Affin Hwang World Series - Emerging Markets Short Duration Fund

Quarterly Report
29 February 2020

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

AFFIN HWANG
CAPITAL

MANAGER
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TRUSTEE
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AFFIN HWANG WORLD SERIES – EMERGING MARKETS SHORT DURATION FUND

Quarterly Report and Financial Statements
As at 29 February 2020

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QUARTERLY REPORT

FUND INFORMATION

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FUND PERFORMANCE DATA

USD Class

Category	As at 30 Nov 2019	As at 29 Feb 2020
Total NAV (million)	0.013	0.007
NAV per Unit (USD)	0.4528	0.4392
Unit in Circulation (million)	0.029	0.016

MYR class

Category	As at 30 Nov 2019	As at 29 Feb 2020
Total NAV (million)	0.001	0.011
NAV per Unit (RM)	0.4647	0.4562
Unit in Circulation (million)	0.003	0.025

MYR-Hedged class

Category	As at 30 Nov 2019	As at 29 Feb 2020
Total NAV (million)	2.424	5.504
NAV per Unit (RM)	0.4585	0.4472
Unit in Circulation (million)	5.287	12.308

SGD-Hedged class

Category	As at 30 Nov 2019	As at 29 Feb 2020
Total NAV (million)	0.009	0.009
NAV per Unit (SGD)	0.4533	0.4392
Unit in Circulation (million)	0.020	0.020

AUD-Hedged class

Category	As at 30 Nov 2019	As at 29 Feb 2020
Total NAV (million)	0.009	0.009
NAV per Unit (AUD)	0.4532	0.4325
Unit in Circulation (million)	0.020	0.020

RMB-Hedged class

Category	As at 30 Nov 2019	As at 29 Feb 2020
Total NAV (million)	0.009	0.008
NAV per Unit (RMBB)	0.4492	0.4377
Unit in Circulation (million)	0.019	0.019

Table 1: Performance as at 29 February 2020

USD Class

	3 Months (1/12/19 - 29/2/20)	6 Months (1/9/19 - 29/2/20)	Since Commencement (3/5/19 - 29/2/20)
Fund	**(2.46%)**	**(4.42%)**	**(11.68%)**

MYR Class

	3 Months (1/12/19 - 29/2/20)	6 Months (1/9/19 - 29/2/20)	Since Commencement (3/5/19 - 29/2/20)
Fund	**(1.31%)**	**(3.77%)**	**(8.28%)**

MYR-Hedged Class

	3 Months (1/12/19 - 29/2/20)	6 Months (1/9/19 - 29/2/20)	Since Commencement (3/5/19 - 29/2/20)
Fund	**(1.94%)**	**(3.83%)**	**(10.08%)**

AUD-Hedged Class

	3 Months (1/12/19 - 29/2/20)	6 Months (1/9/19 - 29/2/20)	Since Commencement (3/5/19 - 29/2/20)
Fund	(4.05%)	(6.80%)	(13.03%)

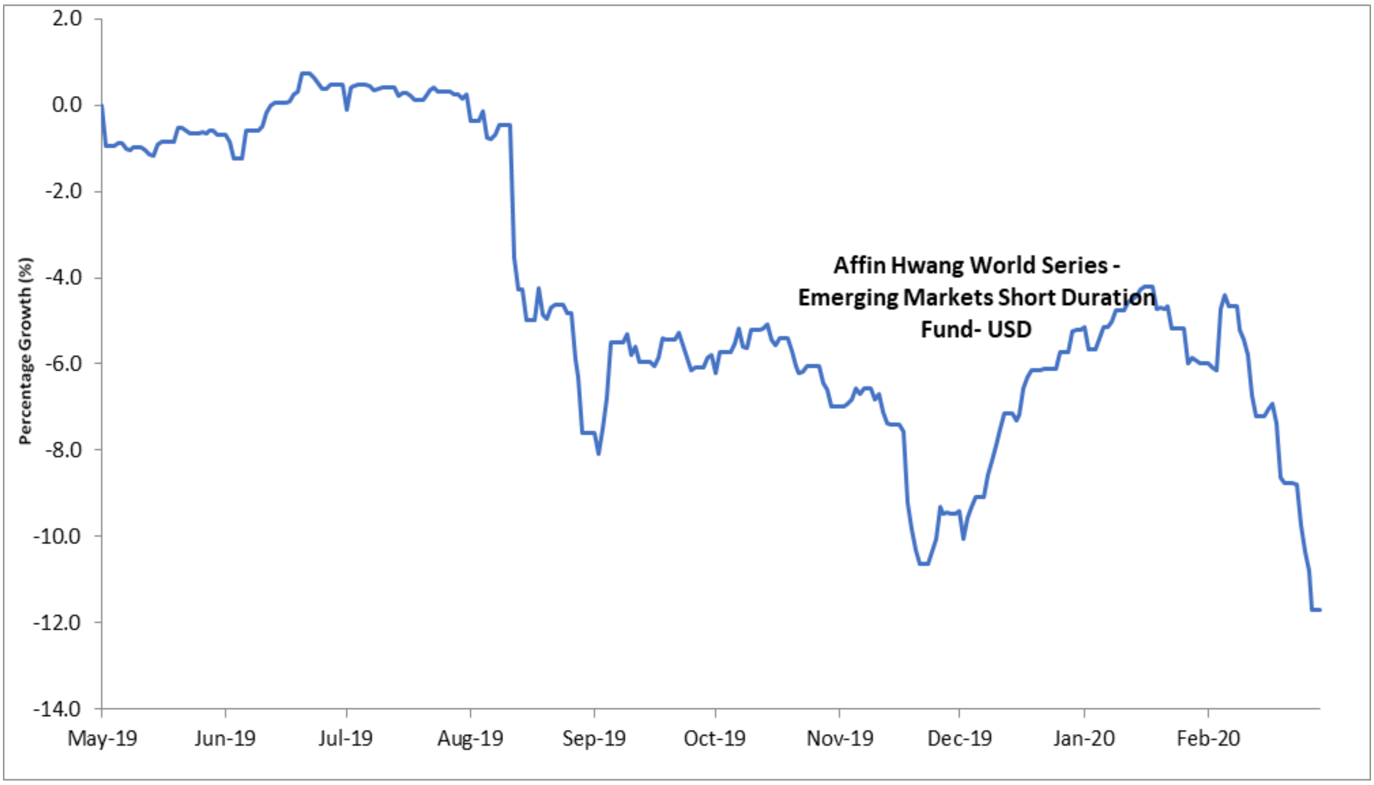
SGD-Hedged Class

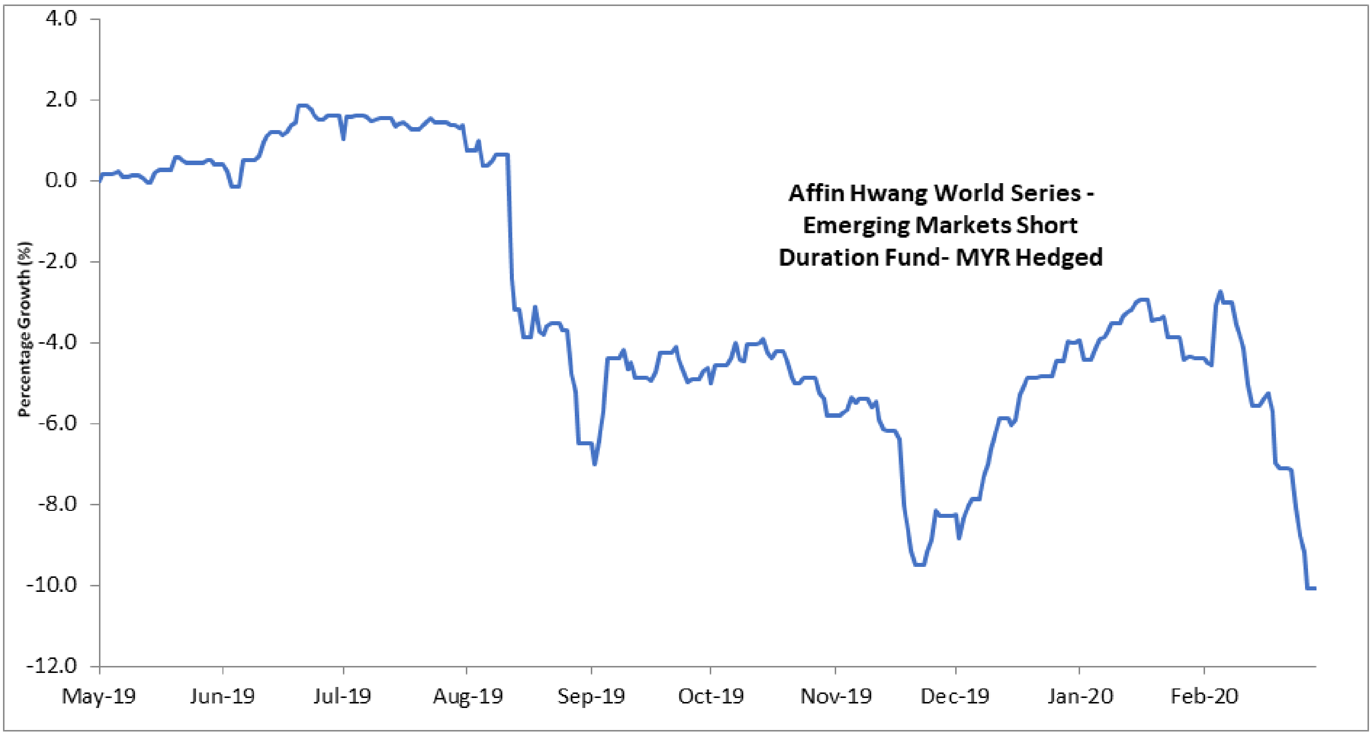
	3 Months (1/12/19 - 29/2/20)	6 Months (1/9/19 - 29/2/20)	Since Commencement (3/5/19 - 29/2/20)
Fund	(2.58%)	(4.91%)	(11.68%)

RMB-Hedged Class

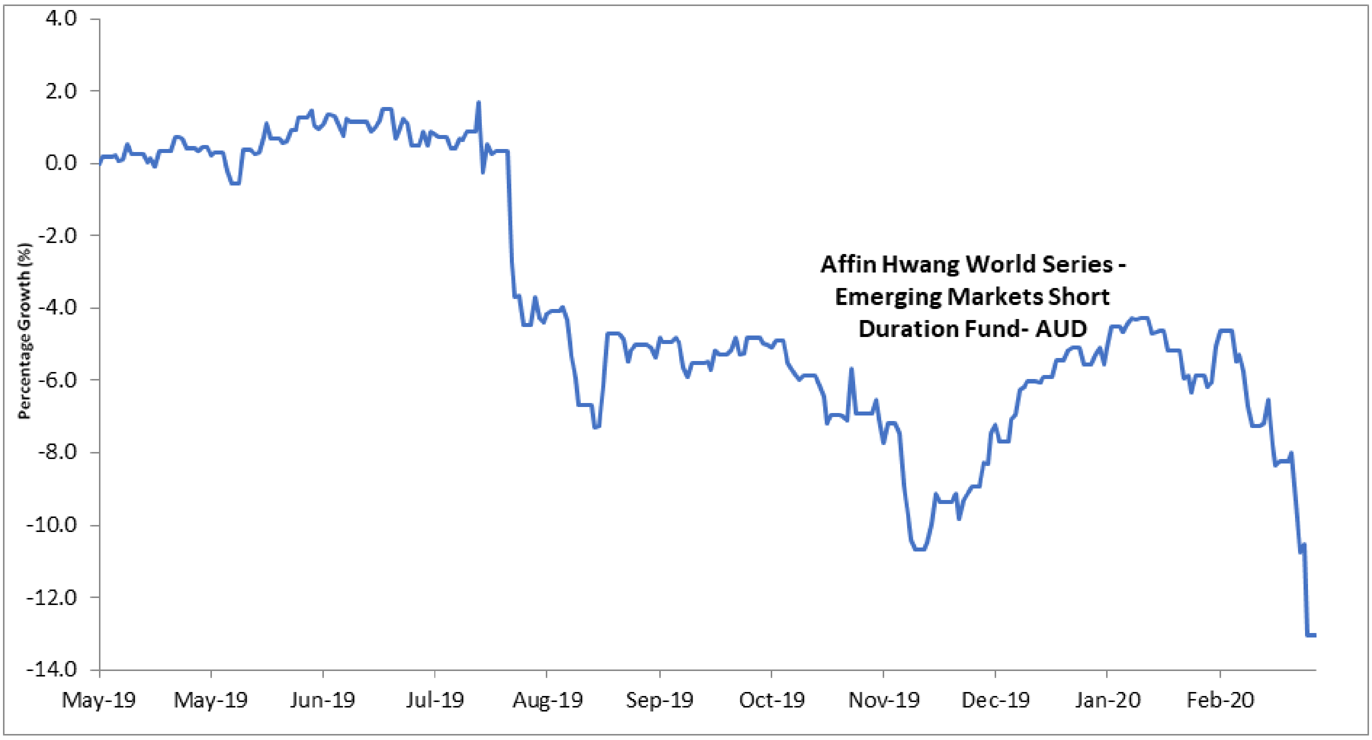
	3 Months (1/12/19 - 29/2/20)	6 Months (1/9/19 - 29/2/20)	Since Commencement (3/5/19 - 29/2/20)
Fund	(2.01%)	(3.95%)	(11.96%)

Figure 1: Movement of the Fund versus the Benchmark

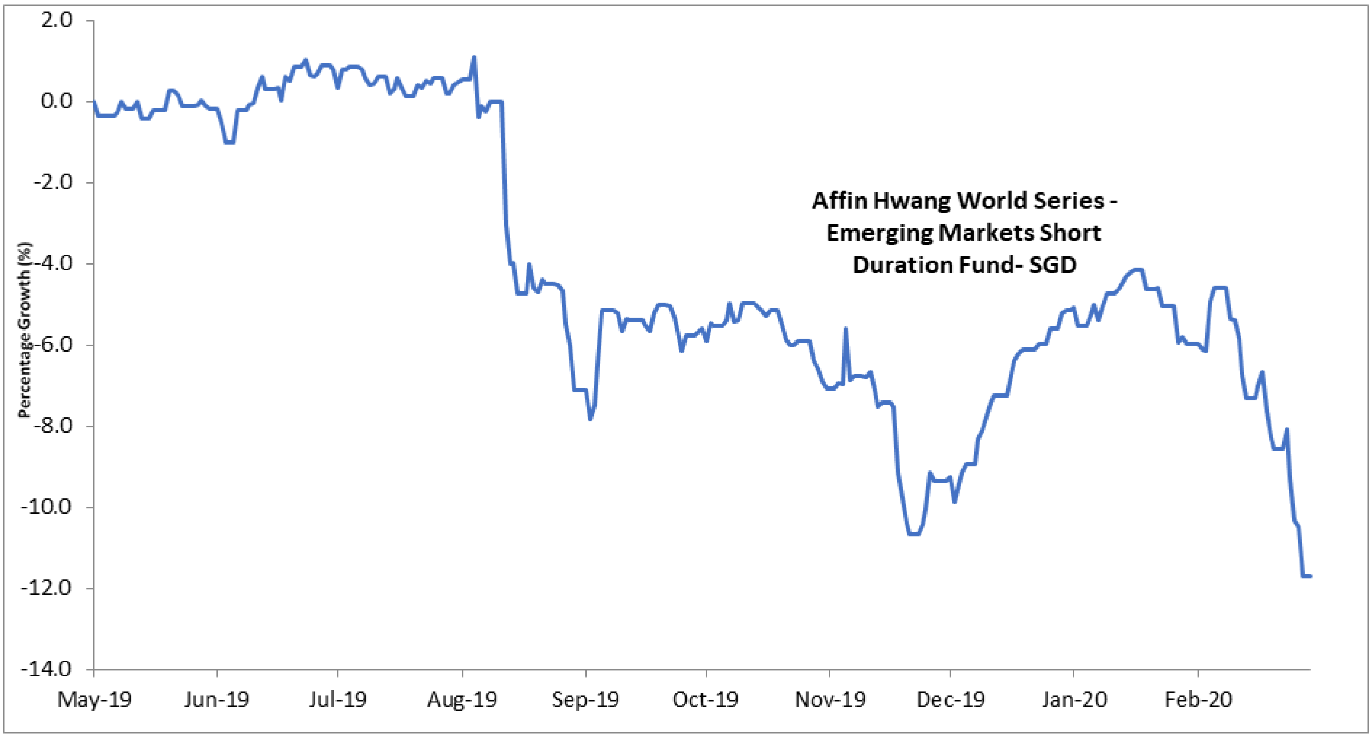




Affin Hwang World Series - Emerging Markets Short Duration Fund- MYR Hedged
Percentage Growth (%)
4.0
2.0
0.0
-2.0
-4.0
-6.0
-8.0
-10.0
-12.0
May-19
Jun-19
Jul-19
Aug-19
Sep-19
Oct-19
Nov-19
Dec-19
Jan-20
Feb-20



Affin Hwang World Series - Emerging Markets Short Duration Fund- AUD
Percentage Growth (%)
4.0
2.0
0.0
-2.0
-4.0
-6.0
-8.0
-10.0
-12.0
-14.0
May-19
May-19
Jun-19
Jul-19
Aug-19
Sep-19
Oct-19
Nov-19
Dec-19
Jan-20
Feb-20



"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."

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

	29 February 2020	30 November 2019
	(%)	(%)
Collective Investment Scheme	95.88	97.85
Cash & money market	4.12	2.15
Total	**100.00**	**100.00**

Strategies Employed

At a country level, the top alpha generating countries in February were Venezuela, United Arab Emirates (UAE) and Turkey.

On the back of little news and minimal trading activity, bonds in Venezuela were marked up. Opposition leader and selfdeclared President Juan Guaido appeared at the State of the Union address in Washington and received a presidential welcome from President Donald Trump, who has continued to announce tighter sanctions on Venezuela.

Despite the weaker oil prices, the Funds more defensive exposure in UAE resulted in good positive alpha. It was the security selection which drove the outperformance as loans and sukuk bonds have been more resilient despite the weak price action in the region.

Our underweight exposure in Turkey played a positive role in February. Credit spreads in Turkey widened 147 bps to +516 bps. Q4 2019 Gross Domestic Product reports show that Turkey was able to avoid recession, with growth of 1.9% quarter on quarter (qoq) and 6.0% year on year (yoy) in Q4. The central bank (CBT) trimmed policy rates by a further 50 bps to 10.75% after January's 75 bps cut to 11.25%, highlighting a stabilisation of global growth and stability in domestic growth. However, the government announcement that it plans to activate the Russian S-400 air defence system in April has re-ignited concerns about potential sanctions by the US.

Market Review

The global risk aversion trade driven by fears over the coronavirus hit Emerging Markets (EM) debt in February, causing a significant decline in bond prices for both sovereign and corporate debt.

The broad EM corporate credit index, the JP Morgan CEMBI Broad Diversified returned 0.0% during February despite the index spread widening 49 basis points (bps) and finishing the month at 321 bps. The Investment Grade (IG) part of the corporate debt index was 28 bps wider to a spread of 196 bps. The High Yield (HY) part of the corporate debt index was 86 bps wider to a spread of 568 bps. The HY part of the index underperformed the IG part of the index during the month with a return of -1.2% versus +0.9%. IG credits outperformed given their longer average duration profile compared to HY credits, after US treasuries have posted a strong rally in the face of the coronavirus threat.

On the sovereign debt side, the broad EM sovereign bond index, the JP Morgan EMBI Global Diversified has returned -1.0% during the month of February. The index spread has widened 59 bps, finishing the month at a spread of 372 bps. The IG part of the sovereign debt index was 36 bps wider in spread terms, finishing the month at a spread of 193 bps. The HY part of the sovereign debt index has widened 93 bps, to a spread of 617 bps. The HY part of the index underperformed the IG part of the index during the month with a total return of -2.8% versus +0.6% for the IG part. Here as well IG credit outperformed given the benefit of longer average duration compared to HY credits. The Short Duration Fund returned -6.93% versus the benchmark that returned -0.20% for the JP Morgan CEMBI BD 1-3 year resulting in a negative alpha of -6.74% for the month.

Investment Outlook

The Manager does not plan to change the shape of the portfolio, as the worst thing to do in this environment is to sell or over-trade when bid-ask spreads are significantly wide. Efforts from Ashmore are spent on restructuring negotiations, where they are striving to push for better terms, particularly on the shorter-dated bonds in the restructuring process. From here, it will be a significant value play should the restructuring efforts be successful.

Argentina

The current Finance Minister Martin Guzman often reiterates that Argentina needs a debt re-profiling in the short term. Historical evidence suggests that a successful debt re-profiling demands a low haircut and solid economic reform plans, which allows for future access to the financial markets. Market prices on the Argentina 2021 moved from $41c in November towards $60 in February in the prospect of a friendly solution. The knee-jerk reaction to the COVID-19 sell-off brought bonds towards $40c, pricing in a haircut of around 60 cents. At these levels, Ashmore believes that the bonds are significantly undervalued and will rise as the debt restructuring negotiations get under way. On the economic side, the government has increased taxes in order to support the most vulnerable part of the population. This guidance has been very well received by the IMF; indeed Argentina's relationship with the IMF has been open and transparent both at the senior and technical levels. An IMF-supervised economic programme is the best way to boost confidence which will help attract investments and boost growth, rendering the debt burden sustainable. Therefore, at current price levels, Argentinian debt represents an excellent opportunity for long term value investors, in Ashmore's view.

Ecuador

The government continues to work with the IMF, who has offered renewed support; it is also possible that the government could seek to mitigate effects of the Covid-19 by drawing on the IMF's rapid financing instrument (which was recently setup for all EM countries suffering from COVID-19 effects), this could release another c. $500m in 2020. In short, while the recent decline in oil prices has negative consequences for Ecuador's fiscal picture, the government is proactively addressing the fiscal shortfall and shoring up additional external support; should oil prices stabilise as we expect, then the additional measures will contribute to overall better fiscal numbers. In addition, there are only c. $500m in maturities in 2020 (which have already been earmarked in the budget); the next big maturity is in 2022 with c. $2.8bn.

Lebanon

After announcing a moratorium on Eurobonds, all Lebanese bonds moved to between $25c and $27c, implying a very large haircut, or low recovery value. The moratorium decision was a mistake, in Ashmore's view. The government had the resources to serve the debt. A default will lead to lower confidence in the banking system, which, if not recapitalized will be at peril of a bank run. This would be another blow to the economy which will threaten the current government coalition. What Lebanon needs is a re-profiling of the debt that lengthens maturity at the same time that it implements a thorough macroeconomic adjustments that boosts long term growth. Reforms would improve debt sustainability at the same time that it improves the lives of the Lebanese population. A (large) haircut on the Eurobonds achieves nothing. Ashmore has significant experience and committed resources to deal with both debt re-structuring at the same time that they engage with key stakeholders to drive sustainable macro-economic policies in the long term. That approach aligns the interest of both Ashmore investors and the Lebanese population.

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

	Financial period ended 29.02.2020 USD
INVESTMENT LOSS	
Dividend income	32,867
Interest income from financial assets at amortised cost	1,164
Net loss on foreign currency exchange	(11,408)
Net loss on forward foreign currency contracts at fair value through profit or loss	(28,583)
Net loss on financial asset at fair value through profit or loss	(141,910)
	(147,870)
EXPENSES	
Management fee	(9,511)
Trustee fee	(383)
Auditors' remuneration	(1,380)
Tax agent's fee	(643)
Other expenses	(1,738)
	(13,655)
NET LOSS BEFORE FINANCE COST AND TAXATION	(161,525)
FINANCE COST	
Distribution	(7,491)
NET LOSS BEFORE TAXATION	(169,016)
Taxation	-
DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	(169,016)
Decrease of net asset attributable to unitholders is made up of the following:	
Realised amount	4,676
Unrealised amount	(173,692)
	(169,016)

STATEMENT OF FINANCIAL POSITION
AS AT 29 FEBRUARY 2020

	2020 USD
ASSETS	
Cash and cash equivalents	97,702
Financial assets at fair value through profit or loss	1,274,282
Amount due from Manager	
- management fee rebate receivable	2,017
TOTAL ASSETS	1,374,001
LIABILITIES	
Amount due to Manager	
- management fee	2,312
- cancellation of units	1,285
Amount due to Trustee	62
Auditors' remuneration	1,360
Tax agent's fee	634
Forward foreign currency contracts at fair value through profit or loss	39,076
Other payable and accruals	297
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	45,026
NET ASSET VALUE OF THE FUND	1,328,975
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	1,328,975

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

	2020
	USD
REPRESENTED BY:	
FAIR VALUE OF OUTSTANDING UNITS	
- AUD Hedged-class	5,654
- MYR Class	2,707
- MYR Hedged-class	1,306,099
- RMB Hedged-class	1,190
- SGD Hedged-class	6,298
- USD Class	7,027
	1,328,975
NUMBER OF UNITS IN CIRCULATION	
- AUD Hedged-class	20,000
- MYR Class	25,000
- MYR Hedged-class	12,308,000
- RMB Hedged-class	19,000
- SGD Hedged-class	20,000
- USD Class	16,000
	12,408,000
NET ASSET VALUE PER UNIT (USD)	
- AUD Hedged-class	0.2827
- MYR Class	0.1083
- MYR Hedged-class	0.1061
- RMB Hedged-class	0.0626
- SGD Hedged-class	0.3149
- USD Class	0.4392
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES	
- AUD Hedged-class	AUD0.4325
- MYR Class	RM0.4562
- MYR Hedged-class	RM0.4472
- RMB Hedged-class	RMB0.4378
- SGD Hedged-class	SGD0.4392
- USD Class	USD0.4392

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDER AS AT 29 FEBRUARY 2020 (CONTINUED)

	Financial period ended 29.2.2020 USD
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	-
Movement due to units created and cancelled during the financial period:	
Creation of units arising from applications	1,650,151
- AUD Hedged-class	10,640
- MYR Class	12,674
- MYR Hedged-class	1,595,237
- RMB Hedged-class	3,599
- SGD Hedged-class	7,395
- USD Class	20,606
Creation of units arising from distribution	7,415
- AUD Hedged-class	-
- MYR Class	14
- MYR Hedged-class	7,363
- RMB Hedged-class	-
- SGD Hedged-class	-
- USD Class	38
Cancellation of units	(159,575)
- AUD Hedged-class	(3,552)
- MYR Class	(9,704)
- MYR Hedged-class	(131,785)
- RMB Hedged-class	(2,145)
- SGD Hedged-class	-
- USD Class	(12,389)
Net decrease in net assets attributable to unitholders during the financial period	(169,016)
- AUD Hedged-class	(1,434)
- MYR Class	(277)
- MYR Hedged-class	(164,716)
- RMB Hedged-class	(264)
- SGD Hedged-class	(1,097)
- USD Class	(1,228)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	1,328,975

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