Affin Hwang World Series - Asian High Yield Fund

Quarterly Report

28 February 2022

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

AFFIN HWANG CAPITAL

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

TRUSTEE
CIMB Commerce Trustee Berhad (313031-A)

AFFIN HWANG WORLD SERIES – ASIAN HIGH YIELD FUND

Quarterly Report and Financial Statements
As at 28 February 2022

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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 2022	As at 30 Nov 2021
Total NAV (million)	0.571	0.623
NAV per Unit (USD)	0.3858	0.4231
Unit in Circulation (million)	1.481	1.472

MYR-Hedged class

Category	As at 28 Feb 2022	As at 30 Nov 2021
Total NAV (million)	23.555	25.327
NAV per Unit (RM)	0.3916	0.4278
Unit in Circulation (million)	60.178	59.203

SGD-Hedged class

Category	As at 28 Feb 2022	As at 30 Nov 2021
Total NAV (million)	0.551	0.469
NAV per Unit (SGD)	0.3838	0.4208
Unit in Circulation (million)	1.436	1.114

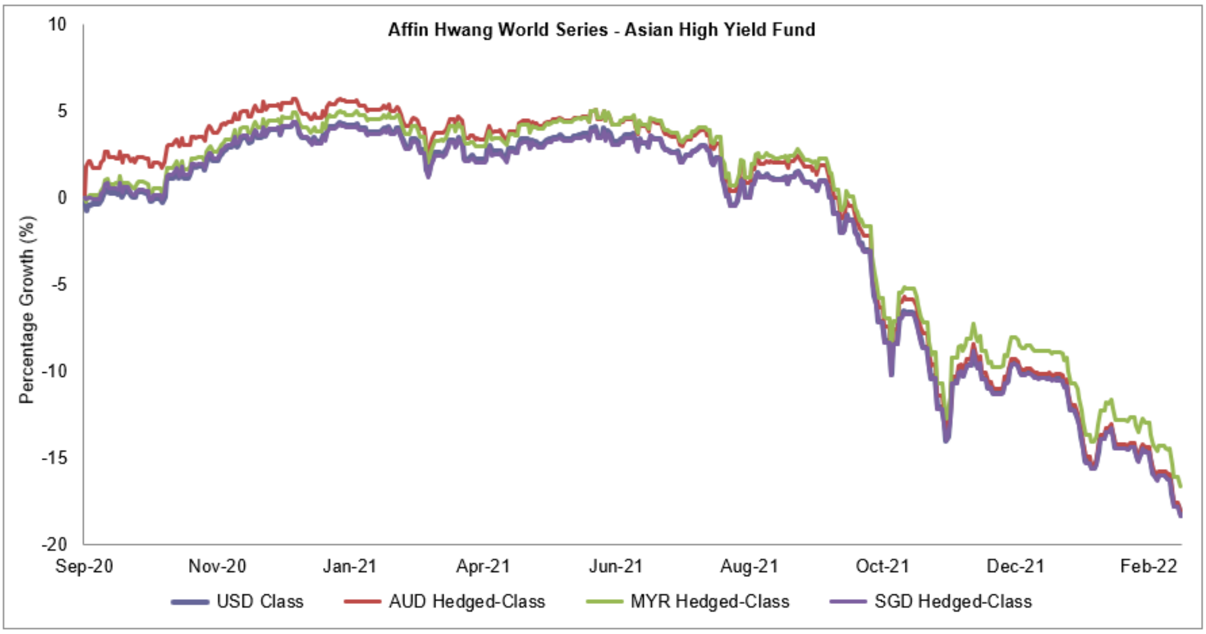
AUD-Hedged class

Category	As at 28 Feb 2022	As at 30 Nov 2021
Total NAV (million)	0.784	0.856
NAV per Unit (AUD)	0.3843	0.4219
Unit in Circulation (million)	2.039	2.029

Performance as at 28 February 2022

	3 Months (1/12/21 - 28/2/22)	6 Months (1/9/21 - 28/2/22)	1 Year (1/3/21 - 28/2/22)	Since Commencement (28/9/20 - 28/2/22)
USD Class	**(8.28%)**	**(19.48%)**	**(20.59%)**	**(18.26%)**
AUD Hedged-Class	**(8.37%)**	**(20.02%)**	**(21.31%)**	**(18.06%)**
MYR Hedged-Class	**(7.93%)**	**(18.90%)**	**(19.58%)**	**(16.60%)**
SGD Hedged-Class	**(8.25%)**	**(19.48%)**	**(20.52%)**	**(18.30%)**

Movement of the Fund since commencement



"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:

	28 February 2022
	(%)
Unit Trust	96.98
Derivative	0.13
Cash & money market	2.89
Total	**100.00**

Strategies Employed

The fund's key active positions remain broadly unchanged. In particular, the China property sector remains one of the largest active sector positions. Our overweight in this sector was mostly a result of individual bond selection, with a focus on the better quality developers. We expect to see further divergence within the sector and have continued to trim exposure to the weaker developers. At the same time, we maintain our overweight in India and Indonesia corporates, particularly those that we expect to benefit from recovery in global growth. Of note, we favour the commodity sector in India as well as the coal sector from Indonesia. We expect the strong demand for commodities and energy will keep prices well supported and will in turn, benefit these companies. Similarly, we also favour the Indonesia property sector which we expect to benefit from further improvement in local economic conditions. In India, we also favour the renewable energy sector which we expect to remain well supported by global sustainable investors. On the other hand, we are underweight sectors which we find valuations unattractive. For instance, we are underweight Hong Kong and Philippines. Similarly, we are also underweight sovereign, quasi sovereign bonds as well as bank subordinated debt. During the month, we reduced our underweight in duration and brought the fund's duration to more neutral given escalated geological risk which is expected to raise demand for US treasuries

Market Review

Asia credit market posted negative returns in the midst of the Russian-Ukraine tension and turbulence in the China property sector. Over the month, US treasuries sold off continued, with the short-end rising the most and resulting in slight flattening of the curve in light of the Fed's upcoming tightening cycle, while the upward shift has been moderated towards the end of the month due to the flight to haven assets following the Russian attack on Ukraine. The labor market continued to show signs of strengthening with higher-than-expected non-farm payrolls increase amidst a decline in new Covid-19 cases as well as a lower-than-expected unemployment rate. With inflation still running hot, this overall reinforced the FOMC's intention to move towards less accommodative monetary policy such that inflation would begin to decline in the latter part of this year. However, the Fed also underscored the uncertainties for monetary policy stemming from geopolitical developments. Overall, two-year yields rose 25bps, while 10-year yields edged up 5bps as well.

From a credit spread perspective, high yield bonds underperformed investment grade bonds over the month. Investment grade bonds were down with sovereign and quasi-sovereign bonds overall shifted lower amid treasury volatility. In particular, Philippines sovereign bonds were the largest detractor among investment grade sovereigns. Similarly, corporate bonds were mostly down over the month. Most sectors went lower over the month, led by weaker performances in Macau gaming, China property and India infrastructure bonds, partly offset by the Indonesia TMT and Taiwan financials sectors. On the other hand, most of the sell-off in Asia high yield market was driven by the high yield China property market as the sector deteriorated over the past month. The idiosyncratic situations facing a number of real estate developers have been problematic, and the contagion effect spreading over to the more creditworthy developers have also been witnessed, while the stimulus reaction from the Chinese authorities has been lackluster. Outside China, weaknesses have also been seen for the rest of Asia in light of the emergence of the Russia/Ukraine conflict, spread widening was mainly driven by Indonesia and Mongolia high yield bonds. In the sovereign space, bonds mostly fell as well, led by sharp sell-off in Sri Lanka sovereign bonds given the country's increased financial risks.

Investment Outlook

Volatility in the Asian credit market continues in February, stemming from four key factors. First, the stimulus reaction from the Chinese authorities has been lackluster. Secondly, the idiosyncratic situations facing a number of real estate developers have been more problematic than was assumed. Thirdly, contagion has spread to the more creditworthy developers. Lastly, increased geopolitical risk which has resulted in wider spreads across global markets including Asian markets.

Taking each of these factors in turn, we look forward to how these situations may develop and therefore what the market impact may be. In the light of the NPC of the Chinese Communist Party at the weekend, the growth target set at 5.5% will be virtually impossible to achieve without a significant improvement in the real estate market. The rhetoric of the authorities has undoubtedly shifted from last year's moralistic tone of common prosperity, back to the more pragmatic emphasis on economic and social stability. We believe that there will be more targeted assistance for the sector as well as general stimulus across the economy. As time goes on, the distinction between those able to manage their refinancing and those which cannot is becoming increasingly stark. We believe this will lead to pricing more reflective of actual default/ restructuring probability, although this may take some time to wash through the system. Some of the developers in question have clear routes to refinancing in the onshore market, and assets which can be disposed (especially now that the China AMCs are incentivised to get involved), so even though suffering temporarily from high refinancing costs in the offshore market, they may not wish to pursue this route and to finance another way.

Furthermore, geopolitical flashpoints tend to have a temporary impact on markets and sometimes create buying opportunities. The China real estate market is not directly impacted by Russia and Ukraine, and although some cost pressures could emerge from commodity price rises, it's fairly clear that this is not a sector which is very exposed to this factor, although of course a generally negative risk sentiment is unhelpful for an already distressed sector. Naturally there will be a range of views as to how this situation evolves, but this does not seem to be of greater impact on East Asia, South Asia and South East Asia very much more than other geographies. China may be comparatively better off from a USD credit standpoint given the resilience of RMB. Meanwhile, our analysts continue to look closely on the bottom up impact on all our investee companies across the Asia universe.

AFFIN HWANG WORLD SERIES - ASIAN HIGH YIELD FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2022

	Financial period ended 28.2.2022 USD	Financial period ended 28.2.2021 USD
INVESTMENT (LOSS)/INCOME		
Dividend income	-	182,348
Interest income from financial assets at amortised cost	-	388
Net loss on foreign currency exchange	(254)	(4,340)
Net gain on forward foreign currency contracts at fair value through profit or loss	34,838	211,537
Net loss on financial assets at fair value through profit or loss	(611,946)	(10,380)
	(577,362)	379,553
EXPENSES		
Management fee	(27,758)	(41,015)
Trustee fee	(556)	(828)
Auditors' remuneration	(470)	(775)
Tax agent's fee	(205)	(302)
Other expenses	(409)	(358)
	(29,398)	(43,278)
NET (LOSS)/PROFIT BEFORE FINANCE COST AND TAXATION	(606,760)	336,275
FINANCE COST (EXCLUDING INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)		
Distributions	(44,401)	(99,338)
NET (LOSS)/PROFIT BEFORE TAXATION	(651,161)	236,937
Taxation	-	-
(DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	(651,161)	236,937
(Decrease)/increase in net asset attributable to unitholders is made up of the following:		
Realised amount	(1,642,485)	235,465
Unrealised amount	991,324	1,472
	(651,161)	236,937

AFFIN HWANG WORLD SERIES - ASIAN HIGH YIELD FUND

STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2022

	2022	2021
	USD	USD
ASSETS		
Cash and cash equivalents	214,675	279,948
Amount due from broker	-	142,073
Amount due from Manager		
- creation of units	-	155,924
- management fee rebate receivable	11,898	13,125
Dividend receivable	-	45,613
Financial assets at fair value through profit or loss	6,937,601	9,173,356
Forward foreign currency contracts at fair value through profit or loss	21,329	41,885
TOTAL ASSETS	7,185,503	9,851,924
LIABILITIES		
Forward foreign currency contracts at fair value through profit or loss	12,152	6,766
Amount due to broker	-	142,063
Amount due to Manager		
- management fee	8,474	10,813
- cancellation of units	9,608	49,108
Amount due to Trustee	170	216
Auditors' remuneration	454	775
Tax agent's fee	1,031	302
Other payables and accruals	115	84
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	32,004	210,127
NET ASSET VALUE OF THE FUND	7,153,499	9,641,797
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	7,153,499	9,641,797

AFFIN HWANG WORLD SERIES - ASIAN HIGH YIELD FUND

STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2022 (CONTINUED)

	2022 USD	2021 USD
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS		
- AUD Hedged-class	564,204	983,199
- MYR Hedged-class	5,612,401	7,575,930
- SGD Hedged-class	405,568	430,587
- USD Class	571,326	652,081
	7,153,499	9,641,797
NUMBER OF UNITS IN CIRCULATION		
- AUD Hedged-class	2,039,000	2,439,000
- MYR Hedged-class	60,178,000	59,943,000
- SGD Hedged-class	1,436,000	1,126,000
- USD Class	1,481,000	1,279,000
	65,134,000	64,787,000
NET ASSET VALUE PER UNIT (USD)		
- AUD Hedged-class	0.2767	0.4031
- MYR Hedged-class	0.0933	0.1264
- SGD Hedged-class	0.2824	0.3824
- USD Class	0.3858	0.5098
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- AUD Hedged-class	AUD0.3843	AUD0.5143
- MYR Hedged-class	RM0.3916	RM0.5116
- SGD Hedged-class	SGD0.3838	SGD0.5073
- USD Class	USD0.3858	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 2022

	Financial period ended 28.2.2022 USD	Financial period ended 28.2.2021 USD
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	7,603,680	-
Movement due to units created and cancelled during the financial period		
Creation of units arising from applications	273,051	9,694,882
- AUD Hedged-class	18	1,051,635
- MYR Hedged-class	178,208	7,469,234
- SGD Hedged-class	94,685	435,752
- USD Class	140	738,261
Creation of units arising from distributions	42,242	96,220
- AUD Hedged-class	3,616	11,611
- MYR Hedged-class	32,908	74,651
- SGD Hedged-class	2,038	4,721
- USD Class	3,680	5,237
Cancellation of units	(114,313)	(386,242)
- AUD Hedged-class	(567)	(160,168)
- MYR Hedged-class	(113,746)	(116,995)
- SGD Hedged-class	-	(19,569)
- USD Class	-	(89,510)
(Decrease)/increase in net assets attributable to unitholders during the financial period	(651,161)	236,937
- AUD Hedged-class	(48,845)	80,121
- MYR Hedged-class	(512,647)	149,040
- SGD Hedged-class	(34,433)	9,683
- USD Class	(55,236)	(1,907)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	7,153,499	9,641,797

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