

Affin Hwang

Total Return Fund

Quarterly Report
28 February 2021

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



AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad
199701014290 (429786-T)

TRUSTEE
TMF Trustees Malaysia Berhad (610812-W)

AFFIN HWANG TOTAL RETURN FUND

Quarterly Report and Financial Statements As at 28 February 2021

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang Total Return Fund
Fund Type	Income & Growth
Fund Category	Derivatives (Wholesale)
Investment Objective	The Fund seeks to provide total return over the medium to long-term investment horizon.
Benchmark	USD Libor 3 months +1.5%
Distribution Policy	The Fund is expected to provide annual distribution subject to the availability of income.

FUND PERFORMANCE DATA

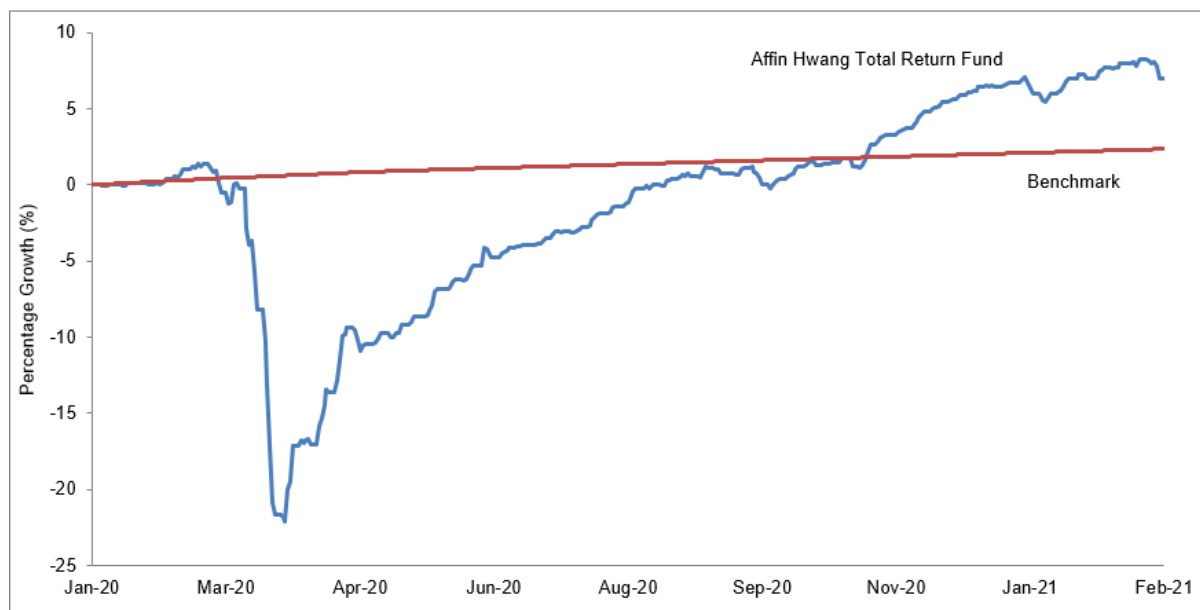
Category	As at 28 Feb 2021	As at 30 Nov 2020
Total NAV (million)	12.552	12.789
NAV per Unit (USD)	1.0701	1.0498
Unit in Circulation (million)	11.729	12.183

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 (10/1/20 - 28/2/21)
Fund	1.93%	6.44%	7.52%	7.01%
Benchmark	0.42%	0.85%	1.90%	2.35%
Outperformance	1.51%	5.59%	5.62%	4.66%

Source of Benchmark: Bloomberg

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 +1.5%

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
	(%)
Derivative	7.21
Cash & money market	92.79
Total	100.00

Strategies Employed

Over the period under review, the Manager invests in swaps that give exposures to hard currencies fixed income instruments. To date, the bonds have continued to meet their respective financial obligations in respect of their outstanding debt.

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, 79.0% 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 tread 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 TOTAL RETURN FUND

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

	Financial period ended <u>28.2.2021</u> USD	Financial period ended <u>29.2.2020</u> USD
INVESTMENT INCOME/(LOSS)		
Net gain/(loss) on derivative at fair value through profit or loss	1,618,632	(35,254)
	<u>1,618,632</u>	<u>(35,254)</u>
EXPENSES		
Management fee	(89,165)	(9,547)
Trustee fee	(3,608)	(382)
Fund accounting fee	(2,221)	-
Auditors' remuneration	(1,716)	-
Tax agent's fee	(601)	-
Other expenses	(1,140)	(104)
	<u>(98,451)</u>	<u>(10,033)</u>
NET PROFIT/(LOSS) BEFORE TAXATION	1,520,181	(45,287)
Taxation	-	-
NET PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD	<u>1,520,181</u>	<u>(45,287)</u>
Net profit/(loss) after taxation is made up of the following:		
Realised amount	(144,639)	(10,033)
Unrealised amount	1,664,820	(35,254)
	<u>1,520,181</u>	<u>(45,287)</u>

AFFIN HWANG TOTAL RETURN FUND

STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2021

	<u>2021</u> USD	<u>2020</u> USD
ASSETS		
Cash and cash equivalents	133,614	4,469
Derivative at fair value through profit or loss	13,512,489	8,369,746
TOTAL ASSETS	<u>13,646,103</u>	<u>8,374,215</u>
LIABILITIES		
Amount due to Manager		
- management fee	10,356	6,678
- cancellation of units	1,078,400	-
Amount due to Trustee	414	267
Auditors' remuneration	4,017	-
Tax agent's fee	601	-
Other payable and accruals	793	-
TOTAL LIABILITIES	<u>1,094,581</u>	<u>6,945</u>
NET ASSET VALUE OF THE FUND	<u>12,551,522</u>	<u>8,367,270</u>
EQUITY		
Unitholders' capital	11,864,160	8,412,557
Retained earnings/(accumulated losses)	687,362	(45,287)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>12,551,522</u>	<u>8,367,270</u>
NUMBER OF UNITS IN CIRCULATION	<u>11,729,000</u>	<u>8,407,000</u>
NET ASSET VALUE PER UNIT (USD)	<u>1.0701</u>	<u>0.9953</u>

AFFIN HWANG TOTAL RETURN FUND

STATEMENT OF CHANGES IN EQUITY AS AT 28 FEBRUARY 2021

	Unitholders' <u>capital</u> USD	Retained earnings/ (accumulated <u>losses</u>) USD	<u>Total</u> USD
Balance as at 1 June 2020	8,952,822	(832,819)	8,120,003
Total comprehensive income for the financial period	-	1,520,181	1,520,181
Movement in unitholder's capital:			
Creation of units arising from applications	4,423,731	-	4,423,731
Cancellation of units	(1,512,393)	-	(1,512,393)
Balance as at 28 February 2021	<u>11,864,160</u>	<u>687,362</u>	<u>12,551,522</u>
Balance as at 25 November 2019 (date of launch)	-	-	-
Total comprehensive loss for the financial period	-	(45,287)	(45,287)
Movement in unitholder's capital:			
Creation of units arising from applications	<u>8,412,557</u>	-	<u>8,412,557</u>
Balance as at 29 February 2020	<u>8,412,557</u>	<u>(45,287)</u>	<u>8,367,270</u>

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