,230,103	-	4,230,103
	<u>-</u>	<u>4,230,103</u>	<u>-</u>	<u>4,230,103</u>
<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 contract	-	650,068	-	650,068
	<u>-</u>	<u>650,068</u>	<u>-</u>	<u>650,068</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities and collective investment schemes. 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. These include futures and forward foreign currency contracts. 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.

- (i) The carrying values of cash and cash equivalents, amount due from broker, amount due from Manager, dividends receivable, other receivables, margin accounts and all current liabilities (except for forward foreign currency contracts) are a reasonable approximation of the fair values due to their short term nature.

4 MANAGEMENT FEE

In accordance with the Information Memorandum, the Manager is entitled to a management fee at a rate not exceeding 1.00% per annum on the NAV of the Fund calculated on a daily basis.

For the financial year ended 31 May 2020, the management fee is recognised at a rate of 1.00% (2019: 1.00%) per annum on the NAV of the Fund calculated on a daily basis.

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

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% (2019: 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 RM36,000 per annum.

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

7 TAXATION

	<u>2020</u> RM	<u>2019</u> RM
Current taxation - foreign	-	413,774

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

	<u>2020</u> RM	<u>2019</u> RM
Net profit/(loss) before taxation	30,975,753	(39,195,300)
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	7,434,181	(9,406,872)
Tax effects of:		
(Investment income not subject to tax)/		
Investment loss not brought to tax	(9,166,856)	7,498,766
Expenses not deductible for tax purposes	965,185	1,077,349
Restrictions on tax deductible expenses for Wholesale Funds	767,490	830,757
Investment income subject to different tax rate	-	413,774
Tax expense	-	413,774

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2020</u> RM	<u>2019</u> RM
Financial assets at fair value through profit or loss:		
- quoted equities – local	19,164,375	33,047,350
- quoted equities – foreign	277,317,906	190,371,868
- collective investment schemes – local	8,595,583	17,822,724
- collective investment schemes – foreign	2,172,500	2,094,500
- exchange-traded funds – local	-	1,755,000
- exchange-traded funds – foreign	-	49,697,911
	307,250,364	294,789,353

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

	<u>2020</u> RM	<u>2019</u> RM
Net gain/(loss) on financial assets at fair value through profit or loss		
- realised gain/(loss) on sale of investments	16,378,536	(24,632,618)
- unrealised gain/(loss) on changes in fair value	25,867,268	(17,179,392)
- management fee rebate on collective investment scheme #	187,791	270,973
	<u>42,433,595</u>	<u>(41,541,037)</u>

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

(a) Quoted equities – local

(i) Quoted equities – local as at 31 May 2020 are as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Consumer product & services</u>				
Guan Chong Bhd	3,832,000	10,321,769	11,266,080	3.25
<u>Utilities</u>				
Mega First Corp Bhd	1,168,900	2,890,926	7,656,295	2.21
<u>Warrant</u>				
Guan Chong Bhd - Warrant	200,000	172,160	242,000	0.07
Total quoted equities – local	<u>5,200,900</u>	<u>13,384,855</u>	<u>19,164,375</u>	<u>5.53</u>
Accumulated unrealised gain on quoted equities – local		5,779,520		
Total quoted equities – local		<u>19,164,375</u>		

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

(a) Quoted equities – local (continued)

(ii) Quoted equities – 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>
<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		

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

(b) Quoted equities – foreign

(i) Quoted equities – foreign as at 31 May 2020 are as follows:

	Quantity	Aggregate cost RM	Fair value RM	Percentage of NAV %
<u>China</u>				
<u>Industrial</u>				
Shanghai International Airport	86,300	3,482,965	3,803,242	1.10
<u>Hong Kong</u>				
<u>Consumer Goods</u>				
Li Ning Company Limited	275,000	3,467,961	3,981,928	1.15
<u>Consumer Services</u>				
Chow Tai Fook Jewellery Group	1,417,000	4,710,329	4,540,953	1.31
Sands China Ltd	468,600	8,382,063	7,902,924	2.28
Meituan Dianping	180,000	9,368,374	14,819,845	4.28
Alibaba Group Holding Ltd	352,800	33,417,684	38,451,992	11.11
China Yuhua Education Corp Ltd	1,730,000	4,675,875	7,330,508	2.12
	4,148,400	60,554,325	73,046,222	21.10
<u>Financial services</u>				
Ping An Insurance Grp Co China	229,000	10,271,747	9,825,485	2.84
Shimao Property Holdings Ltd	385,000	6,914,016	6,914,356	2.00
CIFI Holdings Group Co Ltd	3,288,000	10,831,785	10,241,554	2.96
A-Living Services Co Ltd	438,000	6,576,263	10,189,191	2.94
Aoyuan Healthy Life Grp Co Ltd	1,666,000	5,264,652	7,938,231	2.29
Sichuan Languang Justbon Svcs	250,000	5,798,441	6,292,794	1.82
	6,256,000	45,656,904	51,401,611	14.85
<u>Technology</u>				
Tencent Holdings Ltd	137,900	26,048,786	31,746,874	9.17
HKBN Ltd	1,380,000	7,155,704	10,269,840	2.97
	1,517,900	33,204,490	42,016,714	12.14

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 May 2020 are as follows: (continued)

	Quantity	Aggregate cost RM	Fair value RM	Percentage of NAV %
<u>Industrials</u>				
China Resources Cement Holding	646,000	3,519,024	3,527,657	1.02
<u>Singapore</u>				
<u>Financial services</u>				
CapitaLand Retail China Trust	2,073,600	8,854,114	8,223,045	2.37
Keppel Pacific Oak US REIT	1,043,400	2,801,463	3,264,173	0.94
Manulife US REIT	2,182,500	6,588,624	7,681,200	2.22
Frasers Logistic & Indus Trust	1,633,300	3,635,854	5,573,230	1.61
	6,932,800	21,880,055	24,741,648	7.14
<u>United States</u>				
<u>Consumer Service</u>				
Alibaba Group Holding Ltd	53	35,751	47,628	0.01
Amazon.com Inc	1,325	12,300,181	14,007,949	4.05
	1,378	12,335,932	14,055,577	4.06
<u>Financial services</u>				
Visa Inc	10,170	8,012,059	8,623,415	2.49
<u>Industrials</u>				
TransUnion	10,815	3,778,753	4,055,808	1.17
<u>Technology</u>				
Apple Inc.	4,085	4,790,580	5,642,510	1.63
Facebook Inc	12,672	10,419,226	12,356,529	3.57
Microsoft Corporation	21,784	12,472,467	17,342,044	5.01
Kingsoft Cloud Holdings	69,346	7,670,083	6,056,298	1.74
	107,887	35,352,356	41,397,381	11.95

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 May 2020 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Korea</u>				
<u>Technology</u>				
SK Hynix Inc	23,277	7,413,892	6,666,703	1.92
Total quoted equities – foreign	20,015,927	238,658,716	277,317,906	80.09
Accumulated unrealised gain on quoted equities – foreign		38,659,190		
Total quoted equities – foreign		277,317,906		

(ii) Quoted equities – 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>
<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 Ld	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

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 May 2019 are as follows: (continued)

	Quantity	Aggregate cost RM	Fair value RM	Percentage of NAV %
<u>Hong Kong</u> (continued)				
<u>Financial services</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>Financial services</u>				
Ciputra Development Tbk PT	5,093,000	1,460,421	1,457,426	0.42
<u>Singapore</u>				
<u>Financial services</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
	8,496,220	46,411,821	51,396,571	14.72
<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
	520,000	13,295,270	12,271,206	3.52

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 May 2019 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</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>
Total quoted equities – foreign	<u>22,131,289</u>	<u>176,744,001</u>	<u>190,371,868</u>	<u>54.53</u>
Accumulated unrealised gain on quoted equities – foreign		<u>13,627,867</u>		
Total quoted equities – foreign		<u>190,371,868</u>		

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

(c) Collective investment schemes – local

(i) Collective investment schemes – local as at 31 May 2020 are as follow:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
Affin Hwang INR Flexi Fund	9,660,129	11,083,080	8,595,583	2.48
Total collective investment schemes – local	<u>9,660,129</u>	<u>11,083,080</u>	<u>8,595,583</u>	<u>2.48</u>
Accumulated unrealised loss on collective investment schemes – local		(2,487,497)		
Total collective investment schemes – local		<u>8,595,583</u>		

(ii) 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		(947,276)		
Total collective investment schemes – local		<u>17,822,724</u>		

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

(d) Collective investment schemes – foreign

(i) Collective investment schemes – foreign as at 31 May 2020 are as follow:

	<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	2,172,500	0.63
Total collective investment schemes – foreign	10	2,218,500	2,172,500	0.63
Accumulated unrealised loss on collective investment schemes – foreign		(46,000)		
Total collective investment schemes – foreign		2,172,500		

(ii) 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		

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

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

(e) Exchange-traded funds – local

(i) There is no investment in exchange-traded funds – local as at 31 May 2020

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

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<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		24,240		
Total exchange-traded funds – local		<u>1,755,000</u>		

(f) Exchange-traded funds – foreign

(i) There is no investment in exchange-traded funds – foreign as at 31 May 2020

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

	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
ProShares Short Samsung Kodex KOSDAQ150 Investment ETF	361,212	44,443,383	46,134,939	13.21
	131,832	3,448,587	3,562,972	1.02
Total exchange-traded funds schemes – local	<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		1,805,941		
Total exchange-traded funds – foreign		<u>49,697,911</u>		

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

9 MARGIN ACCOUNTS

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

10 FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of the statement of financial position, there are no (2019: 1) forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RMNil (2019: RM45,431,100). The forward foreign currency contracts entered into during the financial year were for hedging against the currency exposure arising from the investment in the denominated in Singapore Dollar and 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 the statement of comprehensive income.

11 FUTURES CONTRACTS

As at the date of the statement of financial position, there are 2 (2019: Nil) futures contracts outstanding. The notional principal amount of the outstanding futures amounted to RM4,230,103 (2019: RM Nil). As the Fund has not adopted hedge accounting during the financial year, changes in fair value of futures are recognised immediately in the statement of comprehensive income.

12 NUMBER OF UNITS IN CIRCULATION

(a) AUD class units in circulation

	<u>2020</u>	<u>2019</u>
	No. of units	No. of units
At beginning of the financial year	1,240,000	154,000
Creation of units arising from applications	1,552,000	2,232,000
Cancellation of units	(1,100,000)	(1,146,000)
At the end of the financial year	<u>1,692,000</u>	<u>1,240,000</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

12 NUMBER OF UNITS IN CIRCULATION (CONTINUED)

(b) GBP class units in circulation	<u>2020</u> No. of units	<u>2019</u> No. of units
At beginning of the financial year	1,000	1,000
Creation of units arising from applications	149,000	-
Cancellation of units	(29,000)	-
At the end of the financial year	<u>121,000</u>	<u>1,000</u>
(c) MYR class units in circulation	<u>2020</u> No. of units	<u>2019</u> No. of units
At beginning of the financial year	269,717,000	305,356,000
Creation of units arising from applications	42,873,000	28,364,000
Cancellation of units	(73,402,000)	(64,003,000)
At the end of the financial year	<u>239,188,000</u>	<u>269,717,000</u>
(d) SGD class units in circulation	<u>2020</u> No. of units	<u>2019</u> No. of units
At beginning of the financial year	5,819,000	473,000
Creation of units arising from applications	3,660,000	7,029,000
Cancellation of units	(2,402,000)	(1,683,000)
At the end of the financial year	<u>7,077,000</u>	<u>5,819,000</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

12 NUMBER OF UNITS IN CIRCULATION (CONTINUED)

(e) USD class units in circulation

	<u>2020</u>	<u>2019</u>
	No. of units	No. of units
At beginning of the financial year	7,883,000	8,019,000
Creation of units arising from applications	1,034,000	692,000
Cancellation of units	(467,000)	(828,000)
At the end of the financial year	<u>8,450,000</u>	<u>7,883,000</u>

13 TRANSACTIONS WITH BROKERS AND DEALERS

(i) Detail of transactions with brokers and dealers for the financial year ended 31 May 2020 is as follows:

<u>Name of broker and dealers</u>	<u>Value of trade</u> RM	<u>Percentage of</u> <u>total trade</u> %	<u>Brokerage</u> <u>fees</u> RM	<u>Percentage</u> <u>of total</u> <u>brokerage</u> %
Robert W. Baird & Co.	197,845,837	12.33	63,191	2.80
China International Capital Corporation Hong Kong Securities Ltd	162,806,459	10.15	210,507	9.31
Macquarie Bank Ltd (Hong Kong)	157,878,577	9.84	141,617	6.26
CLSA Ltd (Hong Kong)	139,654,243	8.70	81,278	3.60
JP Morgan Securities (Asia Pacific)	96,478,073	6.01	313,797	13.88
Masterlink Securities Co. Ltd	89,847,321	5.60	224,618	9.94
Citigroup Global Markets Ltd	84,765,502	5.28	188,747	8.35
Deutsche Bank (Malaysia) Bhd	57,605,489	3.59	-	-
Credit Suisse (Hong Kong) Ltd	50,569,429	3.15	124,595	5.51
Sanford C. Bernstein and Co., Llc	46,393,223	2.89	34,499	1.53
Others #	520,788,294	32.46	877,653	38.82
	<u>1,604,632,447</u>	<u>100.00</u>	<u>2,260,502</u>	<u>100.00</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

13 TRANSACTIONS WITH BROKERS AND DEALERS (CONTINUED)

(ii) Detail of transactions with brokers and dealers for the financial year ended 31 May 2019 is as follows:

<u>Name of broker and dealers</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage</u> %
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>

Included in the transactions with brokers and dealers are trades in the stockbroking industry with Affin Hwang Investment Bank Bhd, companies related to the Manager amounting to RM42,213,634 (2019: RM21,800,015). The Manager is of the opinion that all transactions with the related company have been entered into agreed terms between the related parties.

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

14 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 associated companies of ABB as disclosed in its financial statements	Subsidiaries and associated companies of the ultimate holding company of the Manager as disclosed in its financial statements
Directors of Affin Hwang Asset Management Berhad	Directors of the Manager

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

	<u>2020</u>		<u>2019</u>	
	No. of units	RM	No. of units	RM
<u>The Manager:</u>				
Affin Hwang Asset Management Berhad (The units are held for booking purposes)				
- AUD class	2,102	3,284	2,566	3,669
- GBP class	2,573	7,438	1,000	2,638
- MYR class	3,496	4,603	2,412	2,900
- SGD class	3,463	5,407	2,907	4,145
- USD class	3,291	6,730	2,915	5,444
	<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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

15 MANAGEMENT EXPENSE RATIO ("MER")

	<u>2020</u> %	<u>2019</u> %
MER	<u>1.13</u>	<u>1.06</u>

MER is derived from the following calculation:

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

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

The average net asset value of the Fund for the financial year calculated on a daily basis is RM 321,937,123 (2019: RM378,150,615).

16 PORTFOLIO TURNOVER RATIO ("PTR")

	<u>2020</u>	<u>2019</u>
PTR (times)	<u>2.47</u>	<u>2.05</u>

PTR is derived from the following calculation:

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

where:

total acquisition for the financial year = RM787,321,964 (2019: RM765,531,760)
total disposal for the financial year = RM800,746,267 (2019: RM781,880,452)

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONTINUED)

17 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The worsening macro-economic outlook as a result of Covid-19, both domestically and globally, has resulted in the deterioration of the Fund's Net Asset Value/unit as of the date of this report. This is mainly due to the decrease in fair value of the Fund's investments at fair value through profit or loss.

The Manager is monitoring the situation closely and will be actively managing the portfolio to achieve the Fund's objective.

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT BY THE MANAGER

I, Teng Chee Wai, for and on behalf of the board of directors of the Manager, Affin Hwang Asset Management Berhad, do hereby state that in the opinion of the Manager, the financial statements set out on pages 1 to 47 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 2020 and of its financial performance, changes in net assets attributable to unitholders and cash flows for the financial year that ended in accordance with the Malaysian 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
15 July 2020

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 2020, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 May 2020, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 47.

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

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

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.

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)

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
15 July 2020

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