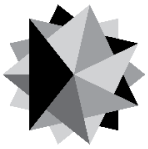
Affin Hwang World Series - Global Target Return Fund

Quarterly Report

28 February 2021

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



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AFFIN HWANG WORLD SERIES – GLOBAL TARGET RETURN 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 – Global Target Return Fund
Fund Type	Growth
Fund Category	Feeder (Wholesale)
Investment Objective	The Fund seeks to achieve capital appreciation over medium to long term period
Benchmark	USD LIBOR 3 Months
Distribution Policy	The Fund is not expected to make distribution. However, incidental distribution may be declared whenever is appropriate.

FUND PERFORMANCE DATA

USD Class

Category	As at 28 Feb 2021	As at 30 Nov 2020
Total NAV (million)	0.507	0.493
NAV per Unit (USD)	0.5695	0.5528
Unit in Circulation (million)	0.891	0.891

MYR-Hedged class

Category	As at 28 Feb 2021	As at 30 Nov 2020
Total NAV (million)	4.335	4.436
NAV per Unit (RM)	0.5811	0.5627
Unit in Circulation (million)	7.459	7.883

SGD-Hedged class

Category	As at 28 Feb 2021	As at 30 Nov 2020
Total NAV (million)	0.146	0.142
NAV per Unit (SGD)	0.5498	0.5342
Unit in Circulation (million)	0.266	0.266

AUD-Hedged class

Category	As at 28 Feb 2021	As at 30 Nov 2020
Total NAV (million)	1.021	1.174
NAV per Unit (AUD)	0.5547	0.5401
Unit in Circulation (million)	1.841	2.174

GBP-Hedged class

Category	As at 28 Feb 2021	As at 30 Nov 2020
Total NAV (million)	0.083	0.081
NAV per Unit (GBP)	0.5329	0.5190
Unit in Circulation (million)	0.156	0.156

EUR-Hedged class

Category	As at 28 Feb 2021	As at 30 Nov 2020
Total NAV (million)	0.009	0.009
NAV per Unit (EUR)	0.4981	0.4857
Unit in Circulation (million)	0.018	0.018

RMB-Hedged class

Category	As at 28 Feb 2021	As at 30 Nov 2020
Total NAV (million)	0.013	0.112
NAV per Unit (RMB)	0.5767	0.5599
Unit in Circulation (million)	0.022	0.200

HKD-Hedged class

Category	As at 28 Feb 2021	As at 30 Nov 2020
Total NAV (million)	1.245	0.002
NAV per Unit (HKD)	0.6653	0.6459
Unit in Circulation (million)	1.872	0.003

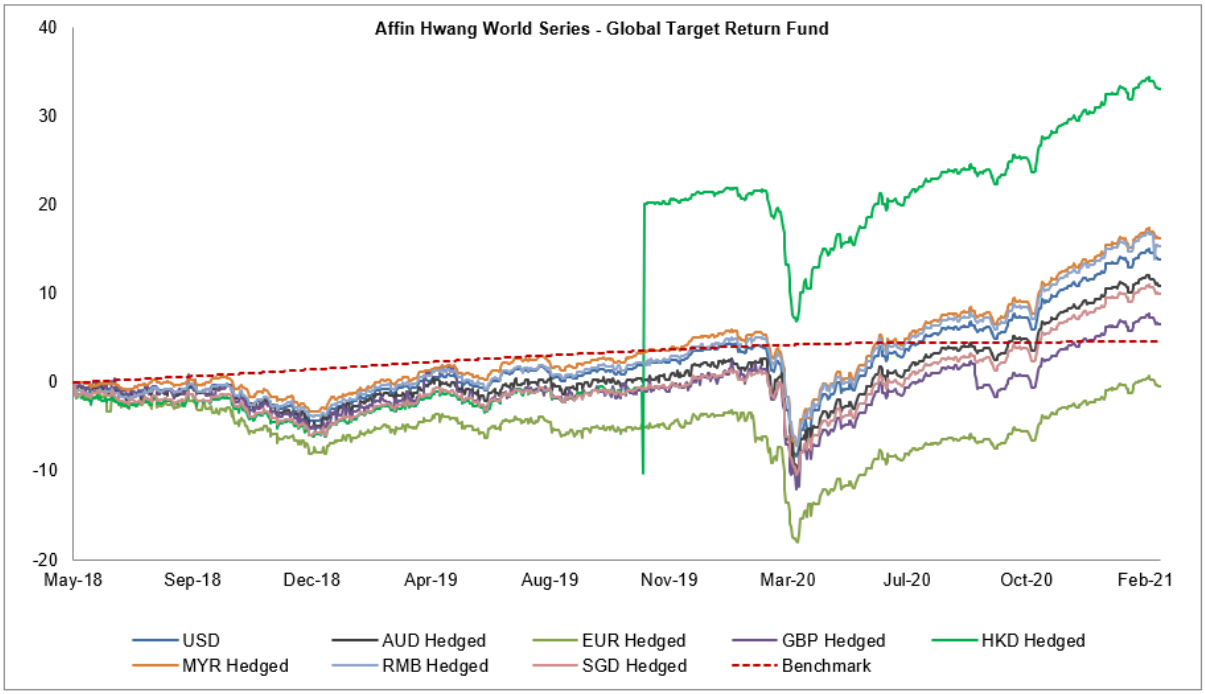
Performance as at 28 February 2021

	3 Months (1/12/20 - 28/2/21)	6 Months (1/9/20 - 28/2/21)	1 Year (1/3/20 - 28/2/21)	Since Commencement (14/5/18 - 28/2/21)
Benchmark	**0.05%**	**0.11%**	**0.40%**	**4.63%**
USD	**3.02%**	**7.11%**	**12.28%**	**13.90%**
Outperformance	**2.97%**	**7.00%**	**11.88%**	**9.27%**
AUD Hedged	**2.70%**	**6.63%**	**12.42%**	**10.94%**
Outperformance	**2.65%**	**6.52%**	**12.02%**	**6.31%**
EUR Hedged	**2.55%**	**6.32%**	**9.57%**	**(0.38%)**
Outperformance	**2.50%**	**6.21%**	**9.17%**	**(5.01%)**
GBP Hedged	**2.68%**	**4.51%**	**8.64%**	**6.58%**
Outperformance	**2.63%**	**4.40%**	**8.24%**	**1.95%**
HKD Hedged	**3.00%**	**7.24%**	**11.98%**	**33.06%**
Outperformance	**2.95%**	**7.13%**	**11.58%**	**28.43%**
MYR Hedged	**3.27%**	**7.65%**	**12.97%**	**16.22%**
Outperformance	**3.22%**	**7.54%**	**12.57%**	**11.59%**

RMB Hedged	3.00%	7.41%	12.75%	15.34%
Outperformance	2.95%	7.30%	12.35%	10.71%

SGD Hedged	2.92%	6.86%	11.61%	9.96%
Outperformance	2.87%	6.75%	11.21%	5.33%

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: USD LIBOR 3 Months

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:

	28 February 2021
	(%)
Unit Trust	96.29
Derivative	0.80
Cash & money market	2.91
Total	**100.00**

Strategies Employed

The strategy continues to be positioned for moderate performance from risk assets as policy settings remain favourable for ongoing global recovery. Our positioning will benefit from the continued rotation in equities towards value stocks and we remain liquid to take advantage of higher volatility in equity markets.

Market Review

The most notable market development during February was the dramatic rise in longer dated bond yields and the consequent dramatic steepening of yield curves - round 1 of the arm-wrestle between the markets and central banks.

The exact trigger for this move which resulted in UST 10-year bond yields rising over 30bps isn't clear. That said, it has its foundations in the very expansionary fiscal and monetary stimulus on top of a broadly improving global economy and increased confidence in the vaccine roll-out. This aggressive, pro-cyclical policy stance is increasing the uncertainty around the trajectory for inflation and with the risk to inflation seemingly skewing to the upside, markets are starting to question the ability of central banks to maintain current policy settings for an extended period. Bear in mind the US Federal Reserve has publicly committed to run the US economy "hot" for an extended period. While the current monetary policy regime gives Central Banks relatively good control over the front end of yield curves (including in Australia's case the RBA's direct targeting of 3-year bond yields), it's much more difficult for central banks to control rates further out the yield curve where the factors influencing yields are much broader (with only Japan so far explicitly targeting the 10-year rate). Equity and credit market volatility increased as the bond market melt-down became more unorderly, weakness was short-lived with investors continuing to back the ability and willingness of central banks to hold the ship together. Under the surface though some cracks have opened. Most notable were those areas of the market where high valuations have been the most

evident. Technology stocks in-particular have continued to re-price reflected in a 10% decline in the Nasdaq (at the time of writing) compared to a more moderate 4% decline in the broader S&P 500. Consistent with this from an equity style perspective, rotation towards "value" stocks, and away from "growth" stocks continues – albeit there is clearly a significant premium remaining in growth stocks.
One key question that investors remain split on is the broader valuation debate in equities. Current price to earnings yields (P/E in most markets are high relative to their history (suggesting more moderate future returns) but the more bullish interpretation is that this reflects a combination of record low (and likely persistently low interest rates) and expectations of strong future earnings growth as stimulus fuels economic recovery. Certainly, on our growth numbers, if forecast earnings for 2021 are realised in the US (for example) then market valuations are not cheap, but more reasonable. Likewise, low interest rates make the earnings yield on equities look much more attractive than simple P/E comparisons would suggest. The rise in bond yields has eroded some of this attractiveness, but low cash rates and narrow credit spreads mean the impact has been relatively modest to date.

Another key consideration is the P/E gap between growth stocks and value stocks. Clearly not all equities are expensive and growth stocks have had a strong tail wind from low bond yields, so a growth to value rotation is possible without derailing the overall market. The fact that the recent rise in bond yields has had a greater impact on growth stocks is consistent with this rotation towards value. A material rise in longer dated bond yields was not unexpected. Our duration positioning has been significantly reduced from a high of 2.5 years in February last year to 1.0 now. Our view was the risks to yields had become asymmetric (ie. not much downside to yields, but plenty of upside). Positioning for steeper curves was more problematic given the small amount of duration we hold is more for downside protection then for return potential. This clearly highlights a key challenge of the current environment and that's how to hedge risk when sovereign yields are suppressed, and the risks is skewed to the upside in yields. Currency remains a strong alternative, particularly to help mitigate equity market corrections; our analysis continues to support the idea that currency trades, such as short the Australian dollar (AUD), remain an effective downside hedge against equity positions. In February however, with Australian bond yields underperforming US treasuries in the sell-off, this supported the AUD for much of the month. This resulting in a negative contribution to performance given our short AUD positioning, which is largely held for risk hedging purposes.

Investment Outlook

Equity

The spike in bond yields in the second half of February triggered a sell-off in equity markets, particularly in growth stocks that were trading at high multiples. Despite this, strong returns in the first half of February driven by a continued recovery in earnings in both the US and Europe saw most equity markets produce positive returns for the month. Global equities returned 2.7% in local currency terms, while emerging markets underperformed with a return of 0.8% in USD terms. The style rotation towards value and small caps also continued. The MSCI World Value Index outperformed the Growth Index by 4.3% in the month.

With valuations remaining somewhat stretched, and our expected returns remaining low across most equity markets, we reduced our equity weight by 1% in February down to 28%. This was implemented through a reduction in the allocation to global value. The 1% was re-allocated to fund a commodities futures exposure, which we expect to perform strongly through a global recovery and also act as a potential inflation hedge. We continued adding out of the money put option spreads to buffer the fund from small to medium sized market corrections, at zero cost.

Fixed Income

Global bond yields continued to rise through February, particularly in the longer dated maturities in the US yield curve. Ongoing quantitative easing by global central banks, as well as the likely approval of the US$1.9 trillion stimulus package by the US congress, has seen the market price in higher growth and inflation expectations. This saw the US 10 year yields jumped by 0.33% to end the month at 1.40%. With yields on shorter dated maturities still anchored by central banks, yield curves in the US have steepened significantly over the last few months. In credit, global investment grade and high yield spreads tightened moderately over the month, while spreads on emerging market debt were flat.

Through February, we trimmed our investment grade credit allocation by 1% - with spreads continuing to tighten, and the relatively high duration of the asset class leaving it vulnerable to an increase in yields, we think the risks are symmetrically skewed to the downside. We also trimmed our US breakeven trade (long US inflation linked securities versus US nominal securities) by 1% given the strong performance. We have chosen to redeploy this to top up our exposure to insurance linked securities (ILS) by an additional 2%. The underlying economic risks are for ILS are generally uncorrelated with the broader business cycle, and the gross yield of 5-7% remains relatively healthy. We also reduced our global high yield credit position by 2%, in favour for emerging market sovereign bonds denominated in US dollars. High yield spreads have similarly tightened over the past few months, at a faster pace than emerging market debt (EMD). The relative spread between the two makes EMD more attractive on a duration hedged basis. Overall portfolio duration remains unchanged at 1yr.

Currency

The British pound (GBP), continued its recent run of strong performance, along with the Australian Dollar, while emerging market currencies and Japanese yen (JPY) were underperformers. We have mixed views on the US Dollar. While valuations still remain challenging, the strong growth outlook for the US against the rest of the world, and the short positioning amongst speculators could see the US dollar rebound over the shorter to medium term. FX exposure in the portfolio remains unchanged at 14%, including 3.5% long GBP against the Euro and 5% long JPY against AUD as a hedge.

AFFIN HWANG WORLD SERIES - GLOBAL TARGET RETURN FUND

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

	Financial period ended 28.2.2021 USD	Financial period ended 29.2.2020 USD
INVESTMENT INCOME		
Interest income from financial assets at amortised cost	-	56
Net gain/(loss) on foreign currency exchange	4,828	(183)
Net gain/(loss) on forward foreign currency contracts at fair value through profit or loss	304,026	(78,955)
Net gain on financial assets at fair value through profit or loss	387,904	221,798
	696,758	142,716
EXPENSES		
Management fee	(34,013)	(60,857)
Trustee fee	(914)	(1,634)
Auditors' remuneration	(1,472)	(1,157)
Tax agent's fee	(643)	(627)
Other expenses	(4,442)	(5,927)
	(41,484)	(70,202)
NET PROFIT BEFORE TAXATION	655,274	72,514
Taxation	-	-
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	655,274	72,514
Increase in net asset attributable to unitholders is made up of the following:		
Realised amount	410,380	(9,987)
Unrealised amount	244,894	82,501
	655,274	72,514

AFFIN HWANG WORLD SERIES - GLOBAL TARGET RETURN FUND

STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2021

	2021 USD	2020 USD
ASSETS		
Cash and cash equivalents	111,395	193,372
Amount due to broker	-	100,008
Amount due from Manager		
- creation of units	12,070	6,502
- management fee rebate receivable	2,529	4,271
Financial assets at fair value through profit or loss	2,675,400	3,977,321
Forward foreign currency contracts at fair value through profit or loss	22,558	30
TOTAL ASSETS	2,823,952	4,281,504
LIABILITIES		
Forward foreign currency contracts at fair value through profit or loss	388	95,093
Amount due to Manager		
- management fee	3,183	5,274
- cancellation of units	37,431	46,353
Amount due to Trustee	85	141
Auditors' remuneration	1,660	1,344
Tax agent's fee	913	1,738
Other payable and accruals	1,827	1,021
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	45,487	150,964
NET ASSET VALUE OF THE FUND	2,778,465	4,130,540
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	2,778,465	4,130,540
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS		
- AUD-Hedged Class	800,468	1,094,586
- EUR-Hedged Class	10,893	9,028
- GBP-Hedged Class	115,941	214,768
- HKD-Hedged Class	160,557	229
- MYR-Hedged Class	1,070,973	1,979,746
- RMB-Hedged Class	1,959	14,643
- SGD-Hedged Class	110,244	134,908
- USD Class	507,430	682,632
	2,778,465	4,130,540

AFFIN HWANG WORLD SERIES - GLOBAL TARGET RETURN FUND

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

	2021 USD	2020 USD
REPRESENTED BY (CONTINUED):		
NUMBER OF UNITS IN CIRCULATION		
- AUD-Hedged Class	1,841,000	3,394,000
- EUR-Hedged Class	18,000	18,000
- GBP-Hedged Class	156,000	340,000
- HKD-Hedged Class	1,872,000	3,000
- MYR-Hedged Class	7,459,000	16,217,000
- RMB-Hedged Class	22,000	200,000
- SGD-Hedged Class	266,000	382,000
- USD Class	891,000	1,346,000
	12,525,000	21,900,000
NET ASSET VALUE PER UNIT (USD)		
- AUD-Hedged Class	0.4348	0.3225
- EUR-Hedged Class	0.6052	0.5016
- GBP-Hedged Class	0.7432	0.6317
- HKD-Hedged Class	0.0858	0.0762
- MYR-Hedged Class	0.1436	0.1221
- RMB-Hedged Class	0.0890	0.0732
- SGD-Hedged Class	0.4145	0.3532
- USD Class	0.5695	0.5072
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- AUD-Hedged Class	AUD0.5547	AUD0.4934
- EUR-Hedged Class	EUR0.4981	EUR0.4546
- GBP-Hedged Class	GBP0.5329	GBP0.4905
- HKD-Hedged Class	HKD0.6653	HKD0.5941
- MYR-Hedged Class	RM0.5811	RM0.5144
- RMB-Hedged Class	RMB0.5767	RMB0.5115
- SGD-Hedged Class	SGD0.5498	SGD0.4926
- USD Class	USD0.5695	USD0.5072

AFFIN HWANG WORLD SERIES - GLOBAL TARGET RETURN FUND

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

	Financial period ended 28.2.2021 USD	Financial period ended 29.2.2020 USD
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	3,839,782	6,346,623
Movement due to units created and cancelled during the financial period		
Creation of units arising from applications	317,983	717,253
- AUD-Hedged Class	41,661	549,812
- EUR-Hedged Class	-	67,187
- GBP-Hedged Class	-	6,524
- HKD-Hedged Class	157,113	-
- MYR-Hedged Class	112,418	26,310
- RMB-Hedged Class	1,641	-
- SGD-Hedged Class	-	35,370
- USD Class	5,150	32,050
Cancellation of units	(2,034,574)	(3,005,850)
- AUD-Hedged Class	(680,203)	(262,666)
- EUR-Hedged Class	-	(138,989)
- GBP-Hedged Class	(121,095)	(256,519)
- HKD-Hedged Class	-	(60,739)
- MYR-Hedged Class	(1,074,820)	(1,322,952)
- RMB-Hedged Class	(17,797)	(1,182)
- SGD-Hedged Class	(79,707)	(744,133)
- USD Class	(60,952)	(218,670)
Net increase in net assets attributable to unitholders during the financial period	655,274	72,514
- AUD-Hedged Class	273,441	(61,590)
- EUR-Hedged Class	1,855	336
- GBP-Hedged Class	33,301	15,135
- HKD-Hedged Class	3,214	1,299
- MYR-Hedged Class	261,113	82,510
- RMB-Hedged Class	3,813	289
- SGD-Hedged Class	23,407	15,948
- USD Class	55,130	18,587
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	2,778,465	4,130,540

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