

# Affin Hwang Absolute Return Fund II

Quarterly Report  
28 February 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 28 February 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 28 Feb 2021	As at 30 Nov 2020
Total NAV (million)	506.204	423.824
NAV per Unit (RM)	1.6015	1.4904
Unit in Circulation (million)	316.076	284.360

#### AUD Class

Category	As at 28 Feb 2021	As at 30 Nov 2020
Total NAV (million)	2.091	2.035
NAV per Unit (AUD)	0.6115	0.5937
Unit in Circulation (million)	3.420	3.428

#### GBP Class

Category	As at 28 Feb 2021	As at 30 Nov 2020
Total NAV (million)	0.303	0.322
NAV per Unit (GBP)	0.6294	0.6035
Unit in Circulation (million)	0.481	0.534

#### SGD Class

Category	As at 28 Feb 2021	As at 30 Nov 2020
Total NAV (million)	7.108	6.409
NAV per Unit (SGD)	0.6252	0.5821
Unit in Circulation (million)	11.369	11.009

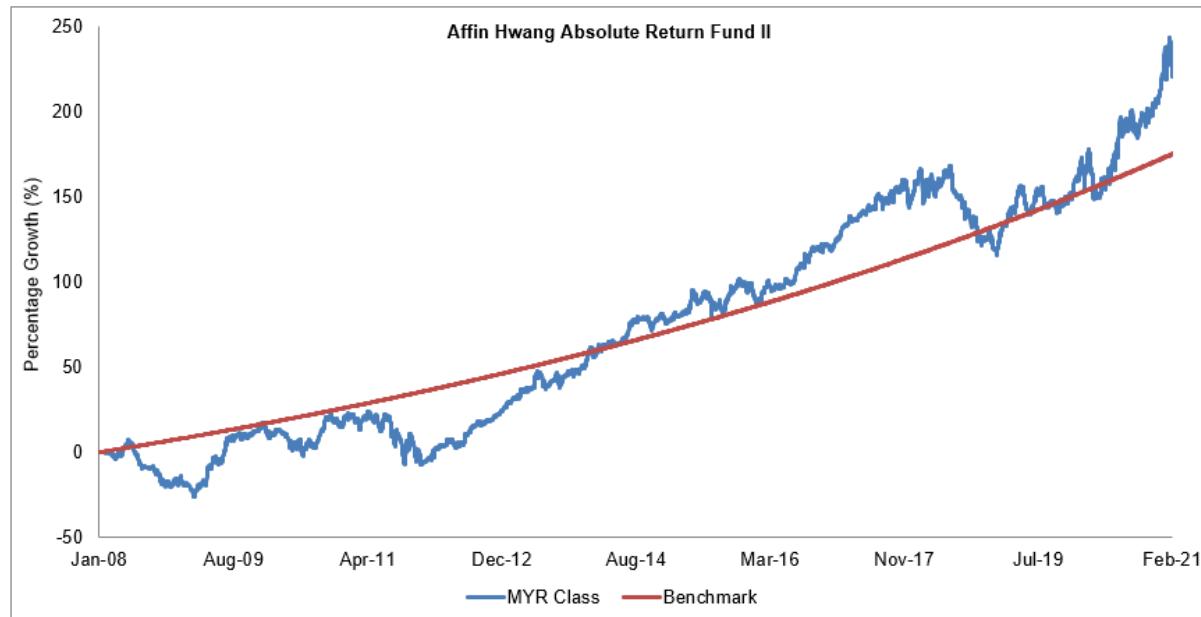
## USD Class

Category	As at 28 Feb 2021	As at 30 Nov 2020
Total NAV (million)	12.795	9.330
NAV per Unit (USD)	0.6156	0.5708
Unit in Circulation (million)	20.785	16.345

Performance as at 28 February 2021

	3 Months (1/12/20 - 28/2/21)	6 Months (1/9/20 - 28/2/21)	1 Year (1/3/20 - 28/2/21)	3 Years (1/3/18 - 28/2/21)	5 Years (1/3/16 - 28/2/21)	Since Commencement (8/1/08 - 28/2/21)
<b>MYR Class</b>	<b>7.45%</b>	<b>7.43%</b>	<b>20.98%</b>	<b>25.29%</b>	<b>65.36%</b>	<b>220.30%</b>
<b>Benchmark</b>	<b>1.92%</b>	<b>3.89%</b>	<b>8.00%</b>	<b>26.00%</b>	<b>46.96%</b>	<b>175.19%</b>
<b>Outperformance</b>	<b>5.53%</b>	<b>3.54%</b>	<b>12.98%</b>	<b>(0.71%)</b>	<b>18.40%</b>	<b>45.11%</b>

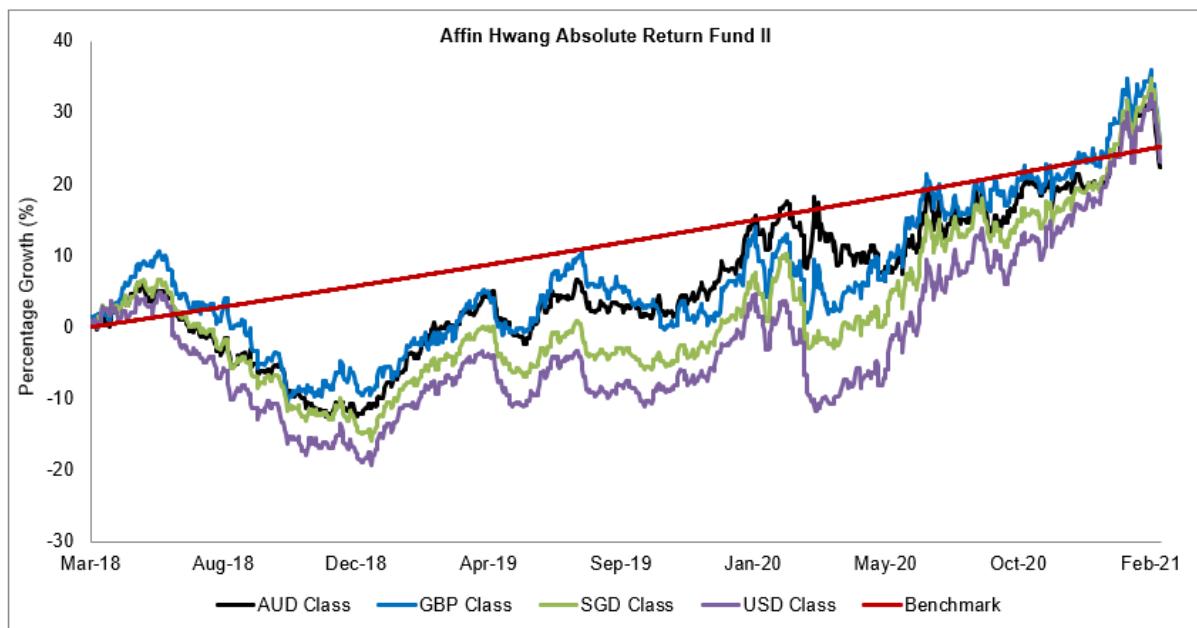
Movement of the Fund versus the Benchmark



Performance as at 28 February 2021

	<b>3 Months (1/12/20 - 28/2/21)</b>	<b>6 Months (1/9/20 - 28/2/21)</b>	<b>1 Year (1/3/20 - 28/2/21)</b>	<b>Since Commencement (30/3/18 - 28/2/21)</b>
<b>Benchmark</b>	<b>1.92%</b>	<b>3.89%</b>	<b>8.00%</b>	<b>25.23%</b>
<b>AUD Class</b>	<b>3.00%</b>	<b>4.32%</b>	<b>7.37%</b>	<b>22.30%</b>
<b>Outperformance</b>	<b>1.08%</b>	<b>0.43%</b>	<b>(0.63%)</b>	<b>(2.93%)</b>
<b>GBP Class</b>	<b>4.29%</b>	<b>5.87%</b>	<b>17.51%</b>	<b>25.88%</b>
<b>Outperformance</b>	<b>2.37%</b>	<b>1.98%</b>	<b>9.51%</b>	<b>0.65%</b>
<b>SGD Class</b>	<b>7.40%</b>	<b>7.74%</b>	<b>20.32%</b>	<b>25.04%</b>
<b>Outperformance</b>	<b>5.48%</b>	<b>3.85%</b>	<b>12.32%</b>	<b>(0.19%)</b>
<b>USD Class</b>	<b>7.85%</b>	<b>9.71%</b>	<b>26.17%</b>	<b>23.12%</b>
<b>Outperformance</b>	<b>5.93%</b>	<b>5.82%</b>	<b>18.17%</b>	<b>(2.11%)</b>

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:

	<b>28 February 2021</b>
	(%)
Equity	92.25
Unit Trust	0.34
Derivative	-0.14
Cash & money market	7.55
<b>Total</b>	<b>100.00</b>

## 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. The market showed strong attention to the Biden administration's US\$ 1.9 trillion COVID-19 relief proposal in mid-January. 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 are now 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 month. The Fed lightly addressed some of these concerns but mainly assured that current easy monetary policy will remain, with primary focus on the labor market.

The S&P500 closed 2.76% higher in the month, whilst Asian markets came in marginally lower, with the MSCI Asia ex Japan index gaining 1.25%. It was also a time for earnings announcements. 58.0% of companies in the MSCI Asia ex Japan index reporting their results in the month. Of these, 48.0% saw earnings beat and 12.0% missing estimates. In the US, 790% of the companies in the S&P500 saw earnings beat.

President Biden held his first official call with President Xi Jinping. While Biden may have brought up controversial topics such as economic competition and human rights issues, the call should merely be viewed as a formality rather than tangible progress between China and the US and both sides continue to thread on thin ice. The US House of Representatives also passed a US\$1.9 trillion coronavirus relief package

Commodities saw strong returns in the January, buoyed by vaccination programs and normalization of the economy. The commodity market saw four consecutive weeks of increased market inflow, particularly across crude oil, grain & oilseed, and livestock markets. This rally continued in February, as copper saw its largest monthly gain in over four years and oil prices hitting new one-year highs. The S&P GSCI posted a return on 10.67% in the month.

Following from 2020's political overhang, Malaysia's Yang di-Pertuan Agong issued a Proclamation of Emergency, resulting in the implementation of MCO 2.0 as daily Covid-19 cases rose to four digits. Restrictions on movement were less stringent than the initial MCO from 2020, though inconsistent communication surrounding the restrictions resulted in some public confusion.

The PN government unveiled its fifth economic stimulus package, PERMAI, worth RM 15 billion. Market impact was neutral following the announcement, as the package was viewed largely as a safety net aimed at cushioning the downside impact of MCO 2.0's implementation, especially to more vulnerable sectors.

Malaysia's Consumer Price Index (CPI) came in at 122.5 in February 2021, a marginal increase of 0.1% from January 2021. Despite this, trade numbers have been gradually increasing as global trade picks up. December 2020 saw Malaysia's exports rise 10.8% y-o-y and imports rebounding for the first time in 9 months by 1.6% y-o-y. This positive momentum continued in January 2021, with exports expanding by 6.6% y-o-y to RM 89.6 billion. Imports saw the same trend, increasing by 1.3% y-o-y.

In February, the local equity market's performance was muted relative to regional peers, gaining by 0.82% in the month. It was also results season in the local market, with the tech sector largely reporting earnings beat on the back of robust demand. AmBank announced a settlement cost of RM2.83 billion for its role and involvement in the 1MDB scandal that took place prior. This accounts for up to 30.0% of its market capitalisation. Petronas announced its first annual loss of RM 21 billion in 2020, its weak earnings dragged by weak product prices and margins, in line with last year's decline in crude oil prices.

The Malaysian bond market saw an unwinding of "rate cut" bets at the end of January following BNM's announcement to keep interest rates unchanged at 1.75% highlighting that recovery of the local economy was underway. The shorter-end of the MGS curve saw yields rise whilst longer-tenured papers remained resilient. Market is of the expectation that central bank will cut rates in BNM's next meeting in March, but our in-house view views that the likelihood of a cut is minimal.

Yields trended higher in tandem with US treasury movement in the month of February. The 10-year MGS closed at 3.08%. The corporate space also saw yields edge higher, particularly in the longer-dated names of the IG credit space. The primary market was greeted by the auction of a new 7-year GII of RM 3.5 billion. The trend here follows from January's auction of the 10-year MGS, with strong bidding interest as the 7-year GII posted a bid-to-cover ratio of 2.2x, supported by onshore interbank players. The yield closed at 2.8%.

## **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 following the low death rates despite the rise in infections. With most markets recovering the year's losses by December coincided with the release of Phase III clinical trial data for the vaccines, there is certainly light at the end of the tunnel for global markets.

Recovery plays will be the most obvious theme for the year improving macroeconomic conditions and the inevitable rollout of vaccines has everyone looking to the future and letting go of 2020's miseries. General market consensus suggests global GDP is down 5% in 2020, with an expected rebound of 5.4% in 2021 with the reopening of economies and growth returns. We have already started to see the rotation from growth to value take place in the start of 2021.

January 2021's US employment report was less than stellar as nonfarm payrolls increased only by half of the market's initial consensus, which is worse when compared to the fact that it had already been revised down by 159,000 two months prior. The US labor market has some ways to go for recovery as Covid-19 cases continue to rise. Valuations in the American market are coming across as stretched as the S&P 500 surpasses far beyond its historical P/E average of 15x -17x. There has been some correction in the recent few weeks and we may see this correction extend for a further couple more months.

Earnings momentum will continue in 2021 with earnings growth projected to rise by 38.0% in Asia ex-Japan (ex-Financials) according to estimates by some sell-side analysts. Key sectors leading the recovery include the energy, consumer discretionary and industrials. Though, this is tempered by moderately higher valuations which has crept up above historical averages. 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.

Following President Biden's call to China, we still expect little improvement between China and the US's already contentious relationship. We see at least a few months of reprieve for the global economy as the two leading nations focus on economic recovery. It will not be long before they step back into the boxing ring to tackle the long list of conflicting issues they face, ranging from trade issues, social rights and environmental impacts.

Economic recovery continues to be delayed by Covid-19 as cases surge 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. Political risk has been delayed with the declaration of state of emergency until August 2021

Fund flows continue to pour in, following 2020's trend which began in the month of March. In the US. long-term mutual funds and exchange-traded funds picked up US\$95 billion in new assets. 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 28 FEBRUARY 2021

	Financial period ended <u>28.2.2021</u> RM	Financial period ended <u>29.2.2020</u> RM
<b>INVESTMENT INCOME</b>		
Dividend income	4,108,530	2,737,729
Interest income from financial assets at amortised cost	63,565	34,167
Net loss on foreign currency exchange	(2,000,692)	(679,910)
Net (loss)/gain on futures at fair value through profit or loss	(5,264,515)	4,002,343
Net gain/(loss) on forward foreign currency contracts at fair value through profit or loss	2,970,551	(306,512)
Net gain on financial assets at fair value through profit or loss	109,477,178	30,734,137
	<u>109,354,617</u>	<u>36,521,954</u>
<b>EXPENSES</b>		
Management fee	(3,501,990)	(2,389,391)
Custodian fee	(122,981)	(94,776)
Fund accounting fee	(27,000)	(27,000)
Performance fee	(16,192,473)	(5,735)
Auditors' remuneration	(8,602)	(6,738)
Tax agent's fee	(2,842)	(2,844)
Transaction costs	(3,889,652)	(2,134,711)
Other expenses	(540,780)	(206,738)
	<u>(24,286,320)</u>	<u>(4,867,933)</u>
<b>NET PROFIT BEFORE TAXATION</b>		
Taxation	-	-
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		
Increase of net asset attributable to unitholders is made up of the following:	<u>85,068,297</u>	<u>31,654,021</u>
Realised amount	68,548,504	19,784,578
Unrealised amount	16,519,793	11,869,443
	<u>85,068,297</u>	<u>31,654,021</u>

## AFFIN HWANG ABSOLUTE RETURN FUND II

### STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2021

	<u>2021</u> RM	<u>2020</u> RM
<b>ASSETS</b>		
Cash and cash equivalents	61,270,677	47,216,068
Amount due from brokers	30,406,098	28,902,284
Amount due from Manager		
- creation of units	-	48,380
- management fee rebate receivable	-	13,157
Dividend receivables	883,417	396,542
Financial assets at fair value through profit or loss	544,491,056	233,984,954
Futures at fair value through profit or loss	-	3,828,537
<b>TOTAL ASSETS</b>	<u>637,051,248</u>	<u>314,389,922</u>
<b>LIABILITIES</b>		
Forward foreign currency contracts at fair value through profit or loss	799,462	-
Amount due to brokers	31,380,926	-
Amount due to Manager		
- management fee	466,922	255,161
- cancellation of units	159,061	-
Fund accounting fee	3,000	3,000
Performance fee	16,192,973	5,735
Auditors' remuneration	8,602	6,738
Tax agent's fee	2,836	1,059
Other payables and accruals	12,910	12,758
<b>TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)</b>	<u>49,026,692</u>	<u>284,451</u>
<b>NET ASSET VALUE OF THE FUND</b>	<u>588,024,556</u>	<u>314,105,471</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<u>588,024,556</u>	<u>314,105,471</u>
<b>REPRESENTED BY:</b>		
<b>FAIR VALUE OF OUTSTANDING UNITS</b>		
- AUD class	6,634,972	1,565,470
- GBP class	1,709,078	203,453
- MYR class	506,204,440	290,892,621
- SGD class	21,687,064	5,743,712
- USD class	51,789,002	15,700,215
	<u>588,024,556</u>	<u>314,105,471</u>

## AFFIN HWANG ABSOLUTE RETURN FUND II

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

REPRESENTED BY:		<u>2021</u> RM	<u>2020</u> RM
<b>NUMBER OF UNITS IN CIRCULATION</b>			
- AUD class		3,420,000	998,000
- GBP class		481,000	70,000
- MYR class		316,076,000	219,745,000
- SGD class		11,369,000	3,659,000
- USD class		20,785,000	7,636,000
		<hr/> <u>352,131,000</u>	<hr/> <u>232,108,000</u>
<b>NET ASSET VALUE PER UNIT (RM)</b>			
- AUD class		1.9401	1.5686
- GBP class		3.5532	2.9065
- MYR class		1.6015	1.3238
- SGD class		1.9076	1.5697
- USD class		2.4917	2.0561
		<hr/> <hr/>	<hr/> <hr/>
<b>NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES</b>			
- AUD class		AUD0.6115	AUD0.5695
- GBP class		GBP0.6294	GBP0.5356
- MYR class		RM1.6015	RM1.3238
- SGD class		SGD0.6252	SGD0.5196
- USD class		USD0.6156	USD0.4879
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# AFFIN HWANG ABSOLUTE RETURN FUND II

## **STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2021**

	Financial period ended <u>28.2.2021</u> RM	Financial period ended <u>29.2.2020</u> RM
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	346,250,036	349,136,671
Movement due to units created and cancelled during the financial period		
Creation of units arising from applications	189,840,823	21,451,606
- AUD class	3,950,345	1,052,150
- GBP class	1,502,832	265,215
- MYR class	140,506,618	19,342,534
- SGD class	13,480,756	366,525
- USD class	30,400,272	425,182
Cancellation of units	(33,134,600)	(88,136,827)
- AUD class	(971,225)	(1,419,444)
- GBP class	(360,707)	(78,526)
- MYR class	(23,988,436)	(82,012,996)
- SGD class	(5,965,848)	(3,666,065)
- USD class	(1,848,384)	(959,796)
Net increase in net assets attributable to unitholders during the financial period	85,068,297	31,654,021
- AUD class	1,012,352	159,898
- GBP class	217,169	14,126
- MYR class	74,759,299	29,222,760
- SGD class	3,122,730	745,844
- USD class	5,956,747	1,511,393
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD</b>	<hr/>	<hr/>
	588,024,556	314,105,471



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