

Affin Hwang World Series - Asian High Yield Fund

Quarterly Report
28 February 2021

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



AFFIN HWANG
CAPITAL

MANAGER
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TRUSTEE
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AFFIN HWANG WORLD SERIES – ASIAN HIGH YIELD FUND

Quarterly Report and Financial Statements As at 28 February 2021

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang World Series – Asian High Yield Fund
Fund Type	Income
Fund Category	Feeder (Wholesale)
Investment Objective	The Fund aims to provide regular income over the medium to long term period
Distribution Policy	Subject to the availability of income, the Fund endeavours to distribute income on a monthly basis, after the end of its first financial year

FUND PERFORMANCE DATA

USD Class

Category	As at 28 Feb 2021
Total NAV (million)	0.652
NAV per Unit (USD)	0.5098
Unit in Circulation (million)	1.279

MYR-Hedged class

Category	As at 28 Feb 2021
Total NAV (million)	30.664
NAV per Unit (RM)	0.5116
Unit in Circulation (million)	59.943

SGD-Hedged class

Category	As at 28 Feb 2021
Total NAV (million)	0.652
NAV per Unit (SGD)	0.5073
Unit in Circulation (million)	1.279

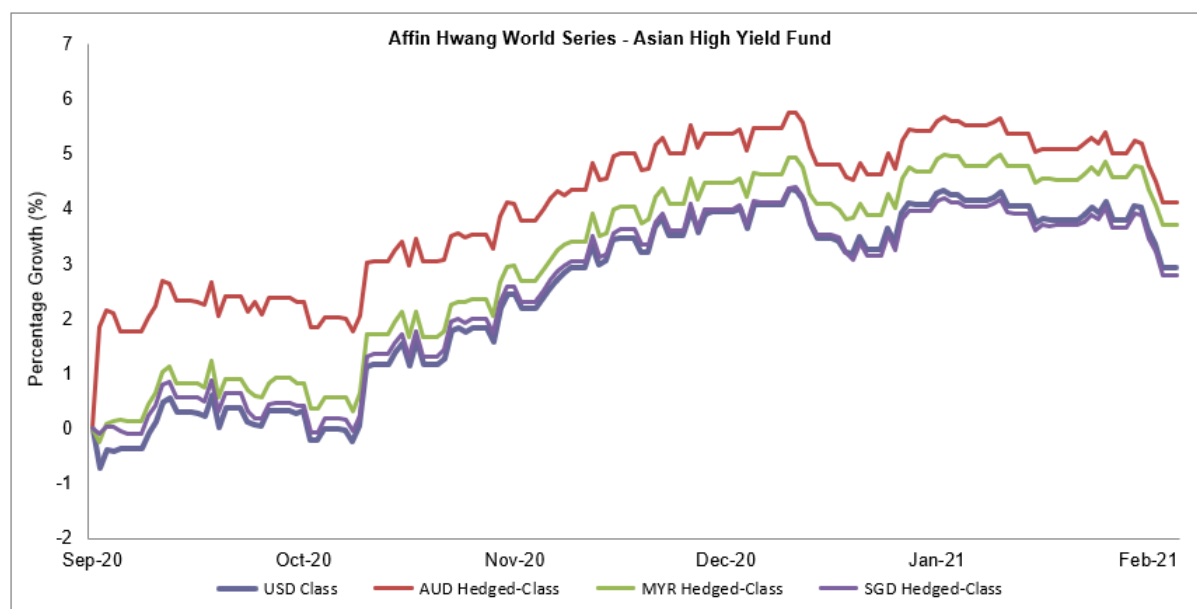
AUD-Hedged class

Category	As at 28 Feb 2021
Total NAV (million)	1.254
NAV per Unit (AUD)	0.5143
Unit in Circulation (million)	2.439

Performance as at 28 February 2021

	3 Months (1/12/20 - 28/2/21)	Since Commencement (28/9/20 - 28/2/21)
USD Class	0.54%	2.93%
AUD Hedged-Class	0.12%	4.13%
MYR Hedged-Class	0.79%	3.71%
SGD Hedged-Class	0.26%	2.79%

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."

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:

	<u>28 February 2021</u>
	(%)
Unit Trust	95.14
Derivative	0.36
Cash & money market	4.50
Total	100.00

Strategies Employed

The fund retreated in February amid broadly higher US treasury yields. On a relative basis, the fund's strategy to underweight duration added value. An underweight at the belly of the curve also contributed to relative returns. Meanwhile, selection in credit from India and Indonesia also lifted relative performance, particularly those from the Indonesia property and India commodity sectors. Conversely, the fund's selection in the China property sector weighed on returns as the sector saw increased volatility amid concerns over further policy tightening. Selection in the Indonesia quasi sovereign and China TMT sectors also did not help.

In February, we have trimmed exposure to selected long-dated investment grade names as they became expensive. At the same time, we continue to add to the more cyclical sectors given an improving global economic outlook. Of note, we have added to the Indonesia property and coal, as well as India financial sectors.

In terms of overall portfolio allocation, we maintain our overweight in India and Indonesia corporates, particularly the utilities sector for its more defensive nature. In India, we are also overweight selected holdings in the commodity and financial sectors. In Indonesia, apart from the utilities sector, we also hold an overweight in the coal mining sector on an individual bond selection basis. At the same time, we have also retained our overweight in the China property sector. However, we are selective in this space and expect greater credit differentiation going forward given the current uncertain macro backdrop. On the other hand, we are underweight sectors where we find valuations unattractive. For instance, we are underweight Philippines and Hong Kong. Similarly, we are also underweight sovereign and quasi sovereign bonds as well as bank subordinated debt. We continue to expect accommodative monetary policy stance in the US to buffer against the near-term economic downside risks. However, given the market optimism on global growth, we look to actively manage our duration exposure and have turned neutral to slight underweight in the fund's duration exposure.

Market Review

Asian credit market ended February lower amid broadly higher US treasury yields. The US treasury yield curve continued its trend to steepen in February with the long-end continued to shift higher while the short end remained well anchored. During the month, risk sentiment in the US continued to improve as vaccine campaign ramped up in the US. Unemployment rate as well as retail sales data also pointed to further improvement in the economy, although nonfarm payrolls came in worse than expected. Further boosted optimism was the passing of President Biden's USD 1.9 trillion stimulus plan by the House of Representatives at the end of the month, a major step toward enacting the bill. Amid increased reflation expectation, US treasury yields at the long-end moved rapidly higher. Meanwhile, the FOMC minutes released during the month showed that Fed officials saw the current pace of bond buying continuing for "some time". Later in the month, the US Fed Chair Powell also emphasised that the Fed was still a "long way" from its goals of full employment. However, this was not enough to curb the rise in US yields with yields on 10-year treasuries moved up by 34bps in February.

Against an improved global macro backdrop, spreads have broadly tightened. Investment grade bonds underperformed high yield bonds given their generally speaking greater sensitive to rate movements. In the investment grade space, longer-dated sovereign and quasi sovereign credits, particularly those from Indonesia and Philippines, were pressured lower by rates movements. The TMT sector was also under pressure as a result of the steepening of the US treasury curve, which has led to a sell-off in selected long-dated technology names. In the high yield space, the higher beta sectors managed to ride on the recent optimism on growth and performed well. Of note, the India commodity and property sectors as well as the Indonesia property and industrials sectors were among the best performing sectors. Conversely, the China property sector was under pressure amid increased concerns over the credit fundamentals of the weaker developers given tightened policy and liquidity for this sector.

Investment Outlook

We expect risk sentiment should continue to improve into 2021 with ongoing vaccine development and a positive outlook for global growth and emerging market recovery. The Biden's fiscal expansionary plan in bid to speed up the economic recovery should also provide a boost to sentiment and further fuel reflation expectation. However, we do not believe we are in a similar environment as in 2013, as the recent yield surge was primarily driven by growth recovery and reflationary expectations, rather than normalization of the Fed's policy. In fact, the Fed has reiterated its dovish stance and indicated that the US economy is still a long

way from their employment and inflation goals. Moreover, elevated interest rate cost would weigh on overall growth momentum given the nation's rising fiscal deficits. As such, we believe any sharp yield surge will likely be constrained by the strong accommodative central bank stance.

Over the short term, we believe market volatility may persist. However, we expect any major correction in the Asian credit market will likely be offset by the strong central bank liquidity backstop and constructive emerging market fund flows given Asian companies' fundamentals remain healthy overall. We believe the support from regional central banks' accommodative and proactive fiscal stance together with the recovery from COVID should help contain overall corporate leverage and improve cash flow assumptions going forward.

We also expect China will continue to normalize its previous monetary stimulus with a focus on credit cleanup operations as part of the supply reform process. We may see idiosyncratic defaults, especially in onshore China. However, we believe there is no imminent macro fundamental reasons for a systemic default scenario to take place across Asia. Rather, we may see greater differentiation in credit risk pricing, leading to divergent trends within the region and across sectors. We believe credit selection is of paramount importance in the current market environment.

AFFIN HWANG WORLD SERIES - ASIAN HIGH YIELD FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2021

	Financial period ended <u>28.2.2021</u> USD
INVESTMENT INCOME	
Dividend income	182,348
Interest income from financial assets at amortised cost	388
Net loss on foreign currency exchange	(4,340)
Net gain on forward foreign currency contracts at fair value through profit or loss	211,537
Net loss on financial assets at fair value through profit or loss	(10,380)
	379,553
EXPENSES	
Management fee	(41,015)
Trustee fee	(828)
Auditors' remuneration	(775)
Tax agent's fee	(302)
Other expenses	(358)
	(43,278)
PROFIT BEFORE FINANCE COST AND TAXATION	336,275
FINANCE COST (EXCLUDING INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)	
Distributions	(99,338)
NET PROFIT BEFORE TAXATION	236,937
Taxation	-
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	236,937
Increase in net asset attributable to unitholders is made up of the following:	
Realised amount	235,465
Unrealised amount	1,472
	236,937

AFFIN HWANG WORLD SERIES - ASIAN HIGH YIELD FUND

STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2021

2021
USD

ASSETS

Cash and cash equivalents	279,948
Amount due from broker	142,073
Amount due from Manager	
- creation of units	155,924
- management fee rebate receivable	13,125
Dividend receivable	45,613
Financial assets at fair value through profit or loss	9,173,356
Forward foreign currency contract at fair value through profit or loss	41,885
TOTAL ASSETS	9,851,924

LIABILITIES

Forward foreign currency contract at fair value through profit or loss	6,766
Amount due to broker	142,063
Amount due to Manager	
- management fee	10,813
- cancellation of units	49,108
Amount due to Trustee	216
Auditors' remuneration	775
Tax agent's fee	302
Other payables and accruals	84
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	210,127

NET ASSET VALUE OF THE FUND	9,641,797
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NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	9,641,797
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AFFIN HWANG WORLD SERIES - ASIAN HIGH YIELD FUND

STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2021 (CONTINUED)

2021
USD

REPRESENTED BY:

FAIR VALUE OF OUTSTANDING UNITS

- AUD Hedged-class	983,199
- MYR Hedged-class	7,575,930
- SGD Hedged-class	430,587
- USD Class	652,081
	9,641,797

NUMBER OF UNITS IN CIRCULATION

- AUD Hedged-class	2,439,000
- MYR Hedged-class	59,943,000
- SGD Hedged-class	1,126,000
- USD Class	1,279,000
	64,787,000

NET ASSET VALUE PER UNIT (USD)

- AUD Hedged-class	0.4031
- MYR Hedged-class	0.1264
- SGD Hedged-class	0.3824
- USD Class	0.5098

NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES

- AUD Hedged-class	AUD0.5143
- MYR Hedged-class	RM0.5116
- SGD Hedged-class	SGD0.5073
- USD Class	USD0.5098

AFFIN HWANG WORLD SERIES - ASIAN HIGH YIELD FUND

STATEMENT OF CHANGES IN ASSET ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2021

Financial
period ended
28.2.2021
USD

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE DATE OF LAUNCH

-

Movement due to units created and cancelled during
the financial period

Creation of units arising from applications

9,694,882

- AUD Hedged-class
- MYR Hedged-class
- SGD Hedged-class
- USD Class

1,051,635
7,469,234
435,752
738,261

Creation of units arising from distributions

96,220

- AUD Hedged-class
- MYR Hedged-class
- SGD Hedged-class
- USD Class

11,611
74,651
4,721
5,237

Cancellation of units

(386,242)

- AUD Hedged-class
- MYR Hedged-class
- SGD Hedged-class
- USD Class

(160,168)
(116,995)
(19,569)
(89,510)

Increase in net assets attributable to
unitholders during the financial period

236,937

- AUD Hedged-class
- MYR Hedged-class
- SGD Hedged-class
- USD Class

80,121
149,040
9,683
(1,907)

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD

9,641,797

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