



ANNUAL REPORT
31 May 2023

Affin Hwang **Absolute** **Return Fund II**

MANAGER
AHAM Asset Management Berhad
*(Formerly known as Affin Hwang Asset
Management Berhad)*
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CUSTODIAN
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AFFIN HWANG ABSOLUTE RETURN FUND II

Annual Report and Audited Financial Statements For the Financial Year Ended 31 May 2023

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 2023 (%)	As at 31 May 2022 (%)	As at 31 May 2021 (%)
Portfolio Composition			
Quoted equities – local			
- Utilities	2.42	2.30	-
Total quoted equities – local	2.42	2.30	-
Quoted equities – foreign			
- Consumer Discretionary	9.61	9.49	29.80
- Consumer Staples	7.69	5.77	8.82
- Energy	-	1.57	-
- Financial Services	4.97	8.03	3.88
- Health Care	2.60	3.67	4.59
- Industrial	2.15	-	8.34
- Preference share	-	-	2.99
- Real Estate	7.26	7.21	5.83
- Technology	26.05	12.35	24.23
Total quoted equities – foreign	60.33	48.09	88.48

FUND PERFORMANCE DATA (CONTINUED)

Category	As at 31 May 2023 (%)					As at 31 May 2022 (%)					As at 31 May 2021 (%)				
Collective investment scheme – local	18.33					11.27					-				
Collective investment scheme – foreign	0.57					0.47					0.33				
Exchange-traded funds – foreign	4.99					1.63					8.70				
Cash & cash equivalent	13.36					36.24					2.49				
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)	339.516	2.183	9.347	0.220	3.617	391.824	2.117	12.766	0.321	4.150	542.071	2.606	13.412	0.281	8.395
NAV per Unit (in respective currencies)	1.2913	0.5241	0.4375	0.5060	0.4533	1.3170	0.5082	0.4702	0.5323	0.4921	1.6102	0.6113	0.6100	0.6143	0.6156
Unit in Circulation (million)	262.921	4.166	21.362	0.434	7.980	297.517	4.166	27.151	0.603	8.433	336.653	4.263	21.986	0.458	13.636
Highest NAV	1.3421	0.5425	0.4944	0.5711	0.5003	1.6147	0.6277	0.6115	0.6277	0.6230	1.7197	0.6629	0.6627	0.6795	0.6731
Lowest NAV	1.2023	0.4817	0.3974	0.4911	0.4298	1.2571	0.4999	0.4521	0.5116	0.4802	1.3270	0.5372	0.4820	0.5423	0.5130
Return of the fund (%)	-1.95	3.13	-6.95	-4.94	-7.88	-18.21	-16.87	-22.92	-13.35	-20.06	22.29	12.85	29.59	14.18	21.20
- Capital Return (%)	-1.95	3.13	-6.95	-4.94	-7.88	-18.21	-16.87	-22.92	-13.35	-20.06	22.29	12.85	29.59	14.18	21.20
- Income Return (%)	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			1.13					1.15					4.73		
Portfolio Turnover Ratio (times) ²			0.83					1.52					2.05		

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 lower trading activities during the financial year.

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

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

An illustration of the above would be as follow:-

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

MANAGER'S REPORT

Income Distribution / Unit Split

No income distributions or unit splits were declared for the financial year ended 31 May 2023.

Performance Review

MYR Class

For the period 1 June 2022 to 31 May 2023, the Fund registered a -1.95% return compared to the benchmark return of 8.00%. The Fund thus underperformed the Benchmark by 9.95%. The Net Asset Value per unit ("NAV") of the Fund as at 31 May 2023 was MYR1.2913 while the NAV as at 31 May 2022 was MYR1.3170.

Since commencement, the Fund has registered a return of 158.26% compared to the benchmark return of 227.27%, underperforming by 69.01%.

AUD Class

For the period 1 June 2022 to 31 May 2023, the Fund registered a 3.13% return compared to the benchmark return of 8.00%. The Fund thus underperformed the Benchmark by 4.87%. The Net Asset Value per unit ("NAV") of the Fund as at 31 May 2023 was AUD0.5241 while the NAV as at 31 May 2022 was AUD0.5082.

Since commencement, the Fund has registered a return of 4.82% compared to the benchmark return of 48.93%, underperforming by 44.11%.

GBP Class

For the period 1 June 2022 to 31 May 2023, the Fund registered a -4.94% return compared to the benchmark return of 8.00%. The Fund thus underperformed the Benchmark by 12.94%. The Net Asset Value per unit ("NAV") of the Fund as at 31 May 2023 was GBP0.5060 while the NAV as at 31 May 2022 was GBP0.5323.

Since commencement, the Fund has registered a return of 1.20% compared to the benchmark return of 48.93%, underperforming by 47.73%.

SGD Class

For the period 1 June 2022 to 31 May 2023, the Fund registered a -7.88% return compared to the benchmark return of 8.00%. The Fund thus underperformed the Benchmark by 15.88%. The Net Asset Value per unit ("NAV") of the Fund as at 31 May 2023 was SGD0.4533 while the NAV as at 31 May 2022 was SGD0.4921.

Since commencement, the Fund has registered a return of -9.34% compared to the benchmark return of 48.93%, underperforming by 58.27%.

USD Class

For the period 1 June 2022 to 31 May 2023, the Fund registered a -6.95% return compared to the benchmark return of 8.00%. The Fund thus underperformed the Benchmark by 14.95%. The Net Asset Value per unit ("NAV") of the Fund as at 31 May 2023 was USD0.4375 while the NAV as at 31 May 2022 was USD0.4702.

Since commencement, the Fund has registered a return of -12.50% compared to the benchmark return of 48.93%, underperforming by 61.43%.

Table 1: Performance of the Fund

	1 Year (1/6/22 - 31/5/23)	3 Years (1/6/20 - 31/5/23)	5 Years (1/6/18 - 31/5/23)	Since Commencement (8/1/08 - 31/5/23)
Benchmark	8.00%	25.97%	46.96%	227.27%
MYR Class	(1.95%)	(1.93%)	(2.08%)	158.26%
Outperformance	(9.95%)	(27.90%)	(49.04%)	(69.01%)

	1 Year (1/6/22 - 31/5/23)	3 Years (1/6/20 - 31/5/23)	5 Years (1/6/18 - 31/5/23)	Since Commencement (30/3/18 - 31/5/23)
Benchmark	8.00%	25.97%	46.96%	48.93%
AUD Class	3.13%	(3.25%)	0.87%	4.82%
Outperformance	(4.87%)	(29.22%)	(46.09%)	(44.11%)
GBP Class	(4.94%)	(5.95%)	(7.19%)	1.20%
Outperformance	(12.94%)	(31.92%)	(54.15%)	(47.73%)
SGD Class	(7.88%)	(10.75%)	(13.74%)	(9.34%)
Outperformance	(15.88%)	(36.72%)	(60.70%)	(58.27%)
USD Class	(6.95%)	(7.05%)	(15.00%)	(12.50%)
Outperformance	(14.95%)	(33.02%)	(61.96%)	(61.43%)

Table 2: Average Total Return

	1 Year (1/6/22 - 31/5/23)	3 Years (1/6/20 - 31/5/23)	5 Years (1/6/18 - 31/5/23)	Since Commencement (8/1/08 - 31/5/23)
Benchmark	8.00%	8.00%	8.00%	8.00%
MYR Class	(1.95%)	(0.65%)	(0.42%)	6.35%
Outperformance	(9.95%)	(8.65%)	(8.42%)	(1.65%)

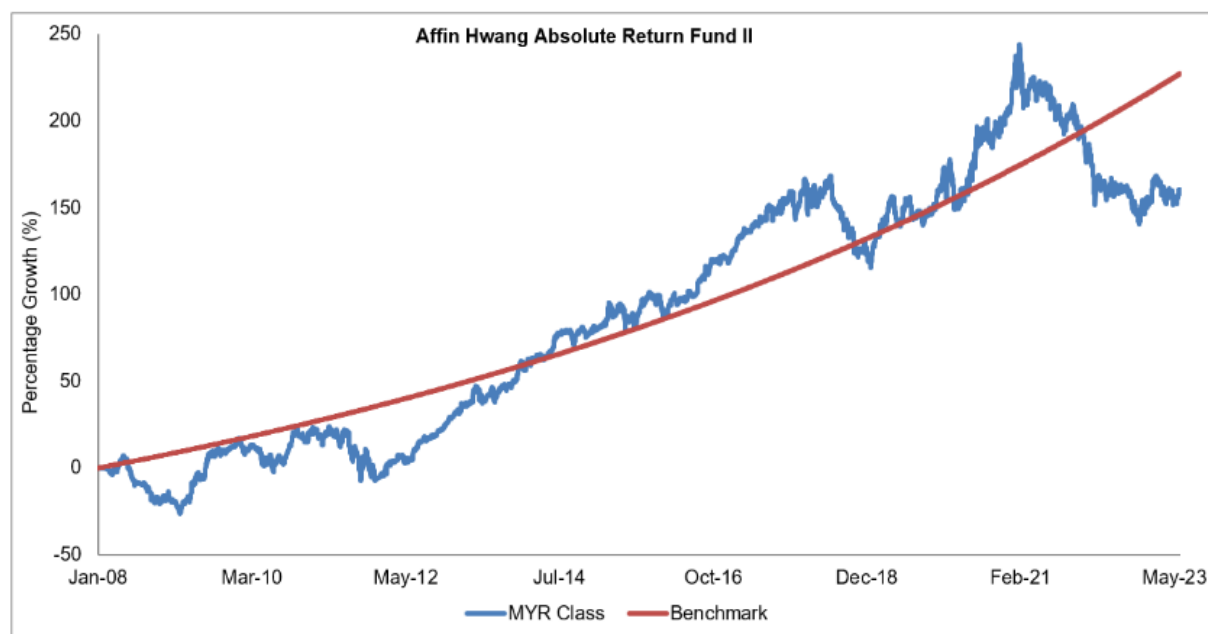
	1 Year (1/6/22 - 31/5/23)	3 Years (1/6/20 - 31/5/23)	5 Years (1/6/18 - 31/5/23)	Since Commencement (30/3/18 - 31/5/23)
Benchmark	8.00%	8.00%	8.00%	8.00%
AUD Class	3.13%	(1.09%)	0.17%	0.91%
Outperformance	(4.87%)	(9.09%)	(7.83%)	(7.09%)
GBP Class	(4.94%)	(2.02%)	(1.48%)	0.23%
Outperformance	(12.94%)	(10.02%)	(9.48%)	(7.77%)
SGD Class	(7.88%)	(3.72%)	(2.91%)	(1.88%)
Outperformance	(15.88%)	(11.72%)	(10.91%)	(9.88%)
USD Class	(6.95%)	(2.41%)	(3.20%)	(2.55%)
Outperformance	(14.95%)	(10.41%)	(11.20%)	(10.55%)

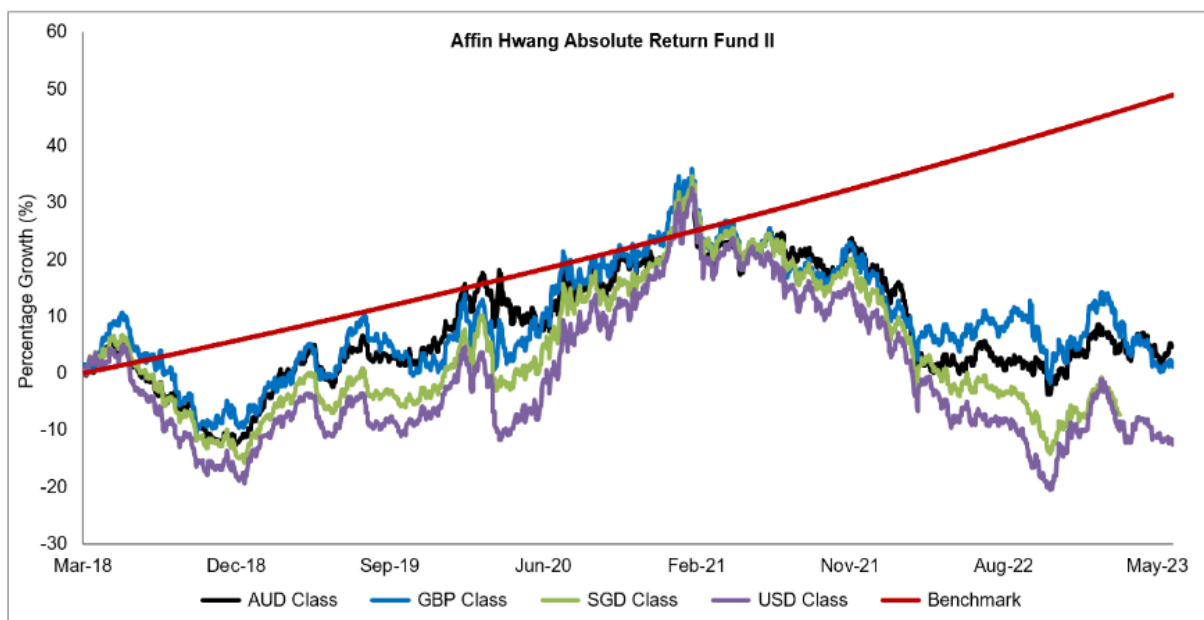
Table 3: Annual Total Return

	FYE 2023 (1/6/22 - 31/5/23)	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)
Benchmark	8.00%	8.00%	8.00%	8.02%	8.00%
MYR Class	(1.95%)	(18.21%)	22.29%	9.50%	(8.81%)
Outperformance	(9.95%)	(26.21%)	14.29%	1.48%	(16.81%)

	FYE 2023 (1/6/22 - 31/5/23)	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)
Benchmark	8.00%	8.00%	8.00%	8.02%	8.00%
AUD Class	3.13%	(16.87%)	12.85%	9.81%	(5.06%)
Outperformance	(4.87%)	(24.87%)	4.85%	1.79%	(13.06%)
GBP Class	(4.94%)	(13.35%)	14.18%	7.82%	(8.47%)
Outperformance	(12.94%)	(21.35%)	6.18%	(0.20%)	(16.47%)
SGD Class	(7.88%)	(20.06%)	21.20%	8.34%	(10.79%)
Outperformance	(15.88%)	(28.06%)	13.20%	0.32%	(18.79%)
USD Class	(6.95%)	(22.92%)	29.59%	5.56%	(13.37%)
Outperformance	(14.95%)	(30.92%)	21.59%	(2.46%)	(21.37%)

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





"This information is prepared by AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) 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 2023, the asset allocation of the Fund stood at 62.75% in equities, 18.90% in collective investment scheme, 4.99% in exchange-traded fund while the balance was held in cash and cash equivalent.

Strategies Employed

The Fund invests in a range of asset classes to generate returns for the Fund. The asset allocation was decided with the consideration of the market outlook for the various asset classes over the medium to long term horizon.

The investment strategy over the year under review was unconstrained by country, market capitalisation or sector. Although flexible, the Fund only participated in foreign markets where the regulatory authority is an ordinary or associate member of the International Organization of Securities Commission (IOSCO)

Market Review

Market volatility persisted over the past year as macro events and policy rate increases across the global economy affected stock and bond markets. Over the year under review, the Standard & Poor's 500 ("S&P 500") returned 2.89%, Morgan Stanley Capital International ("MSCI") AC World index returned 2.64%, MSCI AC Asia ex Japan Index 1.40%, and the The Financial Times Stock Exchange ("FTSE") Bursa Malaysia - 7.94%. Bond markets were similarly impacted with the Bloomberg Barclays Global Aggregate Index down - 4.48%, while local bond markets saw edge higher with the benchmark 10-year Malaysian Government Securities ("MGS") yield closing at 3.85%.

The financial year under review started off turbulent May last year, driven by a confluence of unprecedented events that unfolded globally. The Russia-Ukraine conflict casted a shadow of geopolitical instability, heightening risk sentiments and increasing volatility. Although Covid cases have started to trend downward

since a year ago, the market continues to grapple with the ongoing effects of the pandemic and geopolitical instability. Temporary closure of factories and logistical facilities created disruptions in the flow of goods and services resulted in supply chain bottlenecks and delayed deliveries. Now that supply have started to normalise, and goods and services are readily available, consumer spending is returning to pre-pandemic levels. In order to regulate consumer spending driven by stimulus over the lock-down period to rein in inflation, central banks globally embarked on a series of policy rates increases.

The US Federal Reserve (“Fed”) raised their policy rates in each monetary policy committee meetings since March last year, to of 5.25% in May 2023. The sharp pace of policy tightening raised concerns in the financial markets of an over-tightening that could lead to a growth slowdown, or even a potential recession. Further signs of tension in the economy were also visible in March this year as the fallout of Silicon Valley Bank and the emergency rescue of Credit Suisse triggered concerns of contagion to other vulnerable banks. However, despite the Fed’s effort in policy tightening, economic indicators continue to remain positive. In addition to fractures in the banking sector, other notable events over the year included the concern over the US approaching its debt ceiling in January, failing which to reach a consensus to suspend or raise the limit could result in a catastrophic default. However, investors heaved a sigh of relief after lawmakers passed a bill to raise the debt ceiling, in a deal that included concessions on spending expected to have limited effect on economic growth.

The global equity was volatile throughout the year and ended the month of May down 1.25%, but with a stark difference between sectors. Technology stocks were boosted by enthusiasm over new developments in generative Artificial Intelligence (“AI”) while energy and materials stocks were among the weaker performers in the month. Although economic data released remained broadly supportive, the prospect of a government default has put investors on edge.

At the start of the financial year, both the China onshore and offshore equity markets regained momentum as COVID cases in China seemed to have peaked out and an ease in lockdown measures in various cities including Shanghai’s reopening in June last year was seen. However, by the end of the financial year, Chinese stocks trended downwards, amongst other factors includes high-profile divestments of Chinese internet platform companies and lingering geopolitical risks. After great anticipation of China’s reopening cooled, Chinese equities fell sharply by the end of the financial year. Weak demand for exports and lacklustre consumer spending has effected in the slowing down of factory outputs in China.

In Asia, the broader MSCI Asia ex-Japan index fell over the year. The effect of China’s cooling economy also weakened sentiment towards Hong Kong stocks. India on the other hand showed gains driven by steady earnings and foreign inflows. The development in AI helped boost Taiwan and South Korea’s technology stocks.

Major macro events over the financial year under review had a notable effect on the domestic market. While Bank Negara similarly raised policy rates to tame domestic inflation, the pace of increase was more measured compared to other major central banks. Due to Malaysia’s close trade relation to China, the Ringgit has weakened considerably year to date. In a statement, Bank Negara Malaysia (“BNM”) believes that the depreciation of the Ringgit is not fundamentally driven and that global headwinds are driving investors to seek safe haven assets like the US dollar. On local fixed income, the 10-year MGS yield closed unchanged at 3.71%. Malaysia’s Gross Domestic Product (“GDP”) for the first quarter of 2023 came relatively strong at 5.60% compared to market expectations of 5.10% driven by an expansion of household spending and strong employment growth. The strong GDP showing may have been a factor that weighed on BNM’s decision to hike the Overnight Policy Rate (“OPR”) earlier in May.

Investment Outlook

Global equity markets still remain susceptible to shifting sentiment towards geopolitical tensions, inflation, economic growth and ultimately corporate earnings. Valuations have already significantly adjusted to reflect a change in the market environment, and we believe reflect realistic expectations for inflation, rates and risk premia. Consequently, the source of risk has now shifted from valuation to earnings in light of the softer growth and prospects for a recession, which appears increasingly likely.

China is expected to be a strong source of growth and returns for Asia. The Chinese equities as well as credit market took a breather from February onwards after strong rally in the prior months. Market sentiment was

dampened by the re-intensifying geopolitical tensions between US-China which arose from the balloon controversies and the plan to expand US troops in Taiwan for military training. On the other hand, macro and economic front continued to deliver encouraging data. Consumption to recover in February, stronger and at a faster pace than expected, albeit with more encouraging signs in the services sector over consumer goods. Signs of the rebound were evident over the Chinese New Year holiday, and domestic tourism recorded the strongest visitor and revenue levels since the pandemic. China's official manufacturing Purchasing Manager Index ("PMI") rose to 52.6 in February from 50.1 in January, however has dipped slightly to 51.9 in March. Non-manufacturing PMI on the other hand rose to 58.2 in March, the highest since May 2011. The supportive stance continued into 2023 and was recently validated by the 2 sessions that took place in early March. The general positive tone on economic recovery and consumption stimulus remains, alongside with the announcement of the new cabinet and securing of President Xi's third term.

In contrast to the expected slowdown in the developed market economy, Malaysia's economic fundamentals continues to remain strong. Within the financial period under review, the government unveiled its revised budget, focusing on sustainable economic growth, institutional reforms and reducing social inequality. The benchmark KLCI edged lower as market reaction to Budget 2023 was neutral. Our view is that newly tabled budget is a pragmatic one that should restore confidence and shore up support in the long run. The absence of any prosperity tax is a huge relief to the market that should augur well for corporate earnings. Notwithstanding macro noises, Malaysia economy is primarily domestic driven and therefore more insulated against external shocks.

Bond investors may see some relief this year after enduring a painful 2022 which saw rates volatility reaching unprecedented highs. In 2023, volatility in rates is expected to temper down as we see a slower pace of adjustment in rates. In addition, a slower growth outlook is beneficial for rates. On local fixed income, credit rating agencies are likely to maintain the sovereign ratings of Malaysia bonds. Rates volatility will be driven by external development.

State of Affairs of the Fund

The Fund's investment into Sotella RPS, a foreign collective investment scheme, is currently undergoing legal proceedings initiated by the manager of Sotella. The counterparty of the Sotella RPS has defaulted on its obligations and whilst settlement discussions are ongoing, legal proceedings have concurrently been initiated to exercise the rights of the fund to recover amounts owing. These rights include a lienholder's caveat on parcels of land acting as security of the fund, as well as an undertaking by the parent companies of the counterparty. We will continue to monitor ongoing progress with inputs from the manager of Sotella RPS as well as the appointed solicitor in our assessment of the recoverability of the investment.

Soft Commissions received from Brokers

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 year under review, the Fund has received soft commissions from brokers/dealers who have also executed trades for other funds managed by AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad). 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

No cross trade transactions were carried out over the year under review.

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 Information Memorandum

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

AFFIN HWANG ABSOLUTE RETURN FUND II

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

AFFIN HWANG ABSOLUTE RETURN FUND II

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

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 - 48
STATEMENT BY THE MANAGER	49
INDEPENDENT AUDITORS' REPORT	50 – 54

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

	<u>Note</u>	<u>2023</u> RM	<u>2022</u> RM
INVESTMENT LOSS			
Dividend income		4,686,760	6,201,266
Interest income from financial assets at amortised cost		98,126	7,062
Interest income from financial assets at fair value through profit or loss		159,984	-
Net gain on foreign currency exchange		4,899,335	3,340,112
Net gain on futures at fair value through profit or loss		-	5,034,580
Net gain on forward foreign currency contracts at fair value through profit or loss		1,185,557	-
Net loss on financial assets at fair value through profit or loss	8	(14,425,599)	(116,565,279)
		<u>(3,395,837)</u>	<u>(101,982,259)</u>
EXPENSES			
Management fee	4	(4,293,273)	(5,641,487)
Custodian fee	5	(75,799)	(196,510)
Fund accounting fee	6	(39,000)	(36,000)
Auditors' remuneration		(11,500)	(11,500)
Tax agent's fee		(24,049)	(43,726)
Transaction costs		(1,143,735)	(3,791,422)
Other expenses		(426,845)	(558,381)
		<u>(6,014,200)</u>	<u>(10,279,026)</u>
NET LOSS BEFORE TAXATION		(9,410,037)	(112,261,285)
Taxation	7	(586,913)	(835,279)
DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>(9,996,950)</u>	<u>(113,096,564)</u>
Decrease in net assets attributable to unitholders comprise the following:			
Realised amount		21,544,851	(51,424,431)
Unrealised amount		(11,547,901)	(61,672,133)
		<u>(9,996,950)</u>	<u>(113,096,564)</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 2023

	<u>Note</u>	<u>2023</u> RM	<u>2022</u> RM
ASSETS			
Cash and cash equivalents		54,834,990	170,075,130
Amount due from Manager			
- creation of units		-	60,127
- management fee rebate receivable		52,090	44,791
Dividend receivables		628,717	682,178
Financial assets at fair value through profit or loss	8	360,831,718	299,350,166
Margin accounts	9	-	9,812,715
TOTAL ASSETS		<u>416,347,515</u>	<u>480,025,107</u>
LIABILITIES			
Amount due to brokers		4,117,969	10,045,496
Amount due to Manager			
- management fee		346,630	395,625
- cancellation of units		8,926,558	145,331
Fund accounting fee		6,000	3,000
Auditors' remuneration		11,500	11,500
Tax agent's fee		3,894	3,795
Other payables and accruals		12,524	12,639
Tax payable		231,137	33,520
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)		<u>13,656,212</u>	<u>10,650,906</u>
NET ASSET VALUE OF THE FUND		<u>402,691,303</u>	<u>469,374,201</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>402,691,303</u>	<u>469,374,201</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONTINUED)

	<u>Note</u>	<u>2023</u> RM	<u>2022</u> RM
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDING UNITS			
- AUD Class		6,524,751	6,654,411
- GBP Class		1,251,215	1,772,867
- MYR Class		339,515,607	391,824,136
- SGD Class		12,306,755	13,263,812
- USD Class		43,092,975	55,858,975
		<u>402,691,303</u>	<u>469,374,201</u>
NUMBER OF UNITS IN CIRCULATION			
- AUD Class	10(a)	4,166,000	4,166,000
- GBP Class	10(b)	434,000	603,000
- MYR Class	10(c)	262,921,000	297,517,000
- SGD Class	10(d)	7,980,000	8,433,000
- USD Class	10(e)	21,362,000	27,151,000
		<u>296,863,000</u>	<u>337,870,000</u>
NET ASSET VALUE PER UNIT (RM)			
- AUD Class		1.5662	1.5973
- GBP Class		2.8830	2.9401
- MYR Class		1.2913	1.3170
- SGD Class		1.5422	1.5728
- USD Class		2.0173	2.0573
		<u>1.5662</u>	<u>1.5973</u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES			
- AUD Class		AUD 0.5241	AUD0.5082
- GBP Class		GBP 0.5060	GBP0.5323
- MYR Class		RM1.2913	RM1.3170
- SGD Class		SGD 0.4533	SGD0.4921
- USD Class		USD 0.4375	USD0.4702
		<u>AUD 0.5241</u>	<u>AUD0.5082</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 2023

	<u>2023</u> RM	<u>2022</u> RM
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR	469,374,201	633,565,430
Movement due to units created and cancelled during the financial year		
Creation of units arising from applications	5,286,724	59,082,700
- AUD Class	159,116	124,202
- GBP Class	-	840,175
- MYR Class	5,127,608	41,632,749
- SGD Class	-	1,652,721
- USD Class	-	14,832,853
Cancellation of units	(61,972,672)	(110,177,365)
- AUD Class	(160,534)	(297,807)
- GBP Class	(474,045)	(355,313)
- MYR Class	(48,902,059)	(96,543,925)
- SGD Class	(701,146)	(11,260,255)
- USD Class	(11,734,888)	(1,720,065)
Net decrease in net assets attributable to unitholders during the financial year	(9,996,950)	(113,096,564)
- AUD Class	(128,242)	(1,496,876)
- GBP Class	(47,606)	(357,795)
- MYR Class	(8,534,078)	(95,336,178)
- SGD Class	(255,910)	(3,348,698)
- USD Class	(1,031,112)	(12,557,017)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL YEAR	<u>402,691,303</u>	<u>469,374,201</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 2023

	<u>2023</u> RM	<u>2022</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of investments	306,388,394	938,086,739
Purchase of investments	(389,711,043)	(730,893,896)
Withdrawal from/payments to margin accounts	9,812,715	(9,812,715)
Dividends received	4,325,903	6,174,706
Interest received	98,126	7,062
Management fee rebate received	496,921	397,496
Management fee paid	(4,342,266)	(5,773,144)
Custodian fee paid	(75,799)	(196,510)
Fund accounting paid	(36,000)	(36,000)
Payment for other fees and expenses	(48,092)	(4,407,883)
Performance fee paid	-	(17,899,228)
Realised gain on futures	-	5,034,580
Realised gain on forward foreign currency contracts	1,185,557	-
Net realised gain on foreign currency exchange	(39)	1,569
Tax paid	(389,296)	(801,759)
Net cash flows (used in)/generated from operating activities	<u>(72,294,919)</u>	<u>179,881,017</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	5,346,850	59,022,573
Payments for cancellation of units	(53,191,445)	(110,154,308)
Net cash flows used in financing activities	<u>(47,844,595)</u>	<u>(51,131,735)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(120,139,514)	128,749,282
EFFECTS OF FOREIGN CURRENCY EXCHANGE	4,899,374	3,338,543
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	<u>170,075,130</u>	<u>37,987,305</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	<u><u>54,834,990</u></u>	<u><u>170,075,130</u></u>

Cash and cash equivalents as at 31 May 2023 and 31 May 2022 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 2023

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 in accordance with the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

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 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 – 2020 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.

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 101 ‘Classification of liabilities as current or non-current’ (effective 1 January 2024) clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity’s expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). In addition, the amendments clarify that when a liability could be settled by the transfer of an entity’s own equity instruments (e.g. a conversion option in a convertible bond), conversion option meeting the definition of an equity instrument in MFRS 132 ‘Financial Instruments: Presentation’ does not impact the current or non-current classification of the convertible instrument.

AFFIN HWANG ABSOLUTE RETURN FUND II

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

The amendments also specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

The adoption of the above amendments and standards 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 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 2023 (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 2023 (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 financial asset measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents, margin accounts, 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 consist of outstanding amounts.

The Fund classifies amount due to brokers, amount due to Manager, fund accounting fee payable, payables for auditors' remuneration and 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 2023 (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 2023 (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 2023 (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.

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 2023 (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 2023

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. On 10 November 2022, the Manager has changed its name from Affin Hwang Asset Management Berhad to AHAM Asset Management Berhad.

The financial statements were authorised for issue by the Manager on 28 July 2023.

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	<u>Note</u>	At amortised <u>cost</u> RM	At fair value through <u>profit or loss</u> RM	<u>Total</u> RM
<u>2023</u>				
<u>Financial assets</u>				
Amount due from Manager				
- management fee rebate receivable		52,090	-	52,090
Cash and cash equivalents		54,834,990	-	54,834,990
Dividend receivables		628,717	-	628,717
Quoted equities	8	-	252,689,985	252,689,985
Collective investment schemes	8	-	76,119,211	76,119,211
Exchange-traded funds	8	-	32,022,522	32,022,522
Total		<u>55,515,797</u>	<u>360,831,718</u>	<u>416,347,515</u>
<u>Financial liabilities</u>				
Amount due to brokers		4,117,969	-	4,117,969
Amount due to Manager				
- management fee		346,630	-	346,630
- cancellation of units		8,926,558	-	8,926,558
Fund accounting fee payable		6,000	-	6,000
Auditors' remuneration		11,500	-	11,500
Tax agent's fee		3,894	-	3,894
Other payables and accruals		12,524	-	12,524
Total		<u>13,425,075</u>	<u>-</u>	<u>13,425,075</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

Financial instruments are as follows: (continued)

	<u>Note</u>	At amortised <u>cost</u> RM	At fair value through <u>profit or loss</u> RM	<u>Total</u> 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	8	-	236,590,094	236,590,094
Collective investment schemes	8	-	55,108,931	55,108,931
Exchange-traded funds	8	-	7,651,141	7,651,141
Margin accounts	9	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>

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 2023 (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>2023</u> RM	<u>2022</u> RM
Quoted investments		
Quoted equities	252,689,985	236,590,094
Collective investment schemes	76,119,211	55,108,931
Exchange-traded funds	32,022,522	7,651,141
	<u>360,831,718</u>	<u>299,350,166</u>

The following table summarises the sensitivity of the Fund's loss after taxation and net asset value to price risk movement. The analysis is based on the assumptions that the market price increased by 10% (2022: 2%) and decreased by 10% (2022: 2%) 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 after tax/NAV RM
<u>2023</u>		
-10%	324,748,546	(36,083,172)
0%	360,831,718	-
+10%	396,914,890	36,083,172
	<u>360,831,718</u>	<u>36,083,172</u>
<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>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (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 2023 and 31 May 2022, 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 2023 (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:

	<u>Quoted equities</u> RM	<u>Collective investment schemes</u> RM	<u>Exchange- traded funds</u> RM	<u>Cash and cash equivalents</u> RM	<u>Dividend Receivables</u> RM	<u>Total</u> RM
<u>2023</u>						
<u>Financial assets</u>						
Australian Dollar		-	-	17,669	-	17,669
China Renminbi	6,607,588	-	-	92,929	-	6,700,517
Euro		-	-	244,694	-	244,694
Hong Kong Dollar	97,755,260	-	12,026,398	9,909,737	580,300	120,271,695
Indian Rupee	-	-	-	15,474	-	15,474
Korean Won	41,931,263	-	-	-	-	41,931,263
Singapore Dollar	25,545,877	-	-	10,494,542	-	36,040,419
Thai Baht	8,100,940	-	-	-	-	8,100,940
Taiwan Dollar	28,729,439	-	-	-	-	28,729,439
United States Dollar	34,268,058	2,305,250	19,996,124	9,509,619	48,417	66,127,468
	<u>242,938,425</u>	<u>2,305,250</u>	<u>32,022,522</u>	<u>30,284,664</u>	<u>628,717</u>	<u>308,179,578</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (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)

	<u>Amount due to Manager</u> RM	<u>Amount due to brokers</u> RM	<u>Net assets attributable to unitholders</u> RM	<u>Total</u> RM
<u>2023</u> (continued)				
<u>Financial liabilities</u>				
Australian Dollar	-	-	6,524,751	6,524,751
British Pound Sterling	-	-	1,251,215	1,251,215
Singapore Dollar	-	-	12,306,755	12,306,755
United States Dollar	8,760,203	4,117,969	43,092,975	55,971,147
	<u>8,760,203</u>	<u>4,117,969</u>	<u>63,175,696</u>	<u>76,053,868</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (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)

	<u>Quoted equities</u> RM	<u>Collective investment schemes</u> RM	<u>Exchange- traded funds</u> RM	<u>Cash and cash equivalents</u> RM	<u>Dividend Receivables</u> RM	<u>Margin accounts</u> RM	<u>Total</u> 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>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (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)

	<u>Amount due to brokers</u>	<u>Net assets attributable to unitholders RM</u>	<u>Total RM</u>
<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 2023 (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 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 after tax/NAV RM
<u>2023</u>		
Australian Dollar	+- 11.47	-/+ 746,362
British Pound Sterling	+- 5.62	-/+ 70,318
China Renminbi	+- 5.51	+/- 369,198
Euro	+- 8.17	+/- 19,991
Hong Kong Dollar	+- 5.89	+/- 7,084,003
Indian Rupee	+- 5.73	+/- 887
Korean Won	+- 10.70	+/- 4,486,645
Singapore Dollar	+- 4.45	+/- 1,056,148
Taiwan Dollar	+- 4.63	+/- 1,330,173
Thai Baht	+- 5.54	+/- 448,792
United States Dollar	+- 4.63	+/- 462,535
<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

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (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:

	<u>Cash and cash equivalents</u> RM	<u>Other assets*</u> RM	<u>Total</u> RM
<u>2023</u>			
Consumer Staples			
- NR	-	167,895	167,895
Financial Services			
- AA1	54,834,990	-	54,834,990
- NR	-	260,646	260,646
Industrials	-	26,464	26,464
Technology			
- NR	-	173,712	173,712
Others			
- NR	-	52,090	52,090
	<u>54,834,990</u>	<u>680,807</u>	<u>55,515,797</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

Credit risk (continued)

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

	Cash and cash <u>equivalents</u> RM	Other <u>assets*</u> RM	<u>Total</u> 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>

*Other assets consist of 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 2023 (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.

	<u>Within one month</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>2023</u>			
Amount due to brokers	4,117,969	-	4,117,969
Amount due to Manager			
- management fee	346,630	-	346,630
- cancellation of units	8,926,558	-	8,926,558
Fund accounting fee	6,000	-	6,000
Auditors' remuneration	-	11,500	11,500
Tax agent's fee	-	3,894	3,894
Other payables and accruals	-	12,524	12,524
Net assets attributable to unitholders*	402,691,303	-	402,691,303
	<u>416,088,460</u>	<u>27,918</u>	<u>416,116,378</u>
<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>

*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 2023 (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 2023 (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>2023</u>				
Financial assets at fair value through profit or loss				
- quoted equities	252,689,985	-	-	252,689,985
- collective investment schemes	73,813,961	-	2,305,250	76,119,211
- exchange-traded funds	32,022,522	-	-	32,022,522
	<u>358,526,468</u>	<u>-</u>	<u>2,305,250</u>	<u>360,831,718</u>
<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>

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 2023 (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 Pte Ltd (“Sotella Fund”) Redeemable Preference Shares (“RPS”), the valuation assessments are performed by Camelot Trust Pte Ltd, the Sotella Fund’s fund administrator who reports to the Manager on a weekly basis.

As at 31 May 2023 and 2022, 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 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 2023, the management fee is recognised at a rate of 1.00% (2022: 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 2023 (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 (2022: RM36,000) per annum.

7 TAXATION

	<u>2023</u> RM	<u>2022</u> RM
Current taxation	586,913	835,279

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

	<u>2023</u> RM	<u>2022</u> RM
Net loss before taxation	(9,410,037)	(112,261,285)
Tax at Malaysian statutory tax rate of 24% (2022: 24%)	(2,258,409)	(26,942,708)
Tax effects of:		
Investment loss not brought to tax	1,608,525	24,581,891
Expenses not deductible for tax purposes	409,801	1,110,249
Restrictions on tax deductible expenses for Wholesale Funds	821,335	1,250,568
Foreign income subject to different tax rate	5,661	835,279
Tax expense	586,913	835,279

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2023</u> RM	<u>2022</u> RM
Financial assets at fair value through profit or loss:		
- quoted equities – local	9,751,560	10,788,960
- quoted equities – foreign	242,938,425	225,801,134
- collective investment schemes – local	73,813,961	52,921,181
- collective investment schemes – foreign	2,305,250	2,187,750
- exchange-traded funds – foreign	32,022,522	7,651,141
	<u>360,831,718</u>	<u>299,350,166</u>
Net loss on financial assets at fair value through profit or loss		
- realised loss on sale of investments	(21,578,744)	(51,999,071)
- unrealised gain/(loss) on changes in fair value	6,648,925	(65,008,495)
- management fee rebate on collective investment schemes #	504,220	442,287
	<u>(14,425,599)</u>	<u>(116,565,279)</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 2023 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 Corporation Bhd	2,964,000	11,008,240	9,751,560	2.42
	<u>2,964,000</u>	<u>11,008,240</u>	<u>9,751,560</u>	<u>2.42</u>
Accumulated unrealised loss on quoted equities – local		(1,256,680)		
Total quoted equities – local		<u>9,751,560</u>		

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

(a) Quoted equities – local (continued)

(ii) Quoted equities – local as at 31 May 2022 are as follows:

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

(b) Quoted equities – foreign

(i) Quoted equities – foreign as at 31 May 2023 are as follows:

	<u>Quantity</u>	Aggregate cost RM	Fair value RM	Percentage of NAV %
<u>China</u>				
<u>Health Care</u>				
Shenzhen Mindray Bio-Med Electronics Co. Ltd.	33,900	6,810,336	6,607,588	1.64
<u>Hong Kong</u>				
<u>Consumer Discretionary</u>				
Alibaba Group Holding Ltd	382,510	22,170,342	17,545,435	4.36
China Tourism Group Duty Free	72,840	8,060,437	5,343,207	1.33
Li Ning Company Ltd	214,950	7,788,689	5,319,239	1.32
	670,300	38,019,468	28,207,881	7.01

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 May 2023 are as follows: (continued)

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>Hong Kong (continued)</u>				
<u>Consumer Staples</u>				
Budweiser Brewing Company APAC	851,800	10,391,218	9,877,009	2.45
China Mengniu Dairy Co Ltd	658,900	14,862,975	11,782,595	2.93
Vinda International Holdings	109,120	1,357,344	1,208,718	0.30
	<u>1,619,820</u>	<u>26,611,537</u>	<u>22,868,322</u>	<u>5.68</u>
<u>Financial services</u>				
AIA Group Ltd	390,100	18,399,131	17,261,503	4.29
<u>Technology</u>				
Meituan	66,730	6,593,158	4,332,768	1.08
Tencent Holdings Ltd	101,960	24,432,206	18,659,242	4.63
	<u>168,690</u>	<u>31,025,364</u>	<u>22,992,010</u>	<u>5.71</u>
<u>Real Estate</u>				
Link REIT	239,680	7,985,858	6,425,544	1.60
<u>South Korea</u>				
<u>Technology</u>				
Samsung Electro-Mechanics Co	18,787	9,157,342	9,632,837	2.39
Samsung Electronics Co Ltd	73,253	15,918,345	18,155,980	4.51
SK Hynix Inc	27,173	8,793,246	10,258,224	2.55
	<u>119,213</u>	<u>33,868,933</u>	<u>38,047,041</u>	<u>9.45</u>
<u>Health Care</u>				
Hugel Inc	10,270	4,955,476	3,884,222	0.96

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 May 2023 are as follows: (continued)

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>Singapore</u>				
<u>Financial services</u>				
Vertex Technology Acq Corp Ltd	175,300	2,673,497	2,749,673	0.68
Vertex Technology Acq Corp Ltd - Warrant	52,590	46,721	8,947	-
	<u>227,890</u>	<u>2,720,218</u>	<u>2,758,620</u>	<u>0.68</u>
<u>Real Estate</u>				
CapitaLand Integrated Comm Trust	1,546,600	10,225,037	10,471,990	2.60
Frasers Centrepoint Trust	1,707,300	12,812,533	12,315,267	3.06
	<u>3,253,900</u>	<u>23,037,570</u>	<u>22,787,257</u>	<u>5.66</u>
<u>Taiwan</u>				
<u>Technology</u>				
Taiwan Semiconductor Manufacturing Co. Ltd.	63,153	27,580,853	28,729,439	7.13
<u>Thailand</u>				
<u>Consumer Staples</u>				
CP All Public Company Limited	961,240	8,236,046	8,100,940	2.01
<u>United States</u>				
<u>Consumer Discretionary</u>				
Amazon.com Inc	18,797	10,165,400	10,454,226	2.60
<u>Industrials</u>				
Berry Global Group Inc	32,800	8,797,944	8,654,572	2.15

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 May 2023 are as follows: (continued)

	<u>Quantity</u>	Aggregate cost RM	Fair value RM	Percentage of NAV %
<u>United States</u> (continued)				
<u>Technology</u>				
Microsoft Corporation	10,003	6,761,350	15,159,260	3.76
Total quoted equities – foreign	<u>7,819,756</u>	<u>254,975,484</u>	<u>242,938,425</u>	<u>60.33</u>
Accumulated unrealised loss on quoted equities – foreign		<u>(12,037,059)</u>		
Total quoted equities – foreign		<u>242,938,425</u>		

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

	<u>Quantity</u>	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

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

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

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<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
	<u>1,615,100</u>	<u>39,359,550</u>	<u>31,199,816</u>	<u>6.64</u>
<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

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

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

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<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>
<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
	<u>13,527</u>	<u>20,470,141</u>	<u>24,952,466</u>	<u>5.31</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

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

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
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		

(c) Collective investment scheme – local

(i) Collective investment scheme – local as at 31 May 2023 are as follow:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
Affin Hwang INR Flexi Fund*	17,769,687	24,244,961	23,466,649	5.83
Affin Hwang TWD Flexi Fund*	11,011,024	28,866,542	27,059,591	6.72
AHAM Select Cash Fund* (f.k.a Affin Hwang Select Cash Fund)	21,304,292	23,164,232	23,287,721	5.78
Total collective investment scheme – local	50,085,003	76,275,735	73,813,961	18.33
Accumulated unrealised loss on collective investment scheme – local		(2,461,774)		
Total collective investment scheme – local		73,813,961		

**Managed by the Manager*

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

(c) Collective investment scheme – local (continued)

(ii) Collective investment scheme – local as at 31 May 2022 are as follow:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>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
	<hr/>	<hr/>	<hr/>	<hr/>
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>		

**Managed by the Manager*

(d) Collective investment scheme – foreign

(i) Collective investment scheme – foreign as at 31 May 2023 are as follow:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
Sotella Fund Pte Ltd Class A1 – USD*	10	2,218,500	2,305,250	0.57
	<hr/>	<hr/>	<hr/>	<hr/>
Total collective investment scheme – foreign	<u>10</u>	<u>2,218,500</u>	<u>2,305,250</u>	<u>0.57</u>
Accumulated unrealised gain on collective investment scheme – foreign		<u>86,750</u>		
Total collective investment scheme – foreign		<u>2,305,250</u>		

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

8 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 2022 are as follow:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
Sotella Fund Pte Ltd Class A1 – 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>		

*Sotella Fund Pte Ltd (“Sotella Fund”) Redeemable Preference Shares (“RPS”)

The Sotella Fund RPS 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 the 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 (via 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.

Sotella Fund RPS is currently undergoing legal proceedings initiated by the manager of Sotella Fund, Lyra Capital Pte Ltd. The counterparty of the Sotella Fund has defaulted on its obligations and whilst settlement discussions are ongoing, legal proceedings have concurrently been initiated to exercise the rights of the fund to recover amounts owing. These rights include a lienholder’s caveat on parcels of land acting as security of the Sotella Fund, as well as an undertaking by the parent companies of the counterparty. The Manager will continue to monitor ongoing progress with inputs from the manager of Sotella Fund as well as the appointed solicitor in the Manager’s assessment of the recoverability of the investment.

In the current case of Sotella Fund RPS, the Manager will continue to value the investment at cost or at par due to the following reasons:-

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

(d) Collective investment scheme – foreign (continued)

*Sotella Fund Pte Ltd (“Sotella Fund”) Redeemable Preference Shares (“RPS”) (continued)

1. The current collateral is valued at RM188 million based on the professional valuation report dated 2 March 2022. As a prudent approach, the Manager will apply a force sale value of 50% to the value indicated in the valuation report on the basis that the land would be sold within a year.
Note: Based on market practices force sale values are typically at a 40% discount to a valuation report value.
2. Based on the force sale value coupled with what has been distributed thus far by the Sotella Fund, will be adequate to cover the principal invested hence the Manager will continue to value it at cost or at par.

(e) Exchange-traded funds – foreign

(i) Exchange-traded funds – foreign as at 31 May 2023 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	7,312,110	1.82
IShares \$ Treasury Bond 20+yr UCITS ETF USD D	570,002	12,640,267	12,684,014	3.15
	<u>649,739</u>	<u>21,989,671</u>	<u>19,996,124</u>	<u>4.97</u>
<u>Hong Kong</u>				
IShares FTSE A50 China ETF	1,576,170	13,512,177	12,026,398	3.00
Total collective investment schemes – foreign	<u>2,225,909</u>	<u>35,501,848</u>	<u>32,022,522</u>	<u>7.97</u>
Accumulated unrealised loss on collective investment schemes – foreign		<u>(3,479,326)</u>		
Total collective investment schemes – foreign		<u>32,022,522</u>		

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

8 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 2022 are as follows:

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

9 MARGIN ACCOUNTS

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

10 NUMBER OF UNITS IN CIRCULATION

(a) AUD Class units in circulation

	<u>2023</u> No. of units	<u>2022</u> No. of units
At beginning of the financial year	4,166,000	4,263,000
Creation of units arising from applications	103,000	68,000
Cancellation of units	(103,000)	(165,000)
	<hr/>	<hr/>
At the end of the financial year	4,166,000	4,166,000
	<hr/>	<hr/>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

10 NUMBER OF UNITS IN CIRCULATION (CONTINUED)

(b) GBP Class units in circulation

	<u>2023</u> No. of units	<u>2022</u> No. of units
At beginning of the financial year	603,000	458,000
Creation of units arising from applications	-	249,000
Cancellation of units	(169,000)	(104,000)
At the end of the financial year	<u>434,000</u>	<u>603,000</u>

(c) MYR Class units in circulation

	<u>2023</u> No. of units	<u>2022</u> No. of units
At beginning of the financial year	297,517,000	336,653,000
Creation of units arising from applications	3,945,000	26,978,000
Cancellation of units	(38,541,000)	(66,114,000)
At the end of the financial year	<u>262,921,000</u>	<u>297,517,000</u>

(d) SGD Class units in circulation

	<u>2023</u> No. of units	<u>2022</u> No. of units
At beginning of the financial year	8,433,000	13,636,000
Creation of units arising from applications	-	927,000
Cancellation of units	(453,000)	(6,130,000)
At the end of the financial year	<u>7,980,000</u>	<u>8,433,000</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

10 NUMBER OF UNITS IN CIRCULATION (CONTINUED)

(e) USD Class units in circulation

	<u>2023</u>	<u>2022</u>
	No. of units	No. of units
At beginning of the financial year	27,151,000	21,986,000
Creation of units arising from applications	-	5,953,000
Cancellation of units	(5,789,000)	(788,000)
At the end of the financial year	<u>21,362,000</u>	<u>27,151,000</u>

11 TRANSACTIONS WITH BROKERS

(i) Detail of transactions with top 10 brokers for the financial year ended 31 May 2023 is as follows:

<u>Name of broker</u>	<u>Value of trade</u>	Percentage	Brokerage	Percentage
	RM	of	fees	of total
		<u>total trade</u>	RM	brokerage
		%		fees
				%
CLSA Group	99,870,721	15.88	276,733	24.20
Affin Hwang Investment Bank Bhd#	73,939,836	11.75	-	-
Robert W. Baird & Co. Group	68,845,851	10.94	20,337	1.78
DBS Group	56,450,024	8.97	19,344	1.69
Flow Traders Group	45,324,496	7.20	-	-
Macquarie Group	40,921,113	6.50	112,075	9.80
Merrill Lynch International Ltd	33,560,704	5.33	125,212	10.95
Jefferies International Ltd	24,404,910	3.88	82,454	7.21
Citigroup Global Markets Ltd	21,056,291	3.35	56,703	4.96
Sanford C. Bernstein And Co., Llc	20,783,104	3.30	58,326	5.10
Others	143,990,435	22.90	392,551	34.31
	<u>629,147,485</u>	<u>100.00</u>	<u>1,143,735</u>	<u>100.00</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

11 TRANSACTIONS WITH BROKERS (CONTINUED)

(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 fees</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>

Included in the transactions with brokers are trades in the stockbroking industry with Affin Hwang Investment Bank Bhd, the former immediate holding company of the Manager amounting to RM73,939,836 (2022: RM4,552,122). The Manager is of the opinion that all transactions with the former immediate 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 2023 (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>
CVC Capital Partners Asia V L.P. ("CVC Asia V")	Ultimate holding company of the Manager
Lembaga Tabung Angkatan Tentera ("LTAT")	Former ultimate holding corporate body of the Manager and substantial shareholder of the Manager
Affin Bank Berhad ("ABB")	Former penultimate holding company of the Manager
Affin Hwang Investment Bank Berhad	Former immediate holding company of the Manager
Starlight TopCo Limited	Penultimate holding company of the Manager
Starlight Universe Limited	Intermediate holding company of the Manager
Starlight Asset Sdn Bhd	Immediate holding company of the Manager
Nikko Asset Management International Limited ("NAMI")	Former substantial shareholder of the Manager
Nikko Asset Management Co., Ltd ("NAM")	Substantial shareholder of the Manager
AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)	The Manager
Subsidiaries and associated companies of CVC Asia V as disclosed in their financial statements	Subsidiaries and associated companies of the ultimate holding company of the Manager
Subsidiaries and associated companies of ABB as disclosed in its financial statements	Subsidiaries and associated companies of the former penultimate holding company of the Manager
Directors of AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)	Directors of the Manager

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

12 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER (CONTINUED)

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

	<u>2023</u>		<u>2022</u>	
	No. of units	RM	No. of units	RM
<u>The Manager:</u>				
AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) (the units are held legally for booking purposes)				
- AUD Class	3,459	5,417	3,459	5,525
- GBP Class	3,079	8,877	2,671	7,853
- MYR Class	2,196	2,836	3,238	4,264
- SGD Class	3,874	5,974	3,028	4,762
- USD Class	3,063	6,179	3,449	7,096
	<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.

13 TOTAL EXPENSE RATIO ("TER")

	<u>2023</u>	<u>2022</u>
	%	%
TER	1.13	1.15
	<u> </u>	<u> </u>

TER is derived from the following calculation:

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

A	=	Management fee, excluding management fee rebates
B	=	Custodian fee
C	=	Fund accounting fee
D	=	Auditors' remuneration
E	=	Tax agent's fee
F	=	Other expenses
G	=	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 RM429,611,134 (2022: RM564,290,869).

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

14 PORTFOLIO TURNOVER RATIO ("PTR")

	<u>2023</u>	<u>2022</u>
PTR (times)	0.83	1.52

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 = RM383,783,516 (2022: RM728,991,268)
total disposal for the financial year = RM327,967,138 (2022: RM982,599,092)

15 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Change in corporate shareholding of AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)

On 28 January 2022, Affin Bank Berhad announced that funds advised by CVC Capital Partners, a leading global private equity and investment advisory firm with approximately US\$125 billion of assets under management, has agreed to acquire approximately 68% of the equity interest in AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad).

The Acquisition has been approved by Securities Commissions Malaysia on 1 July 2022, and upon completion of the Acquisition on 29 July 2022, AHAM Asset Management (formerly known as Affin Hwang Asset Management Berhad) Berhad has ceased to be a subsidiary of Affin Hwang Investment Bank Berhad.

Change in substantial shareholders of AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)

On 19 April 2023, Nikko Asset Management International Limited ("NAMI") has divested all its equity interest of 27% in AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) to Nikko Asset Management Co., Ltd ("NAM") for 20% and remaining 7% of the equity interest to Lembaga Tabung Angkatan Tentera ("LTAT") resulting in both NAM and LTAT becoming substantial shareholders of the Manager.

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, **AHAM Asset Management Berhad (formerly known as 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 2023 and of its financial performance, changes in net assets attributable to unitholders and cash flows for the financial year that ended 31 May 2023 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,
AHAM ASSET MANAGEMENT BERHAD
(FORMERLY KNOWN AS AFFIN HWANG ASSET MANAGEMENT BERHAD)

DATO' TENG CHEE WAI
EXECUTIVE DIRECTOR/MANAGING DIRECTOR

Kuala Lumpur
28 July 2023

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 2023, 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 2023, 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 48.

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.

Emphasis of matter

We draw attention to Note 8 to the financial statements, which describes the status of the Fund's investment in certain redeemable preference shares where its counterparty has defaulted during the financial year. Our opinion is not modified in respect of this matter.

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 the 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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional 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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- (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)

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
28 July 2023

DIRECTORY OF SALES OFFICE

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AFFIN HWANG ABSOLUTE RETURN FUND II

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

AFFIN HWANG ABSOLUTE RETURN FUND II

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

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 - 48
STATEMENT BY THE MANAGER	49
INDEPENDENT AUDITORS' REPORT	50 – 54

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

	<u>Note</u>	<u>2023</u> RM	<u>2022</u> RM
INVESTMENT LOSS			
Dividend income		4,686,760	6,201,266
Interest income from financial assets at amortised cost		98,126	7,062
Interest income from financial assets at fair value through profit or loss		159,984	-
Net gain on foreign currency exchange		4,899,335	3,340,112
Net gain on futures at fair value through profit or loss		-	5,034,580
Net gain on forward foreign currency contracts at fair value through profit or loss		1,185,557	-
Net loss on financial assets at fair value through profit or loss	8	(14,425,599)	(116,565,279)
		<u>(3,395,837)</u>	<u>(101,982,259)</u>
EXPENSES			
Management fee	4	(4,293,273)	(5,641,487)
Custodian fee	5	(75,799)	(196,510)
Fund accounting fee	6	(39,000)	(36,000)
Auditors' remuneration		(11,500)	(11,500)
Tax agent's fee		(24,049)	(43,726)
Transaction costs		(1,143,735)	(3,791,422)
Other expenses		(426,845)	(558,381)
		<u>(6,014,200)</u>	<u>(10,279,026)</u>
NET LOSS BEFORE TAXATION		(9,410,037)	(112,261,285)
Taxation	7	(586,913)	(835,279)
DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>(9,996,950)</u>	<u>(113,096,564)</u>
Decrease in net assets attributable to unitholders comprise the following:			
Realised amount		21,544,851	(51,424,431)
Unrealised amount		(11,547,901)	(61,672,133)
		<u>(9,996,950)</u>	<u>(113,096,564)</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 2023

	<u>Note</u>	<u>2023</u> RM	<u>2022</u> RM
ASSETS			
Cash and cash equivalents		54,834,990	170,075,130
Amount due from Manager			
- creation of units		-	60,127
- management fee rebate receivable		52,090	44,791
Dividend receivables		628,717	682,178
Financial assets at fair value through profit or loss	8	360,831,718	299,350,166
Margin accounts	9	-	9,812,715
TOTAL ASSETS		<u>416,347,515</u>	<u>480,025,107</u>
LIABILITIES			
Amount due to brokers		4,117,969	10,045,496
Amount due to Manager			
- management fee		346,630	395,625
- cancellation of units		8,926,558	145,331
Fund accounting fee		6,000	3,000
Auditors' remuneration		11,500	11,500
Tax agent's fee		3,894	3,795
Other payables and accruals		12,524	12,639
Tax payable		231,137	33,520
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)		<u>13,656,212</u>	<u>10,650,906</u>
NET ASSET VALUE OF THE FUND		<u>402,691,303</u>	<u>469,374,201</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>402,691,303</u>	<u>469,374,201</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONTINUED)

	<u>Note</u>	<u>2023</u> RM	<u>2022</u> RM
REPRESENTED BY:			
FAIR VALUE OF OUTSTANDING UNITS			
- AUD Class		6,524,751	6,654,411
- GBP Class		1,251,215	1,772,867
- MYR Class		339,515,607	391,824,136
- SGD Class		12,306,755	13,263,812
- USD Class		43,092,975	55,858,975
		<u>402,691,303</u>	<u>469,374,201</u>
NUMBER OF UNITS IN CIRCULATION			
- AUD Class	10(a)	4,166,000	4,166,000
- GBP Class	10(b)	434,000	603,000
- MYR Class	10(c)	262,921,000	297,517,000
- SGD Class	10(d)	7,980,000	8,433,000
- USD Class	10(e)	21,362,000	27,151,000
		<u>296,863,000</u>	<u>337,870,000</u>
NET ASSET VALUE PER UNIT (RM)			
- AUD Class		1.5662	1.5973
- GBP Class		2.8830	2.9401
- MYR Class		1.2913	1.3170
- SGD Class		1.5422	1.5728
- USD Class		2.0173	2.0573
		<u>1.5662</u>	<u>1.5973</u>
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES			
- AUD Class		AUD 0.5241	AUD0.5082
- GBP Class		GBP 0.5060	GBP0.5323
- MYR Class		RM1.2913	RM1.3170
- SGD Class		SGD 0.4533	SGD0.4921
- USD Class		USD 0.4375	USD0.4702
		<u>AUD 0.5241</u>	<u>AUD0.5082</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 2023

	<u>2023</u> RM	<u>2022</u> RM
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL YEAR	469,374,201	633,565,430
Movement due to units created and cancelled during the financial year		
Creation of units arising from applications	5,286,724	59,082,700
- AUD Class	159,116	124,202
- GBP Class	-	840,175
- MYR Class	5,127,608	41,632,749
- SGD Class	-	1,652,721
- USD Class	-	14,832,853
Cancellation of units	(61,972,672)	(110,177,365)
- AUD Class	(160,534)	(297,807)
- GBP Class	(474,045)	(355,313)
- MYR Class	(48,902,059)	(96,543,925)
- SGD Class	(701,146)	(11,260,255)
- USD Class	(11,734,888)	(1,720,065)
Net decrease in net assets attributable to unitholders during the financial year	(9,996,950)	(113,096,564)
- AUD Class	(128,242)	(1,496,876)
- GBP Class	(47,606)	(357,795)
- MYR Class	(8,534,078)	(95,336,178)
- SGD Class	(255,910)	(3,348,698)
- USD Class	(1,031,112)	(12,557,017)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL YEAR	<u>402,691,303</u>	<u>469,374,201</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 2023

	<u>2023</u> RM	<u>2022</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of investments	306,388,394	938,086,739
Purchase of investments	(389,711,043)	(730,893,896)
Withdrawal from/payments to margin accounts	9,812,715	(9,812,715)
Dividends received	4,325,903	6,174,706
Interest received	98,126	7,062
Management fee rebate received	496,921	397,496
Management fee paid	(4,342,266)	(5,773,144)
Custodian fee paid	(75,799)	(196,510)
Fund accounting paid	(36,000)	(36,000)
Payment for other fees and expenses	(48,092)	(4,407,883)
Performance fee paid	-	(17,899,228)
Realised gain on futures	-	5,034,580
Realised gain on forward foreign currency contracts	1,185,557	-
Net realised gain on foreign currency exchange	(39)	1,569
Tax paid	(389,296)	(801,759)
Net cash flows (used in)/generated from operating activities	<u>(72,294,919)</u>	<u>179,881,017</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	5,346,850	59,022,573
Payments for cancellation of units	(53,191,445)	(110,154,308)
Net cash flows used in financing activities	<u>(47,844,595)</u>	<u>(51,131,735)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(120,139,514)	128,749,282
EFFECTS OF FOREIGN CURRENCY EXCHANGE	4,899,374	3,338,543
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	<u>170,075,130</u>	<u>37,987,305</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	<u><u>54,834,990</u></u>	<u><u>170,075,130</u></u>

Cash and cash equivalents as at 31 May 2023 and 31 May 2022 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 2023

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 in accordance with the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

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 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 – 2020 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.

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 101 ‘Classification of liabilities as current or non-current’ (effective 1 January 2024) clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity’s expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). In addition, the amendments clarify that when a liability could be settled by the transfer of an entity’s own equity instruments (e.g. a conversion option in a convertible bond), conversion option meeting the definition of an equity instrument in MFRS 132 ‘Financial Instruments: Presentation’ does not impact the current or non-current classification of the convertible instrument.

AFFIN HWANG ABSOLUTE RETURN FUND II

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

The amendments also specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

The adoption of the above amendments and standards 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 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 2023 (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 2023 (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 financial asset measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents, margin accounts, 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 consist of outstanding amounts.

The Fund classifies amount due to brokers, amount due to Manager, fund accounting fee payable, payables for auditors' remuneration and 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 2023 (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 2023 (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 2023 (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.

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 2023 (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 2023

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. On 10 November 2022, the Manager has changed its name from Affin Hwang Asset Management Berhad to AHAM Asset Management Berhad.

The financial statements were authorised for issue by the Manager on 28 July 2023.

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	<u>Note</u>	At amortised <u>cost</u> RM	At fair value through <u>profit or loss</u> RM	<u>Total</u> RM
<u>2023</u>				
<u>Financial assets</u>				
Amount due from Manager				
- management fee rebate receivable		52,090	-	52,090
Cash and cash equivalents		54,834,990	-	54,834,990
Dividend receivables		628,717	-	628,717
Quoted equities	8	-	252,689,985	252,689,985
Collective investment schemes	8	-	76,119,211	76,119,211
Exchange-traded funds	8	-	32,022,522	32,022,522
Total		<u>55,515,797</u>	<u>360,831,718</u>	<u>416,347,515</u>
<u>Financial liabilities</u>				
Amount due to brokers		4,117,969	-	4,117,969
Amount due to Manager				
- management fee		346,630	-	346,630
- cancellation of units		8,926,558	-	8,926,558
Fund accounting fee payable		6,000	-	6,000
Auditors' remuneration		11,500	-	11,500
Tax agent's fee		3,894	-	3,894
Other payables and accruals		12,524	-	12,524
Total		<u>13,425,075</u>	<u>-</u>	<u>13,425,075</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

Financial instruments are as follows: (continued)

	<u>Note</u>	At amortised <u>cost</u> RM	At fair value through <u>profit or loss</u> RM	<u>Total</u> 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	8	-	236,590,094	236,590,094
Collective investment schemes	8	-	55,108,931	55,108,931
Exchange-traded funds	8	-	7,651,141	7,651,141
Margin accounts	9	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>

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 2023 (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>2023</u> RM	<u>2022</u> RM
Quoted investments		
Quoted equities	252,689,985	236,590,094
Collective investment schemes	76,119,211	55,108,931
Exchange-traded funds	32,022,522	7,651,141
	<u>360,831,718</u>	<u>299,350,166</u>

The following table summarises the sensitivity of the Fund's loss after taxation and net asset value to price risk movement. The analysis is based on the assumptions that the market price increased by 10% (2022: 2%) and decreased by 10% (2022: 2%) 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 after tax/NAV RM
<u>2023</u>		
-10%	324,748,546	(36,083,172)
0%	360,831,718	-
+10%	396,914,890	36,083,172
	<u>360,831,718</u>	<u>36,083,172</u>
<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>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (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 2023 and 31 May 2022, 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 2023 (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:

	<u>Quoted equities</u> RM	<u>Collective investment schemes</u> RM	<u>Exchange- traded funds</u> RM	<u>Cash and cash equivalents</u> RM	<u>Dividend Receivables</u> RM	<u>Total</u> RM
<u>2023</u>						
<u>Financial assets</u>						
Australian Dollar		-	-	17,669	-	17,669
China Renminbi	6,607,588	-	-	92,929	-	6,700,517
Euro		-	-	244,694	-	244,694
Hong Kong Dollar	97,755,260	-	12,026,398	9,909,737	580,300	120,271,695
Indian Rupee	-	-	-	15,474	-	15,474
Korean Won	41,931,263	-	-	-	-	41,931,263
Singapore Dollar	25,545,877	-	-	10,494,542	-	36,040,419
Thai Baht	8,100,940	-	-	-	-	8,100,940
Taiwan Dollar	28,729,439	-	-	-	-	28,729,439
United States Dollar	34,268,058	2,305,250	19,996,124	9,509,619	48,417	66,127,468
	<u>242,938,425</u>	<u>2,305,250</u>	<u>32,022,522</u>	<u>30,284,664</u>	<u>628,717</u>	<u>308,179,578</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (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)

	<u>Amount due to Manager</u> RM	<u>Amount due to brokers</u> RM	<u>Net assets attributable to unitholders</u> RM	<u>Total</u> RM
<u>2023</u> (continued)				
<u>Financial liabilities</u>				
Australian Dollar	-	-	6,524,751	6,524,751
British Pound Sterling	-	-	1,251,215	1,251,215
Singapore Dollar	-	-	12,306,755	12,306,755
United States Dollar	8,760,203	4,117,969	43,092,975	55,971,147
	<u>8,760,203</u>	<u>4,117,969</u>	<u>63,175,696</u>	<u>76,053,868</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (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)

	<u>Quoted equities</u> RM	<u>Collective investment schemes</u> RM	<u>Exchange- traded funds</u> RM	<u>Cash and cash equivalents</u> RM	<u>Dividend Receivables</u> RM	<u>Margin accounts</u> RM	<u>Total</u> 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>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (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)

	<u>Amount due to brokers</u>	<u>Net assets attributable to unitholders RM</u>	<u>Total RM</u>
<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 2023 (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 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 after tax/NAV RM
<u>2023</u>		
Australian Dollar	+- 11.47	-/+ 746,362
British Pound Sterling	+- 5.62	-/+ 70,318
China Renminbi	+- 5.51	+/- 369,198
Euro	+- 8.17	+/- 19,991
Hong Kong Dollar	+- 5.89	+/- 7,084,003
Indian Rupee	+- 5.73	+/- 887
Korean Won	+- 10.70	+/- 4,486,645
Singapore Dollar	+- 4.45	+/- 1,056,148
Taiwan Dollar	+- 4.63	+/- 1,330,173
Thai Baht	+- 5.54	+/- 448,792
United States Dollar	+- 4.63	+/- 462,535
<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

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (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:

	<u>Cash and cash equivalents</u> RM	<u>Other assets*</u> RM	<u>Total</u> RM
<u>2023</u>			
Consumer Staples			
- NR	-	167,895	167,895
Financial Services			
- AA1	54,834,990	-	54,834,990
- NR	-	260,646	260,646
Industrials	-	26,464	26,464
Technology			
- NR	-	173,712	173,712
Others			
- NR	-	52,090	52,090
	<u>54,834,990</u>	<u>680,807</u>	<u>55,515,797</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (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>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>

*Other assets consist of 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 2023 (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.

	<u>Within one month</u> RM	<u>Between one month to one year</u> RM	<u>Total</u> RM
<u>2023</u>			
Amount due to brokers	4,117,969	-	4,117,969
Amount due to Manager			
- management fee	346,630	-	346,630
- cancellation of units	8,926,558	-	8,926,558
Fund accounting fee	6,000	-	6,000
Auditors' remuneration	-	11,500	11,500
Tax agent's fee	-	3,894	3,894
Other payables and accruals	-	12,524	12,524
Net assets attributable to unitholders*	402,691,303	-	402,691,303
	<u>416,088,460</u>	<u>27,918</u>	<u>416,116,378</u>
<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>

*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 2023 (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 2023 (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>2023</u>				
Financial assets at fair value through profit or loss				
- quoted equities	252,689,985	-	-	252,689,985
- collective investment schemes	73,813,961	-	2,305,250	76,119,211
- exchange-traded funds	32,022,522	-	-	32,022,522
	<u>358,526,468</u>	<u>-</u>	<u>2,305,250</u>	<u>360,831,718</u>
<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>

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 2023 (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 Pte Ltd (“Sotella Fund”) Redeemable Preference Shares (“RPS”), the valuation assessments are performed by Camelot Trust Pte Ltd, the Sotella Fund’s fund administrator who reports to the Manager on a weekly basis.

As at 31 May 2023 and 2022, 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 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 2023, the management fee is recognised at a rate of 1.00% (2022: 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 2023 (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 (2022: RM36,000) per annum.

7 TAXATION

	<u>2023</u> RM	<u>2022</u> RM
Current taxation	586,913	835,279

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

	<u>2023</u> RM	<u>2022</u> RM
Net loss before taxation	(9,410,037)	(112,261,285)
Tax at Malaysian statutory tax rate of 24% (2022: 24%)	(2,258,409)	(26,942,708)
Tax effects of:		
Investment loss not brought to tax	1,608,525	24,581,891
Expenses not deductible for tax purposes	409,801	1,110,249
Restrictions on tax deductible expenses for Wholesale Funds	821,335	1,250,568
Foreign income subject to different tax rate	5,661	835,279
Tax expense	586,913	835,279

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2023</u> RM	<u>2022</u> RM
Financial assets at fair value through profit or loss:		
- quoted equities – local	9,751,560	10,788,960
- quoted equities – foreign	242,938,425	225,801,134
- collective investment schemes – local	73,813,961	52,921,181
- collective investment schemes – foreign	2,305,250	2,187,750
- exchange-traded funds – foreign	32,022,522	7,651,141
	<u>360,831,718</u>	<u>299,350,166</u>
Net loss on financial assets at fair value through profit or loss		
- realised loss on sale of investments	(21,578,744)	(51,999,071)
- unrealised gain/(loss) on changes in fair value	6,648,925	(65,008,495)
- management fee rebate on collective investment schemes #	504,220	442,287
	<u>(14,425,599)</u>	<u>(116,565,279)</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 2023 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 Corporation Bhd	2,964,000	11,008,240	9,751,560	2.42
	<u>2,964,000</u>	<u>11,008,240</u>	<u>9,751,560</u>	<u>2.42</u>
Accumulated unrealised loss on quoted equities – local		(1,256,680)		
Total quoted equities – local		<u>9,751,560</u>		

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

(a) Quoted equities – local (continued)

(ii) Quoted equities – local as at 31 May 2022 are as follows:

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

(b) Quoted equities – foreign

(i) Quoted equities – foreign as at 31 May 2023 are as follows:

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>China</u>				
<u>Health Care</u>				
Shenzhen Mindray Bio-Med Electronics Co. Ltd.	33,900	6,810,336	6,607,588	1.64
<u>Hong Kong</u>				
<u>Consumer Discretionary</u>				
Alibaba Group Holding Ltd	382,510	22,170,342	17,545,435	4.36
China Tourism Group Duty Free	72,840	8,060,437	5,343,207	1.33
Li Ning Company Ltd	214,950	7,788,689	5,319,239	1.32
	670,300	38,019,468	28,207,881	7.01

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 May 2023 are as follows: (continued)

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<u>Hong Kong (continued)</u>				
<u>Consumer Staples</u>				
Budweiser Brewing Company APAC	851,800	10,391,218	9,877,009	2.45
China Mengniu Dairy Co Ltd	658,900	14,862,975	11,782,595	2.93
Vinda International Holdings	109,120	1,357,344	1,208,718	0.30
	<u>1,619,820</u>	<u>26,611,537</u>	<u>22,868,322</u>	<u>5.68</u>
<u>Financial services</u>				
AIA Group Ltd	390,100	18,399,131	17,261,503	4.29
<u>Technology</u>				
Meituan	66,730	6,593,158	4,332,768	1.08
Tencent Holdings Ltd	101,960	24,432,206	18,659,242	4.63
	<u>168,690</u>	<u>31,025,364</u>	<u>22,992,010</u>	<u>5.71</u>
<u>Real Estate</u>				
Link REIT	239,680	7,985,858	6,425,544	1.60
<u>South Korea</u>				
<u>Technology</u>				
Samsung Electro-Mechanics Co	18,787	9,157,342	9,632,837	2.39
Samsung Electronics Co Ltd	73,253	15,918,345	18,155,980	4.51
SK Hynix Inc	27,173	8,793,246	10,258,224	2.55
	<u>119,213</u>	<u>33,868,933</u>	<u>38,047,041</u>	<u>9.45</u>
<u>Health Care</u>				
Hugel Inc	10,270	4,955,476	3,884,222	0.96

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 May 2023 are as follows: (continued)

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>Singapore</u>				
<u>Financial services</u>				
Vertex Technology Acq Corp Ltd	175,300	2,673,497	2,749,673	0.68
Vertex Technology Acq Corp Ltd - Warrant	52,590	46,721	8,947	-
	<u>227,890</u>	<u>2,720,218</u>	<u>2,758,620</u>	<u>0.68</u>
<u>Real Estate</u>				
CapitaLand Integrated Comm Trust	1,546,600	10,225,037	10,471,990	2.60
Frasers Centrepoint Trust	1,707,300	12,812,533	12,315,267	3.06
	<u>3,253,900</u>	<u>23,037,570</u>	<u>22,787,257</u>	<u>5.66</u>
<u>Taiwan</u>				
<u>Technology</u>				
Taiwan Semiconductor Manufacturing Co. Ltd.	63,153	27,580,853	28,729,439	7.13
<u>Thailand</u>				
<u>Consumer Staples</u>				
CP All Public Company Limited	961,240	8,236,046	8,100,940	2.01
<u>United States</u>				
<u>Consumer Discretionary</u>				
Amazon.com Inc	18,797	10,165,400	10,454,226	2.60
<u>Industrials</u>				
Berry Global Group Inc	32,800	8,797,944	8,654,572	2.15

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

(i) Quoted equities – foreign as at 31 May 2023 are as follows: (continued)

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<u>United States</u> (continued)				
<u>Technology</u>				
Microsoft Corporation	10,003	6,761,350	15,159,260	3.76
Total quoted equities – foreign	<u>7,819,756</u>	<u>254,975,484</u>	<u>242,938,425</u>	<u>60.33</u>
Accumulated unrealised loss on quoted equities – foreign		<u>(12,037,059)</u>		
Total quoted equities – foreign		<u>242,938,425</u>		

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

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<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

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

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

	<u>Quantity</u>	<u>Aggregate cost RM</u>	<u>Fair value RM</u>	<u>Percentage of NAV %</u>
<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
	<u>1,615,100</u>	<u>39,359,550</u>	<u>31,199,816</u>	<u>6.64</u>
<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

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

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

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
<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>
<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
	<u>13,527</u>	<u>20,470,141</u>	<u>24,952,466</u>	<u>5.31</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

(b) Quoted equities – foreign (continued)

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

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
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		

(c) Collective investment scheme – local

(i) Collective investment scheme – local as at 31 May 2023 are as follow:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
Affin Hwang INR Flexi Fund*	17,769,687	24,244,961	23,466,649	5.83
Affin Hwang TWD Flexi Fund*	11,011,024	28,866,542	27,059,591	6.72
AHAM Select Cash Fund* (f.k.a Affin Hwang Select Cash Fund)	21,304,292	23,164,232	23,287,721	5.78
Total collective investment scheme – local	50,085,003	76,275,735	73,813,961	18.33
Accumulated unrealised loss on collective investment scheme – local		(2,461,774)		
Total collective investment scheme – local		73,813,961		

**Managed by the Manager*

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

(c) Collective investment scheme – local (continued)

(ii) Collective investment scheme – local as at 31 May 2022 are as follow:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>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
	<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		(7,078,819)		
Total collective investment scheme – local		<u>52,921,181</u>		

**Managed by the Manager*

(d) Collective investment scheme – foreign

(i) Collective investment scheme – foreign as at 31 May 2023 are as follow:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
Sotella Fund Pte Ltd Class A1 – USD*	10	2,218,500	2,305,250	0.57
	<u>10</u>	<u>2,218,500</u>	<u>2,305,250</u>	<u>0.57</u>
Accumulated unrealised gain on collective investment scheme – foreign		86,750		
Total collective investment scheme – foreign		<u>2,305,250</u>		

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

8 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 2022 are as follow:

	<u>Quantity</u>	Aggregate <u>cost</u> RM	Fair <u>value</u> RM	Percentage <u>of NAV</u> %
Sotella Fund Pte Ltd Class A1 – USD*	10	2,218,500	2,187,750	0.47
	<hr/>	<hr/>	<hr/>	<hr/>
Total collective investment scheme – foreign	10	2,218,500	2,187,750	0.47
	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>
Accumulated unrealised loss on collective investment scheme – foreign		(30,750)		
		<hr/>		
Total collective investment scheme – foreign		2,187,750		
		<hr/> <hr/>		

*Sotella Fund Pte Ltd (“Sotella Fund”) Redeemable Preference Shares (“RPS”)

The Sotella Fund RPS 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 the 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 (via 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.

Sotella Fund RPS is currently undergoing legal proceedings initiated by the manager of Sotella Fund, Lyra Capital Pte Ltd. The counterparty of the Sotella Fund has defaulted on its obligations and whilst settlement discussions are ongoing, legal proceedings have concurrently been initiated to exercise the rights of the fund to recover amounts owing. These rights include a lienholder’s caveat on parcels of land acting as security of the Sotella Fund, as well as an undertaking by the parent companies of the counterparty. The Manager will continue to monitor ongoing progress with inputs from the manager of Sotella Fund as well as the appointed solicitor in the Manager’s assessment of the recoverability of the investment.

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

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

(d) Collective investment scheme – foreign (continued)

*Sotella Fund Pte Ltd (“Sotella Fund”) Redeemable Preference Shares (“RPS”) (continued)

In the current case of Sotella Fund RPS, the Manager will continue to value the investment at cost or at par due to the following reasons:-

- The current collateral is valued at RM188 million based on the professional valuation report dated 2 March 2022. As a prudent approach, the Manager has applied a force sale value of 50% to the value indicated in the valuation report on the basis that the land would be sold within a year.
Note: Based on market practices force sale values are typically at a 40% discount to a valuation report value.
- Based on the force sale value coupled with what has been distributed thus far by the Sotella Fund, will be adequate to cover the principal invested hence the Manager will continue to value it at cost or at par.

(e) Exchange-traded funds – foreign

(i) Exchange-traded funds – foreign as at 31 May 2023 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	7,312,110	1.82
IShares \$ Treasury Bond 20+yr UCITS ETF USD D	570,002	12,640,267	12,684,014	3.15
	<u>649,739</u>	<u>21,989,671</u>	<u>19,996,124</u>	<u>4.97</u>
<u>Hong Kong</u>				
IShares FTSE A50 China ETF	1,576,170	13,512,177	12,026,398	3.00
Total collective investment schemes – foreign	<u>2,225,909</u>	<u>35,501,848</u>	<u>32,022,522</u>	<u>7.97</u>
Accumulated unrealised loss on collective investment schemes – foreign		<u>(3,479,326)</u>		
Total collective investment schemes – foreign		<u>32,022,522</u>		

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

8 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 2022 are as follows:

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

9 MARGIN ACCOUNTS

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

10 NUMBER OF UNITS IN CIRCULATION

(a) AUD Class units in circulation

	<u>2023</u> No. of units	<u>2022</u> No. of units
At beginning of the financial year	4,166,000	4,263,000
Creation of units arising from applications	103,000	68,000
Cancellation of units	<u>(103,000)</u>	<u>(165,000)</u>
At the end of the financial year	<u>4,166,000</u>	<u>4,166,000</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

10 NUMBER OF UNITS IN CIRCULATION (CONTINUED)

(b) GBP Class units in circulation

	<u>2023</u> No. of units	<u>2022</u> No. of units
At beginning of the financial year	603,000	458,000
Creation of units arising from applications	-	249,000
Cancellation of units	(169,000)	(104,000)
At the end of the financial year	<u>434,000</u>	<u>603,000</u>

(c) MYR Class units in circulation

	<u>2023</u> No. of units	<u>2022</u> No. of units
At beginning of the financial year	297,517,000	336,653,000
Creation of units arising from applications	3,945,000	26,978,000
Cancellation of units	(38,541,000)	(66,114,000)
At the end of the financial year	<u>262,921,000</u>	<u>297,517,000</u>

(d) SGD Class units in circulation

	<u>2023</u> No. of units	<u>2022</u> No. of units
At beginning of the financial year	8,433,000	13,636,000
Creation of units arising from applications	-	927,000
Cancellation of units	(453,000)	(6,130,000)
At the end of the financial year	<u>7,980,000</u>	<u>8,433,000</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

10 NUMBER OF UNITS IN CIRCULATION (CONTINUED)

(e) USD Class units in circulation

	<u>2023</u>	<u>2022</u>
	No. of units	No. of units
At beginning of the financial year	27,151,000	21,986,000
Creation of units arising from applications	-	5,953,000
Cancellation of units	(5,789,000)	(788,000)
At the end of the financial year	<u>21,362,000</u>	<u>27,151,000</u>

11 TRANSACTIONS WITH BROKERS

(i) Detail of transactions with top 10 brokers for the financial year ended 31 May 2023 is as follows:

<u>Name of broker</u>	<u>Value of trade</u>	Percentage of <u>total trade</u>	Brokerage <u>fees</u>	Percentage of total brokerage <u>fees</u>
	RM	%	RM	%
CLSA Group	99,870,721	15.88	276,733	24.20
Affin Hwang Investment Bank Bhd#	73,939,836	11.75	-	-
Robert W. Baird & Co. Group	68,845,851	10.94	20,337	1.78
DBS Group	56,450,024	8.97	19,344	1.69
Flow Traders Group	45,324,496	7.20	-	-
Macquarie Group	40,921,113	6.50	112,075	9.80
Merrill Lynch International Ltd	33,560,704	5.33	125,212	10.95
Jefferies International Ltd	24,404,910	3.88	82,454	7.21
Citigroup Global Markets Ltd	21,056,291	3.35	56,703	4.96
Sanford C. Bernstein And Co., Llc	20,783,104	3.30	58,326	5.10
Others	143,990,435	22.90	392,551	34.31
	<u>629,147,485</u>	<u>100.00</u>	<u>1,143,735</u>	<u>100.00</u>

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

11 TRANSACTIONS WITH BROKERS (CONTINUED)

(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	Percentage of <u>total trade</u> %	<u>Brokerage</u> <u>fees</u> RM	Percentage of total <u>brokerage</u> <u>fees</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>

Included in the transactions with brokers are trades in the stockbroking industry with Affin Hwang Investment Bank Bhd, the former immediate holding company of the Manager amounting to RM73,939,836 (2022: RM4,552,122). The Manager is of the opinion that all transactions with the former immediate 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 2023 (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>
CVC Capital Partners Asia V L.P. ("CVC Asia V")	Ultimate holding company of the Manager
Lembaga Tabung Angkatan Tentera ("LTAT")	Former ultimate holding corporate body of the Manager and substantial shareholder of the Manager
Affin Bank Berhad ("ABB")	Former penultimate holding company of the Manager
Affin Hwang Investment Bank Berhad	Former immediate holding company of the Manager
Starlight TopCo Limited	Penultimate holding company of the Manager
Starlight Universe Limited	Intermediate holding company of the Manager
Starlight Asset Sdn Bhd	Immediate holding company of the Manager
Nikko Asset Management International Limited ("NAMI")	Former substantial shareholder of the Manager
Nikko Asset Management Co., Ltd ("NAM")	Substantial shareholder of the Manager
AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)	The Manager
Subsidiaries and associated companies of CVC Asia V as disclosed in their financial statements	Subsidiaries and associated companies of the ultimate holding company of the Manager
Subsidiaries and associated companies of ABB as disclosed in its financial statements	Subsidiaries and associated companies of the former penultimate holding company of the Manager
Directors of AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)	Directors of the Manager

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

12 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER (CONTINUED)

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

	<u>2023</u>		<u>2022</u>	
<u>The Manager:</u>	No. of units	RM	No. of units	RM
AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) (the units are held legally for booking purposes)				
- AUD Class	3,459	5,417	3,459	5,525
- GBP Class	3,079	8,877	2,671	7,853
- MYR Class	2,196	2,836	3,238	4,264
- SGD Class	3,874	5,974	3,028	4,762
- USD Class	3,063	6,179	3,449	7,096
	<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.

13 TOTAL EXPENSE RATIO ("TER")

	<u>2023</u>	<u>2022</u>
	%	%
TER	1.13	1.15
	<u> </u>	<u> </u>

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	=	Custodian 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

The average NAV of the Fund for the financial year calculated on a daily basis is RM429,611,134 (2022: RM564,290,869).

AFFIN HWANG ABSOLUTE RETURN FUND II

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023 (CONTINUED)

14 PORTFOLIO TURNOVER RATIO ("PTR")

	<u>2023</u>	<u>2022</u>
PTR (times)	0.83	1.52

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 = RM383,783,516 (2022: RM728,991,268)
total disposal for the financial year = RM327,967,138 (2022: RM982,599,092)

15 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Change in corporate shareholding of AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)

On 28 January 2022, Affin Bank Berhad announced that funds advised by CVC Capital Partners, a leading global private equity and investment advisory firm with approximately US\$125 billion of assets under management, has agreed to acquire approximately 68% of the equity interest in AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad).

The Acquisition has been approved by Securities Commissions Malaysia on 1 July 2022, and upon completion of the Acquisition on 29 July 2022, AHAM Asset Management (formerly known as Affin Hwang Asset Management Berhad) Berhad has ceased to be a subsidiary of Affin Hwang Investment Bank Berhad.

Change in substantial shareholders of AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)

On 19 April 2023, Nikko Asset Management International Limited ("NAMI") has divested all its equity interest of 27% in AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) to Nikko Asset Management Co., Ltd ("NAM") for 20% and remaining 7% of the equity interest to Lembaga Tabung Angkatan Tentera ("LTAT") resulting in both NAM and LTAT becoming substantial shareholders of the Manager.

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, **AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad)**, do hereby state that in the opinion of the Manager, the financial statements set out on pages 1 to 48 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 2023 and of its financial performance, changes in net assets attributable to unitholders and cash flows for the financial year that ended 31 May 2023 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,
AHAM ASSET MANAGEMENT BERHAD
(FORMERLY KNOWN AS AFFIN HWANG ASSET MANAGEMENT BERHAD)

DATO' TENG CHEE WAI
EXECUTIVE DIRECTOR/MANAGING DIRECTOR

Kuala Lumpur
28 July 2023

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 2023, 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 2023, 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 48.

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.

Emphasis of matter

We draw attention to Note 8 to the financial statements, which describes the status of the Fund's investment in the collective investment scheme of which the counterparty of its sole investment in the redeemable preference shares has defaulted during the financial year. Our opinion is not modified in respect of this matter.

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 the 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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional 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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- (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)

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
28 July 2023

DIRECTORY OF SALES OFFICE

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