Affin Hwang World Series - China Growth Fund

Quarterly Report

28 February 2022

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

AFFIN HWANG
CAPITAL

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

TRUSTEE
HSBC (Malaysia) Trustee Berhad (1281-T)

AFFIN HWANG WORLD SERIES – CHINA GROWTH 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 – China Growth Fund
Fund Type	Growth
Fund Category	Feeder (Wholesale)
Investment Objective	The Fund seeks to achieve capital appreciation over medium to long term period through investments in China equities
Benchmark	MSCI China 10/40 Index
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 2022	As at 30 Nov 2021
Total NAV (million)	102.086	117.564
NAV per Unit (RM)	0.9808	1.1250
Unit in Circulation (million)	104.077	104.483

USD Class

Category	As at 28 Feb 2022	As at 30 Nov 2021
Total NAV (million)	9.957	11.161
NAV per Unit (USD)	0.5772	0.6613
Unit in Circulation (million)	17.249	16.877

MYR-Hedged Class

Category	As at 28 Feb 2022	As at 30 Nov 2021
Total NAV (million)	174.046	173.909
NAV per Unit (RM)	0.5838	0.6661
Unit in Circulation (million)	298.138	261.043

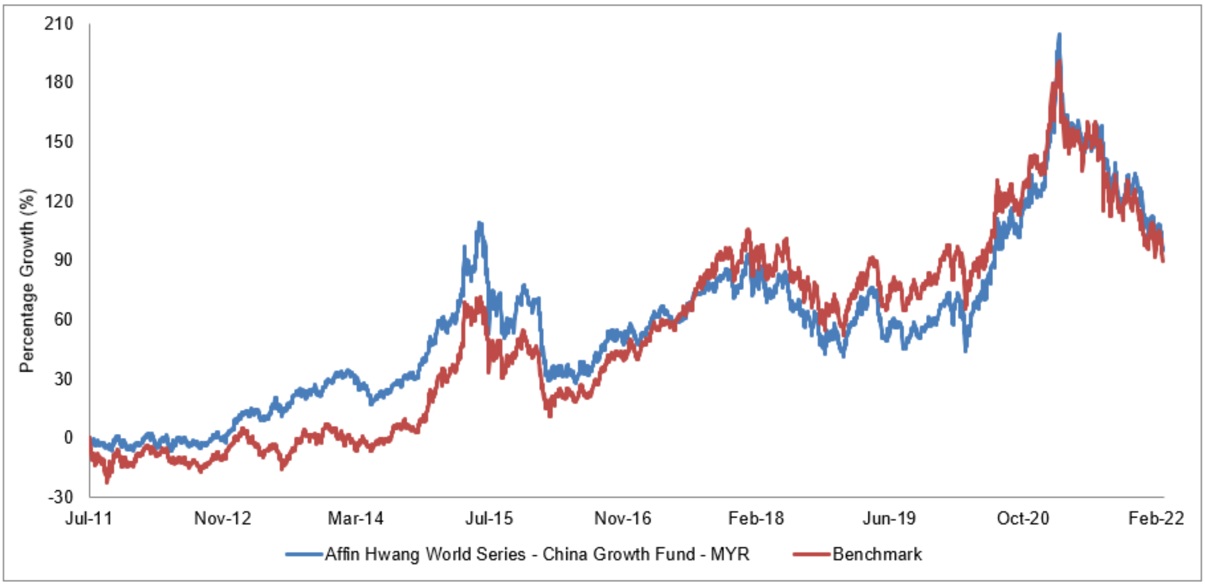
MYR Class

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)	3 Years (1/3/19 - 28/2/22)	5 Years (1/3/17 - 28/2/22)	Since Commencement (1/8/11 - 28/2/22)
Fund	**(12.82%)**	**(15.38%)**	**(25.65%)**	**18.57%**	**21.16%**	**96.16%**
Benchmark	**(10.22%)**	**(15.66%)**	**(27.08%)**	**7.01%**	**22.45%**	**90.01%**
Outperformance	**(2.60%)**	**0.28%**	**1.43%**	**11.56%**	**(1.29%)**	**6.15%**

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



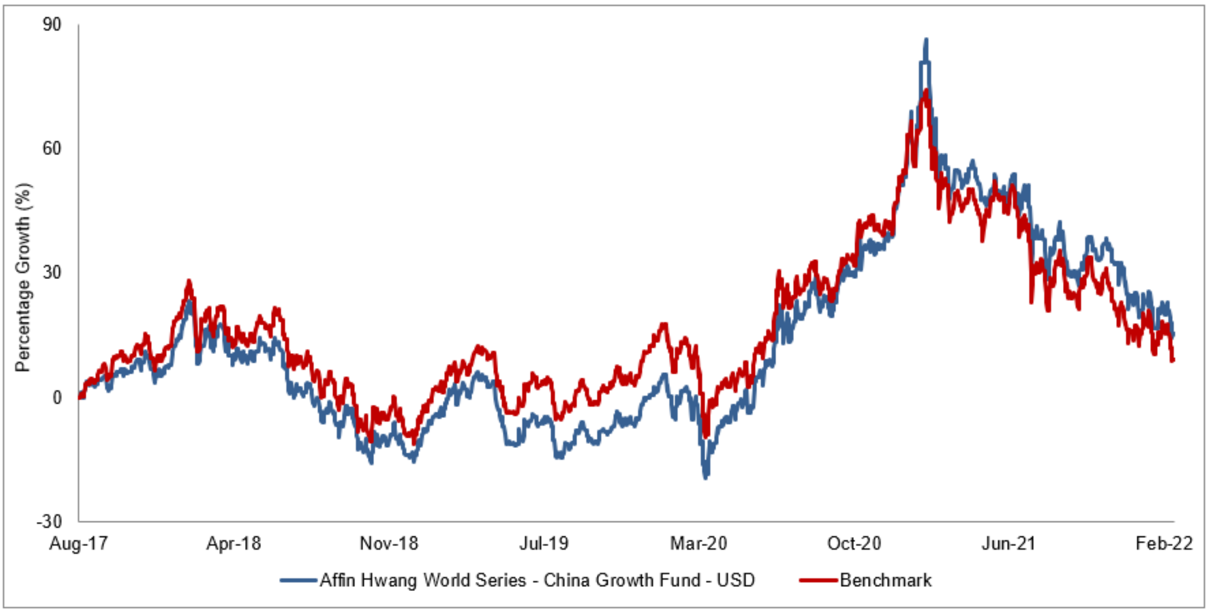
USD Class

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)	3 Years (1/3/19 - 28/2/22)	Since Commencement (15/8/17 - 28/2/22)
Fund	**(12.72%)**	**(16.26%)**	**(28.30%)**	**14.91%**	**15.44%**
Benchmark	**(9.95%)**	**(16.56%)**	**(29.68%)**	**3.62%**	**9.21%**
Outperformance	**(2.77%)**	**0.30%**	**1.38%**	**11.29%**	**6.23%**

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



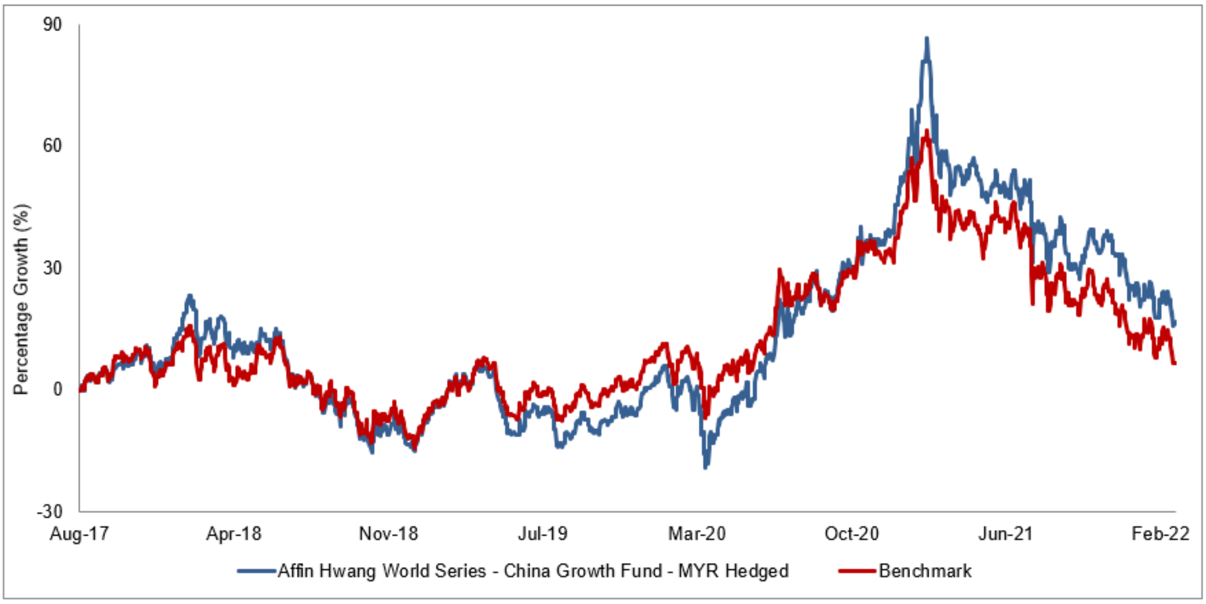
MYR Hedged-Class

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)	3 Years (1/3/19 - 28/2/22)	Since Commencement (15/8/17 - 28/2/22)
Fund	**(12.36%)**	**(15.62%)**	**(27.60%)**	**15.72%**	**16.76%**
Benchmark	**(10.22%)**	**(15.66%)**	**(27.08%)**	**7.01%**	**6.81%**
Outperformance	**(2.14%)**	**0.04%**	**(0.52%)**	**8.71%**	**9.95%**

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: MSCI China 10/40 Index

Past performance is not necessarily indicative of future performance and that Unit prices and investment returns may go down, as well as up.

<u>Asset Allocation</u>

Fund's asset mix during the period under review:

	28 February 2022 (%)
Unit Trust	96.45
Derivative	0.11
Cash & money market	3.44
Total	**100.00**

Strategies Employed

The BGF China Fund adopts a flexible style and has a focus on the structural change and reform in China. The portfolio seeks to capture full spectrum of opportunities for a changing China through access to full range of China-focused stocks. The structural reform focus offers dynamic opportunity to uncover reform beneficiaries and optimal investment themes in new and old economies.

Market Review

Global equities started 2021 on a strong note buoyed by policy easing and optimism surrounding global vaccination rollouts. However, the global recovery grew at an uneven pace as developed markets posted stronger gains compared to emerging markets.

Developed markets have managed to administer the vaccine at a quicker pace which led to a corresponding increase in mobility. The S&P 500 index pierced new highs in the year underpinned by a strong earnings rebound as businesses clambered to meet renewed demand.

However, the rally was tested by surging bond yields in the 1Q'2021 as well as the spectre of inflation that would spook investors for the rest of the year. Inflation vaulted strongly from a low-base effect as supply chain disruptions associated with the pandemic led to a sharp increase in input prices.

Markets were soothed initially by dovish comments from the US Federal Reserve which pledged to keep monetary policy accommodative. Fed Chair Jerome Powell held the view that inflation was transitionary and that supply-demand imbalances would begin to ease which would cool down inflation.

However with inflation proving stickier than expected, the Fed relented towards the end of year and pivoted towards a hawkish stance. At its policy meeting, the Fed signaled that it would start accelerating its tapering of bond purchases that would pave the way for 3 rate hikes in 2022.

Meanwhile in Asia, the broader MSCI Asia ex-Japan index ended the year down as the region reeled from the Delta variant that led to fresh lockdowns being imposed and a surge in hospitalization rates.

The region was also pulled down by weaker performance in China as authorities cast a wide regulatory dragnet which impacted a range of sectors including technology, education and e-commerce. This was part of a wider 'common prosperity' drive by Beijing to narrow the income gap and increase the political legitimacy of the Communist Party which celebrated its 100th anniversary in 2021.

On the domestic front, the local market mirrored regional losses with the benchmark KLCI closing lower in the year. A litany of concerns sent the stock market on a volatile path with fresh lockdowns, political instability as well as new taxes proposed under Budget 2022.

Markets were also jolted when the government announced a one-off prosperity tax (Cukai Makmur) during the tabling of Budget 2022 for companies that earned super profits. This quelled the initial optimism from economic reopening as earnings forecasts are pared down.

However, the government made U-turns on other tax measures proposed under Budget 2022 including reinstating the exemption of all types of foreign incomes for individuals from tax as well as stamp duty cap. Markets were concerned that these initial measures would dampen sentiment and reduce market vibrancy as well as velocity of trading. However, the local market saw support on the back of easing policy headwinds as investors also price-in better growth prospects.

Coming into February 2022, the FBM 100 index fell 5.1%, buoyed by plantation and commodity-related names which got a boost from the spike in commodities prices over the month. Corporate earnings saw consumer and plantation names beating estimates. As a reopening play, consumer stocks are benefitting from pent-up demand while plantation stocks benefitted from high CPO prices.

Investment Outlook

The Manager is Monitoring the COVID-19 situation in China which has deteriorated with record-high daily infections in multiple provincesIn response, the Chinese government has made clear that China will stick with its strict elimination policy towards COVID. In the Manager's view, from past experience and what recently happened in Shenzhen where the latest wave was also Omicron BA2, they believe China is able to contain the virus spikes within weeks despite the high transmissivity of the new variant. The 'Zero-COVID' policy would stay in the coming months, and the strict adherence will certainly bring short-term pain to the economy. However, over the long run, the Manager believes China needs an 'exit strategy' that is more sustainable and has less impact on economic activity. While the top medical experts suggested 'China needs to be ready' with enough of preparation such as boosting vaccination rate, we have started to see signs of adopting a more sustainable approach. These signals have reinforced the view that China needs an exit strategy in the long run to minimise economic impact and it is actively exploring and preparing for it. In the meantime, the Manager will continue monitoring COVID development in China as well as short-term impact on consumption and production.

The property market has been volatile lately. Concerns around defaults were revoked by developers like Sunac and Shimao delaying results, and weak sales in March hurt investors' confidence further. Meanwhile, the acceleration in housing relaxation policies in China may attract investors to dip their toes into property stocks again. In the Manager's view, the Chinese property market is going through a consolidation phase, growing market share and improving margins. Policy support is targeted towards healthy developers to maintain stability of the financial system. The Manager is are monitoring if more cities will announce easing policies to dispel market doubts on policy strength, major M&As and capital injection of troubled developers, and improving secondary market activities.

Regarding the de-listing of Chinese ADRs from the US stock exchanges, the latest development is encouraging to investors. The Chinese regulator has shown willingness to conform to US requirement - On Sunday, the China Securities and Regulatory Commission (CSRC) released revised draft rules for Chinese companies listed overseas in which the following has been deleted: "Onsite inspection should be led by Chinese regulatory body, or rely on results of inspection carried out by Chinese regulatory body." Policy direction of Chinese regulators seems to be turning more investor-friendly. The Manager is aware that a final agreement hasn't yet been made, so they will continue watching the development.

Overall, the Manager sees top-of-mind risks easing such as property hard-landing and ADR de-listing. All eyes are now on China's COVID situation. We believe the COVID risk should be short-lived but are watching for supportive policies from the Chinese government as well as its longer-term virus strategy.

AFFIN HWANG WORLD SERIES - CHINA GROWTH 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		
Interest income from financial assets at amortised cost	2,241	2,036
Net (loss)/gain on foreign currency exchange	(32,783)	17,589
Net (loss)/gain on forward foreign currency contracts at fair value through profit or loss	(365,775)	1,347,992
Net (loss)/gain on financial assets at fair value through profit or loss	(19,949,509)	19,791,290
	(20,345,826)	21,158,907
EXPENSES		
Management fee	(1,062,644)	(534,315)
Trustee fee	(29,544)	(14,952)
Auditors' remuneration	(1,452)	(1,387)
Tax agent's fee	(636)	(1,039)
Other expenses	(357)	(821)
	(1,094,633)	(552,514)
NET (LOSS)/PROFIT BEFORE TAXATION	(21,440,459)	20,606,393
Taxation	-	-
(DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	(21,440,459)	20,606,393
(Decrease)/increase of net asset attributable to unitholders is made up of the following:		
Realised amount	(1,353,785)	4,542,684
Unrealised amount	(20,086,674)	16,063,709
	(21,440,459)	20,606,393

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2022

	2022 USD	2021 USD
ASSETS		
Cash and cash equivalents	1,716,399	1,238,082
Amount due from broker	148,607	2,491,540
Amount due from Manager		
- creation of units	1,343,767	4,616,538
- management fee rebate receivable	43,224	35,019
Financial assets at fair value through profit or loss	73,063,365	63,179,042
Forward foreign currency contracts at fair value through profit or loss	157,894	311,976
TOTAL ASSETS	76,473,256	71,872,197
LIABILITIES		
Forward foreign currency contracts at fair value through profit or loss	75,971	37,665
Amount due to broker	147,648	6,420,519
Amount due to Manager		
- management fee	106,424	86,987
- cancellation of units	387,421	-
Amount due to Trustee	2,957	2,416
Auditors' remuneration	1,596	1,562
Tax agent's fee	614	996
Other payables and accruals	1,046	1,380
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	723,677	6,551,525
NET ASSET VALUE OF THE FUND	75,749,579	65,320,672
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	75,749,579	65,320,672

AFFIN HWANG WORLD SERIES - CHINA GROWTH FUND

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

	2022 USD	2021 USD
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS		
- MYR Class	24,323,661	21,586,805
- MYR-Hedged Class	41,469,237	33,184,444
- USD Class	9,956,681	10,549,423
	75,749,579	65,320,672
NUMBER OF UNITS IN CIRCULATION		
- MYR Class	104,077,000	66,230,000
- MYR-Hedged Class	298,138,000	166,613,000
- USD Class	17,249,000	13,105,000
	419,464,000	245,948,000
NET ASSET VALUE PER UNIT (USD)		
- MYR Class	0.2337	0.3259
- MYR-Hedged Class	0.1391	0.1992
- USD Class	0.5772	0.8050
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- MYR Class	RM0.9808	RM1.3191
- MYR-Hedged Class	RM0.5838	RM0.8063
- USD Class	USD0.5772	USD0.8050

STATEMENT OF CHANGES IN NET ASSETS 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	76,085,304	40,610,344
Movement due to units created and cancelled during the financial period		
Creation of units arising from applications	43,390,187	41,162,408
- MYR Class	22,600,528	13,701,747
- MYR-Hedged Class	17,864,344	19,932,387
- USD Class	2,925,315	7,528,274
Cancellation of units	(22,285,453)	(37,058,473)
- MYR Class	(17,303,895)	(14,627,932)
- MYR-Hedged Class	(3,826,189)	(17,511,330)
- USD Class	(1,155,369)	(4,919,211)
Net (decrease)/increase in net assets attributable to unitholders during the financial period	(21,440,459)	20,606,393
- MYR Class	(7,035,399)	7,671,655
- MYR-Hedged Class	(11,367,482)	10,497,738
- USD Class	(3,037,578)	2,437,000
NET ASSETS ATTRIBUTABLE TO UNITHOLDER AT THE END OF THE FINANCIAL PERIOD	75,749,579	65,320,672