

# Affin Hwang World Series - China Growth Fund

Quarterly Report  
29 February 2020

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



AFFIN HWANG  
CAPITAL

MANAGER  
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TRUSTEE  
HSBC (Malaysia) Trustee Berhad (1281-T)

# AFFIN HWANG WORLD SERIES – CHINA GROWTH FUND

## Quarterly Report and Financial Statements As at 29 February 2020

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## QUARTERLY REPORT

### FUND INFORMATION

Fund Name	Affin Hwang World Series – China Growth Fund
Fund Type	Growth
Fund Category	Feeder (Wholesale)
Investment Objective	The Fund seeks to achieve capital appreciation over medium to long term period through investments in China equities
Benchmark	MSCI China 10/40 Index
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 30 Nov 2019	As at 29 Feb 2020
Total NAV (million)	79.279	69.466
NAV per Unit (RM)	0.7926	0.8082
Unit in Circulation (million)	100.030	85.960

#### **USD Class**

Category	As at 30 Nov 2019	As at 29 Feb 2020
Total NAV (million)	7.401	6.435
NAV per Unit (USD)	0.4685	0.4733
Unit in Circulation (million)	15.799	13.595

#### **MYR-Hedged Class**

Category	As at 30 Nov 2019	As at 29 Feb 2020
Total NAV (million)	110.762	94.294
NAV per Unit (RM)	0.4706	0.4762
Unit in Circulation (million)	235.285	197.987

Table 1: Performance as at 29 February 2020

**MYR Class**

	<b>3 Months</b> (1/12/19 - 29/2/20)	<b>6 Months</b> (1/9/19 - 29/2/20)	<b>1 Year</b> (1/3/19 - 29/2/20)	<b>3 Years</b> (1/3/17 - 29/2/20)	<b>5 Years</b> (1/3/15 - 29/2/20)	<b>Since Commencement</b> (1/8/11 - 29/2/20)
<b>Fund</b>	1.97%	6.43%	(2.30%)	(0.16%)	0.02%	61.64%
<b>Benchmark</b>	4.27%	8.86%	5.46%	20.68%	37.53%	87.26%
<b>Outperformance / (Underperformance)</b>	(2.30%)	(2.43%)	(7.76%)	(20.84%)	(37.51%)	(25.62%)

Source of Benchmark: Bloomberg

**USD Class**

	<b>3 Months</b> (1/12/19 - 29/2/20)	<b>6 Months</b> (1/9/19 - 29/2/20)	<b>1 Year</b> (1/3/19 - 29/2/20)	<b>Since Commencement</b> (15/8/17 - 29/2/20)
<b>Fund</b>	1.05%	6.19%	(5.77%)	(5.34%)
<b>Benchmark</b>	3.34%	8.91%	1.71%	7.21%
<b>Outperformance / (Underperformance)</b>	(2.29%)	(2.72%)	(7.48%)	(12.55%)

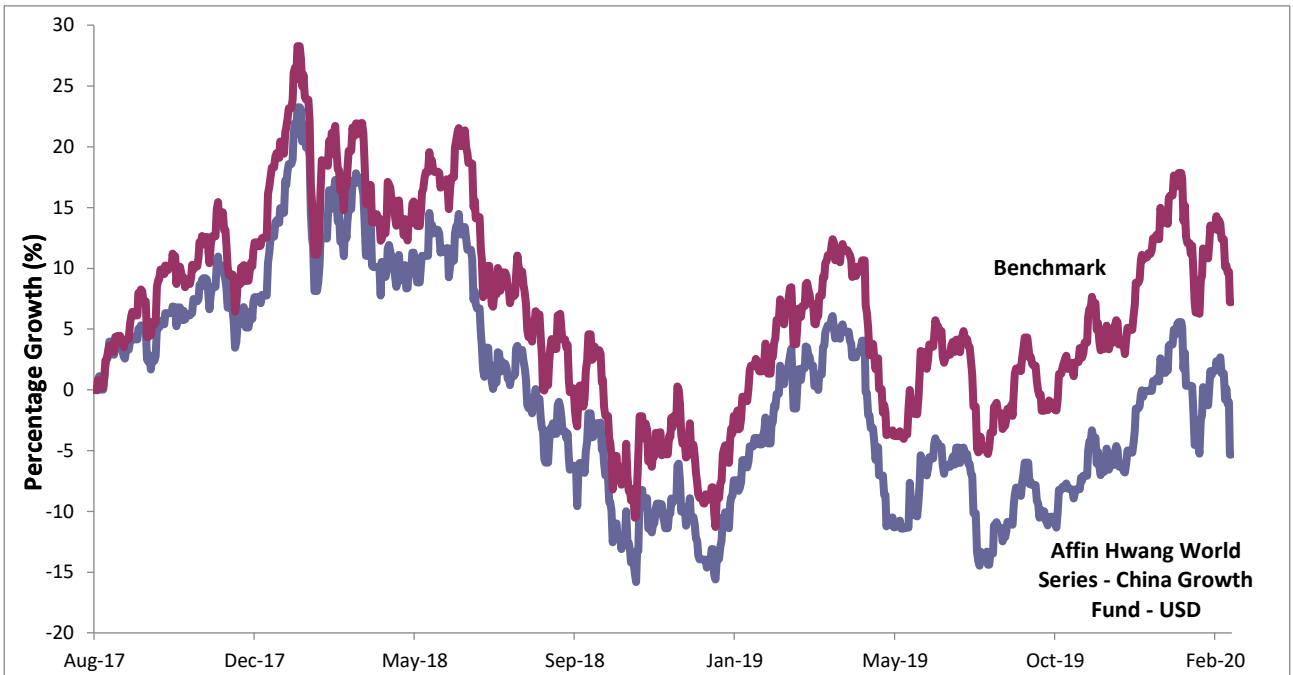
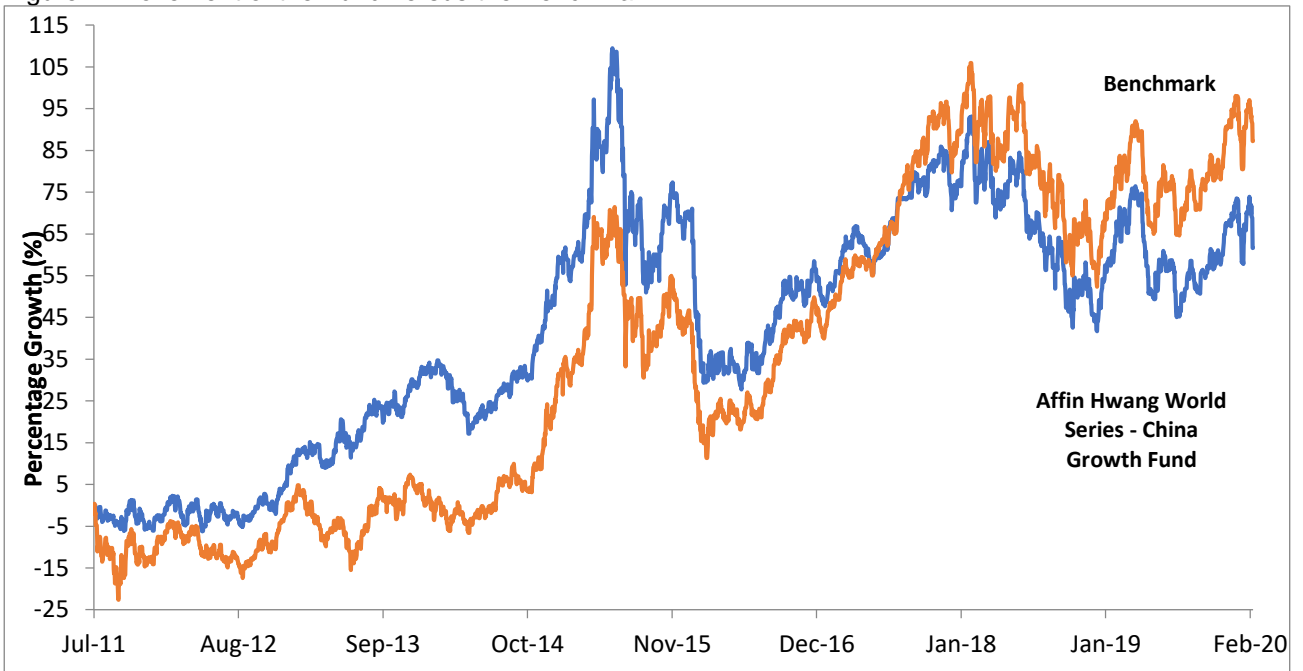
Source of Benchmark: Bloomberg

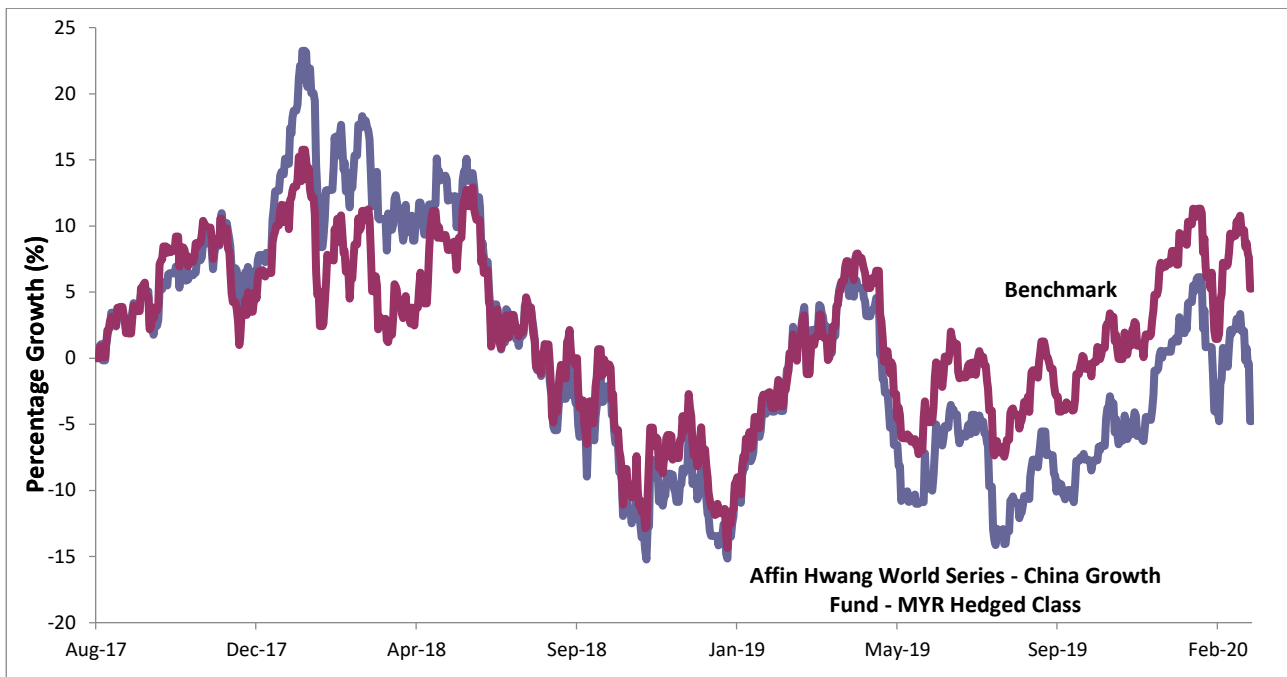
**MYR-Hedged Class**

	<b>3 Months</b> (1/12/19 - 29/2/20)	<b>6 Months</b> (1/9/19 - 29/2/20)	<b>1 Year</b> (1/3/19 - 29/2/20)	<b>Since Commencement</b> (15/8/17 - 29/2/20)
<b>Fund</b>	1.19%	6.34%	(5.61%)	(4.76%)
<b>Benchmark</b>	4.27%	8.86%	5.46%	5.26%
<b>Outperformance / (Underperformance)</b>	(3.08%)	(2.52%)	(11.07%)	(10.02%)

Source of Benchmark: Bloomberg

Figure 1: 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. Source of Benchmark is from Bloomberg."*  
 Benchmark: MSCI China 10/40 Index

### **Asset Allocation**

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

Figure 2: Asset Allocation of the Fund

	<b>29 February 2020</b>	<b>30 November 2019</b>
	( <b>%</b> )	( <b>%</b> )
Collective Investment Scheme	<b>97.85</b>	<b>98.47</b>
Cash & money market	<b>2.15</b>	<b>1.53</b>
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

### **Strategies Employed**

The BGF China Fund adopts a flexible style and has a focus on the structural change and reform in China. The portfolio seeks to capture full spectrum of opportunities for a changing China through access to full range of China-focused stocks. The structural reform focus offers dynamic opportunity to uncover reform beneficiaries and optimal investment themes in new and old economies.

### **Market Review**

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

At least 85,000 cases of the coronavirus have been confirmed around the world so far, along with more than 2,900 virus-related deaths at the time of writing. Australia, Thailand and the US reported over the weekend their first coronavirus-related deaths. US and Europe stock markets caught up with losses as investors become increasingly fearful of a contagion effect as the coronavirus reaches their shores.

Seoul raised its coronavirus alert to the “highest level,” with the latest spike in numbers bringing the country with the most cases outside of mainland China. Industry heavyweight Samsung Electronics had also announced that a coronavirus case had been confirmed at a mobile device factory complex in South Korea, resulting in the shutdown of the entire facility. The affected factory reportedly accounts for a small portion of Samsung’s total smartphone production.

The impact of the coronavirus outbreak has been felt acutely in the world’s second largest economy. China’s latest Purchasing Managers’ Index (“PMI”) data plunged to a record low in February as sentiment was soured by the outbreak. The Markit/ Caixin manufacturing PMI dropped to 40.3 below the 50-point threshold signalling contraction.

The ensuing market correction is likely overdone with volatility exacerbated by the presence of algo-traders. Strict containment measures undertaken by China has helped to reduce the spread of infection as factories gradually begin to reopen. Apple and Starbucks which temporarily shuttered their retail outlets due to the outbreak have also begun to reopen in China.

The central Hubei province, which was the epicentre of the country’s coronavirus outbreak, reported less than 200 cases of new infections for the first time since January. If the outbreak can be effectively contained, we could then begin to see factory activities start to normalise and consumption picking-up again.

Expectations that governments would also embark on additional fiscal stimulus to support the economy is seen positively by investors to soothe a recovery. Similarly, global central banks like the People’s Bank of China (“PBoC”) and the US Federal Reserve may cut interest rates further and pump liquidity to keep markets buoyant.

### **Investment Outlook**

The coronavirus pandemic is set to deliver a sharp and deep economic shock. Market moves are reminiscent of the darkest days of the financial crisis, but we don’t think this is a repeat of 2008. Stringent containment and social distancing policies will bring economic activity to a near standstill, and lead to a sharp contraction in growth for the second quarter. However, provided bold policy actions are taken to bridge households and businesses through the shock, activity should return rapidly with limited permanent economic damage. This includes drastic public health measures to stem the spread of the infection, as well as coordinated monetary and fiscal policies to prevent disruptions that could cause lasting economic damage.

We like to control our exposures to certain industries such as banks given the increasing need for such industries to help stabilise the economy. Instead, we are adding names that were mis-hurt by virus event, especially in high end manufacturing, non-smartphone related tech (TV panel and server), as well as some healthcare players whose fundamentals remain intact. We are overweight in quality growth sectors, including Consumer Discretionary and Information Technology, to seek investment opportunities under the current macro backdrop (slowing macro growth and lower interest rates). We are most underweight in Financials given our cautious view on fundamental trend of different subsectors such as banks (NPL and NIM pressure), insurance (negative impact from lower rate) and brokers (challenging market environment).

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 29 FEBRUARY 2020**

	Financial period ended <u>29.2.2020</u> USD	Financial period ended <u>28.2.2019</u> USD
<b>INVESTMENT INCOME/(LOSS)</b>		
Interest income from financial assets at amortised cost	3,883	3,184
Net gain/(loss) on foreign currency exchange	3,657	(13,056)
Net gain/(loss) on forward foreign currency contract at fair value through profit or loss	9,571	(829,050)
Net gain/(loss) on financial assets at fair value through profit or loss	4,763,486	(7,036,812)
	<u>4,780,597</u>	<u>(7,875,734)</u>
<b>EXPENSES</b>		
Management fee	(748,844)	(532,243)
Trustee fee	(20,992)	(25,509)
Auditors' remuneration	(1,432)	(1,411)
Tax agent's fee	(667)	(658)
Other expenses	(1,034)	41
	<u>(772,969)</u>	<u>(559,780)</u>
<b>NET PROFIT/(LOSS) BEFORE TAXATION</b>	4,007,628	(8,435,514)
Taxation	-	-
	<u>4,007,628</u>	<u>(8,435,514)</u>
<b>INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<u>4,007,628</u>	<u>(8,435,514)</u>
Increase/(decrease) of net asset attributable to unitholders is made up of the following:		
Realised amount	(2,367,212)	(3,609,744)
Unrealised amount	6,374,840	(4,825,770)
	<u>4,007,628</u>	<u>(8,435,514)</u>



**STATEMENT OF FINANCIAL POSITION  
AS AT 29 FEBRUARY 2020**

	<u>2020</u> USD	<u>2019</u> USD
<b>ASSETS</b>		
Cash and cash equivalents	1,515,406	2,072,762
Amount due from Manager		
- creation of units	96,170	795,203
- management fee rebate receivable	28,676	48,715
Amount due from brokers	83,066	-
Financial assets at fair value through profit or loss	44,679,785	67,649,741
Forward foreign currency contract at fair value through profit or loss	-	484,269
<b>TOTAL ASSETS</b>	<u>46,403,103</u>	<u>71,050,690</u>
<b>LIABILITIES</b>		
Forward foreign currency contract at fair value through profit or loss	357,246	122
Amount due to Manager		
- management fee	69,923	94,409
- cancellation of units	591,775	237,643
Amount due to Trustee	1,942	2,623
Amount due to brokers	83,056	-
Auditors' remuneration	1,583	3,296
Tax agent's fee	1,553	1,588
Other payables and accruals	816	541
<b>TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)</b>	<u>1,107,894</u>	<u>340,222</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<u><u>45,295,209</u></u>	<u><u>70,710,468</u></u>

**STATEMENT OF FINANCIAL POSITION  
AS AT 29 FEBRUARY 2020 (CONTINUED)**

	<u>2020</u> USD	<u>2019</u> USD
<b>REPRESENTED BY:</b>		
<b>FAIR VALUE OF OUTSTANDING UNITS</b>		
- MYR Class	16,484,035	25,676,441
- MYR-Hedged Class	22,376,194	33,858,630
- USD Class	6,434,980	11,175,397
	<u>45,295,209</u>	<u>70,710,468</u>
<b>NUMBER OF UNITS IN CIRCULATION</b>		
- MYR Class	85,960,000	126,188,000
- MYR-Hedged Class	197,987,000	272,893,000
- USD Class	13,595,000	22,250,000
	<u>297,542,000</u>	<u>421,331,000</u>
<b>NET ASSET VALUE PER UNIT (USD)</b>		
- MYR Class	0.1918	0.2035
- MYR-Hedged Class	0.1130	0.1241
- USD Class	0.4733	0.5023
	<u>0.4733</u>	<u>0.5023</u>
<b>NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES</b>		
- MYR Class	RM0.8082	RM0.8272
- MYR-Hedged Class	RM0.4762	RM0.5045
- USD Class	USD0.4733	USD0.5023
	<u>USD0.4733</u>	<u>USD0.5023</u>

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
FOR THE FINANCIAL PERIOD ENDED 29 FEBRUARY 2020**

	Financial period ended <u>29.2.2020</u> USD	Financial period ended <u>28.2.2019</u> USD
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	58,474,061	75,476,993
Movement due to units created and cancelled during the financial period		
Creation of units arising from applications	3,681,882	14,354,976
- MYR Class	1,863,619	5,637,068
- MYR-Hedged Class	1,523,574	7,633,207
- USD Class	294,689	1,084,701
Cancellation of units	(20,868,362)	(10,685,987)
- MYR Class	(7,176,042)	(4,457,479)
- MYR-Hedged Class	(11,526,581)	(4,800,394)
- USD Class	(2,165,739)	(1,428,114)
Net increase/(decrease) in net assets attributable to unitholders during the financial period	4,007,628	(8,435,514)
- MYR Class	1,439,078	(2,741,856)
- MYR-Hedged Class	1,986,194	(4,405,105)
- USD Class	582,356	(1,288,553)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDER AT THE END OF THE FINANCIAL PERIOD</b>	<u>45,295,209</u>	<u>70,710,468</u>

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