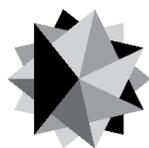


Affin Hwang

Flexible Maturity Income Fund 20

Quarterly Report
28 February 2022

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



AFFIN HWANG
CAPITAL

MANAGER
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AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

Quarterly Report and Financial Statements As at 28 February 2022

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang Flexible Maturity Income Fund 20
Fund Type	Income
Fund Category	Fixed Income (Wholesale)
Investment Objective	The Fund aims to provide income through investments in fixed income instruments
Duration of the Fund	Five (5) years
Termination Date	26 November 2025
Benchmark	5-years Malayan Banking Berhad fixed deposit rate as at Investment Date
Distribution Policy	Depending on the level of income the Fund generates, the Fund will provide distribution on an annual basis

FUND PERFORMANCE DATA

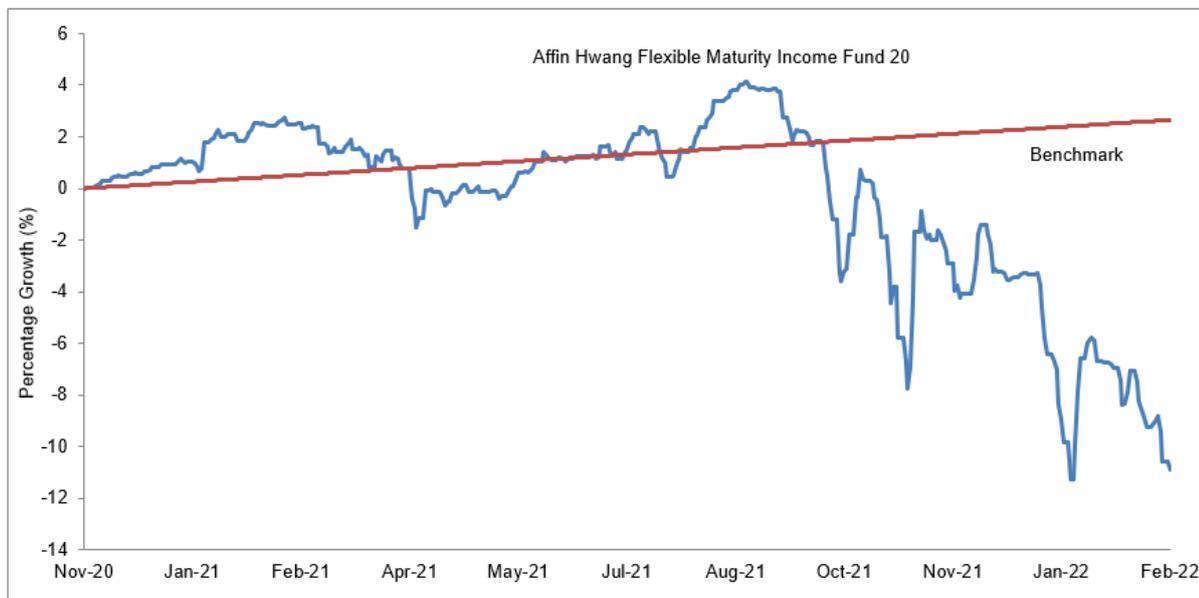
Category	As at 28 Feb 2022	As at 30 Nov 2021
Total NAV (RM'million)	62.359	67.365
NAV per Unit (RM)	0.8647	0.9341
Unit in Circulation (million)	72.116	72.116

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 (26/11/20 - 28/2/22)
Fund	(7.43%)	(14.35%)	(12.93%)	(10.88%)
Benchmark	0.51%	1.04%	2.10%	2.65%
Outperformance	(7.94%)	(15.39%)	(15.03%)	(13.53%)

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: 5-years Malayan Banking Berhad fixed deposit rate as at Investment Date

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
	(%)
Fixed Income	94.04
Derivative	0.01
Cash & money market	5.95
Total	100.00

Strategies Employed

Over the period under review, the Manager maintained a focus on high conviction credit names across both domestic and regional space. To date, the Fund's bond holdings have continued to meet their respective financial obligations in respect of their outstanding debt.

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 transitional 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

2022 is set to be a year of transition for markets as investors contend with normalization of growth rates and monetary policy tightening. We expect to see a lot of crosswinds and periods of transition especially with regards to policy.

Market environment is challenging given rising rates, slowing growth and waning earnings expectations. The key indicators of policies, growth and earnings have not inflected. That said, the positives are that valuations have become less excessive and sentiments have turned bearish.

Russia-Ukraine tension is also weighing on sentiments. However, history suggest that the market impact from geopolitical events tend to be short. Moving forward, we expect markets to shift the focus back to tighter monetary conditions and slowing growth.

While a total lockdown caused by the Omicron variant is not a base-case for now, there will probably be need to make adjustments as we go along. However, developments of new medical treatments such as oral pills can help in the fight against COVID. This would lay the planks for a more sustainable reopening of the economy once we have a complete medical arsenal that is effective against all known variants. There could also be room for the Fed to adjust policy should Omicron turn out to be more destructive than what the market anticipates.

After a wide regulatory dragnet was casted in 2021 by the Chinese government specifically on targeted sectors including education, technology, and e-commerce, recent policy signals by Beijing suggested that the worst of tightening cycle is over. We see the focus of policymakers shifting from that of regulatory tightening to now supporting growth as its economy wanes.

Back home, we believe that it will be a stock picker's market for local investors as Bursa languishes behind other regional peers. With foreign shareholding at an all-time low, much of the exuberance have faded especially on the back of a strong US dollar environment which makes emerging markets like Malaysia unattractive. Though, we view that domestic market will not be susceptible to sudden foreign outflows and that the direction of the market will be influenced more by local players that have grown massively in size and are looking for opportunities to deploy.

In terms of sector opportunities, we see banks as positive, benefit from a rising interest rate cycle as well as improvement in asset quality. Valuations of the sector is also attractive with banking stocks trading at a discount to its book value. Though seeing a lot of pressure now due to ESG headwinds especially pertaining to the welfare of foreign workers, technology and exporters are another key segment that could see potential upside underpinned by strong earnings visibility driven by secular growth trends such as 5G, electric vehicles (EV) and solar energy.

Against a volatile backdrop, we are cautiously positioned for 2022. On inflection points, we see retreating inflation, a less hawkish Fed policy, and subside Russia-Ukraine tension as potential turnarounds for the market to improve.

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

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

	Financial period ended <u>28.2.2022</u> RM	Financial period ended <u>28.2.2021</u> RM
INVESTMENT (LOSS)/INCOME		
Interest income from financial assets at amortised cost	3,063	60,066
Interest income from financial assets at fair value through profit or loss	837,209	717,335
Net gain/(loss) on foreign currency exchange	10,673	(113,521)
Net gain on forward foreign currency contracts at fair value through profit or loss	1,002,508	469,953
Net (loss)/gain on financial assets at fair value through profit or loss	(6,793,607)	628,276
	<u>(4,940,154)</u>	<u>1,762,109</u>
EXPENSES		
Management fee	(32,419)	(39,442)
Trustee fee	(6,484)	(8,482)
Fund accounting fee	(3,250)	(2,167)
Auditors' remuneration	(2,051)	(2,054)
Tax agent's fee	(897)	(899)
Other expenses	(5,985)	(4,959)
	<u>(51,086)</u>	<u>(58,003)</u>
NET (LOSS)/PROFIT BEFORE TAXATION	(4,991,240)	1,704,106
Taxation	(14,544)	-
NET (LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL PERIOD	<u>(5,005,784)</u>	<u>1,704,106</u>
Net (loss)/profit after taxation is made up of the following:		
Realised amount	978,698	702,908
Unrealised amount	(5,984,482)	1,001,198
	<u>(5,005,784)</u>	<u>1,704,106</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2022

	<u>2022</u> RM	<u>2021</u> RM
ASSETS		
Cash and cash equivalents	2,768,723	2,681,719
Financial assets at fair value through profit or loss	59,617,220	70,985,977
Forward foreign currency contracts at fair value through profit or loss	110,384	476,910
TOTAL ASSETS	<u>62,496,327</u>	<u>74,144,606</u>
LIABILITIES		
Forward foreign currency contracts at fair value through profit or loss	103,088	6,957
Amount due to Manager - management fee	9,839	11,382
Amount due to Trustee	1,968	2,276
Auditors' remuneration	2,051	2,054
Tax agent's fee	4,397	899
Tax payable	14,544	-
Other payables and accruals	1,126	(68)
TOTAL LIABILITIES	<u>137,013</u>	<u>23,500</u>
NET ASSET VALUE OF THE FUND	<u>62,359,314</u>	<u>74,121,106</u>
EQUITY		
Unitholders' capital	72,112,410	72,417,000
(Accumulated losses)/retained earnings	(9,753,096)	1,704,106
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>62,359,314</u>	<u>74,121,106</u>
NUMBER OF UNITS IN CIRCULATION	<u>72,116,000</u>	<u>72,417,000</u>
NET ASSET VALUE PER UNIT (RM)	<u>0.8647</u>	<u>1.0235</u>

AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 20

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2022

	Unitholders' <u>capital</u> RM	(Accumulated losses)/ retained <u>earnings</u> RM	<u>Total</u> RM
Balance as at 1 December 2021	72,112,410	(4,747,312)	67,365,098
Total comprehensive loss for the financial period	-	(5,005,784)	(5,005,784)
Balance as at 28 February 2022	<u>72,112,410</u>	<u>(9,753,096)</u>	<u>62,359,314</u>
Balance as at 28 October 2020 (date of launch)	-	-	-
Total comprehensive income for the financial period	-	1,704,106	1,704,106
Movement in unitholders' capital:			
Creation of units arising from applications	<u>72,417,000</u>	-	<u>72,417,000</u>
Balance as at 28 February 2021	<u>72,417,000</u>	<u>1,704,106</u>	<u>74,121,106</u>

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