

Affin Hwang

Absolute Return Fund II

Annual Report
31 May 2022

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 2022

Contents	Page
FUND INFORMATION	III
FUND PERFORMANCE DATA	IV
MANAGER'S REPORT	VI
FINANCIAL STATEMENT	
DIRECTORY OF SALES OFFICE	

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.

FUND PERFORMANCE DATA

Category	As at 31 May 2022 (%)	As at 31 May 2021 (%)	As at 31 May 2020 (%)
Portfolio Composition			
Quoted equities – local			
- Consumer Product & Services	-	-	3.25
- Utilities	2.30	-	2.21
- Warrant	-	-	0.07
Total quoted equities – local	2.30	-	5.53
Quoted equities – foreign			
- Consumer Discretionary	9.49	29.80	-
- Consumer Staples	5.77	8.82	-
- Consumer Goods	-	-	1.15
- Consumer Services	-	-	25.16
- Energy	1.57	-	-
- Financial Services	8.03	3.88	24.48
- Healthcare	3.67	4.59	-
- Industrial	-	8.34	3.29
- Preference share	-	2.99	-
- Real Estate	7.21	5.83	-
- Technology	12.35	24.23	26.01
Total quoted equities – foreign	48.09	88.48	80.09

FUND PERFORMANCE DATA (CONTINUED)

Category	As at 31 May 2022 (%)					As at 31 May 2021 (%)					As at 31 May 2020 (%)				
Collective investment scheme – local	11.27					-					2.48				
Collective investment scheme – foreign	0.47					0.33					0.63				
Exchange-traded funds – foreign	1.63					8.70					-				
Cash & cash equivalent	36.24					2.49					11.27				
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)	391.824	2.117	12.766	0.321	4.150	542.071	2.606	13.412	0.281	8.395	314.927	0.917	3.977	0.065	3.594
NAV per Unit (in respective currencies)	1.3170	0.5082	0.4702	0.5323	0.4921	1.6102	0.6113	0.6100	0.6143	0.6156	1.3167	0.5417	0.4707	0.5380	0.5079
Unit in Circulation (million)	297.517	4.166	27.151	0.603	8.433	336.653	4.263	21.986	0.458	13.636	239.188	1.692	8.450	0.121	7.077
Highest NAV	1.6147	0.6277	0.6115	0.6277	0.6230	1.7197	0.6629	0.6627	0.6795	0.6731	1.3891	0.5909	0.5231	0.5699	0.5509
Lowest NAV	1.2571	0.4999	0.4521	0.5116	0.4802	1.3270	0.5372	0.4820	0.5423	0.5130	1.1964	0.4884	0.4417	0.4966	0.4651
Return of the fund ⁱⁱⁱ (%)	-18.21	-16.87	-22.92	-13.35	-20.06	22.29	12.85	29.59	14.18	21.20	9.50	9.81	5.56	7.82	8.34
- Capital Return ⁱ (%)	-18.21	-16.87	-22.92	-13.35	-20.06	22.29	12.85	29.59	14.18	21.20	9.50	9.81	5.56	7.82	8.34
- 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
Total Expense Ratio (%) ¹			1.15					4.73					1.13		
Portfolio Turnover Ratio (times) ²			1.52					2.05					2.47		

¹ The Fund's TER was lower than previous year due to lower expenses incurred during the financial year.

² The Fund's PTR was lower than previous year due to higher average NAV of the Fund 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 2022.

Performance Review

MYR Class

For the period 1 June 2021 to 31 May 2022, the Fund registered a -18.21% return compared to the benchmark return of 8.00%. The Fund thus underperformed the Benchmark by 26.21%. The Net Asset Value per unit ("NAV") of the Fund as at 31 May 2022 was MYR1.3170 while the NAV as at 31 May 2021 was MYR1.6102.

Since commencement, the Fund has registered a return of 163.40% compared to the benchmark return of 203.03%, underperforming by 39.63%.

AUD Class

For the period 1 June 2021 to 31 May 2022, the Fund registered a -16.87% return compared to the benchmark return of 8.00%. The Fund thus underperformed the Benchmark by 24.87%. The Net Asset Value per unit ("NAV") of the Fund as at 31 May 2022 was AUD0.5082 while the NAV as at 31 May 2021 was AUD0.6113.

Since commencement, the Fund has registered a return of 1.64% compared to the benchmark return of 37.90%, underperforming by 36.26%.

GBP Class

For the period 1 June 2021 to 31 May 2022, the Fund registered a -13.35% return compared to the benchmark return of 8.00%. The Fund thus underperformed the Benchmark by 21.35%. The Net Asset Value per unit ("NAV") of the Fund as at 31 May 2022 was GBP0.5323 while the NAV as at 31 May 2021 was GBP0.6143.

Since commencement, the Fund has registered a return of 6.46% compared to the benchmark return of 37.90%, underperforming by 31.44%.

SGD Class

For the period 1 June 2021 to 31 May 2022, the Fund registered a -20.06% return compared to the benchmark return of 8.00%. The Fund thus underperformed the Benchmark by 28.06%. The Net Asset Value per unit ("NAV") of the Fund as at 31 May 2022 was SGD0.4921 while the NAV as at 31 May 2021 was SGD0.6156.

Since commencement, the Fund has registered a return of -1.58% compared to the benchmark return of 37.90%, underperforming by 39.48%.

USD Class

For the period 1 June 2021 to 31 May 2022, the Fund registered a -22.92% return compared to the benchmark return of 8.00%. The Fund thus underperformed the Benchmark by 30.92%. The Net Asset Value per unit ("NAV") of the Fund as at 31 May 2022 was USD0.4702 while the NAV as at 31 May 2021 was USD0.6100.

Since commencement, the Fund has registered a return of -5.96% compared to the benchmark return of 37.90%, underperforming by 43.86%.

Table 1: Performance of the Fund

	1 Year (1/6/21 - 31/5/22)	3 Years (1/6/19 - 31/5/22)	5 Years (1/6/17 - 31/5/22)	Since Commencement (8/1/08 - 31/5/22)
Benchmark	8.00%	26.00%	46.96%	203.03%
MYR Class	(18.21%)	9.52%	10.03%	163.40%
Outperformance	(26.21%)	(16.48%)	(36.93%)	(39.63%)

	1 Year (1/6/21 - 31/5/22)	3 Years (1/6/19 - 31/5/22)	Since Commencement (30/3/18 - 31/5/22)
Benchmark	8.00%	26.00%	37.90%
AUD Class	(16.87%)	3.02%	1.64%
Outperformance	(24.87%)	(22.98%)	(36.26%)
GBP Class	(13.35%)	6.67%	6.46%
Outperformance	(21.35%)	(19.33%)	(31.44%)
SGD Class	(20.06%)	4.97%	(1.58%)
Outperformance	(28.06%)	(21.03%)	(39.48%)
USD Class	(22.92%)	5.45%	(5.96%)
Outperformance	(30.92%)	(20.55%)	(43.86%)

Table 2: Average Total Return

	1 Year (1/6/21 - 31/5/22)	3 Years (1/6/19 - 31/5/22)	5 Years (1/6/17 - 31/5/22)	Since Commencement (8/1/08 - 31/5/22)
Benchmark	8.00%	8.00%	8.00%	8.00%
MYR Class	(18.21%)	3.08%	1.93%	6.95%
Outperformance	(26.21%)	(4.92%)	(6.07%)	(1.05%)

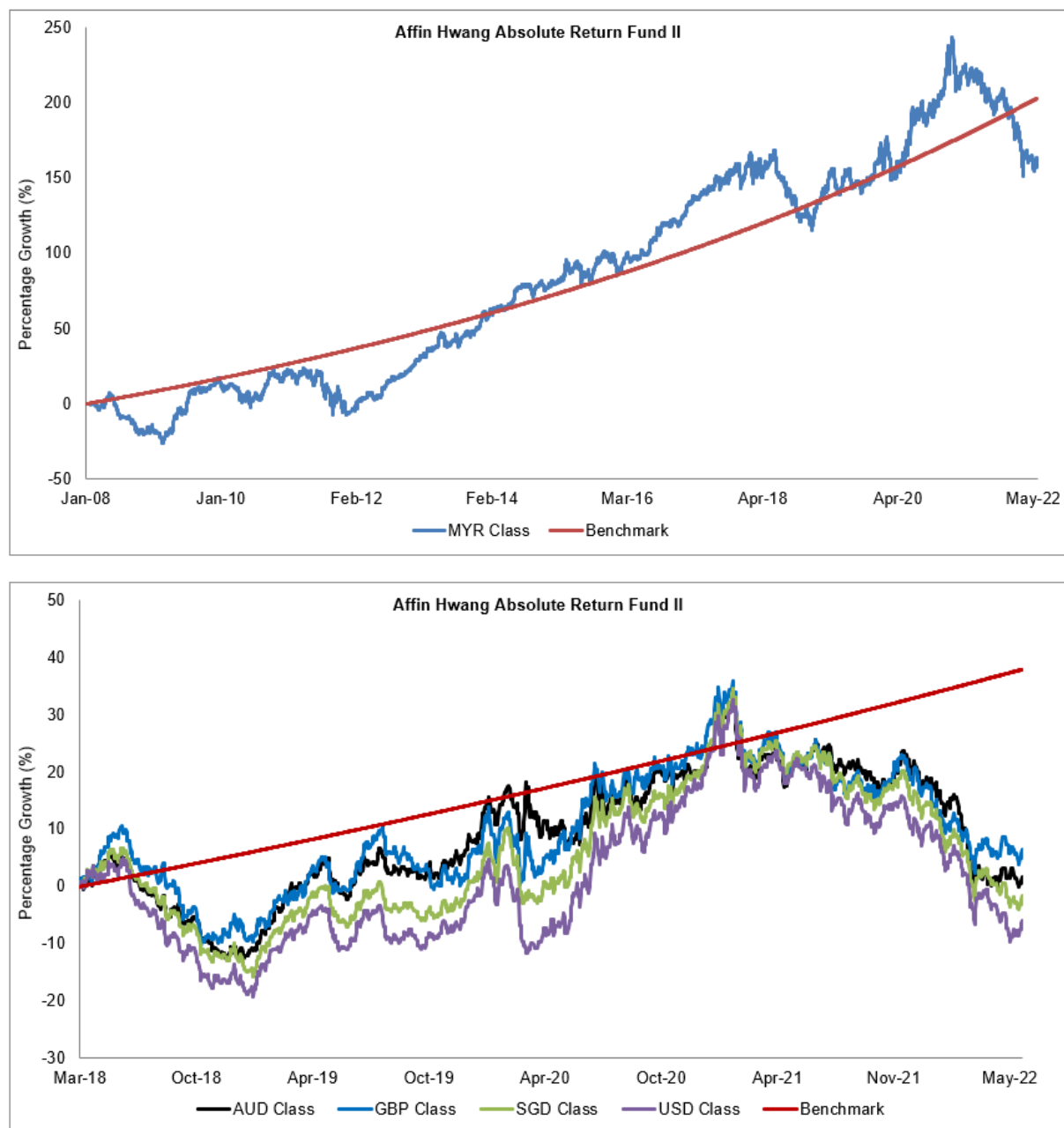
	1 Year (1/6/21 - 31/5/22)	3 Years (1/6/19 - 31/5/22)	Since Commencement (30/3/18 - 31/5/22)
Benchmark	8.00%	8.00%	8.00%
AUD Class	(16.87%)	1.00%	0.39%
Outperformance	(24.87%)	(7.00%)	(7.61%)
GBP Class	(13.35%)	2.17%	1.51%
Outperformance	(21.35%)	(5.83%)	(6.49%)
SGD Class	(20.06%)	1.63%	(0.38%)
Outperformance	(28.06%)	(6.37%)	(8.38%)
USD Class	(22.92%)	1.78%	(1.46%)
Outperformance	(30.92%)	(6.22%)	(9.46%)

Table 3: Annual Total Return

	FYE 2022 (1/6/21 - 31/5/22)	FYE 2021 (1/6/20 - 31/5/21)	FYE 2020 (1/6/19 - 31/5/20)	FYE 2019 (1/6/18 - 31/5/19)	FYE 2018 (1/6/17 - 31/5/18)
Benchmark	8.00%	8.00%	8.02%	8.00%	8.00%
MYR Class	(18.21%)	22.29%	9.50%	(8.81%)	10.17%
Outperformance	(26.21%)	14.29%	1.48%	(16.81%)	2.17%

	FYE 2022 (1/6/21 - 31/5/22)	FYE 2021 (1/6/20 - 31/5/21)	FYE 2020 (1/6/19 - 31/5/20)	FYE 2019 (1/6/18 - 31/5/19)	FYE 2018 (30/3/18 - 31/5/18)
Benchmark	8.00%	8.00%	8.02%	8.00%	1.34%
AUD Class	(16.87%)	12.85%	9.81%	(5.06%)	3.92%
Outperformance	(24.87%)	4.85%	1.79%	(13.06%)	2.58%
GBP Class	(13.35%)	14.18%	7.82%	(8.47%)	9.04%
Outperformance	(21.35%)	6.18%	(0.20%)	(16.47%)	7.70%
SGD Class	(20.06%)	21.20%	8.34%	(10.79%)	5.10%
Outperformance	(28.06%)	13.20%	0.32%	(18.79%)	3.76%
USD Class	(22.92%)	29.59%	5.56%	(13.37%)	2.94%
Outperformance	(30.92%)	21.59%	(2.46%)	(21.37%)	1.60%

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."

Benchmark: Absolute return of 8.0% per annum

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

Asset Allocation

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

As at 31 May 2022, the asset allocation of the Fund stood at 50.39% in equities, 11.74% in collective investment scheme, 1.63% in exchange-traded fund while the balance was held in cash and cash equivalent.

During the period under review, the Manager had stripped off its exposure in the basic materials industry. Exposure in equities in general was reduced from 88.48% to 50.39%. Over the same period, the Manager also added local collective investment scheme in the portfolio. Cash level were increased to take on a defensive stance in current volatile market conditions.

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 event of global pandemic.

Market Review

Uncertainty has been an ongoing theme in economies and markets. While global equities started on a strong note at the start of 2021 due to policy easing and optimism surrounding vaccination rollout, global recovery was uneven as developed markets reported stronger gains compared to emerging markets. Developed countries managed to administer the vaccine at a quicker pace which led to a corresponding increase in mobility and hence a more optimistic market outlook. For the most of the second half of 2021, expensive valuations in both fixed income and equities loomed over investors. However, the challenging market conditions in the first quarter of 2022 addressed some of these concerns as Chinese equities both onshore and offshore traded below their 15-year average and the Standard & Poor's ("S&P") plummeted 8.7% in April 2022.

Real Gross Domestic Product ("GDP") growth for US in the first quarter of 2022 was weaker than expected, falling 1.4% on an annualised basis. The weakness can be largely attributed to a decline in the real trade deficit, lower government spending and a decrease in fiscal stimulus that was initiated to improve spending during the pandemic. Economic data showed sign of weakening while inflationary pressures continued to prompt the Federal Reserve into a more aggressive stance on interest rate hikes. However, domestic demand continues to be resilient, with personal consumption expenditures up 2.7% on an annualised basis.

In the Eurozone, equities continue to decline as the conflict between Ukraine and Russia persist, further placing upward pressure on inflation – annual eurozone inflation reached 8.1% in May, an increase from 7.4% in April. The sectors that performed best included energy due to continued strong demand and communication services given their defensive profile. Information technology, consumer discretionary and industrials fared weaker as these sectors tend to be affected by supply chain disruptions and concerns over consumer confidence the most.

In China, although first quarter 2022 GDP has shown that the Chinese economy began to rebound in January and February, the impact the pandemic had on consumption, investment and production overshadowed the growth as Covid-19 continued to put downward pressure on the Chinese economy. The tightened credit conditions that persisted until early 2022 and regulatory policies in place as a result of the government's common prosperity initiative have slowed growth.

However, a decline in new Covid infection numbers as cases in China have seemingly peaked out as we approach the second half of the year could be the first step in restoring market confidence. We saw ease in lockdown measures in various cities, including Shanghai's reopening on 1 June. Manufacturing Purchasing Managers' Index ("PMI") rose in May, signalling a production and sentiment recovery. The Chinese Yuan experienced some sharp depreciation during the quarter as the 2-year US Treasury yield rose above its Chinese equivalent.

Asia equities were lower in the first half of 2022 as China fought hard to contain its worst outbreak of Covid-19, implementing measures that affected the market adversely. Expectations of higher interest rates and the still ongoing conflict between Russia and Ukraine also weakened investor sentiment. Taiwan performed worst

in terms of index market as major electronics manufacturers and chip slumped due to supply chain disruptions brought upon by lockdowns in Shanghai and neighbouring cities.

Bond yields continued to rise in April 2022 and the curve steepened, resulting in further negative returns in an environment of continued high inflation and expectations of significant interest rate hikes. US consumer price inflation accelerated to 8.5% year on year in March though the core personal consumption expenditure index fell slightly to an annualised 5.2% from 5.3%. Corporate bonds garnered negative total returns and underperformed government bonds in general.

The S&P GSCI Index reported a positive return in May 2022. Higher prices in agricultural and energy components supported weaker prices for livestock, industrial and precious metals. Energy was the top performing component of the index as the global economy normalises after the Covid-19 pandemic and supplies are disrupted due to geopolitical unrest.

On the domestic front, Bank Negara Malaysia (“BNM”) raised the Overnight Policy Rate by 25 basis points (“bps”) to 2% on 11 May 2022, signalling further policy tightening ahead. May exports jumped 30.5% year on year, exceeding consensus estimates amid increasing commodity prices. The growth was largely attributed to electrical & electronic and commodities-based products such as palm oil. In the local bond market, Malaysia’s sovereign bonds’ trading volume declined to RM48.1billion in May 2022, a 14.4% reduction since April 2022. A decline in trading volume of corporate bonds from RM5.7billion in April to in RM4.1billion in May was also recorded.

Investment Outlook

2022 is set to be a year of transition for markets as investors continue to contend with normalisation of growth rates and monetary policy tightening. Both equities and bonds are down year-to-date as uncertain policy outlooks, an energy shock and weak growth outlook in China continue to stir markets. With the most impactful effects of the pandemic likely behind us, peak policy support and with its peak GDP growth during the pandemic era also likely realized in 2021. We expect to see a lot of crosswinds and periods of transition especially with regards to policy.

The Russia-Ukraine tension is also weighing on sentiments. With continued disruptions to supply chains, the conflict is contributing to inflationary pressures and it is no surprise that commodities are on track to outperform equities for the second consecutive year. However, history suggest that market impact from geopolitical events tend to be short. We expect markets to shift the focus back to tighter monetary conditions and slowing growth moving forward.

The inversion of the US yield curve and whether it is an accurate predictor of a recession has been widely discussed as of late. Whilst a recession is not inevitable in our view, we are increasingly of the opinion that economic growth will likely slow materially in the coming months as consumers adjust to rapidly rising costs. Although the default response to decelerating growth in recent years by central banks is to increase liquidity, this is much less likely this time as battling inflation is seen as a more pressing matter.

Back home, we believe that it will be a stock picker’s market for local investors as Bursa languishes behind other regional peers. With foreign shareholding at an all-time low, much of the exuberance have faded especially on the back of a strong US dollar environment which makes emerging markets like Malaysia unattractive. Though, we view that domestic market will not be susceptible to sudden foreign outflows and that the direction of the market will be influenced more by local players that have grown massively in size and are looking for opportunities to deploy.

Against a volatile backdrop, we are cautiously positioned for 2022. On inflection points, we see retreating inflation and an easing of Russia-Ukraine tension as potential turnarounds for the market to improve.

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, Absolute Return Fund II has received soft commissions from brokers/dealers who have also executed trades for other funds managed by Affin Hwang Asset Management. The soft commissions were utilised for goods and services in the form of research materials, data and quotation services, investment-related publications, market data feed, industry benchmarking agencies and investment-related publications to assist the Manager in the investment decision-making process. The soft commission received were for the benefit of the fund and there were no churning of trades.

Cross Trade

Cross trade transactions have not been carried out during the reported period.

Securities Financing Transactions

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

Changes Made To the Fund's Prospectus

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

AFFIN HWANG ABSOLUTE RETURN FUND II

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

AFFIN HWANG ABSOLUTE RETURN FUND II

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

CONTENTS	PAGE(S)
STATEMENT OF COMPREHENSIVE INCOME	1
STATEMENT OF FINANCIAL POSITION	2 - 3
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	4
STATEMENT OF CASH FLOWS	5
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	6 - 13
NOTES TO THE FINANCIAL STATEMENTS	14 - 47
STATEMENT BY THE MANAGER	48
INDEPENDENT AUDITORS' REPORT	49 – 52

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MAY 2022

	<u>Note</u>	<u>2022</u> RM	<u>2021</u> RM
INVESTMENT (LOSS)/INCOME			
Dividend income		6,201,266	5,394,612
Interest income from financial assets at amortised cost		7,062	90,162
Net gain/(loss) on foreign currency exchange		3,340,112	(1,583,516)
Net gain/(loss) on futures at fair value through profit or loss		5,034,580	(5,264,515)
Net gain on forward foreign currency contracts at fair value through profit or loss		-	3,845,843
Net (loss)/gain on financial assets at fair value through profit or loss	9	(116,565,279)	116,102,475
		<u>(101,982,259)</u>	<u>118,585,061</u>
EXPENSES			
Management fee	4	(5,641,487)	(5,035,787)
Custodian fee	5	(196,510)	(162,472)
Fund accounting fee	6	(36,000)	(36,000)
Performance fee	7	-	(17,899,228)
Auditors' remuneration		(11,500)	(11,500)
Tax agent's fee		(43,726)	(3,800)
Transaction costs		(3,791,422)	(5,440,239)
Other expenses		(558,381)	(695,626)
		<u>(10,279,026)</u>	<u>(29,284,652)</u>
NET (LOSS)/PROFIT BEFORE TAXATION		(112,261,285)	89,300,409
Taxation	8	(835,279)	-
(DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>(113,096,564)</u>	<u>89,300,409</u>
(Decrease)/increase in net asset attributable to unitholders comprise the following:			
Realised amount		(48,090,822)	100,251,049
Unrealised amount		(65,005,742)	(10,950,640)
		<u>(113,096,564)</u>	<u>89,300,409</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 2022

	<u>Note</u>	<u>2022</u> RM	<u>2021</u> RM
ASSETS			
Cash and cash equivalents		170,075,130	37,987,305
Amount due from brokers		-	7,486,720
Amount due from Manager			
- creation of units		60,127	-
- management fee rebate receivable		44,791	-
Dividend receivables		682,178	655,618
Financial assets at fair value through profit or loss	9	299,350,166	617,966,484
Margin accounts	10	9,812,715	-
TOTAL ASSETS		<u>480,025,107</u>	<u>664,096,127</u>
LIABILITIES			
Amount due to brokers		10,045,496	11,948,124
Amount due to Manager			
- management fee		395,625	527,282
- cancellation of units		145,331	122,274
Fund accounting fee		3,000	3,000
Performance fee payable	7	-	17,899,228
Auditors' remuneration		11,500	11,500
Tax agent's fee		3,795	3,794
Other payables and accruals		12,639	15,495
Tax payable		33,520	-
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)		<u>10,650,906</u>	<u>30,530,697</u>
NET ASSET VALUE OF THE FUND		<u>469,374,201</u>	<u>633,565,430</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>469,374,201</u>	<u>633,565,430</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2022 (CONTINUED)

	<u>Note</u>	<u>2022</u> RM	<u>2021</u> RM
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDING UNITS			
- AUD class		6,654,411	8,324,892
- GBP class		1,772,867	1,645,800
- MYR class		391,824,136	542,071,490
- SGD class		13,263,812	26,220,044
- USD class		55,858,975	55,303,204
		<u>469,374,201</u>	<u>633,565,430</u>
NUMBER OF UNITS IN CIRCULATION			
- AUD class	11(a)	4,166,000	4,263,000
- GBP class	11(b)	603,000	458,000
- MYR class	11(c)	297,517,000	336,653,000
- SGD class	11(d)	8,433,000	13,636,000
- USD class	11(e)	27,151,000	21,986,000
		<u>337,870,000</u>	<u>376,996,000</u>
NET ASSET VALUE PER UNIT (RM)			
- AUD class		1.5973	1.9528
- GBP class		2.9401	3.5934
- MYR class		1.3170	1.6102
- SGD class		1.5728	1.9229
- USD class		<u>2.0573</u>	<u>2.5154</u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES			
- AUD class		AUD0.5082	AUD0.6113
- GBP class		GBP0.5323	GBP0.6143
- MYR class		RM1.3170	RM1.6102
- SGD class		SGD0.4921	SGD0.6156
- USD class		<u>USD0.4702</u>	<u>USD0.6100</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 2022

	<u>2022</u> RM	<u>2021</u> RM
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR	633,565,430	346,250,036
Movement due to units created and cancelled during the financial year		
Creation of units arising from applications	59,082,700	234,312,303
- AUD class	124,202	5,693,682
- GBP class	840,175	1,783,888
- MYR class	41,632,749	175,107,628
- SGD class	1,652,721	17,853,903
- USD class	14,832,853	33,873,202
Cancellation of units	(110,177,365)	(36,297,318)
- AUD class	(297,807)	(1,093,502)
- GBP class	(355,313)	(727,933)
- MYR class	(96,543,925)	(26,087,894)
- SGD class	(11,260,255)	(5,984,698)
- USD class	(1,720,065)	(2,403,291)
Net (decrease)/increase in net assets attributable to unitholders during the financial year	(113,096,564)	89,300,409
- AUD class	(1,496,876)	1,081,212
- GBP class	(357,795)	240,061
- MYR class	(95,336,178)	78,124,797
- SGD class	(3,348,698)	3,301,413
- USD class	(12,557,017)	6,552,926
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL YEAR	<u>469,374,201</u>	<u>633,565,430</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 2022

	<u>2022</u> RM	<u>2021</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of investments	938,086,739	998,749,088
Purchase of investments	(730,893,896)	(1,182,270,045)
Payments to margin accounts	(9,812,715)	13,357,280
Dividends received	6,174,706	5,509,132
Interest received	7,062	90,162
Management fee rebate received	397,496	33,343
Management fee paid	(5,773,144)	(4,794,750)
Custodian fee paid	(196,510)	(162,472)
Fund accounting paid	(36,000)	(36,000)
Payment for other fees and expenses	(4,407,883)	(6,242,890)
Performance fee paid	(17,899,228)	-
Realised gain/(loss) on futures	5,034,580	(9,494,618)
Realised gain on forward foreign currency contracts	-	3,845,843
Net realised gain/(loss) on foreign currency exchange	3,339,541	(136,023)
Tax paid	(801,759)	-
Net cash flows generated from/(used in) operating activities	<u>183,218,989</u>	<u>(181,551,950)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	59,022,573	235,569,337
Payments for cancellation of units	(110,154,308)	(36,235,646)
Net cash flows (used in)/generated from financing activities	<u>(51,131,735)</u>	<u>199,333,691</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	132,087,254	17,781,741
EFFECTS OF FOREIGN CURRENCY EXCHANGE	571	(1,447,494)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	<u>37,987,305</u>	<u>21,653,058</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	<u><u>170,075,130</u></u>	<u><u>37,987,305</u></u>

Cash and cash equivalents as at 31 May 2022 and 31 May 2021 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 2022

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

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported financial year. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. Although these estimates and judgment are based on the Manager's best knowledge of current events and actions, actual results may differ.

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

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

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark (IBOR) Reform – Phase 2' (effective 1 January 2021) provide practical expedient allowing Funds to update the effective interest rate to account for any required changes in contractual cash flows that is a direct consequence of IBOR reform. This results in no immediate gain or loss recognised in profit or loss.

The amendments require entities to update the hedge documentation to reflect the changes required by the IBOR replacement. The amendments also provide reliefs that enable and require entities to continue hedge accounting in circumstances when changes in hedged items and hedging instruments are solely due to IBOR reform.

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 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework.
- Annual Improvements to MFRSs 2018 – 2021 Cycle (effective for annual periods beginning on or after 1 January 2022).
- Amendments to MFRS 137 'onerous contracts—cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts.

AFFIN HWANG ABSOLUTE RETURN FUND II

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- Amendments to MFRS 101 'Classification of liabilities as current or non-current (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date.

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

B INCOME RECOGNITION

Dividend income

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

Interest income

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

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

Realised gains and loss on sale of investments

For quoted equities, collective investment schemes ("CIS") and exchange traded funds ("ETF"), realised gains and losses on sale of investments are accounted for as the difference between the net disposal proceeds and the carrying amount of investments, determined on a weighted average cost basis.

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.

AFFIN HWANG ABSOLUTE RETURN FUND II

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

D TAXATION

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

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

Withholding taxes on investment income from foreign 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, except when deferred in other comprehensive income as qualifying cash flow hedges.

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

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

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

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.

AFFIN HWANG ABSOLUTE RETURN FUND II

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(i) Classification (continued)

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

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

The Fund classifies cash and cash equivalents, margin accounts, amount due from brokers, amount due from Manager and dividend receivables as financial assets at amortised cost as these financial assets are held to collect contractual cash flows that represent SPPI.

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

(ii) Recognition and measurement

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

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

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

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

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

AFFIN HWANG ABSOLUTE RETURN FUND II

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement (continued)

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 CIS is valued at the last published net asset value ("NAV") per unit at the date of the statement of financial position.

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

(iii) Impairment

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

Significant increase in credit risk

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

Definition of default and credit-impaired financial assets

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

Quantitative criteria:

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

Qualitative criteria:

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

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

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

AFFIN HWANG ABSOLUTE RETURN FUND II

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

G FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment (continued)

Write-off

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

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

H CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances 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 2022 (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 NAV of respective classes. The outstanding units are carried at the redemption amount that is payable at the date of 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 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

The fair value of 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.

L INCREASE/DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

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

AFFIN HWANG ABSOLUTE RETURN FUND II

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (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 Securities Commission's ("SC") 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 2022

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 and 29 March 2018.

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 18 July 2022.

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (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>2022</u>				
<u>Financial assets</u>				
Amount due from Manager				
- creation of units		60,127	-	60,127
- management fee rebate receivable		44,791	-	44,791
Cash and cash equivalents		170,075,130	-	170,075,130
Dividend receivables		682,178	-	682,178
Quoted equities	9	-	236,590,094	236,590,094
Collective investment schemes	9	-	55,108,931	55,108,931
Exchange-traded funds	9	-	7,651,141	7,651,141
Margin accounts	10	9,812,715	-	9,812,715
Total		<u>180,674,941</u>	<u>299,350,166</u>	<u>480,025,107</u>
<u>Financial liabilities</u>				
Amount due to brokers		10,045,496	-	10,045,496
Amount due to Manager				
- management fee		395,625	-	395,625
- cancellation of units		145,331	-	145,331
Fund accounting fee payable		3,000	-	3,000
Auditors' remuneration		11,500	-	11,500
Tax agent's fee		3,795	-	3,795
Other payables and accruals		12,639	-	12,639
Total		<u>10,617,386</u>	<u>-</u>	<u>10,617,386</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

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

Financial instruments are as follows: (continued)

	Note	At amortised cost RM	At fair value through profit or loss RM	Total RM
<u>2021</u>				
<u>Financial assets</u>				
Cash and cash equivalents		37,987,305	-	37,987,305
Amount due from brokers		7,486,720	-	7,486,720
Dividend receivables		655,618	-	655,618
Quoted equities	9	-	560,721,741	560,721,741
Collective investment schemes	9	-	2,061,750	2,061,750
Exchange-traded funds	9	-	55,182,993	55,182,993
Total		<u>46,129,643</u>	<u>617,966,484</u>	<u>664,096,127</u>
<u>Financial liabilities</u>				
Amount due to brokers		11,948,124	-	11,948,124
Amount due to Manager				
- management fee		527,282	-	527,282
- cancellation of units		122,274	-	122,274
Fund accounting fee payable		3,000	-	3,000
Performance fee payable	7	17,899,228	-	17,899,228
Auditors' remuneration		11,500	-	11,500
Tax agent's fee		3,794	-	3,794
Other payables and accruals		15,495	-	15,495
Total		<u>30,530,697</u>	<u>-</u>	<u>30,530,697</u>

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

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

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (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>2022</u> RM	<u>2021</u> RM
Quoted investments		
Quoted equities	236,590,094	560,721,741
Collective investment schemes	55,108,931	2,061,750
Exchange-traded funds	7,651,141	55,182,993
	<u>299,350,166</u>	<u>617,966,484</u>

The following table summarises the sensitivity of the Fund's (loss)/profit after taxation and net asset value to price risk movement. The analysis is based on the assumptions that the market price increased by 2% (2021: 7.5%) and decreased by 2% (2021: 7.5%) with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the Fund's investments, having regard to the historical volatility of the prices.

<u>% Change in price</u>	<u>Market value</u> RM	Impact on (loss)/ profit after tax/NAV RM
<u>2022</u>		
-2%	293,363,163	(5,987,003)
0%	299,350,166	-
+2%	305,337,169	5,987,003
	<u>299,350,166</u>	<u>5,987,003</u>
<u>2021</u>		
-7.5%	571,618,998	(46,347,486)
0%	617,966,484	-
+7.5%	664,313,970	46,347,486
	<u>617,966,484</u>	<u>46,347,486</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (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.

As at 31 May 2022 and 31 May 2021, the Fund is not exposed to any interest rate risk.

(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 2022 (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	Exchange- traded funds RM	Cash and cash equivalents RM	Other assets* RM	Margin accounts RM	Total RM
<u>2022</u>							
<u>Financial assets</u>							
Australian Dollar	20,223,096	-	-	14,818,556	-	-	35,041,652
China Renminbi	6,258,562	-	-	25,796,446	-	-	32,055,008
Euro	7,114,306	-	-	3,468,429	-	-	10,582,735
Hong Kong Dollar	94,167,054	-	7,651,141	4,290,551	658,405	-	106,767,151
Indonesia Rupiah	5,291,821	-	-	-	-	-	5,291,821
Singapore Dollar	43,829,408	-	-	17,417,406	-	-	61,246,814
Taiwan Dollar	-	-	-	61,352	-	-	61,532
United States Dollar	48,916,887	2,187,750	-	104,137,702	23,771	9,812,715	165,078,825
	<u>225,801,134</u>	<u>2,187,750</u>	<u>7,651,141</u>	<u>169,990,442</u>	<u>682,176</u>	<u>9,812,715</u>	<u>416,125,358</u>

* Other assets consist of dividend receivables, and amount due from brokers.

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (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)

	Amount due to brokers	Net assets attributable to unitholders RM	Total RM
<u>2022</u> (continued)			
<u>Financial liabilities</u>			
Australian Dollar	-	6,654,411	6,654,411
British Pound Sterling	-	1,772,867	1,772,867
Euro	1,862,368	-	1,862,368
Hong Kong Dollar	3,072,960	-	3,072,960
Indonesia Rupiah	5,110,168	-	5,110,168
Singapore Dollar	-	13,263,812	13,263,812
Taiwan Dollar	-	-	-
United States Dollar	-	55,858,975	55,858,975
	<u>10,045,496</u>	<u>77,550,065</u>	<u>87,595,561</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (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 funds RM	Cash and cash equivalents RM	Other assets* RM	Total RM
<u>2021</u>						
<u>Financial assets</u>						
Australian Dollar	-	-	-	1,900,582	-	1,900,582
British Pound Sterling	-	-	-	349,446	-	349,446
China Renminbi	26,075,898	-	-	553,689	-	26,629,587
Euro	-	-	-	12,294,284	-	12,294,284
Hong Kong Dollar	251,881,767	-	14,791,392	9,890	5,048,025	271,731,074
Indian Rupee	24,860,525	-	-	-	-	24,860,525
Korean Won	31,580,670	-	-	-	-	31,580,670
Singapore Dollar	17,717,188	-	-	2,532,451	493,524	20,743,163
Taiwan Dollar	3,088,642	-	-	60,864	-	3,149,506
United States Dollar	205,517,051	2,061,750	40,391,601	9,238,106	2,600,789	259,809,297
	<u>560,721,741</u>	<u>2,061,750</u>	<u>55,182,993</u>	<u>26,939,312</u>	<u>8,142,338</u>	<u>653,048,134</u>

* Other assets consist of dividend receivables and amount due from brokers.

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (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)

	Other liabilities**	Net assets attributable to unitholders RM	Total RM
<u>2021</u> (continued)			
<u>Financial liabilities</u>			
Australian Dollar	122,274	8,324,892	8,447,166
British Pound Sterling	-	1,645,800	1,645,800
Hong Kong Dollar	9,728,220	-	9,728,220
Singapore Dollar	-	26,220,044	26,220,044
Taiwan Dollar	2,219,904	-	2,219,904
United States Dollar	-	55,303,204	55,303,204
	<u>12,070,398</u>	<u>91,493,940</u>	<u>103,564,338</u>

** Other liabilities consist of amount due to brokers and amount due to Manager.

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

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

Market risk (continued)

(c) Currency risk (continued)

The table below summarises the sensitivity of the Fund's (loss)/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 rate %	Impact on (loss)/ profit after tax/NAV RM
<u>2022</u>		
Australian Dollar	+/- 8.57	-/+ 2,432,787
British Pound Sterling	+/- 6.53	-/+ 115,768
China Renminbi	+/- 3.40	+/- 1,089,870
Euro	+/- 5.80	+/- 505,781
Hong Kong Dollar	+/- 3.32	+/- 3,442,647
Indonesian Rupiah	+/- 4.04	+/- 7,339
Singapore Dollar	+/- 2.96	-/+ 1,420,297
Taiwan Dollar	+/- 3.76	+/- 2,307
United States Dollar	+/- 3.42	+/- 4,070,914

2021

Australian Dollar	+/- 9.41	-/+ 616,034
British Pound Sterling	+/- 8.79	-/+ 113,950
China Renminbi	+/- 4.29	+/- 1,142,409
Euro	+/- 6.58	+/- 808,964
Hong Kong Dollar	+/- 4.42	+/- 11,580,526
Indian Rupee	+/- 5.95	+/- 1,479,201
Korean Won	+/- 6.42	+/- 2,027,479
Singapore Dollar	+/- 3.52	-/+ 192,786
Taiwan Dollar	+/- 4.27	+/- 39,694
United States Dollar	+/- 4.47	+/- 9,141,422

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (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.

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

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

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

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

	Cash and cash equivalents RM	Other assets* RM	Total RM
<u>2022</u>			
Consumer Staples			
- NR	-	85,102	85,102
Consumer Discretionary			
- NR	-	285,704	285,704
Financial Services			
- AAA	-	9,812,715	9,812,715
- AA1	170,075,130	-	170,075,130
- NR	-	202,920	202,920
Technology			
- NR	-	108,452	108,452
Others			
- NR	-	104,918	104,918
	<u>170,075,130</u>	<u>10,599,811</u>	<u>180,674,941</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (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 equivalents RM	Other assets* RM	Total RM
<u>2021</u>			
Consumer Staples			
- NR	-	99,685	99,685
Financial Services			
- AA1	37,987,305	-	37,987,305
- AA3	-	78,707	78,707
- NR	-	2,525,216	2,525,216
Industrials			
- NR	-	181,756	181,756
Real Estate			
- NR	-	5,106,951	5,106,951
Technology			
- NR	-	150,023	150,023
	<u>37,987,305</u>	<u>8,142,338</u>	<u>46,129,643</u>

*Other assets consist of amount due from brokers, margin accounts, amount due from Manager and dividend receivables.

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 bank balances and other instruments, which are capable of being converted into cash within 7 days.

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

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

Liquidity risk (continued)

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 <u>one month</u> RM	Between one month <u>to one year</u> RM	<u>Total</u> RM
<u>2022</u>			
Amount due to brokers	10,045,496	-	10,045,496
Amount due to Manager			
- management fee	395,625	-	395,625
- cancellation of units	145,331	-	145,331
Fund accounting fee	3,000	-	3,000
Auditors' remuneration	-	11,500	11,500
Tax agent's fee	-	3,795	3,795
Other payables and accruals	-	12,639	12,639
Net assets attributable to unitholders*	469,374,201	-	469,374,201
	<u>479,963,653</u>	<u>27,934</u>	<u>479,991,587</u>
<u>2021</u>			
Amount due to brokers	11,948,124	-	11,948,124
Amount due to Manager			
- management fee	527,282	-	527,282
- cancellation of units	122,274	-	122,274
Fund accounting fee	3,000	-	3,000
Performance fee payable	17,899,228	-	17,899,228
Auditors' remuneration	-	11,500	11,500
Tax agent's fee	-	3,794	3,794
Other payables and accruals	-	15,495	15,495
Net assets attributable to unitholders*	633,565,430	-	633,565,430
	<u>664,065,338</u>	<u>30,789</u>	<u>664,096,127</u>

*Outstanding 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.

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

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

Capital risk (continued)

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

3 FAIR VALUE ESTIMATION

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

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

The fair value of financial assets and financial liabilities that are not traded in an active market is determined by using valuation techniques.

(i) Fair value hierarchy

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

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

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

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

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

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

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>2022</u>				
Financial assets at fair value through profit or loss				
- quoted equities	236,590,094	-	-	236,590,094
- collective investment schemes	52,921,181	-	2,187,750	55,108,931
- exchange-traded funds	7,651,141	-	-	7,651,141
	<u>297,162,416</u>	<u>-</u>	<u>2,187,750</u>	<u>299,350,166</u>
<u>2021</u>				
Financial assets at fair value through profit or loss				
- quoted equities	560,721,741	-	-	560,721,741
- collective investment schemes	-	-	2,061,750	2,061,750
- exchange-traded funds	55,182,993	-	-	55,182,993
	<u>615,904,734</u>	<u>-</u>	<u>2,061,750</u>	<u>617,966,484</u>

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

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

3 FAIR VALUE ESTIMATION (CONTINUED)

(i) Fair value hierarchy (continued)

Level 3 instruments

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

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

As at 31 May 2022 and 2021, the fair value of Sotella Fund RPS are measured at fair value equivalent to the aggregate cost which are essentially asset-backed private debt. In this case, the assets underlying the debt comprises land assets.

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

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

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

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

4 MANAGEMENT FEE

In accordance with the 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 2022, the management fee is recognised at a rate of 1.00% (2021: 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.

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

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% (2021: 0.03%) per annum of the NAV of the Fund.

6 FUND ACCOUNTING FEE

The fund valuation and accounting fee for the Fund is RM36,000 (2021: RM36,000) per annum.

7 PERFORMANCE FEE

In accordance with the Information Memorandum, the Manager is entitled to a performance fee in respect of each unit equal to 20% of the increase in the NAV per unit over and above the hurdle value which is defined as the high water mark plus 8.00% set at the beginning of each performance period measured on a daily basis.

Performance fee for the financial year ended 31 May 2022 is RMNil (2021: RM17,899,228).

8 TAXATION

	<u>2022</u> RM	<u>2021</u> RM
Current taxation	<u>835,279</u>	<u>-</u>

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

	<u>2022</u> RM	<u>2021</u> RM
Net (loss)/profit before taxation	<u>(112,261,285)</u>	<u>89,300,409</u>
Tax at Malaysian statutory tax rate of 24% (2021: 24%)	(26,942,708)	21,432,098
Tax effects of:		
Investment loss not brought to tax/ (Investment income not subject to tax)	24,475,742	(28,460,415)
Expenses not deductible for tax purposes	1,110,249	5,816,236
Restrictions on tax deductible expenses for Wholesale Funds	1,356,717	1,212,081
Foreign income subject to different tax rate	<u>835,279</u>	<u>-</u>
Tax expense	<u>835,279</u>	<u>-</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2022</u> RM	<u>2021</u> RM
Financial assets at fair value through profit or loss:		
- quoted equities – local	10,788,960	-
- quoted equities – foreign	225,801,134	560,721,741
- collective investment schemes – local	52,921,181	-
- collective investment schemes – foreign	2,187,750	2,061,750
- exchange-traded funds – foreign	7,651,141	55,182,993
	<u>299,350,166</u>	<u>617,966,484</u>
Net (loss)/gain on financial assets at fair value through profit or loss		
- realised (loss)/gain on sale of investments	(51,999,071)	118,773,624
- unrealised loss on changes in fair value	(65,008,495)	(2,693,731)
- management fee rebate on collective investment schemes #	442,287	22,582
	<u>(116,565,279)</u>	<u>116,102,475</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 2022 are as follows:

<u>Name of counter</u>	<u>Quantity</u>	<u>Aggregate cost</u> RM	<u>Fair value</u> RM	<u>Percentage of NAV</u> %
<u>Utilities</u>				
Mega First Corp Bhd	2,964,000	11,008,240	10,788,960	2.30
Total quoted equities – local	<u>2,964,000</u>	<u>11,008,240</u>	<u>10,788,960</u>	<u>2.30</u>
Accumulated unrealised loss on quoted equities – local		(219,280)		
Total quoted equities – local		<u>10,788,960</u>		

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

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

(a) Quoted equities – local (continued)

(ii) There is no investment in quoted equities – local as at 31 May 2021.

(b) Quoted equities – foreign

(i) Quoted equities – foreign as at 31 May 2022 are as follows:

	Quantity	Aggregate cost RM	Fair value RM	Percentage of NAV %
<u>Australia</u>				
<u>Consumer Staples</u>				
Bega Cheese Ltd	376,442	6,243,258	5,702,818	1.21
<u>Energy</u>				
Santos Ltd	286,372	6,559,622	7,362,550	1.57
<u>Health Care</u>				
Sonic Healthcare Ltd	62,893	7,173,312	7,157,728	1.52
<u>China</u>				
<u>Consumer Discretionary</u>				
China Tourism Group Duty Free	54,000	8,026,767	6,258,562	1.33
<u>France</u>				
<u>Consumer Discretionary</u>				
LVMH Moet Hennessy Louis Vuitton	2,539	8,261,443	7,114,306	1.52
<u>Hong Kong</u>				
<u>Consumer Discretionary</u>				
Alibaba Group Holding Ltd	167,400	10,794,388	8,985,802	1.91
JD.com Inc	103,600	16,976,214	13,057,765	2.78
Li Ning Company Ltd	155,700	5,634,001	5,305,551	1.13
Top Sports International Holding	1,188,400	5,954,947	3,850,698	0.82
	1,615,100	39,359,550	31,199,816	6.64

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 May 2022 are as follows: (continued)

	Quantity	Aggregate cost RM	Fair value RM	Percentage of NAV %
<u>Consumer Staples</u>				
Budweiser Brewing Company APAC	754,400	9,245,994	8,751,161	1.86
China Mengniu Dairy Co Ltd	565,000	13,618,292	12,682,795	2.70
	<u>1,319,400</u>	<u>22,864,286</u>	<u>21,433,956</u>	<u>4.56</u>
<u>Financial Services</u>				
AIA Group Ltd	336,900	16,109,999	15,190,836	3.24
China Merchant Bank Co Ltd	258,000	6,998,056	7,172,747	1.53
	<u>594,900</u>	<u>23,108,055</u>	<u>22,363,583</u>	<u>4.77</u>
<u>Technology</u>				
Tencent Holdings Ltd	94,900	25,003,902	19,169,699	4.08
<u>Indonesia</u>				
<u>Financial Services</u>				
Bank Mandiri Persero Tbk PT	2,093,000	5,084,225	5,291,821	1.13
<u>Singapore</u>				
<u>Financial Services</u>				
United Overseas Bank Ltd	77,000	7,337,006	7,260,168	1.55
Vertex Technology Acq Corp Ltd	175,300	2,673,496	2,695,014	0.57
Vertex Technology Acq Corp Ltd - Warrant	52,590	46,721	35,299	0.01
	<u>304,890</u>	<u>10,057,223</u>	<u>9,990,481</u>	<u>2.13</u>
<u>Real Estate</u>				
CapitaLand Integrated Comm Trust	1,546,600	10,231,701	10,825,702	2.31
Frasers Centrepoint Trust	1,707,300	12,812,533	12,714,512	2.71
Mapletree North Asia Com Trust	2,685,145	8,490,570	10,298,713	2.19
	<u>5,939,045</u>	<u>31,534,804</u>	<u>33,838,927</u>	<u>7.21</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 May 2022 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Taiwan</u>				
<u>Technology</u>				
Taiwan Semiconductor Manufacturing	33,313	16,718,919	13,889,569	2.96
<u>United States</u>				
<u>Health Care</u>				
Syneos Health Inc	31,162	12,105,529	10,074,852	2.15
<u>Technology</u>				
Alphabet Inc - Class C	1,009	12,008,821	10,064,203	2.14
Microsoft Corporation	12,518	8,461,320	14,888,263	3.17
	13,527	20,470,141	24,952,466	5.31
Total quoted equities – foreign	12,821,483	242,571,036	225,801,134	48.09
Accumulated unrealised loss on quoted equities – foreign		(16,769,902)		
Total quoted equities – foreign		225,801,134		

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 May 2021 are as follows:

	Quantity	Aggregate cost RM	Fair value RM	Percentage of NAV %
<u>China</u>				
<u>Consumer Discretionary</u>				
China Intl Travel Serv Corp Ltd	75,000	15,161,755	16,189,483	2.56
<u>Consumer Staples</u>				
Kweichow Moutai Co Ltd	6,901	9,620,993	9,886,415	1.56
<u>Hong Kong</u>				
<u>Consumer Discretionary</u>				
Alibaba Group Holding Ltd	467,000	55,819,905	52,303,085	8.26
Haidilao International Holding	400,000	10,039,574	9,489,018	1.50
Haier Smart Home Co Ltd	1,051,000	17,277,986	18,231,639	2.88
	1,918,000	83,137,465	80,023,742	12.64
<u>Consumer Staples</u>				
China Feihe Ltd	1,183,000	13,050,312	13,639,055	2.15
China Mengniu Dairy Co Ltd	544,000	13,016,517	13,584,278	2.14
	1,727,000	26,066,829	27,223,333	4.29
<u>Financial Services</u>				
AIA Group Ltd	184,000	9,698,377	9,697,713	1.53
<u>Health Care</u>				
Suzhou Basecare Medical Corp	1,127,500	16,118,289	16,743,189	2.64
<u>Industrials</u>				
Swire Pacific Ltd - CL A	306,000	9,763,099	9,470,157	1.49

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 May 2021 are as follows: (continued)

	Quantity	Aggregate cost RM	Fair value RM	Percentage of NAV %
<u>Hong Kong</u> (continued)				
<u>Real Estate</u>				
KWG Living Group Holdings Ltd	2,262,000	10,292,203	9,710,549	1.53
Link REIT	481,000	18,148,657	18,872,759	2.98
	<u>2,743,000</u>	<u>28,440,860</u>	<u>28,583,308</u>	<u>4.51</u>
<u>Technology</u>				
Baidu Inc	141,000	16,188,490	14,383,354	2.27
Netjoy Holdings Ltd	2,543,000	9,630,684	10,092,686	1.59
Tencent Holdings Ltd	127,700	35,063,775	41,963,376	6.62
Weimob Inc	1,452,000	17,810,052	13,700,909	2.16
	<u>4,263,700</u>	<u>78,693,001</u>	<u>80,140,325</u>	<u>12.64</u>
<u>India</u>				
<u>Consumer Discretionary</u>				
Jubilant Foodworks Ltd	56,347	9,481,742	9,953,585	1.57
<u>Financial Services</u>				
HDFC Bank Ltd	173,564	13,413,647	14,906,940	2.35
<u>South Korea</u>				
<u>Pref Shares</u>				
Samsung Electronics Co Ltd - Pref Shares	70,136	13,272,582	18,972,491	2.99
<u>Technology</u>				
SK Hynix Inc	26,860	13,716,323	12,608,179	1.99

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 May 2021 are as follows: (continued)

	Quantity	Aggregate cost RM	Fair value RM	Percentage of NAV %
<u>Singapore</u>				
<u>Industrials</u>				
Aztech Global Ltd	2,363,700	9,192,525	9,375,831	1.48
<u>Real Estate</u>				
Mapletree North Asia Com Trust	2,592,900	8,347,906	8,341,357	1.32
<u>Taiwan</u>				
<u>Consumer Discretionary</u>				
Gourmet Master Co Ltd	124,000	2,986,514	3,088,642	0.49
<u>United States</u>				
<u>Consumer Discretionary</u>				
Airbnb Inc - Class A	16,853	9,454,519	9,747,832	1.54
Amazon.com Inc	2,826	33,902,172	37,569,540	5.93
American Eagle Outfitters Inc	94,160	8,024,692	13,756,362	2.17
Netflix Inc.	4,445	9,234,689	9,215,800	1.45
The Walt Disney Company	12,461	9,625,312	9,180,075	1.45
	130,745	70,241,384	79,469,609	12.54
<u>Consumer Staples</u>				
Coca-cola European Partners PL	75,393	17,955,761	18,817,750	2.97
<u>Health Care</u>				
C Laboratory Corp of America Hdq	10,919	8,687,148	12,358,324	1.95

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(ii) Quoted equities – foreign as at 31 May 2021 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> (continued)				
<u>Industrials</u>				
Axon Enterprise Inc	14,185	5,825,631	8,206,991	1.30
PayPal Holdings Inc	9,215	8,024,149	9,880,254	1.56
Visa Inc	16,966	13,847,361	15,911,543	2.51
	<u>40,366</u>	<u>27,697,141</u>	<u>33,998,788</u>	<u>5.37</u>
<u>Technology</u>				
Apple Inc.	23,481	12,191,256	12,065,227	1.90
Microsoft Corporation	25,654	17,340,366	26,423,853	4.17
Nvidia Corporation	5,694	12,753,560	15,256,320	2.41
Tencent Music Entertainment Group	109,951	9,210,832	7,127,180	1.12
	<u>164,780</u>	<u>51,496,014</u>	<u>60,872,580</u>	<u>9.60</u>
Total quoted equities – foreign	<u>18,180,811</u>	<u>523,189,355</u>	<u>560,721,741</u>	<u>88.48</u>
Accumulated unrealised gain on quoted equities – foreign		<u>37,532,386</u>		
Total quoted equities – foreign		<u>560,721,741</u>		

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

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

(c) Collective investment scheme – local

(i) Collective investment scheme – local as at 31 May 2022 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	21,987,687	30,000,000	27,662,709	5.89
Affin Hwang TWD Flexi Fund	10,991,024	30,000,000	25,258,472	5.38
Total collective investment scheme – local	<u>32,978,711</u>	<u>60,000,000</u>	<u>52,921,181</u>	<u>11.27</u>
Accumulated unrealised loss on collective investment scheme – local		<u>(7,078,819)</u>		
Total collective investment scheme – local		<u>52,921,181</u>		

(ii) There is no investment in Collective investment scheme – local as at 31 May 2021.

(d) Collective investment scheme – foreign

(i) Collective investment scheme – foreign as at 31 May 2022 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	2,187,750	0.47
Total collective investment scheme – foreign	<u>10</u>	<u>2,218,500</u>	<u>2,187,750</u>	<u>0.47</u>
Accumulated unrealised loss on collective investment scheme – foreign		<u>(30,750)</u>		
Total collective investment scheme – foreign		<u>2,187,750</u>		

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

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

(d) Collective investment scheme – foreign (continued)

(ii) Collective investment scheme – foreign as at 31 May 2021 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	2,061,750	0.33
Total collective investment scheme – foreign	10	2,218,500	2,061,750	0.33
Accumulated unrealised loss on collective investment scheme – foreign		(156,750)		
Total collective investment scheme – foreign		2,061,750		

(e) Exchange-traded funds – foreign

(i) Exchange-traded funds – foreign as at 31 May 2022 are as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>United States</u>				
Global X Uranium ETF	79,737	9,349,404	7,651,141	1.63
Total collective investment schemes – foreign	79,737	9,349,404	7,651,141	1.63
Accumulated unrealised loss on collective investment schemes – foreign		(1,698,263)		
Total collective investment schemes – foreign		7,651,141		

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

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

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

(ii) Exchange-traded funds – foreign as at 31 May 2021 are as follows:

	Quantity	Aggregate cost RM	Fair value RM	Percentage of NAV %
<u>Hong Kong</u>				
ChinaAMC Global ETF Series ChinaAMC HS HK Biotech Index ETF	1,000,000	14,576,885	14,791,392	2.33
<u>United States</u>				
Consumer Staples SPDR	23,925	6,981,883	6,982,782	1.10
IShares Global Industrials ETF	40,239	18,956,397	20,397,224	3.22
SPDR S&P Pharmaceuticals ETF	62,497	12,831,983	13,011,595	2.05
Total collective investment schemes – foreign	1,126,661	53,347,148	55,182,993	8.70
Accumulated unrealised gain on collective investment schemes – foreign		1,835,845		
Total collective investment schemes – foreign		55,182,993		

10 MARGIN ACCOUNTS

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

11 NUMBER OF UNITS IN CIRCULATION

(a) AUD class units in circulation

	2022 No. of units	2021 No. of units
At beginning of the financial year	4,263,000	1,692,000
Creation of units arising from applications	68,000	3,192,000
Cancellation of units	(165,000)	(621,000)
At the end of the financial year	4,166,000	4,263,000

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

11 NUMBER OF UNITS IN CIRCULATION (CONTINUED)

(b) GBP class units in circulation

	<u>2022</u>	<u>2021</u>
	No. of units	No. of units
At beginning of the financial year	458,000	121,000
Creation of units arising from applications	249,000	542,000
Cancellation of units	(104,000)	(205,000)
At the end of the financial year	<u>603,000</u>	<u>458,000</u>

(c) MYR class units in circulation

	<u>2022</u>	<u>2021</u>
	No. of units	No. of units
At beginning of the financial year	336,653,000	239,188,000
Creation of units arising from applications	26,978,000	114,962,000
Cancellation of units	(66,114,000)	(17,497,000)
At the end of the financial year	<u>297,517,000</u>	<u>336,653,000</u>

(d) SGD class units in circulation

	<u>2022</u>	<u>2021</u>
	No. of units	No. of units
At beginning of the financial year	13,636,000	7,077,000
Creation of units arising from applications	927,000	9,930,000
Cancellation of units	(6,130,000)	(3,371,000)
At the end of the financial year	<u>8,433,000</u>	<u>13,636,000</u>

(e) USD class units in circulation

	<u>2022</u>	<u>2021</u>
	No. of units	No. of units
At beginning of the financial year	21,986,000	8,450,000
Creation of units arising from applications	5,953,000	14,554,000
Cancellation of units	(788,000)	(1,018,000)
At the end of the financial year	<u>27,151,000</u>	<u>21,986,000</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

12 TRANSACTIONS WITH BROKERS

- (i) Detail of transactions with top 10 brokers for the financial year ended 31 May 2022 is as follows:

<u>Name of broker</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage</u> %
Robert W. Baird & Co.	287,013,580	17.30	54,421	1.44
Macquarie Group	154,533,725	9.31	379,812	10.02
CLSA Group	130,199,637	7.85	389,295	10.27
Jefferies Group	92,006,216	5.55	134,894	3.56
Sanford C. Bernstein Group	89,465,235	5.39	256,631	6.77
China International Capital Corporation Hong Kong Securities Ltd	84,525,725	5.09	274,949	7.25
Citigroup Global Group	62,451,719	3.76	191,172	5.04
Deutsche Bank (Malaysia) Bhd	60,000,000	3.62	-	-
DBS Vickers Securities (Singapore) Pte Ltd	55,119,647	3.32	178,088	4.70
Bank Of America Group	50,889,177	3.07	140,306	3.70
Others #	592,904,288	35.74	1,790,855	47.25
	<u>1,659,108,949</u>	<u>100.00</u>	<u>3,790,423</u>	<u>100.00</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

12 TRANSACTIONS WITH BROKERS (CONTINUED)

(ii) Detail of transactions with top 10 brokers for the financial year ended 31 May 2021 is as follows:

<u>Name of broker</u>	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %	<u>Brokerage fees</u> RM	<u>Percentage of total brokerage</u> %
Robert W. Baird & Co.	316,199,514	14.44	67,879	1.25
Citigroup Global Markets Ltd	152,968,808	6.98	476,533	8.76
China International Capital Corporation Hong Kong Securities Ltd	135,154,145	6.17	378,274	6.95
JP Morgan Securities (Asia Pacific)	110,834,331	5.06	415,115	7.63
CLSA Limited (Hong Kong)	96,216,071	4.39	354,005	6.51
Sanford C. Bernstein And Co., Llc	86,294,657	3.94	231,056	4.25
CIMB Securities (Singapore) Pte Ltd.	75,287,757	3.44	218,334	4.01
Morgan Stanley and Co. International PLC	72,972,971	3.33	252,285	4.64
KAF Equities Sdn Bhd	71,402,898	3.26	88,775	1.63
Macquarie Securities Ltd (KR)	63,777,537	2.91	178,184	3.28
Others #	1,009,458,817	46.08	2,779,056	51.09
	<u>2,190,567,506</u>	<u>100.00</u>	<u>5,439,496</u>	<u>100.00</u>

Included in the transactions with brokers are trades in the stockbroking industry with Affin Hwang Investment Bank Bhd, the holding companies of the Manager amounting to RM4,552,122 (2021: RM37,603,428). The Manager is of the opinion that all transactions with the holding company of the Manager have been entered in the normal course of business at agreed terms between the related parties.

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

12 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>
Lembaga Tabung Angkatan Tentera ("LTAT")	Ultimate holding corporate body of the Manager
Affin Bank Berhad ("ABB")	Penultimate holding company of the Manager
Affin Hwang Investment Bank Berhad	Holding company of the Manager
Affin Hwang Asset Management Berhad	The Manager
Subsidiaries and associated companies of ABB as disclosed in its financial statements	Subsidiary and associated companies of the penultimate 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>2022</u>		<u>2021</u>	
	No. of units	RM	No. of units	RM
<u>The Manager:</u>				
Affin Hwang Asset Management Berhad (The units are held legally for booking purposes)				
- AUD class	3,459	5,525	3,123	6,099
- GBP class	2,671	7,853	2,622	9,422
- MYR class	3,238	4,264	2,976	4,792
- SGD class	3,028	4,762	3,414	6,565
- USD class	3,449	7,096	2,653	6,673
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

13 TOTAL EXPENSE RATIO ("TER")

(a) TER excluding performance fee:

	<u>2022</u> %	<u>2021</u> %
TER	1.15	1.18

TER is derived from the following calculation:

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

- A = Management fee, excluding management fee rebates
- B = Trustee fee
- C = Fund accounting fee
- D = Auditors' remuneration
- E = Tax agent's fee
- F = Other expenses
- G = Average NAV of Fund calculated on a daily basis

(b) TER including performance fee:

	<u>2022</u> %	<u>2021</u> %
TER	1.15	4.73

TER is derived from the following calculation:

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

- A = Management fee, excluding management fee rebates
- B = Trustee fee
- C = Fund accounting fee
- D = Auditors' remuneration
- E = Tax agent's fee
- F = Performance fee
- G = Other expenses
- H = Average NAV of Fund calculated on a daily basis

The average NAV of the Fund for the financial year calculated on a daily basis is RM564,290,869 (2021: RM504,206,969).

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 (CONTINUED)

14 PORTFOLIO TURNOVER RATIO ("PTR")

	<u>2022</u>	<u>2021</u>
PTR (times)	<u>1.52</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 = RM728,991,268 (2021: RM1,192,700,455)
total disposal for the financial year = RM982,599,092 (2021: RM879,290,603)

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT BY THE MANAGER

I, Dato' 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 2022 and of its financial performance, changes in net assets attributable to unitholders and cash flows for the financial year that ended 31 May 2022 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

DATO' TENG CHEE WAI
EXECUTIVE DIRECTOR/MANAGING DIRECTOR

Kuala Lumpur
18 July 2022

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 2022, 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 2022, 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’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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
18 July 2022

DIRECTORY OF SALES OFFICE

HEAD OFFICE

Affin Hwang Asset Management Berhad
Ground Floor
Menara Boustead
69, Jalan Raja Chulan
50200 Kuala Lumpur

Tel : 03 – 2116 6000
Fax : 03 – 2116 6100
Toll free no : 1-800-88-7080
Email: customercare@affinhwangam.com

PENANG

Affin Hwang Asset Management Berhad
No. 10-C-24 Precinct 10
Jalan Tanjung Tokong
10470 Penang

Tel : 04 – 899 8022
Fax : 04 – 899 1916

PERAK

Affin Hwang Asset Management Berhad
1, Persiaran Greentown 6
Greentown Business Centre
30450 Ipoh Perak

Tel : 05 – 241 0668
Fax : 05 – 255 9696

MELAKA

Affin Hwang Asset Management Berhad
Ground Floor, No. 584, Jalan Merdeka
Taman Melaka Raya
75000 Melaka

Tel : 06 – 281 2890 / 3269
Fax : 06 – 281 2937

JOHOR

Affin Hwang Asset Management Berhad
Unit 22-05, Level 22
Menara Landmark
No. 12, Jalan Ngee Heng
80000 Johor Bahru
Johor Darul Takzim

Tel : 07 – 227 8999
Fax : 07 – 223 8998

SABAH

Affin Hwang Asset Management Berhad
Unit 1.09(a), Level 1
Plaza Shell
29, Jalan Tunku Abdul Rahman
88000 Kota Kinabalu
Sabah

Tel : 088 – 252 881
Fax : 088 – 288 803

DIRECTORY OF SALES OFFICE (CONTINUED)

SARAWAK

Affin Hwang Asset Management Berhad
Ground Floor, No. 69
Block 10, Jalan Laksamana Cheng Ho
93200 Kuching
Sarawak

Tel : 082 – 233 320
Fax : 082 – 233 663

Affin Hwang Asset Management Berhad
1st Floor, Lot 1291
Jalan Melayu, MCLD
98000 Miri
Sarawak

Tel : 085 – 418 403
Fax : 085 – 418 372

www.affinhwangam.com

Affin Hwang Asset Management Berhad
199701014290 (429786-T)