QUARTERLY REPORT
29 February 2024

AHAM **Flexible Maturity Income Fund 16**

MANAGER
AHAM Asset Management Berhad
199701014290 (429786-T)

TRUSTEE
TMF Trustees Malaysia Berhad
(200301008392 [610812-W])

Built On Trust

aham.com.my

AHAM FLEXIBLE MATURITY INCOME FUND 16

Quarterly Report and Financial Statements
As at 29 February 2024

Contents	Page

FUND INFORMATION

Fund Name	AHAM Flexible Maturity Income Fund 16
Fund Type	Income
Fund Category	Fixed Income (Wholesale)
Investment Objective	The Fund aims to provide income through investments in fixed income instruments
Benchmark	5-year Malayan Banking Berhad fixed deposit rate
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 29 Feb 2024**	**As at 30 Nov 2023**
Total NAV (RM'million)	145.959	144.623
NAV per Unit (RM)	0.8669	0.8526
Unit in Circulation (million)	168.379	169.616

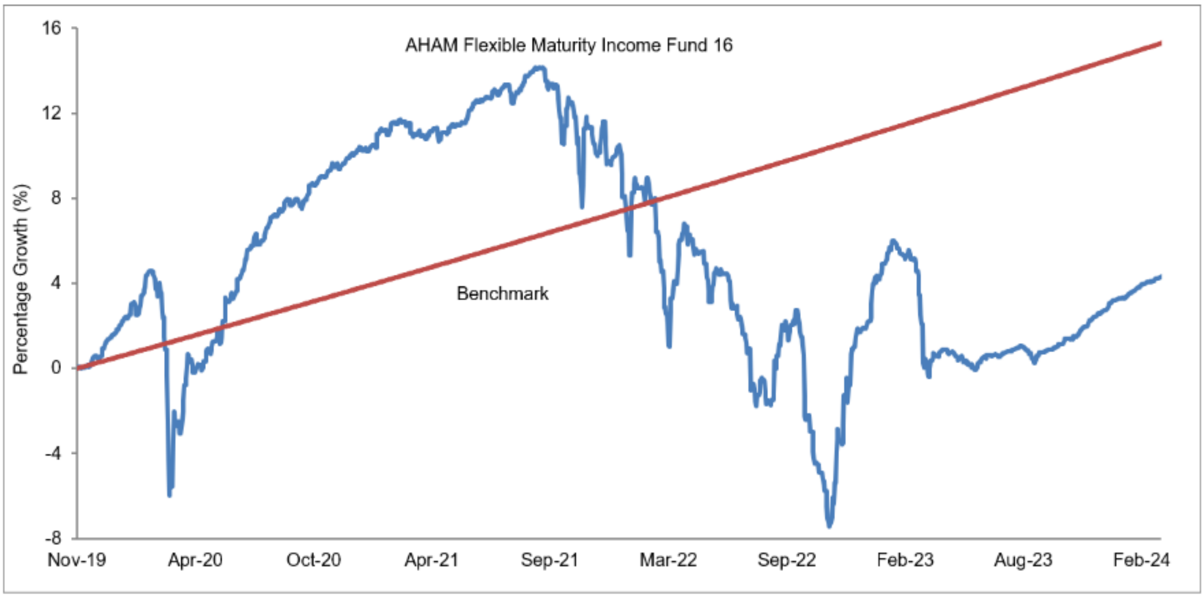
Fund Performance

Performance as at 29 February 2024

	3 Months (1/12/23 - 29/2/24)	6 Months (1/9/23 - 29/2/24)	1 Year (1/3/23 - 29/2/24)	3 Years (1/3/21 - 29/2/24)	Since Commencement (7/11/19 - 29/2/24)
Fund	1.68%	3.88%	(1.04%)	(6.42%)	4.31%
Benchmark	0.82%	1.66%	3.36%	10.40%	15.29%
Outperformance	0.86%	2.22%	(4.40%)	(16.82%)	(10.98%)

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



"This information is prepared by AHAM Asset Management Berhad 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:

	29 February 2024
	(%)
Fixed Income	98.30
Derivative	-4.93
Cash & money market	6.63
Total	100.00

Strategies Employed

The Manager have implemented several key measures to enhance the risk profile and resilience of the Funds in response to prevailing market conditions. One of the pivotal decisions was the complete exit from China property bonds. This was premised on the liquidity and credit challenges faced by China property developers. Persistently weak property sales, coupled with government policies that have not fully addressed underlying issues, led the Manager to believe that these challenges were unlikely to be swiftly resolved. Furthermore, the decision of many issuers to prioritize onshore bonds over offshore bonds signalled prolonged and uncertain timelines for the restructuring of defaulted bonds, with anticipated low recovery values, if any.

At the inception of the Fund, it had approximately 17% exposure to China property bonds. The Manager took proactive measures starting from 2022, actively reducing holdings in the China property sector. By 2023, a strategic decision was made to exit entirely from China property bonds. Crucially, strategic divestments were made, including the complete exit from core holdings such as Country Garden and CIFI Holdings in the first half of 2023. These decisions were made during a period of relatively favourable market sentiment and was completed by July 2023. Presently, the Fund has no position in China property bonds.

Secondly, the Manager has further overweight Investment Grade (IG) bonds for the Fund. By favouring IG assets over High Yield (HY) instruments, it aligns the portfolio with a more conservative risk profile. The Manager have also prudently reduced the portfolio duration of the Fund to mitigate the impact of rising rates on the Fund's performance. The Fund's duration closely matched the Funds' maturities.

Furthermore, exposure to domestic Ringgit bonds have also been increased over 2023. This shift reflects a preference for more defensive assets as the Ringgit bond market is less volatile (also less rate hikes by BNM). Besides diversifying bond holdings and focusing on stability, this also mitigates some of the impact of the foreign sourced income tax (FSI) imposed on the Fund in 2022 and 2023. We note that FSI have been exempted from 1 January 2024.

The Flexible Maturity Income Fund series have historically employed a more passive buy and hold to maturity strategy. The Manager would invest in a portfolio of bond with maturities that closely match the respective funds and monitor the credit fundamentals of these issuers throughout the life of the funds. However, given the heightened volatility and unprecedented rate hikes, the Manager has taken a more active style of investing, including progressively rebalancing the portfolios and focus on trading in new and existing issuances to improve the return potential.

Market Review

The bond market has experienced a material improvement in performance especially in the 4th quarter of 2023. As a recap, the global fixed income market have been presented with unprecedented challenges over the past 3 years. The aftermath of the Covid-19 pandemic, coupled with supply chain disruptions and geopolitical events, sparked a period of high inflation and robust global growth. In response, central banks globally adopted an aggressive stance, leading to one of the most severe interest rate hike cycles in history. The US Federal Reserve, for instance, raised interest rates by over 500 basis points (bps) from March 2022. Moreover, central banks started Quantitative Tightening, reining in their balance sheets. These measures triggered market adjustments, causing bond prices to decline, and resulting in mark-to-market losses on portfolio holdings Since January 2020, US Treasuries witnessed a negative return of -5.44%, while global Investment Grade bonds experienced a return of -10.28%.* On a positive note, the Fed has stopped raising interest rates at least over the past 5 consecutive meetings. Some notable key economic developments contributing to this was the gradual softening in the US labour market coupled with lower inflationary data.

In the Asian credit landscape, the default crisis among China's property developers proved especially impactful. Majority of private developers defaulted on their bonds obligations, including offshore bonds. What initially began with Evergrande's default spread rapidly, affecting even high-quality developers. This situation led to a significant risk-off sentiment and widespread credit spread widening, not only in the High Yield sector but also among Investment Grade names in the same industry. Since January 2020, USD Asian High Yield bonds recorded a return of -15.33%*. Over the reporting period, overall home sales data in China had remained soft as policy easing measures in the China property space were insufficient to lift home-buyer sentiment.

Additionally, other challenges surfaced, such as the controversial write-off of Credit Suisse Additional Tier 1 (AT1) securities by the Swiss regulator, FINMA, in March 2023 where the Fund had an exposure to Credit Suisse AT1 securities at approximately 2.2% of the NAV. The write-off also had a spillover impact on the mark to market pricing of other AT1 securities in the market. Since then, we have seen a sizable recovery in prices of AT1s of banks globally previously affected by panic selling. Markets continued to believe that it was an isolated event. We remain of the view that fundamentals of global banks are generally in healthy shape and earnings results to date continue to support the case.

In Malaysia, Bank Negara Malaysia has continuously kept the Overnight Policy Rate unchanged at 3% since the last hike seen in May 2023, supported by the relatively benign inflation at around 2%. This has translated to relatively resilient local bond market yields over the period under review.

Lastly, the Malaysian Government implemented the foreign sourced income tax that was applicable in 2022 and 2023. As a transition measure, the foreign sourced income received in Malaysia from 1 January 2022 until 30 June 2022 was to be taxed at a 3% rate on a gross basis. The foreign sourced income received in Malaysia from 1 July 2022 till end 2023 was to be subject to tax based on the prevailing income tax rate. This foreign sourced income tax on coupon and interest received affected the Fund's performance. We highlight that FSI has been exempted from 1 January 2024 which is a removal of a headwind to the Fund's performance going forward.

These events highlight the extreme volatility and complexity of the global financial landscape during this period. Despite these challenges, we continue to adapt our strategies to navigate this environment to secure the best possible outcomes for our investors. Kindly refer to the Strategies Employed section on measures that have been taken to manoeuvre the portfolio holdings. Additionally, market sentiment for the corporate bond market has also improved since the 4th quarter of 2023 while the the outlook for investing in bonds has also turned more constructive. Kindly refer to the Investment Outlook section for further details.

* Source: Bloomberg (As of February 29, 2024)

Investment Outlook

The current global economic landscape presents both challenges and opportunities. Despite the turbulence in the bond market and the unexpected sluggishness in China's recovery, several potential positive catalysts are in sight over the few quarters.

Firstly, the Federal Reserve is nearing or at the the peak of its current rate hike cycle: As inflation trends move in a favourable direction and signs of a cooling labour market emerge, there is potential for stabilization in interest rates. There have been more central banks “pausing” in recent months notably Federal Reserve has paused since September. This stability could provide a more predictable environment for bond investments in the medium term. In addition, there is anticipation that central banks, including the Fed, might reduce interest rates if inflation and economic growth decelerates further in 2024, thus supporting bond valuations. This could be driven by geopolitical events or a sharp deterioration in economic and labour market conditions.

Secondly, valuations of bonds have turned more attractive. After the sharp rise of interest rates in the last 2-3 years, bonds are offering an attractive yield carry and may benefit from rate cuts in 2024-2025. The Fed Fund Rate today is at 5.5%. The Manager expects the short to medium part of yield curve to be more defensive against any potential yield curve steepening.

The main composition of the FXM series are corporate bonds diversified regionally and across sectors. We also note that there has been strong demand for corporate bonds as compared to the bond supply over recent months. These have been supportive of corporate bond credit spreads.

Finally, China's government is expected to unveil additional stimulus policies in the coming quarters to reignite economic growth. While the property sector remains a concern, improved growth prospects in China could enhance investor sentiment in the Asian region.

On the flipside, it is worth cautioning on some possible scenarios that may have adverse implications on bond investments. For example, one of the risks is reacceleration of inflation in 2024. This could be anchored by consumer spending if the labour market remains tight. There is also potential for sharp rise in commodity prices due to supply shortages. Besides that, there have been continued speculation that Japan could ‘exit’ from its yield curve control policies. Such event could translate to pressure on bond yields globally. On the geopolitical front, there are various conflicts that are unfolding and may have mixed implications for bonds. All these warrants closer monitoring and may require nimble adjustments to bond positioning.

The Manager would like to emphasize that the final performance upon the Funds’ maturity remain subject to various factors including market conditions. With the remaining tenure of the Fund, the Manager would continue to diligently monitor market dynamics, identify prudent investment opportunities, and employ risk management strategies with the aim of securing the best possible outcome for investors of the Fund.

AHAM FLEXIBLE MATURITY INCOME FUND 16
(FORMERLY KNOWN AS AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 29 FEBRUARY 2024

	Financial period ended 29.2.2024 RM	Financial period ended 28.2.2023 RM
INVESTMENT INCOME		
Interest income from financial assets at amortised cost	16,318	34,320
Interest income from financial assets at fair value through profit or loss	1,890,354	2,461,784
Net loss on foreign currency exchange	(935,908)	(80,227)
Net loss on forward foreign currency contracts at fair value through profit or loss	(1,457,635)	(1,273,152)
Net gain on financial assets at fair value through profit or loss	3,136,277	10,412,739
	2,649,406	11,555,464
EXPENSES		
Management fee	(72,294)	(81,245)
Trustee fee	(14,459)	(16,249)
Fund accounting fee	(3,250)	(4,333)
Auditors' remuneration	(2,039)	(2,051)
Tax agent's fee	(892)	(897)
Other expenses	(12,247)	(8,601)
	(105,181)	(113,376)
NET PROFIT BEFORE TAXATION	2,544,225	11,442,088
Taxation	(145,866)	(323,737)
NET PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	2,398,359	11,118,351

Net profit after taxation is made up of the following:

Realised amount	5,033,384	1,737,736
Unrealised amount	(2,635,025)	9,380,615
	2,398,359	11,118,351

AHAM FLEXIBLE MATURITY INCOME FUND 16
(FORMERLY KNOWN AS AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16)

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2024

	2024 RM	2023 RM
ASSETS		
Cash and cash equivalents	4,240,187	4,901,495
Amount due from dealer	3,099,679	1,678,962
Financial assets at fair value through profit or loss	145,786,142	161,529,036
Forward foreign currency contracts at fair value through profit or loss	31,001	416,174
Tax recoverable	64,312	-
TOTAL ASSETS	153,221,321	168,525,667
LIABILITIES		
Forward foreign currency contracts at fair value through profit or loss	7,224,999	486,785
Amount due to Manager		
- management fee	23,152	25,656
Amount due to Trustee	4,631	5,131
Fund accounting fee	1,083	1,084
Auditors' remuneration	2,039	10,051
Tax agent's fee	4,392	4,397
Tax payable	-	1,154,954
Other payables and accruals	1,630	1,571
TOTAL LIABILITIES	7,261,926	1,689,629
NET ASSET VALUE OF THE FUND	145,959,395	166,836,038
EQUITY		
Unitholders' capital	168,895,078	175,291,294
Accumulated losses	(22,935,683)	(8,455,256)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	145,959,395	166,836,038
NUMBER OF UNITS IN CIRCULATION	168,379,000	175,468,000
NET ASSET VALUE PER UNIT (RM)	0.8669	0.9508

AHAM FLEXIBLE MATURITY INCOME FUND 16
(FORMERLY KNOWN AS AFFIN HWANG FLEXIBLE MATURITY INCOME FUND 16)

UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 29 FEBRUARY 2024

	Unitholders' capital RM	(Accumulated losses)/ retained earnings RM	Total RM
Balance as at 1 December 2023	169,956,595	(25,334,042)	144,622,553
Total comprehensive income for the financial period	-	2,398,359	2,398,359
Movement in unitholders' capital:			
Cancellation of units	(1,061,517)	-	(1,061,517)
Balance as at 29 February 2024	168,895,078	(22,935,683)	145,959,395
Balance as at 1 December 2022	176,696,558	(19,573,607)	157,122,951
Total comprehensive income for the financial period	-	11,118,351	11,118,351
Movement in unitholders' capital:			
Cancellation of units	(1,405,264)	-	(1,405,264)
Balance as at 28 February 2023	175,291,294	(8,455,256)	166,836,038

AHAM Asset Management Berhad
Registration No: 199701014290 (429786-T)

Ground Floor, Menara Boustead, 69, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia.
Toll Free Number: 1800 88 7080 T: +603 2116 6000
aham.com.my