Affin Hwang
Absolute Return Fund II

Quarterly Report
31 August 2021

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

AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad
199701014290 (429786-T)

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

AFFIN HWANG ABSOLUTE RETURN FUND II

Quarterly Report and Financial Statements
As at 31 August 2021

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QUARTERLY REPORT

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 8.0% per annum
Distribution Policy	The Fund is not expected to make distribution. However, incidental distribution may be declared whenever is appropriate.

FUND PERFORMANCE DATA

MYR Class

Category	As at 31 Aug 2021	As at 31 May 2021
Total NAV (million)	519.764	542.071
NAV per Unit (RM)	1.5213	1.6102
Unit in Circulation (million)	341.654	336.653

AUD Class

Category	As at 31 Aug 2021	As at 31 May 2021
Total NAV (million)	2.598	2.606
NAV per Unit (AUD)	0.6094	0.6113
Unit in Circulation (million)	4.263	4.263

GBP Class

Category	As at 31 Aug 2021	As at 31 May 2021
Total NAV (million)	0.210	0.281
NAV per Unit (GBP)	0.5937	0.6143
Unit in Circulation (million)	0.354	0.458

SGD Class

Category	As at 31 Aug 2021	As at 31 May 2021
Total NAV (million)	8.016	8.395
NAV per Unit (SGD)	0.5883	0.6156
Unit in Circulation (million)	13.626	13.636

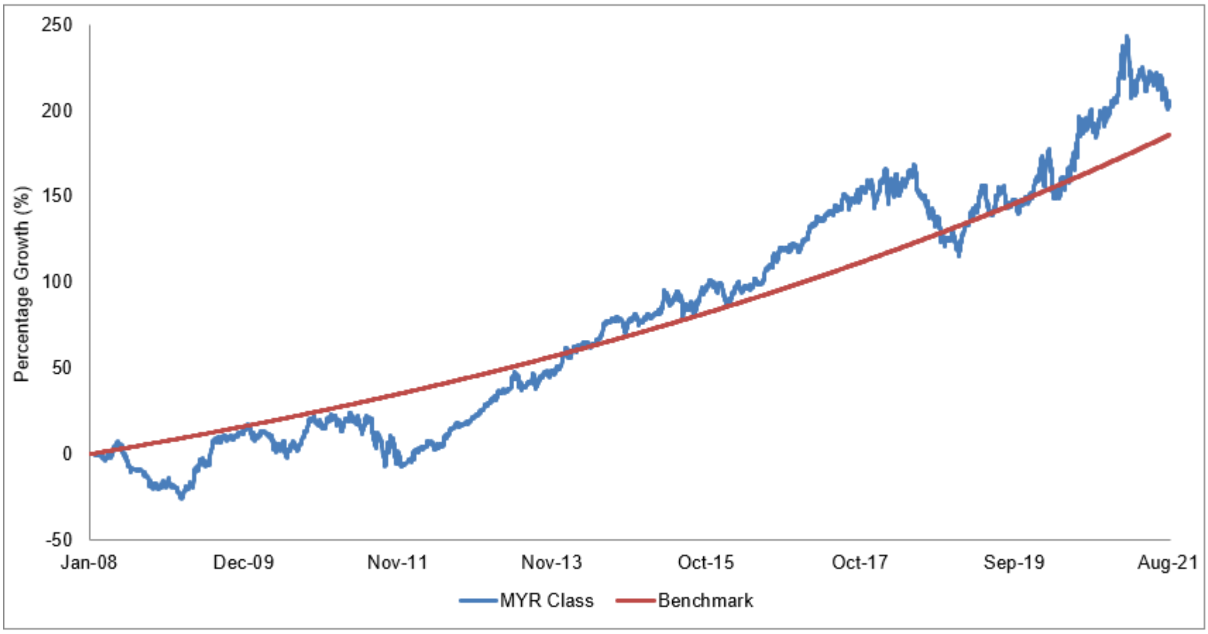
USD Class

Category	As at 31 Aug 2021	As at 31 May 2021
Total NAV (million)	15.817	13.412
NAV per Unit (USD)	0.5722	0.6100
Unit in Circulation (million)	27.640	21.986

Performance as at 31 August 2021

	3 Months (1/6/21 - 31/8/21)	6 Months (1/3/21 - 31/8/21)	1 Year (1/9/20 - 31/8/21)	3 Years (1/9/18 - 31/8/21)	5 Years (1/9/16 - 31/8/21)	Since Commencement (8/1/08 - 31/8/21)
MYR Class	**(5.52%)**	**(5.01%)**	**2.05%**	**26.17%**	**41.91%**	**204.26%**
Benchmark	**1.96%**	**3.96%**	**8.00%**	**26.00%**	**46.96%**	**186.08%**
Outperformance	**(7.48%)**	**(8.97%)**	**(5.95%)**	**0.17%**	**(5.05%)**	**18.18%**

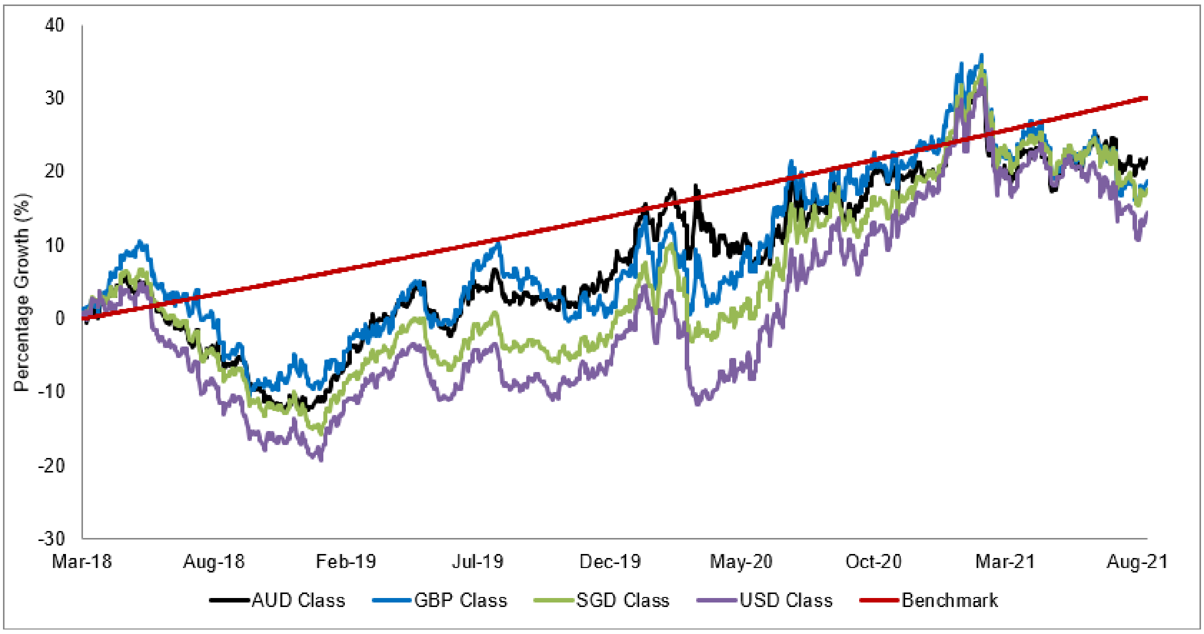
Movement of the Fund versus the Benchmark



Performance as at 31 August 2021

	3 Months (1/6/21 - 31/8/21)	6 Months (1/3/21 - 31/8/21)	1 Year (1/9/20 - 31/8/21)	3 Years (1/9/18 - 31/8/21)	Since Commencement (30/3/18 - 31/8/21)
Benchmark	**1.96%**	**3.96%**	**8.00%**	**26.00%**	**30.18%**
AUD Class	**(0.31%)**	**(0.34%)**	**3.96%**	**27.33%**	**21.88%**
Outperformance	**(2.27%)**	**(4.30%)**	**(4.04%)**	**1.33%**	**(8.30%)**
GBP Class	**(3.35%)**	**(5.67%)**	**(0.13%)**	**20.01%**	**18.74%**
Outperformance	**(5.31%)**	**(9.63%)**	**(8.13%)**	**(5.99%)**	**(11.44%)**
SGD Class	**(4.43%)**	**(5.90%)**	**1.38%**	**23.72%**	**17.66%**
Outperformance	**(6.39%)**	**(9.86%)**	**(6.62%)**	**(2.28%)**	**(12.52%)**
USD Class	**(6.20%)**	**(7.05%)**	**1.98%**	**25.51%**	**14.44%**
Outperformance	**(8.16%)**	**(11.01%)**	**(6.02%)**	**(0.49%)**	**(15.74%)**

Movement of the Fund versus the Benchmark



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

Fund's asset mix during the period under review:

	31 August 2021
	(%)
Equity	77.98
Unit Trust	0.34
Cash & money market	21.68
Total	**100.00**

Strategies Employed

Over the period under review, the Manager had maintained a relatively high exposure into high conviction stock ideas across the regional and domestic space. Investment level of the Fund was also kept ranging from moderate to high in a bid to stay defensive amidst the uncertainty environment.

Market Review

Global equities started 2021 on a strong note as policy easing, and global vaccine rollouts went underway. At the start of January, US markets saw strong optimism. The storming of the US Capitol in early January had little effect over the broader market. However, a black swan event at the end of the month saw retail investors selectively targeting underperforming stocks (e.g. GME and AMC) that resulted in a short squeeze and pushing their share prices to new highs.

US equity markets ended the month of February with modest gains though sentiment was tested as surging bond yields and inflation fears took precedence. Whilst equities and bonds tend to move in opposite directions, the reality is that equity outperformance in the past year has largely come from growth-centric stocks and "stay at home" trades, which were facing short-term squeezes on their profit margins from rising rates. Another factor is the shift from growth to value, with value stocks performing better over the period.

Global equities endured a mixed session in March as US-China tensions boiled over dampening sentiment. With recovery still in a fragile state, global central banks including the Fed are expected to keep monetary policy accommodative to nurse the economy through the pandemic. Meanwhile, rising bond yields continue to unsettle markets, while the Banks are enjoying higher trading fees and lower provision costs as the economy gradually regains its footing.

Global markets shrugged off inflation fears to climb higher in June as investors start to buy-in to the Fed's dovish testimony. The S&P 500 and Nasdaq index rose, buoyed by stimulus optimism after early indication of bipartisan support of the proposed US$1.2 trillion infrastructure bill in the US Congress. US Fed Chair, Jerome Powell testified in the House of Representatives to reiterate the central bank's view that inflation is transitory and that the FOMC will not rush to hike rates. The yield on the 10-year Treasury note tumbled as the Fed affirmed that it would not pre-emptively hike rates before signs of a recovery.

In Asia, the MSCI Asia ex-Japan index was marginally weaker in June as sentiment was dampened on geopolitical tensions and consolidation seen in China's economy. The Group of Seven ("G7") nations and North Atlantic Treaty Organisation ("NATO") held its annual summit with political leaders from US and Europe vowing to toughen its stance on China.
Asia was dragged by the weakness in the Chinese market in July. Once again, China saw regulators cracking down on businesses, this time targeting the education sector. Authorities had banned the provision of holiday and weekend tutoring, and further said that they will no longer approve the establishment of new tuition centres. Instead, tutoring companies are being asked to register as non-profit institutions.

The local equity market's performance was muted relative to regional peers. In the February result season, the tech sector was largely reporting earnings that beat expectations on the back of robust demand. Meanwhile, Finance Minister clarified in an interview that the government is not looking to impose capital gains tax on stocks. The government was mulling new taxes to widen its revenue base once the economy is on a more stable footing.

The performance of the local bond market has been subpar since the start of the year; especially given the volatility in US Treasury yields, as well as the lack of support from EPF due to its ongoing commitment to the i-Sinar and i-Lestari programme. However, demand was seen returning in March, as more investors – including insurance players and asset managers – are seen nibbling into the market given the more attractive yield levels.

Fiscal deficit is expected to breach above the government's target of 6.0%. With the unveiled stimulus package, we could see the debt ceiling be raised to 65.0% from 60.0%. This could translate to more government bond supplies, which may put further pressure on Malaysia's sovereign rating.

On the monetary policy side, Bank Negara Malaysia ("BNM") kept Overnight Policy Rates ("OPR") at 1.75% in its monetary policy meeting in July. The central bank remained slightly optimistic on Malaysia's growth outlook on the back of various support measures in place, vaccine rollouts, as well as stronger export numbers. During its quarterly GDP briefing, BNM said that Malaysia's GDP grew 16.1% y-o-y in the 2Q'21, although it contracted 2% on a q-o-q basis. The central bank also revised its full-year GDP growth forecast for Malaysia to between 3% and 4%, from the previous forecast of between 6% and 7.5% for 2021.

Political risks abated slightly with the appointment of Datuk Seri Ismail Sabri Yaakob as the 9th Prime Minister after securing the majority support of 114 MPs. With political stability expected until the next General Election (GE) due by 2023, the local market could see further support on the back of continued vaccination roll-outs. The gradual reopening of more economic sectors also point to economic growth improving in the coming quarters.

In August, Prime Minister Datuk Seri Ismail Sabri Yaakob unveiled his cabinet line-up with familiar faces at the helm. Foreigners turned net buyers in the last week of the month with net inflows rising to the tune of RM960 million which is the strongest weekly inflow since 2019.

Investment Outlook

Global markets have rallied sharply from their lowest, supported by fiscal and monetary stimulus. The economy is still recovering, albeit at a slow pace, as consumers' confidence return. Recovery plays will be the most obvious theme for the year of improving macroeconomic conditions and the inevitable rollout of vaccines has everyone looking to the future and letting go of 2020's miseries. We have already seen the rotation from growth to value take place in the start of 2021.

Earnings momentum will continue in 2021 with earnings growth projected to rise in Asia ex-Japan. Key sectors leading the recovery include the energy, consumer discretionary and industrials. Though, this is tempered by moderately higher valuations which has creeped up above historical averages as well as a power crunch in China sent shockwaves across the region's supply chain. The crackdown on power consumption is being driven by rising demand for electricity and surging coal and gas prices, as well as strict targets from Beijing to cut emissions. Liquidity conditions remain positive and with earnings visibility from Asian companies that are riding along a China-led economic recovery, Asia continues to be an ocean of growth potential as the region continues to grow. News of the potential default of China's leading real estate developer Evergrande also sent chills down investors' spines. Selected Chinese consumer names which are less likely to be pressured by regulatory headwinds were deemed more favourable.

Back home, economic recovery is on tracked as backed by positive vaccine roll-outs throughout the country. From a bottom-up perspective, the domestic focus will be on the recovery beneficiaries and exporters in the technology and EMS segment which have strong earnings visibility in the near term as well increasing demand. The 12th Malaysia Plan also aims to revive the economy as well as move up the supply value chain, with an emphasis of clean & sustainable energy at the forefront. Weights in politically sensitive stocks have also been trimmed as the situation remains fluid.

ESG funds have also been gathering plenty of interest and we will expect this investor shift to ESG-focused funds to be more commonplace across the industry. The Biden administration's foray into building stronger climate change initiatives also signals a shift for the investment industry as this will generate more opportunities across asset classes. The wider implications of this on the economy will take time to materialise, but will continue to be observed.

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2021

	Financial period ended 31.8.2021 RM	Financial period ended 31.8.2020 RM
INVESTMENT (LOSS)/INCOME		
Dividend income	1,403,079	1,319,521
Interest income from financial assets at amortised cost	6,193	19,854
Net loss on foreign currency exchange	(1,637,603)	(911,925)
Net loss on future at fair value through profit or loss	-	(5,393,892)
Net gain on forward foreign currency contracts at fair value through profit or loss	-	1,633,329
Net (loss)/gain on financial assets at fair value through profit or loss	(31,835,199)	57,757,078
	(32,063,530)	54,423,965
EXPENSES		
Management fee	(1,603,913)	(975,594)
Custodian fee	(69,505)	(39,107)
Fund accounting Fee	(9,000)	(9,000)
Performance fee	-	(4,412,703)
Auditors' remuneration	(2,899)	(2,899)
Tax agent's fee	(13,895)	(958)
Transaction costs	(1,477,870)	(844,055)
Other expenses	(638,774)	(87,442)
	(3,815,856)	(6,371,758)
NET (LOSS)/PROFIT BEFORE TAXATION	(35,879,386)	48,052,207
Taxation	-	-
(DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	(35,879,386)	48,052,207
(Decrease)/increase of net asset attributable to unitholders is made up of the following:		
Realised amount	(25,130,674)	30,162,739
Unrealised amount	(10,748,712)	17,889,468
	(35,879,386)	48,052,207

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2021

	2021	2020
	RM	RM
ASSETS		
Cash and cash equivalents	135,739,387	30,689,648
Amount due from Manager		
- management fee rebate receivables	-	379
Dividend receivables	72,560	153,624
Financial assets at fair value through profit or loss	484,977,171	415,293,644
Forward contract at fair value through profit or loss	-	582,927
TOTAL ASSETS	620,789,118	446,720,222
LIABILITIES		
Amount due to Manager		
- management fee	531,035	354,781
- cancellation of units	50,074	31,496
Amount due to brokers	908,877	10,147,915
Fund accounting fee	3,000	-
Auditors' remuneration	2,899	2,899
Tax agent's fee	4,752	4,752
Performance fee	-	4,412,703
Other payables and accruals	13,191	15,010
TOTAL LIABLITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	1,513,828	14,969,556
NET ASSET VALUE OF THE FUND	619,275,290	431,750,666
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	619,275,290	431,750,666

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2021 (CONTINUED)

	2021	2020
REPRESENTED BY:	RM	RM
FAIR VALUE OF OUTSTANDING UNITS		
- AUD Class	7,865,785	5,839,390
- GBP Class	1,202,287	1,369,363
- MYR Class	519,763,823	379,502,681
- SGD Class	24,755,945	15,007,313
- USD Class	65,687,450	30,031,919
	619,275,290	431,750,666
NUMBER OF UNITS IN CIRCULATION		
- AUD Class	4,263,000	3,266,000
- GBP Class	354,000	416,000
- MYR Class	341,654,000	254,574,000
- SGD Class	13,626,000	8,440,000
- USD Class	27,640,000	12,856,000
	387,537,000	279,552,000
NET ASSET VALUE PER UNIT (RM)		
- AUD Class	1.8451	1.7879
- GBP Class	3.3963	3.2917
- MYR Class	1.5213	1.4907
- SGD Class	1.8168	1.7781
- USD Class	2.3765	2.3360
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- AUD Class	AUD0.6094	AUD0.5862
- GBP Class	GBP0.5937	GBP0.5945
- MYR Class	RM1.5213	RM1.4907
- SGD Class	SGD0.5883	SGD0.5803
- USD Class	USD0.5722	USD0.5611

AFFIN HWANG ABSOLUTE RETURN FUND II

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2021

	Financial period ended 31.8.2021 RM	Financial period ended 31.8.2020 RM
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	633,565,430	346,250,036
Movement due to units created and cancelled during the financial period		
Creation of units arising from applications	43,215,573	44,920,627
- AUD Class	-	2,881,133
- GBP Class	-	955,049
- MYR Class	28,516,028	28,541,874
- SGD Class	76,423	2,689,712
- USD Class	14,623,122	9,852,859
Cancellation of units	(21,626,327)	(7,472,204)
- AUD Class	-	(163,624)
- GBP Class	(355,313)	-
- MYR Class	(20,669,103)	(6,546,129)
- SGD Class	(98,695)	(423,220)
- USD Class	(503,216)	(339,231)
Net(decrease)/increase in net assets attributable to unitholders during the financial period	(35,879,386)	48,052,207
- AUD Class	(459,107)	478,381
- GBP Class	(88,200)	64,530
- MYR Class	(30,154,592)	42,579,977
- SGD Class	(1,441,827)	1,691,395
- USD Class	(3,735,660)	3,237,924
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	619,275,290	431,750,666

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