Affin Hwang World Series - Global Equity Fund

Quarterly Report

30 June 2020

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

AFFIN HWANG CAPITAL

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

TRUSTEE
Deutsche Trustees Malaysia Berhad (763590-H)

AFFIN HWANG WORLD SERIES – GLOBAL EQUITY FUND

Quarterly Report and Financial Statements
As at 30 June 2020

Contents	**Page**

QUARTERLY REPORT 2
STATEMENT OF COMPREHENSIVE INCOME 8
STATEMENT OF FINANCIAL POSITION 9
STATEMENT OF CHANGES IN NET ASSETS 11

QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang World Series – Global Equity Fund
Fund Type	Growth
Fund Category	Equity feeder (wholesale)
Investment Objective	The Fund aims to achieve medium to long-term capital appreciation
Distribution Policy	The Fund is not expected to make distribution. However, incidental distribution may be declared whenever appropriate.
Benchmark	MSCI AC World Index

FUND PERFORMANCE DATA

MYR Class

Category	As at 30 Jun 2020	As at 31 Mar 2020
Total NAV (million)	79.945	64.002
NAV per Unit (RM)	0.7449	0.6274
Unit in Circulation (million)	107.319	102.020

SGD Class

Category	As at 30 Jun 2020	As at 31 Mar 2020
Total NAV (million)	2.666	1.874
NAV per Unit (SGD)	0.7233	0.6178
Unit in Circulation (million)	3.686	3.034

USD Class

Category	As at 30 Jun 2020	As at 31 Mar 2020
Total NAV (million)	17.590	14.037
NAV per Unit (USD)	0.7322	0.6119
Unit in Circulation (million)	24.023	22.942

MYR Class

Table 1: Performance as at 30 June 2020

Fund	3 Months (1/4/20 - 30/6/20)	6 Months (1/1/20 - 30/6/20)	1 Year (1/7/19 - 30/6/20)	3 Years (1/7/17 - 30/6/20)	Since Commencement (14/12/15 - 30/6/20)
Fund	**18.73%**	**4.42%**	**9.08%**	**31.01%**	**48.98%**
Benchmark	**18.36%**	**(1.81%)**	**5.75%**	**15.97%**	**34.45%**
Outperformance / (Underperformance)	**0.37%**	**6.23%**	**3.33%**	**15.04%**	**14.53%**

Figure 1: Movement of the Fund versus the Benchmark

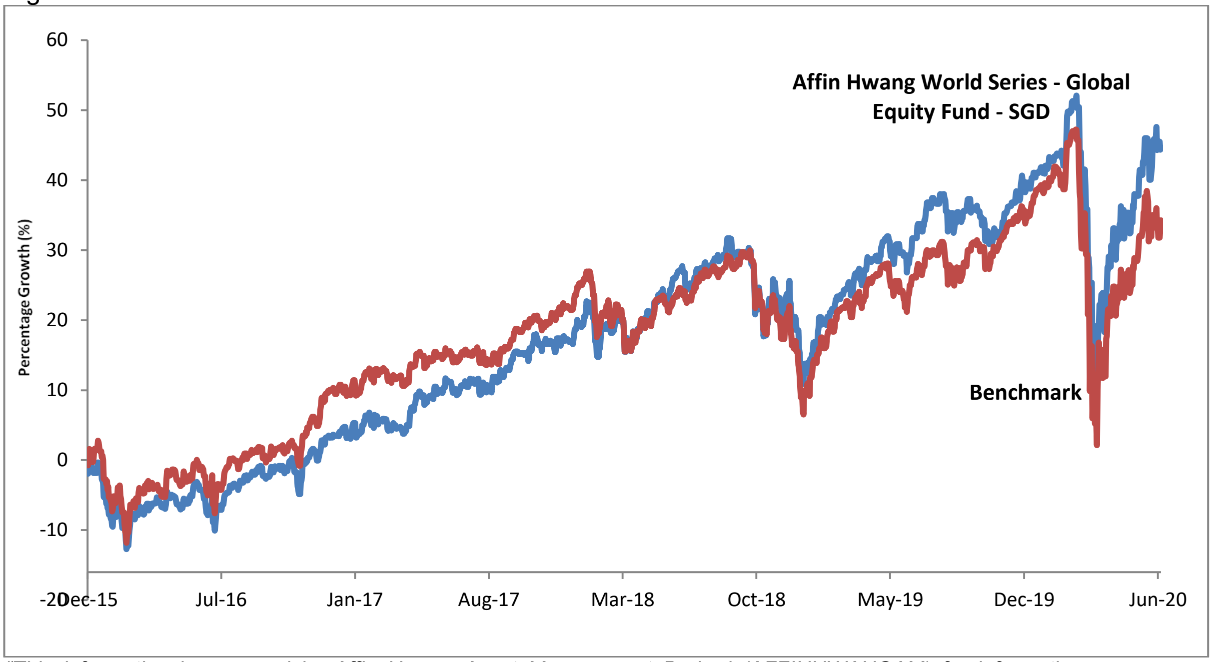
"This information is prepared by Affin Hwang Asset Management Berhad (AFFINHWANGAM) for information purposes only. Past earnings or the fund's distribution record is not a guarantee or reflection of the fund's future earnings/future distributions. Investors are advised that unit prices, distributions payable and investment returns may go down as well as up."
Benchmark: MSCI AC World Index

SGD Class

Table 1: Performance as at 30 June 2020

	3 Months (1/4/20 - 30/6/20)	6 Months (1/1/20 - 30/6/20)	1 Year (1/7/19 - 30/6/20)	3 Years (1/7/17 - 30/6/20)	Since Commencement (14/12/15 - 30/6/20)
Fund	**17.08%**	**2.57%**	**7.70%**	**31.94%**	**44.66%**
Benchmark	**16.71%**	**(2.81%)**	**5.16%**	**17.82%**	**34.28%**
Outperformance / (Underperformance)	**0.37%**	**5.38%**	**2.54%**	**14.12%**	**10.38%**

Figure 1: Movement of the Fund versus the Benchmark



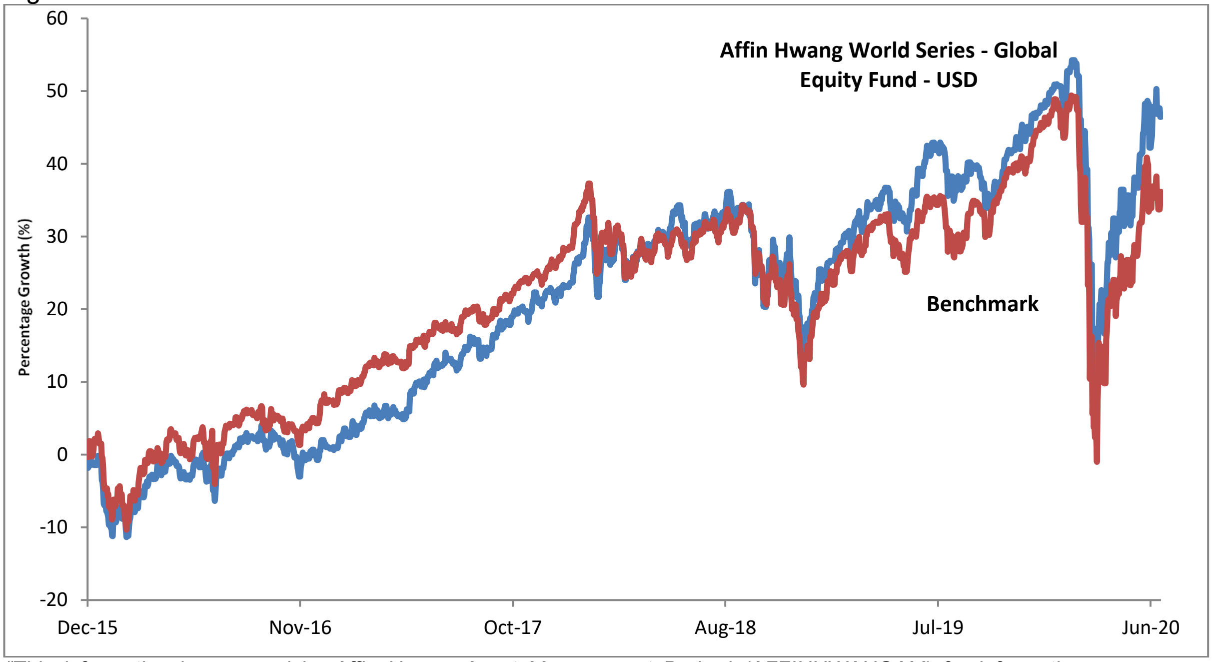
"This information is prepared by Affin Hwang Asset Management Berhad (AFFINHWANGAM) for information purposes only. Past earnings or the fund's distribution record is not a guarantee or reflection of the fund's future earnings/future distributions. Investors are advised that unit prices, distributions payable and investment returns may go down as well as up."
Benchmark: MSCI AC World Index

USD Class

Table 1: Performance as at 30 June 2020

	3 Months (1/4/20 - 30/6/20)	**6 Months (1/1/20 - 30/6/20)**	**1 Year (1/7/19 - 30/6/20)**	**3 Years (1/7/17 - 30/6/20)**	**Since Commencement (14/12/15 - 30/6/20)**
Fund	**19.66%**	**(1.09%)**	**4.35%**	**30.17%**	**46.44%**
Benchmark	**19.22%**	**(6.25%)**	**2.11%**	**16.35%**	**36.14%**
Outperformance / (Underperformance)	**0.44%**	**5.16%**	**2.24%**	**13.82%**	**10.30%**

Figure 1: 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."
Benchmark: MSCI AC World Index

Asset Allocation

Fund's asset mix during the period under review:

	30 June 2020
	(%)
Collective Investment Scheme	97.95
Cash & money market	2.05
Total	**100.00**

Strategies Employed

The team believes that companies with superior returns on capital over the long term will deliver better performance. The stocks that make it into a client's portfolio are what the team calls 'Future Quality'. Future Quality means a company which will attain and sustain high returns on investment. The team assesses companies to understand the quality of management, the quality of the company franchise, the quality of the balance sheet and the size of the valuation opportunity. The common feature of all Future Quality companies is that the growth in future cash flow, its sustainability and the level of returns to investors is not reflected in the share price today.

The Nikko Global Equity team are long-term investors and all of the companies in the portfolio are subject to detailed bottom-up analysis – incorporating full 5 year forecasts of their cash flows. The team typically holds between 40 and 50 stocks in the portfolio.

Market Review

Global equity markets climbed almost 20% in Q2 as equity investors continued to recoup March's steep losses. 2020 has already produced the fastest 30% drawdown in history, followed by the best month for 30 years. The forces that shaped both the panicky sell-off and the subsequent recovery remained firmly on investors' radars. The ongoing tussle between the coronavirus-inspired economic and public health crises on the one hand and the unprecedented policy response on the other showed no sign of being resolved this month.

Economic indicators have continued to show some improvement, albeit from depressed levels, as major economies including the US have started to re-open after their lockdowns. The subsequent surge in new infections in some US states, however, suggests that the balance between economic and public health remains a very challenging one, even for countries with relatively sophisticated testing infrastructure. Developing economies across the Americas and parts of South Asia are dealing with the pandemic without this assistance – making the task even more unenviable for their politicians and public health leaders.

Gold has continued to remain in favour as central banks have injected liquidity into the global financial system in an attempt to make sure that the current recession doesn't morph into anything more enduring. Debt deflation remains public enemy number one, given generally high levels of indebtedness but a burst of reasonably pronounced price inflation could also result from recent monetary easing if the pandemic's impact on consumers is less marked than expected. Gold is viewed as a hedge against both eventualities.

Information Technology was the best performing sector in the market this quarter, followed by Consumer Discretionary (helped by Amazon) and valuations for these growth leaders have continued to re-rate higher. The Materials sector has also outperformed, as some industrial commodity prices have rebounded quickly, including copper. Not all economically sensitive sectors fared well though, with Industrials failing to keep up with the rally and Financials significantly underperforming the market, as Central Bank actions continue to flatten yield curves, handicapping the sector's earning power. Market leadership has narrowed as the quarter unfolded, following a period of more broad-based strength, in April.

Defensive sectors have all underperformed. Utilities and Consumer staples have been the weakest performers in Q2 but Real Estate and Healthcare also underperformed. Healthcare started the quarter reasonably well but underperformed in June as the spectre of US political risk rose again. November's presidential election is drawing closer and opinion polls in recent weeks have shown a notable shift towards Democratic candidate Joe Biden. Although his stated policies are nowhere near as radical as some of his unsuccessful rivals for the nomination, investors remained concerned that some parts of the sector would see increased political pressure. This was especially true for Managed Care Organisations.

Another sign of a receding bid for safety came in the form of the USD, which continued to depreciate against other currencies, having appreciated sharply at the start of the coronavirus-inspired crash in markets. Emerging Market equities felt the benefit of this. The US was still the best performing major region over the whole period, however, helped by its leadership in Global technology. By contrast, the UK underperformed significantly and Japan also failed to keep up with the benchmark.

Investment Outlook

Equity investors have continued to gradually re-emerge from the caves that they were sheltering in at the end of March. A measure of confidence has been created by a sound that has become very familiar in recent years – that is the sound of printing presses, as central banks around the world create abundant liquidity. It seems that these measures have succeeded to some extent (credit spreads continue to normalise and consumer and business confidence levels have ticked higher). As a result, the Manager have probably seen the worst of the short-term impacts of the coronavirus and the associated economic shutdowns. What is less clear, however, is how quickly economic growth will return to normal.

The quarterly reporting season is almost upon us again. With macroeconomics and geopolitics looking as confusing as ever and the coronavirus continuing to add another layer of uncertainty, investors will be particularly keen to hear from company management teams. The Manager suspect, however, that the upcoming management reports will not shed much light. Not long ago it seemed likely that a lot of companies would be able to present dreadful calendar Q2 numbers, accompanied by confident statements that the Manager have seen the worst. Whilst Chinese economic data has continued to improve steadily, the jump in new cases as some US states started to ease their lockdowns has probably given some pause for thought.

To some extent 2020 is already being treated as a lost year for corporate earnings. If the resurgence in cases means that some of the social distancing measures introduced to slow the spread drag into next year, then we are likely to see another round of earnings downgrades – particularly for services companies. With valuations having moved higher in recent months, helped by monetary policy, this could provide a challenge for further market gains in the second half of this year.

The Manager do remain constructive on a medium-term view – particularly for companies that have managed to keep investing in innovation throughout recent, challenging times. Even amongst these companies, however, the need for careful selectivity remains. Whatever historical precedent you prefer – whether it be the 'nifty-fifty' of the early 1970's or the Tech Boom of the late 1990's – valuations are nearing levels that have warranted caution in the past. This is particularly true of the Information Technology sector but the price paid for innovation is high across the market. The Manager remain particularly watchful where these valuations are not supported by cash flow generation.

It is likely that there will be a re-evaluation of some of today's apparent truths at some stage. It remains unclear what this will be, however, and the nature of the (likely macroeconomic) shock that causes this reassessment but also how it will dictate market leadership at that point. The coronavirus looks as likely a source of this resolution as any in the near-term. If one of the hundred plus vaccines currently in clinical development are demonstrated to be effective as well as safe and the new normal looks a lot like the old normal (just with a lot more liquidity in the system), then returning consumer spending and inflation could necessitate rising interest rates. This would likely nudge higher the historically low discount rates that support the frothiest parts of the market, favouring more cyclical companies. If, on the other hand, these vaccines fail to confer a lasting immunity to the virus and social distancing continues to severely handicap employment and growth, recent gains in equity markets could be reversed and defensive sectors could reassert their leadership.

Whichever of these two paths that the Manager might eventually be forced to follow, the Manager are confident that the core characteristics of 'Future Quality' will be a useful guide.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Financial period ended 30.6.2020 USD	Financial period ended 30.06.2019 (restated) USD
INVESTMENT INCOME		
Interest income from financial assets at amortised cost	4,445	2,247
Net gain on foreign currency exchange	154,997	41,380
Net gain on financial assets at fair value through profit or loss	1,221,141	1,084,910
	1,380,583	1,128,537
EXPENSES		
Management fee	(433,932)	(272,259)
Trustee fee	(14,532)	(9,076)
Auditors' remuneration	(2,041)	(1,373)
Tax agent's fee	(642)	(641)
Other expenses	(2,743)	(2,500)
	(453,890)	(285,849)
NET PROFIT BEFORE TAXATION	926,693	842,688
TAXATION	-	-
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDER	926,693	842,688
Increase in net assets attributable to unitholders is made up of the following:		
Realised amount	4,652,659	699,264
Unrealised amount	(3,725,966)	143,424
	926,693	842,688

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	2020 USD	2019 (restated) USD
ASSETS		
Cash and cash equivalents	841,230	607,947
Financial assets at fair value through profit or loss	37,379,040	24,847,003
Amount due from Manager		
- creation of units	6,778	22,488
- management fee rebate receivable	37,698	24,709
TOTAL ASSETS	38,264,746	25,502,147
LIABILITIES		
Amount due to Manager		
- management fee	55,756	36,592
- cancellation of units	41,295	-
Amount due to Trustee	1,858	1,220
Auditors' remuneration	1,375	1,373
Tax agent's fee	1,847	1,843
Other payables and accruals	2,754	2,727
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	104,885	43,755
NET ASSET VALUE OF THE FUND	38,159,861	25,458,392
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	38,159,861	25,458,392

AFFIN HWANG WORLD SERIES – GLOBAL EQUITY FUND

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020 (CONTINUED)

	2020 USD	2019 (restated) USD
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS		
- MYR Class	18,661,381	10,053,032
- USD Class	1,908,213	1,261,866
- SGD Class	17,590,267	14,143,494
	38,159,861	25,458,392
UNITS IN CIRCULATION		
- MYR Class	107,319,000	60,815,000
- USD Class	3,686,000	2,540,000
- SGD Class	24,023,000	20,157,000
	135,028,000	83,512,000
NET ASSET VALUE PER UNIT (USD)		
- MYR Class	0.1739	0.1653
- USD Class	0.5177	0.4968
- SGD Class	0.7322	0.7017
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- MYR Class	RM0.7449	RM0.6829
- USD Class	SGD0.7233	SGD0.6716
- USD Class	USD0.7322	USD0.7017

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Financial period ended 30.6.2020 USD	Financial period ended 30.6.2019 (restated) USD
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	25,796,628	25,770,695
Movement due to units created and cancelled during the financial period		
Creation of units arising from applications	24,211,490	12,437,980
- MYR Class	18,976,460	5,115,023
- USD Class	814,570	484,430
- USD Class	4,420,460	6,838,527
Cancellation of units	(12,774,950)	(13,592,971)
- MYR Class	(10,517,033)	(6,763,442)
- USD Class	(223,003)	(345,400)
- USD Class	(2,034,914)	(6,484,129)
Net increase in net assets attributable to unitholders during the financial period	926,693	842,688
- MYR Class	249,654	232,219
- USD Class	25,242	66,551
- USD Class	651,797	543,918
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	38,159,861	25,458,392

www.affinhwangam.com

Affin Hwang Asset Management Berhad
199701014290 (429786-T)