Affin Hwang World Series - Global Equity Fund

Quarterly Report
30 June 2021

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 2021

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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 2021	As at 31 Mar 2021
Total NAV (million)	235.944	151.498
NAV per Unit (RM)	1.0066	0.9405
Unit in Circulation (million)	234.391	161.078

SGD Class

Category	As at 30 Jun 2021	As at 31 Mar 2021
Total NAV (million)	4.900	3.821
NAV per Unit (SGD)	0.9709	0.9083
Unit in Circulation (million)	5.047	4.207

USD Class

Category	As at 30 Jun 2021	As at 31 Mar 2021
Total NAV (million)	26.386	23.808
NAV per Unit (USD)	1.0219	0.9559
Unit in Circulation (million)	25.821	24.905

Fund Performance

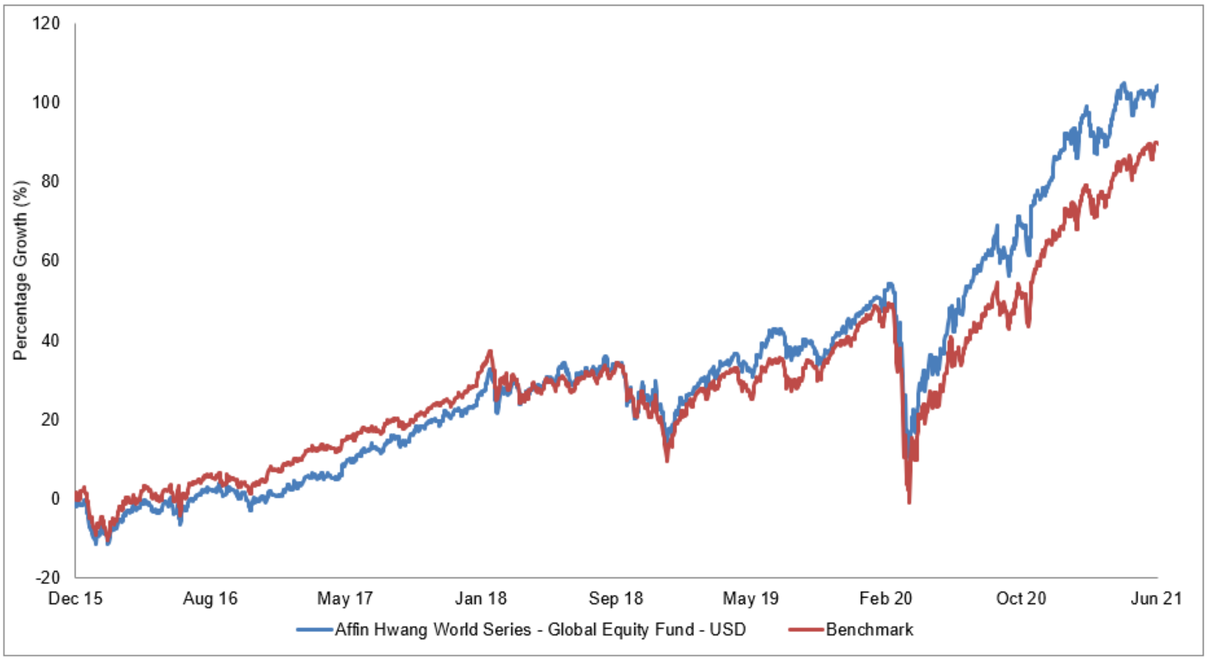
Performance as at 30 June 2021

USD Class

	3 Months (1/4/21 - 30/6/21)	6 Months (1/1/21 - 30/6/21)	1 Year (1/7/20 - 30/6/21)	3 Years (1/7/18 - 30/6/21)	5 Years (1/7/16 - 30/6/21)	Since Commencement (14/12/15 - 30/6/21)
Fund	6.90%	8.74%	39.57%	58.02%	110.05%	104.38%
Benchmark	7.39%	12.30%	39.26%	48.63%	87.83%	89.60%
Outperformance	(0.49%)	(3.56%)	0.31%	9.39%	22.22%	14.78%

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



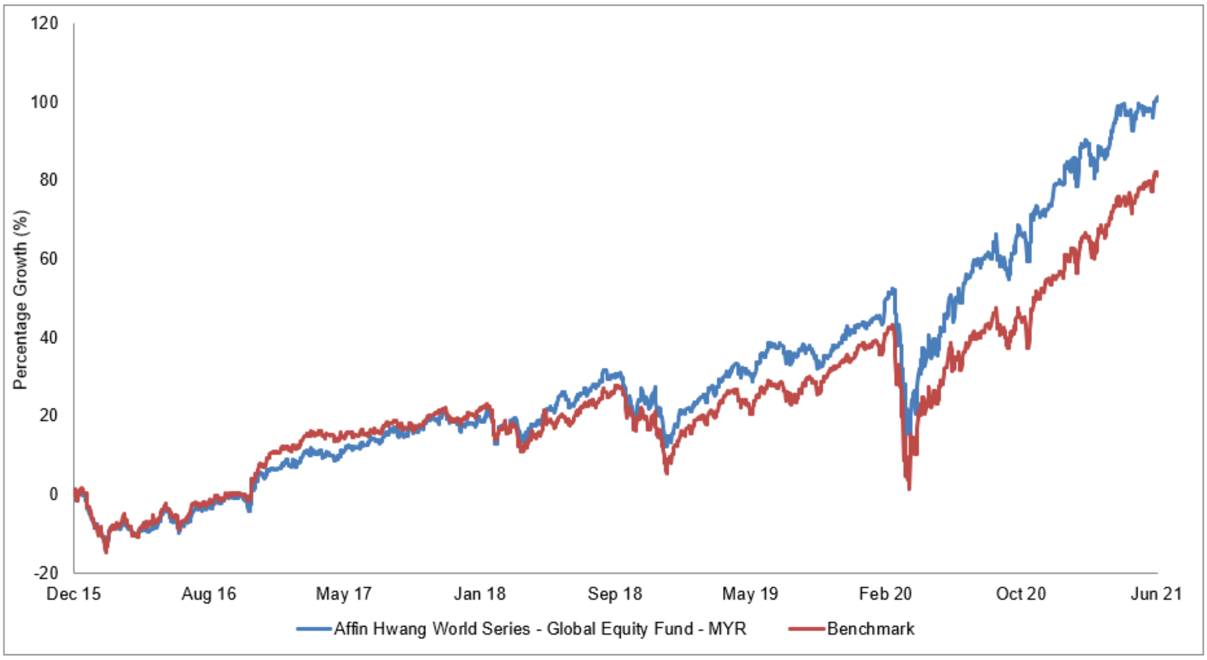
"This information is prepared by Affin Hwang Asset Management Berhad (AFFINHWANGAM) for information purposes only. Past earnings or the fund's distribution record is not a guarantee or reflection of the fund's future earnings/future distributions. Investors are advised that unit prices, distributions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

MYR Class

	3 Months (1/4/21 - 30/6/21)	6 Months (1/1/21 - 30/6/21)	1 Year (1/7/20 - 30/6/21)	3 Years (1/7/18 - 30/6/21)	5 Years (1/7/16 - 30/6/21)	Since Commencement (14/12/15 - 30/6/21)
Fund	7.03%	12.24%	35.13%	63.65%	118.16%	101.32%
Benchmark	7.48%	15.91%	34.88%	52.97%	95.23%	81.34%
Outperformance	(0.45%)	(3.67%)	0.25%	10.68%	22.93%	19.98%

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark



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Benchmark: MSCI AC World Index

SGD Class

	3 Months (1/4/21 - 30/6/21)	6 Months (1/1/21 - 30/6/21)	1 Year (1/7/20 - 30/6/21)	3 Years (1/7/18 - 30/6/21)	5 Years (1/7/16 - 30/6/21)	Since Commencement (14/12/15 - 30/6/21)
Fund	**6.89%**	**10.52%**	**34.23%**	**55.52%**	**108.93%**	**94.18%**
Benchmark	**7.52%**	**14.37%**	**34.43%**	**46.74%**	**87.34%**	**80.51%**
Outperformance	**(0.63%)**	**(3.85%)**	**(0.20%)**	**8.78%**	**21.59%**	**13.67%**

Source of Benchmark: Bloomberg

Movement of the Fund versus the Benchmark

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Benchmark: MSCI AC World Index

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:

	30 June 2021
	(%)
Unit Trust	96.97
Cash & money market	3.03
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

For the sixth straight month, global markets posted a positive return, albeit with ever decreasing magnitude. Investors do not have to look too far beneath the surface to see that there has been significant rotation between sectors and styles over the last quarter and indeed more aggressively in June. The second quarter mirrored the first – while markets continued to advance up, the initial outperformance of growth in Q1 was quickly reversed in the second half of the quarter, whereas in Q2, the value rally started to peter out in May and quickly reversed after the Fed meeting in June. Anticipating these shifts, driven by the maelstrom of COVID-19 and policy news, seems impossibly foolhardy when investing in quality companies that will compound returns over the coming decade that clients are after.

Despite high valuations and a flattening of the yield curve, growth stocks started to outperform from May onwards, and we partly benefited from this rotation, with the likes of **Hellofresh, Danaher, Bio-Techne & Adobe** among the top performers in June, driven by a combination of excellent results & corporate activity.

The rotation into growth was at the expense of cyclical areas of the market, perhaps suggesting that the easy money from the re-rating in cyclicals is now behind us. Federal Reserve commentary indicating inflation could be stronger than expected, a bounce in the US dollar and the realization that the 'Delta' variant is leading to an acceleration in COVID-19 cases across the world, all helped accelerate the profit taking in the cyclical cohort.

The most interesting consequence from the Federal Reserve's slightly more hawkish communique was the fall in yields and subsequently outperformance of the IT sector, which was easily the best performing sector in June. This led to the unusual combination of defensive sector Healthcare, the cyclical sector Energy and the uber growth darling of IT, all outperforming. Utilities was squarely left at the bottom of the performance league table, stressing the importance of maintaining beta close to 1 and the need for investors to be fully invested.
Negative real rates and incredibly low absolute rates allowed investors to ignore - in the short term at least – the importance of valuation support. In the longer term, it seems unlikely that the 'growth at any cost' playbook, so successful for the last decade, is the best approach for the next.

By and large, the portfolio kept up with the index over the quarter, the narrow underperformance a result of a number of one-off issues, such as, **Philips** announcing a voluntary recall for products in their sleep & respiratory care segment, **Tencent's** announcement to increase reinvestment rates in their video and gaming segments and regulators backtracking and trying to halt **Aon's** potential merger with Towers Watson. All were unwelcome surprises and led to a reduction in short term expectations for those stocks. On review of the above, we subsequently reduced the holding in **Aon**.

The Americas - Latam, US & Canada - were the best performing block over the quarter, with the US alone contributing almost two thirds of the total gain. Asia was one the worst performing regions, as the monetary tightening in China and increased cases of COVID-19 appear to be weighing down economic activity and stock returns.

Investment Outlook

Was the latest Federal Reserve meeting a bell-ringing turning point for the economy and the markets?

Equity investors reacted violently to the Federal Reserve's narrative, rotating into IT and growth stocks while selling most of the recent winners – with Energy being the exception. These are short term moves, though some of the largest following seven decades of Fed meetings. Investors clearly believe that the economy has become more rate sensitive over time, no doubt because the debt-to-GDP ratio has marched ever higher. The US housing cycle, typically the epicenter of rate sensitivity, however looks to be resilient, with record-low inventories, a 20-year high in the first-time buyer share of activity and still decent affordability.

The outlook for interest rates matters much more today than in the past because more than a third of the equity market's capitalization has been moving in sync with the bond market. That cohort includes all SPACs, the FAANG stocks and most of the growth segment. Is it possible that the high growth segment, with limited free cash flow generation or high return profile, might again lead the market higher? Today's starting point – a 60% PE premium to the market - is high, suggesting the odds are against them.

With such uncertainty, we believe the appropriate approach is to have a balanced portfolio. Future Quality investing, paying close attention to Valuation and Balance Sheet support, in addition to strong Franchise & Management qualities, provides that balance. The case for balance is strong, given the valuation starting point of the market and the many unknowns such as the sustainability of inflation. Much will be data dependent and making macro calls today may be foolhardy.

Fortunately, we are stock pickers. As uncertainty rises, we dig deeper into the stocks to find answers. There, we continue to find many companies gaining market share, sustainably raising prices and margins, or, companies that are restructuring and on a clear path to improving returns, regardless of the macro 'noise'. Future quality provides us with focus when some are losing theirs.

Our valuation discipline remains anchored largely on the one aspect of a company's financial performance that is the most difficult to produce via accounting creativity - that is cold, hard cashflow generation. More specifically, we want our companies to be able to generate their own investment firepower and be able to sustainably invest this cash, with a high likelihood that the investment will deliver a higher return, than the company is enjoying at the time of investment. These investments need to be able to stand the test of time and not see their value quickly undermined by either a tougher economic cycle, or by competitors making similar investments into identical products.

It is this latter point that keeps us underweight in the commodity sectors, though it would be fair to say that we are considering how long the current upcycle will last. Delivering on a future green economy will certainly be difficult, without first investing in a lot of copper and even oil. We remain believers that companies that solve today's key social & environmental problems, will have the opportunity to deliver strong returns for all stakeholders, including shareholders. Reducing the cost of healthcare provision remains a great example of this and is the core reason behind the long-term overweight in the Healthcare sector.

Where we find that share prices have become temporarily detached from our assessment of these cash flows, and the returns that management teams will be able to realise when investing them, we will continue to act. In recent months, we have continued to take profits in a number of compelling, long-term growth stocks, where we feel that their continued success is already reflected in today's share price – such as **Kingspan** and **Hellofresh** this month. We continue to find Future Quality opportunities and add to those whose share prices have been consolidating before, we believe, heading higher. In June this included **LHC Group** and **Carlisle Companies Inc**.

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

	Financial period ended 30.6.2021 USD	Financial period ended 30.6.2020 USD
INVESTMENT INCOME		
Interest income from financial assets at amortised cost	839	4,445
Net gain on foreign currency exchange	2,518	154,997
Net gain on financial assets at fair value through profit or loss	13,317,773	1,221,141
	13,321,130	1,380,583
EXPENSES		
Management fee	(832,957)	(433,932)
Trustee fee	(27,793)	(14,532)
Fund accounting fee	(6,522)	-
Auditors' remuneration	(1,442)	(2,041)
Tax agent's fee	-	(642)
Other expenses	(3,449)	(2,743)
	(872,163)	(453,890)
NET PROFIT BEFORE TAXATION	12,448,967	926,693
Taxation	-	-
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDER	12,448,967	926,693
Increase in net assets attributable to unitholders is made up of the following:		
Realised amount	(43)	4,652,659
Unrealised amount	12,449,010	(3,725,966)
	12,448,967	926,693

AFFIN HWANG WORLD SERIES – GLOBAL EQUITY FUND

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	2021 USD	2020 USD
ASSETS		
Cash and cash equivalents	2,864,825	841,230
Amount due from Manager		
- creation of units	510,977	6,778
- management fee rebate receivable	83,668	37,698
Financial assets at fair value through profit or loss	84,279,913	37,379,040
TOTAL ASSETS	87,739,383	38,264,746
LIABILITIES		
Amount due to broker	600,000	-
Amount due to Manager		
- management fee	125,078	55,756
- cancellation of units	90,317	41,295
Amount due to Trustee	4,169	1,858
Auditors' remuneration	1,442	1,375
Tax agent's fee	1,205	1,847
Other payables and accruals	3,081	2,754
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	825,292	104,885
NET ASSET VALUE OF THE FUND	86,914,091	38,159,861
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	86,914,091	38,159,861

AFFIN HWANG WORLD SERIES – GLOBAL EQUITY FUND

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021 (CONTINUED)

	2021 USD	2020 USD
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS		
- MYR Class	56,881,448	18,661,381
- SGD Class	3,646,373	1,908,213
- USD Class	26,386,270	17,590,267
	86,914,091	38,159,861
UNITS IN CIRCULATION		
- MYR Class	234,391,000	107,319,000
- SGD Class	5,047,000	3,686,000
- USD Class	25,821,000	24,023,000
	265,259,000	135,028,000
NET ASSET VALUE PER UNIT (USD)		
- MYR Class	0.2427	0.1739
- SGD Class	0.7225	0.5177
- USD Class	1.0219	0.7322
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- MYR Class	RM1.0066	RM0.7449
- SGD Class	SGD0.9709	SGD0.7233
- USD Class	USD1.0219	USD0.7322

AFFIN HWANG WORLD SERIES – GLOBAL EQUITY FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

	Financial period ended 30.6.2021 USD	Financial period ended 30.6.2020 USD
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	42,849,446	25,796,628
Movement due to units created and cancelled during the financial period		
Creation of units arising from applications	36,695,766	24,211,490
- MYR Class	32,706,605	18,976,460
- SGD Class	1,785,179	814,570
- USD Class	2,203,982	4,420,460
Cancellation of units	(5,080,088)	(12,774,950)
- MYR Class	(3,858,880)	(10,517,033)
- SGD Class	(876,346)	(223,003)
- USD Class	(344,862)	(2,034,914)
Net increase in net assets attributable to unitholders during the financial period	12,448,967	926,693
- MYR Class	6,767,085	249,654
- SGD Class	584,247	25,242
- USD Class	5,097,635	651,797
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	86,914,091	38,159,861

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